



GRAND HOTEL
ESTABLISHED 1891

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FINANCIAL HIGHLIGHTS FOR 2021/2022

Results of the year	Company			Group		
	2021/22	2020/21	% Change	2021/22	2020/21	% Change
Gross Revenue (Rs. '000)	562,941	236,092	138%	649,158	254,955	155%
Cost of Sales (Rs. '000)	(149,711)	(65,308)	129%	(162,387)	(70,849)	129%
Operating Profit/(loss) before Interest & tax (Rs. '000)	(60,387)	(230,673)	-74%	(58,357)	(271,857)	-79%
Finance Income (Rs. '000)	77,583	115,509	-33%	88,155	129,771	-32%
Finance Expense (Rs. '000)	(1,112)	(803)	38%	(1,858)	(1,286)	44%
Profit / (Loss) before tax (Rs. '000)	16,084	(115,967)	-114%	27,940	(143,372)	-119%
Income tax (expenses)/reversal (Rs. '000)	(12,798)	9,570	-234%	(18,212)	3,263	-658%
Profit / (Loss) after tax (Rs. '000)	3,285	(106,397)	-103%	9,728	(140,109)	-107%
Profit / (Loss) attributable to shareholders (Rs. '000)	3,285	(106,397)	-103%	9,728	(140,109)	-107%
Dividend paid (Rs. '000)	-	-	-	-	-	-
Financial Position at the end of the year						
Shareholder's funds (Stated Capital & Reserves) (Rs. '000)	4,777,333	4,470,753	7%	5,118,001	4,734,112	8%
Number of shares in issue	2,186,040	2,186,040	0%	2,186,040	2,186,040	0%
Total Assets (Rs. '000)	5,369,243	4,967,403	8%	5,796,825	5,304,561	10%
Total Debt (Rs. '000)	20,000	25,000	-20%	36,000	45,000	-20%
Cash & Cash Equivalents (Rs. '000)	21,701	14,317	52%	33,084	16,656	99%
Ratios						
Return on shareholders' funds (%)	0.07	(2.38)	103%	0.19	-2.96	-106%
Return on total assets (%)	0.06	(2.15)	103%	0.17	-2.65	-106%
Year on year EPS Growth (%)	103	(258.33)	60%	107	(280.07)	-62%
Interest Cover (Times)	(54)	(287.25)	81%	(31)	(211.40)	-85%
Equity : Assets (%)	89	90.22	-1%	88	89.45	-1%
Current Ratio (Times)	8.41	11.00	-24%	8.07	9.97	-19%
Debt/Equity (Long-term Debt / Shareholders' Funds) (%)	0.42	0.56	-25%	0.70	0.95	-26%
Long- term Debt/Total Assets (%)	0.37	0.50	-26%	0.62	0.85	-27%
Dividend cover (Times)	-	-	-	-	-	-
Dividend yield (%)	-	-	-	-	-	-
Dividend pay-out ratio (%)	-	-	-	-	-	-
Investors						
Earnings per share (Rs.)	1.50	(48.67)	103%	3.69	(60.11)	-106%
Dividend per share (Rs.)	-	-	-	-	-	-
Net assets per share (Rs.)	2,185	2,045	7%	2,248	2,082	8%
Market Shareholder Information						
Market price per share as at 31st March (Rs)	1,100	1,025	7%	1,100	1,025	7%
Market Capitalization (Rs. '000)	258,740	241,098	-88%	258,740	241,098	-88%
Price Earnings Ratio - Company (Times)	733	(21.06)	3,582%	298	(17)	1,848%

CHAIRMAN'S MESSAGE

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The group managed to record a profit of Rs. 9.7 million compared to the previous year loss of Rs. 140 Mn. Grand Hotel's subsidiary, Fairview Hotel also performed well and managed to realize a profit of Rs. 6.4 Mn. during the year recovering from the loss of Rs. 33.7 Mn during the last year.

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The financial year 2021/2022 commenced with mixed feelings of hope and expectations which was quickly reversed with the second wave of the Covid-19 pandemic. This resulted globally in general and particularly in Sri Lanka with the tourism industry, facing a severe setback resulting from the reduction of airline operations, reduced seating availability restrictions in local travel and domestic tourists. Consequently the number of trained staff from the hotel sought greener pastures and understandably left.

Nevertheless, with all of the difficulties we managed to revive the domestic business largely because of our company's strong financial position and to a large extent kept our head above water even though the profitability of our business was largely diminished. The group recorded a profit of Rs. 9.7 million.

Subsequently, since then Sri Lanka was riddled with political turmoil, unprecedented economic catastrophe from the lack of resources, foreign exchange and especially of a depreciation of basic necessities of fuel and gas.

The negative publicity on international media about shortage of food, fuel, gas and other essential items, and adverse travel advisories by several countries such as UK, is causing serious doubts in the minds of the potential travelers on holidaying in Sri Lanka resulting in a decline in the forward bookings and increase in the number of cancellations on the hotel stays. Further the fuel crisis affected the tourism sector as it compelled the local tourist to refrain from travelling on holidays and weekends resulting in low occupancies or a complete shutdown in the hotels.

The group managed to record a profit of Rs. 9.7 million compared to the previous year loss of Rs. 140 Mn. Grand Hotel's subsidiary, Fairview Hotel also performed well and managed to realize a profit of Rs. 6.4 Mn. during the year recovering from the loss of Rs. 33.7 Mn during the last year.

Sri Lanka's usual top tourism source markets are India, China, the United Kingdom and Germany, but since tourism's reopening, many visitors have been coming from the Eastern bloc, with Russia and Ukraine bringing in 25% of the arrivals between January and mid-February, due to the backing and active marketing by the tourism authorities targeting these regions. However, the main issue continues to be Sri Lanka's own economic recession. The Tourism will be one of the worst-hit industries with already more than 70% cancellations of bookings and experts are projecting an annual revenue loss of over \$ 1.5 billion and a loss of nearly 400,000 direct and indirect employment.

On behalf of the board I wish to extend to the staff our thanks and good wishes for their committed and loyal efforts in this hour of need and to the shareholders for bearing with the situation in the hope of better times to come.



J.H.P. Ratnayake
Chairman

25th August 2022

DEPUTY CHAIRMAN'S REVIEW 2022



Our recovery is well underway and we are regaining momentum. We are building future value through a pipeline filled with potential.



Dear Shareholders,

COVID-19 has been unlike any other crisis in recent times, as it is a crisis of confidence. This has presented unique challenges due to the scale of its impact, particularly for the hospitality industry. We have faced the challenges of 2021 with resilience and resourcefulness, and maintained a view toward positioning ourselves for the eventual recovery. Accordingly, comprehensive health and precautionary measures were put in place at our properties to ensure the safety of our guests and personnel. Business continuity plans were also activated and regularly calibrated to ensure that our operations could continue running in a reasonable manner.

In the face of the global downturn, we responded quickly by implementing proactive measures to contain costs and conserve cash flows. Such measures include the temporary closing of hotels, shortening working hours, implementing paid leave as for hotel employees, maintaining operations on minimal manning levels, reviewing of operational contracts for deferment or cancellation and deferring non-essential capital expenditure. Above all, the safety and well-being of our guests and staff on the frontlines were foremost on our minds.

Balancing the need to conserve cash while continuing to invest in our property to optimize their value and potential, we took the opportunity during low occupancy to perform various asset enhancement initiatives incorporating essential refurbishment and maintenance works, to minimize future disruptions ahead of the eventual normalization of business levels.

SRI LANKA ECONOMY

The Sri Lankan economy recovered in 2021 from the pandemic induced contraction in 2020, albeit with several deeply entrenched structural problems and vulnerabilities

inherited over several decades coming to the forefront, thereby resulting in unprecedented socio-political tensions in early 2022.

The economy was already in a fragile state lacking the necessary buffers to withstand shocks, when it was hit by the COVID-19 pandemic and other multifaceted headwinds that emanated from the global and domestic fronts. Such vulnerability of the economy can be mainly attributed to the lack of fiscal space, which was further constrained by the changes introduced to the tax structure in late 2019.

Sri Lanka was not an exception in the world in deploying countermeasures to face the pandemic and safeguard the economy to forestall a lasting economic fallout and scarring effects on livelihoods. However, given particular vulnerabilities in the economy, to be heavily involved in shielding the economy through extraordinary responses, in the form of monetary policy easing, ample liquidity provision to the markets and the Government, and adopting several external sector and financial sector policies, in the absence of adequate policy space in the fiscal sector or an adequately prompt response from the fiscal sector.

Implementing strong fiscal adjustments, which have been long delayed and often reversed in the past, will lead to a visible turnaround in the current complex economic turmoil. Sustainable containment of the budget deficit through increasing government revenue, rationalization and prioritization of government expenditure and adopting a comprehensive and coherent approach to achieving and maintaining public debt sustainability would help to contain the expansion of government borrowings going forward, which will be essential in addressing the current economic problem and overcome this adverse position.

SRI LANKA TOURISM

The tourism industry, which was severely affected by the COVID-19 pandemic, witnessed a steady recovery in the latter part of 2021 aided by effective measures taken by relevant authorities along with the improved global perception of Sri Lanka as a safe travel destination. Since the reopening to foreign travelers in January 2021, Sri Lanka saw a steady increase in international travelers, despite intermittent lockdowns. Tourist arrivals declined by 61.7 per cent to 194,495 in 2021 compared to 507,704 in 2020, of which 507,311 arrivals were recorded during the first three months of 2020. The steady increase in tourist arrivals continued during early 2022 despite the disruptions to global tourism caused by geo-political tensions, and the economic crisis that enveloped Sri Lanka, which became more pronounced during the same period.

Sri Lanka's economic disaster has deep roots. The country has long lived beyond its means – borrowing too much and taxing too little – and produced below its potential. At the heart of the crisis is the lack of hard currency needed to service the country's huge foreign debt and to purchase the imported goods that Sri Lankans rely on, including much of their food and medicine, and all of their fuel. Foreign reserves have long been low, but the COVID-19 pandemic made things worse by almost entirely interrupting tourism, one of the country's largest sources of foreign currency.

Meanwhile, Sri Lanka's international debt obligations have steadily grown, in part because of costly infrastructure projects financed with loans from China that carries debt servicing obligations long before the ensuing projects pay economic dividends, and the need to finance chronic budget deficits generated by an expanded public sector and low taxation rates. With debt increasingly composed of high-interest

DEPUTY CHAIRMAN'S REVIEW 2022

commercial loans and sovereign bonds held by international creditors, Sri Lanka needs to repay another \$4-6 billion in 2022 alone, but has less than half a billion in usable dollar reserves.

Looking deeply at how the present situation has impacted local tourism operators, it is clear that operators who are genuinely 'sustainable' in nature, are definitely less impacted. Being sustainable means that you are by and large self-sufficient in terms of your energy generation, food and produce needs and your reliance on outside forces for the day-to-day running of your business is minimized – this ultimately provides operators with a lot of power to face situations such as these with more confidence. Whilst sustainability is not something that can be achieved overnight, this is a great opportunity for independent operators to embark on their journey towards sustainability.

Sri Lanka's Tourism Industry could be the white horse that carries the country through this crisis by promoting economic stability through income and foreign exchange generation and job creation. If maneuvered successfully tourism can become Sri Lanka's main industry for sustainable economic growth, helping the country to raise its heads out of the financial crisis we are faced with, however authorities must work together to understand the ground realities and assist in protecting the image of Sri Lanka Tourism, whilst supporting and enabling local providers, especially the SME tourism sector, to carry out their operations with minimal interruptions.

MARKET REVIEW AND OUTLOOK

A year since the outbreak of the COVID-19 pandemic, the world continues its fight against resurgent waves, with fresh lockdowns and restrictions being imposed globally. The availability of the vaccines is expected to pave the way for recovery, although it will still take time before mass travel resumes in full force.

ON THE PATH TO RECOVERY

As we look ahead to 2022 and beyond, prospects look increasingly brighter than they did just a few months ago. The development of several effective vaccines in such a short period of time is a testament to the resolve and commitment by the global community to overcoming the COVID-19 virus. It is this spirit that will collectively propel us forward into recovery. I believe our industry is poised to recover at a much faster pace than in prior cycles, given the pent-up demand from a travel-hungry consumer.

FINANCIAL ENGAGEMENT AND OPERATIONAL IMPACT

The financial performance of the group improved considerably as the country as well as the world recovered from the global pandemic situation prevailed in the previous year and the operations changed in to normalcy towards the latter part of the year.

The group managed to record a profit of Rs. 9.7 million compared to the previous year's loss of Rs. 140 Mn. Grand Hotel's subsidiary, Fairview Hotel also performed well and managed to realize a profit of Rs. 6.4 Mn. during the year recovering from the loss of Rs. 33.7 Mn during the last year. With the company as well as the group generating profits for the year, the financial position too improved over during the year.

The group remained liquid during the period and managed its cash flows without any long-term loans with the assistance provided by the government, such as the loan moratoria during the previous year. The Group is focused on further enhancing the financial stability and improving the financial performance during the next financial period despite the prevailing economic crisis in the Sri Lankan economy.

However, the total depreciation for the financial year under review is Rs. 119 Mn. As depreciation is an apportionment, it could be considered that the Hotel yielded a profit of Rs. 129 Mn inclusive of depreciation. The closure of the airport and further another two

months where inter district travel restraining orders imposed during the foregone financial year deterred many foreigners visiting the country and even Sri Lankans who are fond of traveling inland. This resulted in a considerable loss in revenue and as such several measures to mitigate the cost were taken. All Departments were given the task to re-look at how they should mitigate and help in the cost reduction process

Food cost was reduced with the reengineering of the menus, tight consumption controls and timely and accurate reporting system. With the sudden increase in the prices of imported food items, the hotel took measures to produce items such as anchovies, baked beans, flavored salt, infused vinegar to name a few in house enabling a saving.

Operating of only the Golf Wing for guests during low occupancy period, helped to curb on the electricity cost incurred for hot water boiler, while the Laundry was operated only every other day. A separate plan for equipment and light management was introduced in order to switch off lights which are not used. Cool rooms, freezers were switched off and introduced a time slot to provide hot water to staff usage, all contributing to save the cost incurred on electricity. The new Preventive maintenance system was introduced in order to improve the efficiency of the equipment and extend the useful economic life

AWARDS AND CERTIFICATIONS

SKAL International: The Grand Hotel clinched the Winner Award for the Urban Accommodation Category. The Skål International Sustainable Tourism Awards are geared towards enhancing the visibility and grant recognition to entities from the Travel and Tourism industry. SKAL International which was formed in 1934 has 317 Clubs in 98 countries.

AGODA 2021: The Grand Hotel received the AGODA 2021 Customer Review Award. A well-deserved accolade for persistent dedication and commitment as we were recognized in the "AGODA 2021-Customer Review Award".

Booking.Com Travelers Review Award:

With a review rating of 8.5, the Grand Hotel received the Booking.com Travelers Review Award for the year 2021

Travelers' Choice Award 2021: The Grand Hotel has been honored with the highest accolade - Travelers' Choice Award 2020 from TripAdvisor for the following outlets.

1. The Grand Hotel, 2. Grand Indian 3. Grand Thai 4. Coffee Bar 5. Barnes Hall 6. Tea Lounge

Moreover, Grand Hotel secured a place in being among 10% of the Worlds' Best Hotels classified by TripAdvisor, which is a distinct achievement.

At the national level, the Grand Hotel has been awarded the following:

1. April Blooms 2021 – The annual flower and garden competition conducted by the Nuwara Eliya Municipal Council
 - a. Best Flower Garden Commercial Large – 1st Place -
 - b. Best Fences and Hedges Commercial Large – 2nd Place
 - c. Best Lawn Commercial Large – 1st Place
 - d. Best Collection of Potted Plants – Commercial Large – 1st Place
 - e. Flower Arrangements Commercial Large Category – 2nd place
 - f. Flower Arrangements Commercial Small Category – 1st Place
 - g. Best Collection of Cut flowers Commercial Large – 1st Place
2. National Productivity Gold Award in the Service Sector – Large category. This competition is conducted by the National Productivity Secretariat

OUR RESPONSE TO THE CRISIS

Management is closely monitoring the important operating indicators such as profitability, liquidity and cash-flows of the Group in order to ensure the smooth operations and the long-term survival of the business. Additionally company has taken certain mitigating steps to combat against the crisis currently faced by the entire economy such as deferring the investments new projects, focusing of different sources of new revenue generating opportunities, minimizing the energy consumption and managing the costs. Further we intend to invest more time on developing our human resources during this low occupancy period to improve our service standard once the situation recovers.

GOVERNANCE AND ETHICS

Hospitality is committed to good governance, which we view as an enabler of value creation. We strive to conduct our business in an ethical, responsible and transparent manner. Our governance framework supports value creation throughout our business, and aligns with the 2017 governance code outcomes, namely ensuring an ethical culture, effective control, good performance and legitimacy.

Our relationships with our employees, shareholders and business partners are built on principles of trust, honesty and fairness. We have a zero-tolerance policy on any form of bribery and corruption, and our governance processes are regularly reviewed and aligned to reflect changes in the regulatory and business environment.

FUTURE OUTLOOK ON TOURISM

Looking ahead we were heartened to see momentum return to the business from May 2021 onwards, as many of our markets opened up, albeit with a few restrictions, and international travel resumed. During this period, it was clear that demand for our high

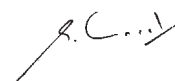
quality, well-located hotels remained strong. The emergence of the Omicron variant in November 2021 resulted in new measures being introduced and demand declining. We are well-aware that there will continue to be industry-wide challenges ahead throughout this road to recovery.

While uncertainty will continue as individual markets react to their own evolving situations that cannot be fully predicted, we will continue to deliver on our strategy, opening our doors where we can and delivering the best experience possible for our customers. As vaccination and booster programs continue to be rolled out in countries all over the world, I expect that the industry will recover fast.

The settlement of the present economic and political crisis will also be essential for the local industry to recover. However, as we contemplate strategies to counter the ill effects, our recovery will remain strong.

ACKNOWLEDGMENT

The optimism of the Board for the future is founded on our proven ability to recover through challenging times. We are well placed to continue to outperform the sector whenever and wherever situation is eased, as our unique business model, strong financial position, proven management team, superior expertise and exciting development pipeline continue to position us well into 2022 and beyond. I wish to thank the Board Members and the Management team, staff for their unconditional support extended throughout the difficult times.



Gerard G. Ondaatjie
Deputy Chairman

25th August 2022

MANAGEMENT DISCUSSION AND ANALYSIS

YEAR 2022 – REDEFINING EXCELLENCE

Since 2020, the hospitality industry across the globe has undergone a seismic transformation and this period of change is set to continue through 2023, with shifts in demographics and technology, and the post-pandemic transition to a new normal all playing decisive roles. We have seen trends in the hospitality industry take shape and evolve and as a player in the industry it was imperative that Grand Hotel too had to adjust and think beyond horizons.

Moreover, operating in the volatile economic and political uncertainties that Sri Lanka is facing further aggravated the recovery and bounce back of the industry which was anticipated with the gradual smoothening of the Covid 19 pandemic. The economic crisis worsened with the dearth of the foreign exchange reserves and US Dollar allowed to float devaluing the Rupee. This resulted in an unprecedented escalation of commodity prices compelling, shortage of essentials severely hampering the operations of the hospitality industry. In this cross road of economic turbulence, the focus of Grand Hotel was how to emerge from disaster through innovativeness. Hence in order to maintain competitiveness and be forward-thinking strategies were adopted to transitioning beyond the traditional model of merely offering “a place to stay” with the usual add-ons of breakfast and so forth to a broader focus on the overall guest experience in the post pandemic context

“GRAND HOTEL” A FASHION ICON

With the guest expectations becoming more complex, gone are the days when hotels were just meant to offer you space and comfort while you were on your journey. Today with the seeping in of haute into all possible spheres, hotels have acquired a different dimension in terms of luxury and thematic staying. Indeed being a legendary property with its roots into British Victorian era, the Grand Hotel is recognized as a fashion icon and guests love to be associated with the brand! All offerings and facilities are designed in a manner that reflected class and style with uniqueness to the legendary property. The

Hotel has always been a trendsetter and it has ensured to maintain its chic appearance round the clock which was made possible with consistent quality audits, eye for details and most importantly the flexibility to adopt.

The Hotels’ haute is not confine only in the hardware and buildings but extended to the software and more importantly the heartbeat of the Hotel which is the staff. Grooming and style of the team is looked into very carefully and upgrading of the uniforms to match with the trend is routine. The newest executive uniforms gives an aura of confidence and elegance to the wearer and going one step beyond the Hotel recruited an Executive Chef and a Bar Mixologist who have a flair in their respective field in terms of class and finesse. The Executive Chef, the only Michelin star rated Chef to work in Sri Lanka, with a wide exposure working in some of the best Italian and American Restaurants, presentation of food is impeccable. He is a Rock Star when it comes to gourmet dining food preparation and same with our Bar Mixologist, a Beverage Scientist who could present the most unimaginable gimmicks. Thus fashion is all about the finer details, the present day guests yearn for. Undoubtedly there’s a certain level of perfectionism promised by the luxury brand “Grand” and it is this type of decadent refinement that attracted holidaymakers annually to this fashion designer resort, of scenic views completed by culinary artistry and poised team members which have all attributed to what Grand Hotel stands today.

GUEST ENGAGEMENT

With the resurgence of the Covid 19 cases, the country was compelled to go back to lock down for nearly 5 ½ months resulting in occupancy levels hitting all time low. However compared with the year 2020/21, the total room nights was 6,740, with a year-round occupancy 14%, the year under review generated a total of 11,914 room nights with a year-round occupancy 21%, which was an increase of 5,174 room nights and an occupancy increase of 7%. The DFIT room nights for the year was 8,395 compared with 5,790 in the previous year, while the Walk in Room nights was 1,261 for 2021/22 and 873 room nights in 2020/21. The Online

Travel Agents performance was not very encouraging. However, during the year 2020/21, 432 room nights with an occupancy contribution of 6% was secured whereas in the year under review it increased marginally to 7% with 890 room nights

In the post-pandemic world, guests placed much greater focus on their health and wellbeing and Grand Hotel was able to anticipate and meet these health-related concerns enabling greater success. Of course, this related to high standards of hygiene and also a greater focus on both physical and psychological well being. Offering of classes on meditation, yoga, coupled with the introduction of greater range of vegetarian and vegan options, Ayurveda and Sustainable Mocktails. Moreover, with the increased dominance of the Millennial and Generation Z demographic cohorts, such trends are only set to increase.

The pandemic also paved to open doors towards Personalization across far more touch points where one-size-fits-all hotel offerings declined and the demand of hotel experiences that meet their specific and even idiosyncratic wants increased. As a Hotel that strongly believed that generic offerings simply don’t cut it anymore, it analyzed the customer journey from initial booking all the way through to checkout and beyond. With the implementation of the ISO 9001, a deep recreation of a typical customer journey revealed the incredible number of touch points that are personalizable, which offer an opportunity to provide a bespoke service.

With the rapid changes in the world of work where working remotely and co-working hubs are more in demand, the Grand Hotel reimaged hotel spaces for the new working world.

The Hotel encouraged and promoted its offering of professional working spaces which was tied into the overall guest package offers enabling to cater to different types of professional clients. From traveling businesspeople to digital nomads, and from entrepreneurs or even remotely working professions who want a space to work.

The year under review also enabled Grand Hotel to focus on growing non-core market trends. A sizable portion of the "bread and butter" income for the hotel comes predominantly from the food and beverage. Over the years the trend of people visiting from out for a meal or two, or even a high tea has increased significantly. The hotel has been able to capitalize on this growing shift from a hotel primarily serving as merely somewhere to stay to a place that offers a unique, memorable experience. With this in mind, different unique dining experiences were introduced including the Green House- an all vegan /vegetarian dining venue set amidst the lush green nursery, Picnic breakfasts to lunches and private outdoor weddings which generated considerable revenue by targeting ancillary markets.

Spending time with family and making memories with them was important to most guests, and that was the reason why they travel and the hotels' strategy by creating all-new experiential packages for families was well accepted. With the occupancy patterns changing and more Sri Lankans traveling during weekends, the Hotel introduced tailor made packages to suit the travelers from Farm Tours encompassing, vegetable harvesting to milking and feeding of cows, mocktail and pizza making with favorite toppings, movie times adventure and cycle tours grossly having personalized itinerary suiting to the entire family.

Another facility opened to the guests was "The Link" an open garden space overlooking Asia's second oldest Golf Course. An ideal venue to sit and enjoy a freshly brewed coffee with savories or sweets, or even sumptuous Indian dishes.

ONLINE ENGAGEMENT

Understanding the phases leading up to the trip, and the traveller experiences throughout, is a fundamental part of improving the guest experience and maintaining a hotel's online reputation. The importance of content and how it provides an opportunity to inspire travellers and empower the hotel to be a true destination ambassador cannot be overstated. Continuous engagement in the social media platforms has instilled a feeling

of delight for the hotel and photos showing unique and attractive features also inspired a good reaction. Images captured were natural and undistorted which has instilled a sense of trust that it was an authentic and realistic depiction of the hotel enabling a constant engagement of guests through these platforms. Throughout the year under review, a conscientious social media timeline was effected to ensure continuous engagement, which enabled Grand Hotel to herald 2022 with 96% Review Rating. 'Regally Serving you Our Royalty' is the credo of Grand Hotel and every staff member ensures that each and every guest who walks into the Grand Hotel gets the service par excellence befitting Royalty

INFRASTRUCTURE ENGAGEMENT

As technology becomes more integral to the hotel business environment, Grand Hotel took advantage of innovation, in order to gear up and be ahead. The year under review saw the completion and commissioning of the Effluent Treatment Plant which is an anaerobic system with 04 anaerobic tanks, 02 aerations tanks, 01 collection tank, 01 sedimentations tank, 01 sludge holding tank & 01 treated water tank. This STP has a high purification capability compared to a normal STP. This Plant is with a 200 cubic meter capacity and built to meet future expectations and has a badminton court on top. The treated water is used to water the lawns of the gardens where 11 points have been installed. The Effluent Treatment Plant is named as "The Green Act", where there is a Vision, Mission and Value Statement displayed and the steps leading to the plant carries the narrative of the process. A guest walking to the plant could see and get a hands on experience into the process that involves in the purification of the water. This initiative has become a learning point where visitors come over to learn on the best practices. The concept is that it is not just a Effluent Plant but an sustainable concept

An existing space which was occupied by the Grand Outdoors situated adjacent to the Public Bar and Wine Bar is being converted to a state of the art Champagne Bar, which is to be the first ever Champagne Bar in Sri Lanka and one of the few in the world. The

construction work is completed and once the interior design and the furniture are done, this Bar would be a fabulously elegant venue to celebrate the night with the finest champagne, caviar cigars and gourmet amenities.

With the promotion of the Front Office and Revenue Manager to the position of Hotel Operations Manager, his existing office was renovated by utilizing space from the Telephone Operator Room and the Server Room to make it more appealing and inviting.

The Coffee Bar which caters mostly to visitors and residents of Nuwara Eliya saw an extension to the pantry and service section enabling a more workable space for the staff to prepare a la minute food such as Sandwiches, pizzas. A new range of equipments have also been introduced to facilitate an efficient service.

A much needed and wanted upgrade was completed with the Washrooms in the lower ground floor being upgraded to meet with the same theme and décor similar to that of the ground floor washrooms. Keeping with the SLTDA requirements in order to apply for the 5 Star Classification, the Hotel upgraded the washrooms in Room Nos. 113 and 114 and the bed rooms to meet with differently able criteria.

The Hotel was able to complete a humongous number of projects, 520 to be precise with the staff during the lock down period of 5 ½ months. Majority of the upscaling work within the hotel premise was done using the staff. The Garden saw a complete facelift with all the garden chairs and tables being scraped and painted in black, including the flower pots. The task force contribution towards the revamping of the Rose garden is enormous and even an extension from the Wine Bar to the outside, for guests to indulge in a sip with a smoke was done all by the team.

Another task that was completed was the new facelift to the rear side of the Travel Assistants Accommodation and the Tree Shrine Room in the adjacent area. A 100 m runway has been done where vehicles could

MANAGEMENT DISCUSSION AND ANALYSIS

be parked comfortably and this runway is an ideal track for bicycle rides. Another outdoor activity was been commissioned which is a one ring basketball court where guests, even Travel Assistants and staff could play a game of basketball. The much needed washroom in the Floor pantry was constructed for the Housekeeping staff, while Room No.321 saw a facelift to its interior with new furniture and decorum. Repairing of stately Wardrobes which are all well over 100 years was completed while re-carpeting of floors in several areas of the Hotel were also completed during the period under review

INNOVATION ENGAGEMENT

As modern guests travel, both for business and pleasure, they want to have their needs met to have a personalized and seamless experience. Modern guests want to be engaged, heard, empowered and delighted by hotels and the increase in our repeat clientele during the year under review makes it evident that Grand Hotel is geared to offer what the discerning modern guests require.

With the introduction of the concept of Emotional Luxury, continuous training given to the team on how to create the emotional connection with our guest from the initial contact with the Hotel way after the guest has departed from the Hotel. The guest is made to feel the connection to the experience and the team and this starts even before the guests checks in. The communicating Reservation Email has been more personalized and upon check-in an Executive from the Food and Beverage is there to select the best dining options and continued through at pre-identified touch points in order to create the connectivity with the guest.

With our new Bar Manager and Mixologist, having a drink at the Bar is an event. Taking the center stage – people not bottles and brands – demonstrating his craft and mixing drinks providing an opportunity for engagement has seen a remarkable hit in revenue earned from the specialty cocktails. Some of the new intros are Ice Goblet Cocktail, a sustainable concept, tea flavor infused local spirits and cocktails, vacuum

packed cocktail (alcohol infused fresh fruits) Jellyfish cocktail etc

As nowadays guests want more surprising and engaging experiences in all (sorts of) imaginable ways. With our new Executive Chef on board several new food and beverage pairings were introduced to engage guests to co-create memorable experiences. Build your own 14 inch Sandwich, Rustic Burgers, Wagyu Beef, artisan wood fired 9" Pizza to name a very few. A dessert range especially an Ice Cream menu containing some of the most delectable flavours and toppings has been introduced, while a whole new range of savories and sweet were introduced to the Coffee Bar Menu.

Our unique dining experiences have paved its way to the minds of guests to celebrate their special days in an innovative venue. Year on year, the demand for these experiences are very encouraging. The newest addition of the Green house dining is drawing much inquiries and reservation especially for breakfast and lunch

The feeling of being 'at home' is considered 'luxury' when it comes to hospitality today and with the powder mist the guests are assured of a restful sleep along with the note from the In-Room Butler adds a special care to make the guests comfortable

FINANCIAL ENGAGEMENT AND OPERATIONAL IMPACT

The financial year of 2021/22 ended with the Hotel yielding a net profit of 3.28 Mn despite being closed for 5 ½ months. However, the total depreciation for the financial year under review is Rs.104.9 mn. As depreciation is an apportionment, it could be considered that the Hotel yielded a profit of Rs.107.91 mn inclusive of depreciation. The closure of the airport and further another two months where inter district travel restraining orders imposed deterred many foreigners visiting the country and even Sri Lankans. This resulted in a considerable loss in revenue and as such several measures to mitigate the Cost was taken. All Departments were given the task to re-look at how they should mitigate and help in the cost reduction process

Food cost being reduced to less than 32% year round from 35% with the reengineering of the menus, tight consumption controls and timely and accurate reporting system. With the sudden increase in the prices of imported food items, the Executive Chef took measures to produce items such as anchovies, baked beans, flavored salt, infused vinegar to name a few in house enabling a saving.

Operating of only the Golf Wing for guests during low occupancy period, helped to curb on the electricity cost incurred for hot water boiler, while the Laundry was operated only every other day. A separate plan for equipment and light management was introduced in order to switch off lights which are not used. Cool rooms, freezers were switched off and introduced a time slot to provide hot water to staff usage, all contributing to save the cost incurred on electricity. The new Preventive maintenance system was introduced in order to improve the efficiency of the equipment and expand the self-life

HUMAN CAPITAL ENGAGEMENT

Despite the pandemic continuing through 2020 to 2021, Grand Hotel, being a company with well-established human capital governance framework was able to retain the staff cadre. The total team strength was 369 at the end of the financial year, while the female staff strength was 51 being 14% of the total staff cadre. However, due to the predicament, which disrupted the tourism industry, along with the economic crisis and the escalation of prices of commodities several staff resigned on their own free will to go overseas for better prospects. With the emphasis on promoting and encouraging local talent, which also augments our principle commitment on the SDG Goals on No Poverty, Sustainable Communities and Cities, the hotel employs 189 (51%) from the local communities from the Nuwara Eliya district.

99 staff members were provided with personal loans amounting to Rs.1,970,000 while Rs. 285,000 was given as distress loans to 10 members. Although being a turbulent and predicament year, the salaries and benefits offered to the staff were not delayed

or laid off. Even with the marginal profit made, the Hotel paid two months' salary bonus for the staff i.e. in April and December. An all-round salary increase was effected for the entire staff.

With the country going on a rapid vaccination program to combat the spread of the virus, the Hotel made it mandatory for all staff to be vaccinated according to the regulations laid down by the government. As such 90% of the staff have received the 1 & 2 doses of the vaccine along with the booster and it is compulsory that all new recruits produce their vaccination records when they join the services.

Gender equality and respect for female staff has always been a reason why there have been no complaints received from either party with regard to sexual harassment etc. Every year the International Women's Day is celebrated and this year too. Here's how Grand Hotel said a big thank you to all the magnificent women in their Team! Happy Women's Day! A fond welcome with a posey of purple flowers at the entrance followed with a Pink Lady Mocktail, and a lively session on grooming; conducted by a team from a reputed Beauty Salon in Sri Lanka having their own brand of cosmetics. A surprise Raffle draw, followed by the Pink Chocolate Delight and an all exclusive "Ladies time" to unwind. What better way and the Ladies of Grand Hotel are proud to have male colleagues who respect and treat ladies with dignity.

LEARNING & DEVELOPMENT ENGAGEMENT

Year on year with the pandemic continuing the Learning & Development Arm has and is going to be elevated coming out of this pandemic as it needed to look at new procedures and new ways of doing things, reworking the old approach to suit the 'new normal'. "How do you social distance when you are serving someone food, or trying to check them in?" or assist to seat them. Moreover, the fear in the mindset of the guests and the staff had to be addressed.

The continuation of proper health and safety practices were reiterated to the staff through

departmental briefings, small group sessions and also displaying of notices in the staff notice boards. The adaptation to wearing the mask for a considerable period of time was successful with continuous training, while smiling with the eyes was a new area that needed to be practiced and taught over a period of time.

Training of the team was concentrated to department wise and small teams in order to mitigate any consequential effect from the pandemic in the event one team member gets infected. On an average, the team underwent substantial hours of training during the year under review

Selected front line staff together with the naturalists underwent a two day comprehensive training on Lichens conducted by Prof. Neelika Malavige an university professor, researcher and scientist, who heads Department of Immunology and Molecular Sciences of the University of Sri Jayawardenepura during the first week of March 2022

SUSTAINABILITY ENGAGEMENT

Over the years, Grand Hotel has strengthened its focus on adopting sustainability strategies and programmes as it becomes imperative that Sustainability is the core for the future in the service industry. Thus continuing its commitment to sustainability the Hotel introduced and further strengthened existing initiatives. The 3R concept which is being practiced by almost all organization was developed by the Hotel to a 12R Concept enabling the waste that is generated from the operations going to the landfill to be less than 3%. Accordingly using the 12 R Concept (1. Responsible 2. Re-Think, 3. Refuse, 4. Reduce, 5. Reuse, 6. Repair, 7. Reclaim, 8. Replace, 9. Refill, 10. Rot, 11. Recycle, 12. Reward) each Department has adopted the concept in order to mitigate the waste reduction.

The Hotel launched the Green Directory, an E-Book encompassing all the best practices that contributes towards a viable operation that not only mitigates undue generation of waste but helps in sustaining an environment

for the future generations. This E-Book was launched on World Sustainable Day on 28th October and available on the Hotel website and has also been circulated among the key stakeholders in the industry

The Change Hands Project continued through the year and this project has become extremely popular among the staff in this crucial period of time. On an average around 20 – 25 staff take items from the Change Hands cupboard during a month and contributions too are received from staff and guests.

Mindful and Healthy living is another aspect when it comes to sustainability and the Hotel introduced the concept of "Green Monday" at the Staff Dine. On every Monday, the food served does not contain any meat, fish or eggs for all the meals and food is prepared using no oil. This concept is to encourage the staff to be more conscious and healthy. Commissioning of the staff gymnasium, which caters to all staff also facilitates the staff to develop their physical wellbeing as well.

Commissioning of the "Grand Fernery" which was designed and done by the staff during the lock down where rare species of ferns have been cultivated provides an inspirational information to those interested in bio diversity and for nature lovers an ideal get away for a picnic lunch

The Hotel continues with its greenwashing initiatives of Straw upon request; only a paper straw is given on request and not a plastic straw. Introduction of the Electrical vehicle charging point for Guests to charge their electrical vehicles. This initiative encourages and promotes more ecofriendly vehicles. Sustainable Initiative practiced by the Hotel was promoted through social media platforms for a month in order that interested persons or organizations too could replicate same

The important days in the Calendar for 2021 such as World Environment Day, Water Day, Tourism Day, Earth Day and Earth Hour, etc. were celebrated in a low scale, as social

MANAGEMENT DISCUSSION AND ANALYSIS

distancing, gathering of masses etc. were restricted. Hence most of these days were celebrated via information sharing session through the social media platforms and among the staff

CORPORATE SOCIAL RESPONSIBILITY

Grand Hotel over its existence for 133 or more years fully endorses and supports the fact that CSR is important in hospitality as it encourages the Hotel to do good within society, and further benefits from a business point of view where positive media attention, publicity and societal respect is earned. A win-win. The Hotel has a laid down CSR policy ranging from societal, economic and environmental aspects.

During the period under review, the Hotel could not embark on its usually planned out initiatives. On account of the Wesak Full Moon poya day, 150 lunch packets along with bottled water, thermometers, sanitary napkins and baby pampers as well as other essentials were donated to the preventive care centre at Kande Ela.

The Hotel also donated all essential items for the cancer ward at the Nuwara Eliya General Hospital where 35 inmates were receiving treatment.

To commemorate the Fathers' day, 6 single parent fathers were donated with dry ration pack worth Rs.3,000/= and dinner packets with cupcakes for the fathers and the children

Dry ration packs were distributed to 10 families in order to commemorate the third death anniversary of our late Chairman and refreshments distributed to around 150 devotees who attended the Requiem Mass. A team of 15 staff members attended an environment cleaning program organized by the Nuwara Eliya Municipal Council

QUALITY ASSURANCE SOLUTIONS

It is imperative that guest satisfaction is at the core of the Hospitality business, with service delivery being one of the critical factors influencing guests' selection of a hotel. There are several factors that can impact

service delivery and one of them is having organized, safe and clean work-spaces which has become a necessary requirement for employees to perform at their best. To be better is a continuous form of improvement and over the years at the Grand Hotel it has been on an upward trend

5S APPLICATION

Implementation of the 5S system across all Departments as well as the Ten Second System (TSS) for all storage areas improved the productivity and minimized time consumption. Despite being closed and a batch operation in place for nearly 5 ½ months of the year, the principles of 5S were applied and prior to the Hotel being commissioned in its normalcy, 5S Audits & Seiri weeks were carried out.

Information Technology also played a crucial role in upscaling the services offered to guests and several initiatives carried out assisted with the smooth operation despite being closed as majority of the staff were afforded with the facility to work from home.

1. Computer Migrations (From Windows XP to Windows 10)
2. Conducting of an Information Technology Audit for the entire Hotel
3. Implementation of the Fiber Connectivity

AWARDS AND CERTIFICATIONS

SKAL International

Grand Hotel clinched the Winner Award for the Urban Accommodation Category. The Skål International Sustainable Tourism Awards are geared towards enhancing the visibility and grant recognition to entities from the Travel and Tourism industry. SKAL International which was formed in 1934 has 317 Clubs in 98 countries.

AGODA 2021

Grand Hotel received the AGODA 2021 Customer Review Award. A well-deserved accolade for persistent dedication and commitment as we were recognized in the AGODA 2021 Customer Review Award

Booking.Com Travellers Review Award

With a review rating of 8.5 Grand Hotel received the Booking.com Travellers Review Award for the year 2021

Travelers' Choice Award 2021

The Grand Hotel has been honoured with the highest accolade - Travelers' Choice Award 2020 from TripAdvisor for the following

1. The Grand Hotel
2. Grand Indian
3. Grand Thai
4. Coffee Bar
5. Barnes Hall
6. Tea Lounge

Moreover Grand Hotel secured a place in being among 10% of the Worlds' Best Hotels classified by TripAdvisor. A distinct achievement

In the national level Grand Hotel has been awarded the

1. April Blooms 2021 – The annual flower and garden competition conducted by the Nuwara Eliya Municipal Council
 - a. Best Flower Garden Commercial Large – 1st Place -
 - b. Best Fences and Hedges Commercial Large – 2nd Place
 - c. Best Lawn Commercial Large – 1st Place
 - d. Best Collection of Potted Plants – Commercial Large – 1st Place
 - e. Flower Arrangements Commercial Large Category – 2nd place
 - f. Flower Arrangements Commercial Small Category – 1st Place
 - g. Best Collection of Cut flowers Commercial Large – 1st Place
2. National Productivity Gold Award in the Service Sector – Large category. This competition is conducted by the National Productivity Secretariat
3. National Presidential Environment Award 2020 conducted by the Central Environment Authority yet to be announced

CERTIFICATIONS

1. ISO 9001: 2015 – Quality Management System

Grand Hotel was accredited with the ISO 9001:2015 Quality Management System whereby it ensures to deliver products and services that meet customers and regulatory requirements consistently. The certification was received in December 2021 after a stringent audit and document verification

2. ISO 14001: 2015 – Environment Management System

All necessary systems are in place and thus the Hotel is working towards getting certified as an ISO 14001 accredited organization

OPERATIONS IN THE FUTURE

Hospitality sector as always is the hardest hit be it whatever unrest, natural or man-made and resilience to combat through innovation is the only way for success. Grand Hotel over the years have adopted a blue ocean strategy where it has been able to venture into an unexploited space and present a unique offering giving the competitive edge of being a leader.

The Hotel will apply for the Heritage Grand Classification conducted by the Sri Lanka Tourism Development Authority, where it would be the first Hotel to apply for the rating. It also looks towards getting the classification of the 5 Star rating, as all necessary requirements to meet the classification are being complied with. Grand Hotel is a learning organization which relies heavily on being flexible to change rather than being rigid, open to new avenues and always looking to be a trend setter. Its theory goes well and beyond of thinking Outside of the Box and this attribute would continue to yield success in the years to come.

OUR MATERIAL SUSTAINABILITY ISSUES

At Grand Hotel, we conduct a comprehensive materiality assessment that considers the importance to the stakeholders as well as the impact to the value creation of the Grand Hotel in identifying our material issues. This helps the management to develop the mitigating strategies and allows us to report in line with the interests and needs of our stakeholders. We review and update our materiality assessment every year to make sure that our material issues reflect changes in our industry as well as socio-economic and environmental trends.

Our material sustainability issues are those issues that could substantially hinder Grand Hotel's value creation in the short, medium and long term as a result of not being able to respond appropriately and thereby affects our competitiveness in the industry. We operate in an uncertain and highly volatile industry. Materiality assessment helps us identify priorities and focus on the issues that matter most across our whole value chain – to our business and our stakeholders, in turn enhancing the value creation.

1. GLOBAL PANDEMIC

Similar to most companies around the Globe, the global pandemic is the most significant issue that was faced by the Grand Hotel presently. The Management of the company is dedicated to ensure the impact of the pandemic is minimized as much possible and to bounce back as soon as possible once the pandemic is over. The operations of the hotel under the "New Normal" is another aspect that is being looked at by the management.

2. POLITICAL INSTABILITY AND SOCIAL UNREST

The political instability has become a hindrance to the international recognition that Sri Lanka has been able to gain due to its natural beauty. We have focused on enhancing the guest experience and accommodation. We have to focus on improving our market share once the pandemic is over so that we receive more of the tourists who are visiting Sri Lanka and we should also concentrate on attracting more local tourists to Nuwara Eliya and thereby increasing the demand for the Grand Hotel.

3. ECONOMIC ISSUES

The global pandemic has affected all the economies around the world. We intend to focus on the local market to generate our revenues and make use of the financial concessions and assistance provided by the government to manage our working capital and to sustain in the business.

4. SOCIAL ISSUES

Changing health and safety requirements of national and international health regulators and ensuring the health of our guests and employees is our main concern. Maintaining social distancing, health and safety guidelines prepared especially for our hotels and cleanliness are some of our mitigating strategies.

5. TECHNOLOGICAL ISSUES

As a result of the distribution of our outlet food restaurants throughout the hotel premises, we have to establish an integrated IT infrastructure in order to support our operations. Our food outlets are reliant on this infrastructure daily in order to perform optimally. The Grand Hotel operations were significantly improved with the implementation of the "Opera" and "Symphony" systems. Further we look forward in implementing a new back office system in the near future with the pandemic coming to an end.

6. ENVIRONMENTAL ISSUES

Development and implementation of sustainable and environmentally friendly business practices, managing the energy consumption, water stewardship are some of environment concerns of the company. Regular monitoring and decision-making by the Environmental sustainability committee, investments in energy efficiency and low-carbon technologies to reduce our exposure to climate change risks and improve our cost leadership and production efficiency are some of our mitigating strategies.

7. GLOBAL ISSUES

Travel restrictions, airport closures and other health and safety measures taken by Sri Lankan government as well as governments of other countries due to the global pandemic had an impact on the tourist arrivals to our hotels. We intend to focus on local guests in the near future to generate revenue and manage our cash flows.

BOARD OF DIRECTORS

J.H.P. RATNAYEKE

Chairman - Independent Non Executive Director

Mr. Paul Ratnayeke was appointed to the Board on 01st June 2005 and was appointed Chairman of the Company on 06th February 2019. He is a Senior Partner and Founder of Paul Ratnayeke Associates. He graduated with Honours from the University of Ceylon (Colombo) and has been awarded an LLM Degree by the University of London. He is an Attorney-at-Law of the Supreme Court of Sri Lanka and a Solicitor of the Supreme Court of England and Wales. He serves as a Director of several companies, including public quoted companies.

Mr. Ratnayeke has been a Director of the company for a period of over nine years. The Board taking account of all of the circumstances and his professional status, is of the opinion that he should be considered as a Non Executive Independent Director.

G.G. ONDAATJIE

Deputy Chairman - Non Executive Director

Mr. Gerard Ondaatjie was appointed to the Board on 25th November 1996 and was appointed as Deputy Chairman on 02nd July 2018. He has over 25 years' experience in the tourism, financial services and trading sectors. He holds a BSc Degree in Accountancy from the Arizona State University, USA. He is presently the Managing Director of Mercantile Investments and Finance PLC. He is also Chairman of Mercantile Fortunes (Pvt) Ltd and Fair View Hotel (Pvt) Ltd and a Director of several other companies which includes Royal Palms Beach Hotels PLC, Tangerine Beach Hotels PLC and Nilaveli Beach Hotels (Pvt) Ltd. He is a former a Member of the Commission on the Simplification of Existing Laws and Regulations in the Interest of the People and a former Member of the Colombo Port City Economic Commission.

A.M. ONDAATJIE

Non - Executive Director

Ms. Angeline Ondaatjie was appointed to the Board on 17th October 2000. She has over 20 years' experience in the tourism, financial services and manufacturing sectors. She holds a Masters Degree from the University of Texas in Austin, USA and a BSc Degree from the Massachusetts Institute of Technology (MIT) USA. She is presently the Chairperson of Tangerine Tours (Pvt) Ltd, Royal Palms Beach Hotels PLC and Tangerine Beach Hotels PLC. She holds directorship in several other companies including Mercantile Investments and Finance PLC, Lighthouse Hotel PLC, Nilaveli Beach Hotels (Pvt) Ltd and Fair View Hotel (Pvt) Ltd She is a former Director of Sri Lanka Tourism Promotion Bureau and presently the Vice President Tourist Hotels Association and serves on the Education Council of MIT.

OUR MATERIAL SUSTAINABILITY ISSUES

T.J. ONDAATJIE

Non - Executive Director

Mr. Travice Ondaatjie was appointed to the Board on 17th October 2000. He has over 20 years' experience in the tourism and the financial services sectors. He holds a BSc Degree from the Arizona State University USA. He is presently the Chairman of Nilaveli Beach Hotels (Pvt) Ltd and a Director of several other companies which include Mercantile Investments and Finance PLC, Tangerine Beach Hotels PLC, Royal Palms Beach Hotels PLC and Fair View Hotel (Pvt) Ltd.

L.N. DE S. WIJEYERATNE

Independent Non-Executive Director

Mr. L N de S Wijeyeratne was appointed to the Board on 22nd January 2009, He is a fellow of the Institute of Chartered Accountants of Sri Lanka and Counts over 35 years' experience in Finance and General Management both in Sri Lanka and Overseas. He was the former Group Finance Director of Richard Peiris PLC and also held Senior Management positions at Aitken Spence & Company, Brook Bond Ceylon and Zambia Consolidated Copper Mines Ltd. He has been a past member of both the Accounting Standards and Monitoring Board of Sri Lanka and Quality Assurance Board of the Institute of Chartered Accountants of Sri Lanka. Mr. Wijeyeratne is presently a Director of several listed Companies.

Mr. Wijeyeratne has been a Director of the company for a period of over nine years. The Board taking account of all circumstances is of the opinion that he should be considered as a Non Executive Independent Director.

M.K.K.K.B. GALAGODA

Non Executive Director

Mr. Manil Galagoda was appointed the Board on 08th April 2013 and is presently the Group Engineer of Mercantile Investments group of Companies. He is a Director at Nilaveli Beach Hotels (Pvt) Limited and Fair View Hotel (Pvt) Ltd. He has over 25 years' experience in the hotel industry in Sri Lanka and overseas including in Ramada Group of Hotels and in the Holiday Inn Group. He holds a Diploma in Electrical and Electronics Engineering from the University of Katubedda, Moratuwa.

CHEVALIER S.K. ABEYSUNDARA KSTG

Independent Non-Executive Director

Surendra Kumar Abeyesundara (Sahran Abeyesundara) was appointed to the Board on 08th April 2013 and is a renowned Interior Designer with extensive experience in his field of expertise both here in Sri Lanka and globally. He was involved in initiating Taru ie an event management and interior design company in Sri Lanka and is presently residing in the United Kingdom working as the Lead Designer at The Silk Road, UK. He is heavily involved in UK local government and was elected a local Councillor in the town of Haslemere where he previously served a term as Town Mayor. He also serves on the Executive Committee of the Haslemere and District Chamber of Trade & Commerce. He was Dubbed Knight of the Order of St. George for his continued work in the community. He is also a Director of Fair View Hotel (Pvt) Ltd.

CORPORATE MANAGEMENT

Refhan Razeen

General Manager

Joined Date

15th November 2017.

Qualifications

MBA, ACHSGA, MIH

Experience

Possess over 03 decades of experience and expertise in the hospitality industry and held key positions as Executive General Managers in Hotels managed by the Aitken Spence Group of Hotels both locally and internationally. Has been instrumental in obtaining prestigious Travel Awards to all the Hotels where he held position as the General Manager.

* Resign on 30th June 2022

M I Shahabdeen

Group Financial Controller

Joined Date

02nd February 2005

Qualifications

FCA, ACMA (UK), CGMA, ASCMA, MIH (UK), ACQI (UK), CPA

Experience

Over three decades of experience in Accounting, Taxation, Corporate Finance, Treasury, Information Technology and General Management in Sri Lanka and Overseas in the Hoteliering Sector both in Five Star and Resort Hotels, and also in the Catering and Support Services Sector at Greyhound Services Saudi Arabia Ltd; a subsidiary of Greyhound Support Services Incorporated USA. Has held senior management positions at Trans Asia Hotels PLC for a period of 17 years when managed by Ramada International (Germany), General Hotel Management (Singapore) and by John Keells Holdings PLC.

Other Appointments

Director of Security Ceylon (Pvt) Ltd. Since year 2005.

Ravindra Fernando

Group Accountant

Joined Date

1st June 2003

Qualifications

MBA (UK), M.Sc. (Sjp), AFA, FMAAT, CBA, MCSI, ACMI

Experience

He has over 03 decades of experience and expertise in Financial and Auditing, Insurance, Leisure Sectors and held key positions as Finance Manager at Kandy Hotels Company PLC, the Accountant at Aitken Spence Hotels, Ceylinco Insurance PLC, and Commercial Credit PLC.

Other Appointments

- Finance Director of Fair View Hotel Pvt Ltd. appointed on 11th July 2016.
- Director of Security Ceylon Pvt. Ltd. appointed on 26th February 2019.

Nazeem Mohamed

Financial Controller/ Asst. Manager

Joined Date

10th April 2004

Qualifications

MBA-Tourism And Hotel Management, CBA. AMA

Experience

He has more than 25 years of experience in Audit, Accounting, Finance and Administration, out of which 23 years is in the hospitality industry.

Other Appointments

Honorary Secretary and the Treasurer to The Nuwara Eliya Hotels Company PLC, Employees Provident Fund Association.

Indula Rodrigo

Chief Accountant- Head Office

Joined Date

3rd May 2016

Qualifications

BBA sp. (Col.), ACA (SL), ACMA (UK), CGMA, PgDTEHM (Col.)

Experience

He has over 03 years of experience in audit and assurance functions at KPMG and has been involved in audits of several industries including leading hotel chains in Sri Lanka. Further he has 06 years of mercantile experience in the hotel industry and offers his services as a visiting lecturer in hospitality finance and mgt. accounting.

Other Appointments

Chief Accountant of Fairview Hotel Pvt. Ltd. and Security Ceylon Pvt. Ltd. appointed on 01st December 2021.

CORPORATE GOVERNANCE

Global Pandemic, Covid-19 has urged necessity of stringent Corporate Governance measures more important than ever during the past financial period. There has been a significant impact on the revenues and profits of the businesses around the world as a result of the global pandemic and large number of business (along with some reputed businesses) have become bankrupt or closed down as a result of not being able to cope the pressure imposed by the global pandemic. A strong Corporate Governance environment has been one of the critical factors that ensured the survival of the businesses which have successfully managed the global pandemic.

With the drastic downturn in the economic and tourism activities experienced as a result of the pandemic, globally; the Board's commitment to set the leadership and culture towards higher stakeholder confidence and engagement has become further more important and thereby ensuring the sustainability of the organization during this bleak period has been the highlight of this year's Corporate Governance initiatives of the Company. The Board has taken several important measures to combat against the threat imposed by the global pandemic on the business and is continuously ensuring the stringent oversight of the matters that affect the survival and speedy recovery as the economy and tourism industries recovers from the global pandemic.

Along with the leadership and direction of the highest decision making body, the Board; Company is equipped with a strong structure, processes and diligent practices of Corporate Governance which is imperative to stimulate organizational performance, inspire stakeholder confidence, and risk management thus creating a stable and robust organizational environment. We intend to commit considerable resources for continuous improvement of our Corporate Governance systems, structures, functions and practices, recognizing our stewardship responsibilities towards the investors, employees, guests and the public at large;

facilitating positive relationships between Company's management, its Board, its shareholders and other stakeholders by aligning the interests of different stakeholders, while concentrating on risk management in achievement of the organizational objectives.

Key features of the Grand's Corporate Governance Policy are as follows;

- Role of the Board of Directors.
- Disclosure and transparency;
- Rights and engagement of the shareholders and other stakeholders.
- Objectives and principles of the Grand Hotel.
- Compliance with national and international laws and regulations.
- Culture.
- Control Environment and Risk Management.
- Integration of Corporate Governance practices with the business activities and strategy.

The Board is the central body of Corporate Governance within the Company and of the Company's Organizational Structure. The Board is appointed by shareholders to oversee the strategy, management and performance of the Company. The Company is compliant with the Code of Best Practices on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka, and the Securities and Exchange Commission of Sri Lanka, as well as the rules on Corporate Governance published by the Colombo Stock Exchange and Global Reporting Initiatives G4 guidelines. This report sets out the Company's Corporate Governance practices and processes for the financial year 2021/22 and the extent of compliance with same.

GOVERNANCE FRAMEWORK

The Corporate Governance framework of The Nuwara Eliya Hotels Co. PLC consists of a governance structure that promotes corporate fairness, transparency and accountability. The framework sets out the board committees and management committees, while demonstrating the communications among board committees, auditors, and our shareholders facilitated by a regulatory framework and an audit, assurance and certification process in a logical arrangement that is in line with the Code of Best Practice and Rules on Corporate Governance.

Governance Structure

Components embedded within the Group that is aligned to the Code of Best Practice in order to execute governance related initiatives, systems and processes.

Assurance

Supervisory element of the Group Corporate Governance Framework, that assures the compliance with laws, regulations and best practices.

Regulatory Framework

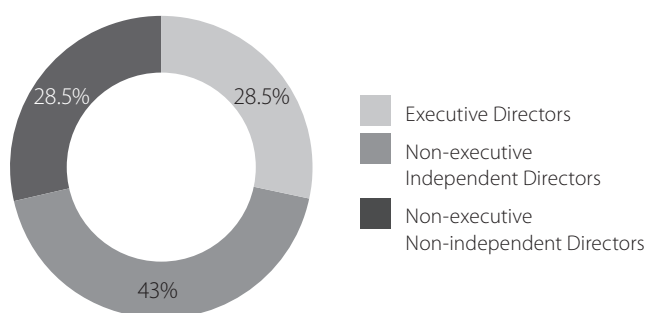
Regulatory structure within which the Group operates towards conforming to established governance related laws, regulations and best practices.

Committees

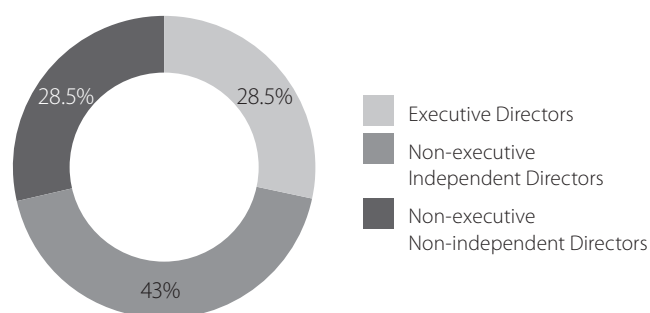
Audit Committee	Remuneration Committee	Nomination Committee	Related Party Transactions Review Committee
- Reviews and monitors full financial year and interim results; - Monitors internal financial controls; - Oversees external audit relationship; and - Oversees risk management.	- Sets remuneration policy; - Sets executive director remuneration and incentives; - Approves annual performance objectives; and - Approves granting of long-term incentives	- Reviews structure, size and composition of the board; - Makes recommendations for appointments; and - Succession planning.	- Review Related Party Transactions of the Company; - Ensuring the compliance rules and other requirements with regard to the Related Party Transactions; - Overseeing existing policies and making recommendations with regard to Related Party Transactions.

Composition of the Board

Composition of the Board 2021/22



Composition of the Board 2020/21

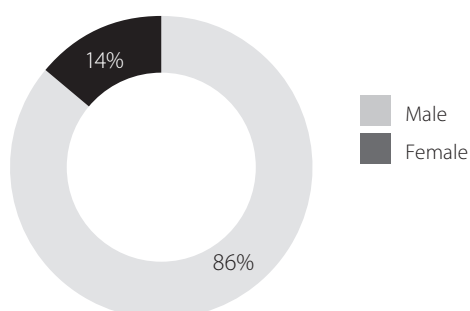


* With effect from 01st July 2022, there are no Executive Directors

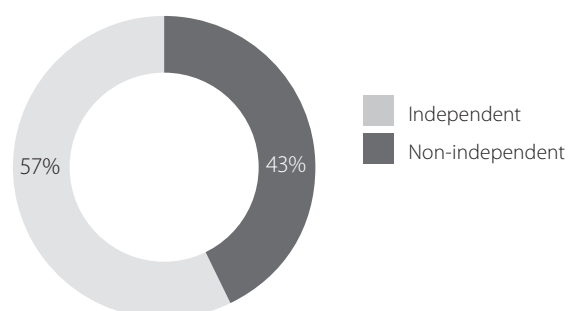
Description	2021/22		2020/21	
Executive Directors	2	28.5%	2	50%
Non-executive Independent Directors	3	43%	3	37.5%
Non-executive Non-independent Directors	2	28.5%	2	12.5%

No. of Members	Executive	Non - Executive	Independent	Non - Independent	Gender Representation		Age Distribution			
					Male	Female	Below 50	51-60	61-70	Above 70
07	02	05	03	04	06	01	01	03	01	02

Gender Representation



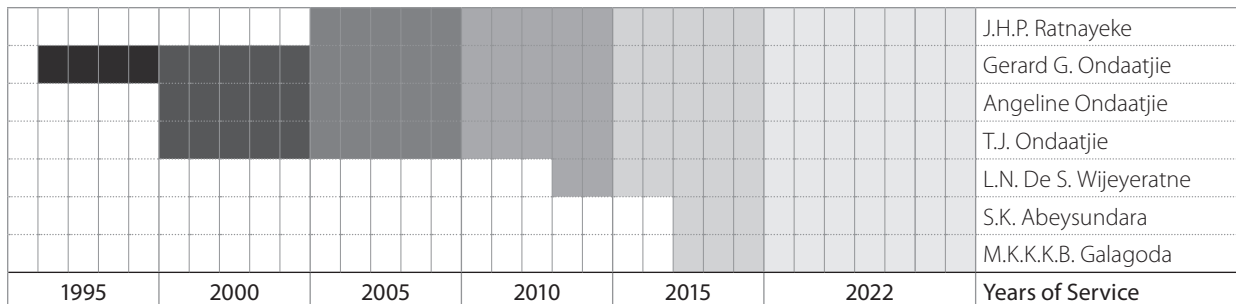
Independent & Non-Independent



* With effect from 01st July 2022, there are no Executive Directors

CORPORATE GOVERNANCE

No. of years of Service



Disclosure of Directors' Information

Information	Section	Page Number
Name & Profile	Board of Directors	13-14
Expertise in functional areas	Board of Directors	13-14
Material Business Relationships	A.5.3, A.5.4 & A.5.5	20
Independence of Directors	A.1 & A.5	20
Other directorships	Board of Directors	13-14
Attendance at Board meetings	A.9	19
Sub -committees	Sub - committee Reports	28-36

Directors' Independence

Name of Director/Capacity	a.	b.	c.	d.	e.	f.
Executive Directors						
Ms. Angeline Ondaatjie *	Yes	Yes	No	No	Yes	Yes
Mr. T.J. Ondaatjie *	Yes	Yes	No	No	Yes	Yes
Non-executive Non-independent Directors						
Mr. Gerard G. Ondaatjie	Yes	No.	No	No	Yes	Yes
Mr. Manil Galagoda	No	No	No	No	No	No
Non-executive Independent Director						
Mr. J.H.P. Ratnayeke	No	No	No	No	No	Yes
Mr. L.N. deS. Wijeyeratne	No	No	No	No	No	Yes
Mr. S.K. Abeysundara	No	No	No	No	No	No

*Non - Executive Directors with effect from 1st July 2022

- a. Significant Shareholding (Shareholding carrying not less than 5% of the voting rights of the Company)
- b. Management (Persons having authority and responsibility for key management decisions of the entity)
- c. Material Business Relationship (relationships that result in income/non-cash benefits equivalent to 10% of director's annual income)
- d. Employee of the Company
- e. Family Member Director (close family member or any person who is financially dependent on such director.)
- f. Nine years of continuous Service.

Directors' Attendance

Attendance at Board Meetings					
Name of Director	19th May 2021	05th August 2021	8th Feb 2022	Meetings Attended	Percentage Attended
Ms. Angeline Ondaatjie	✓	✓	✓	3/3	100%
Mr. T.J. Ondaatjie	✓	-	✓	2/3	67%
Mr. Gerard G. Ondaatjie	✓	✓	✓	3/3	100%
Mr. Manil Galagoda	✓	✓	✓	3/3	100%
Mr. J.H.P. Ratnayake	✓	✓	✓	3/3	100%
Mr. L.N.de.S. Wijeyeratne	✓	✓	✓	3/3	100%
Mr. S.K. Abeysundara	-	-	-	0/3	0%

BOARD'S OVERSIGHT ON COVID 19, GLOBAL PANDEMIC.

The Board has realized the importance of a proactive strategic approach to manage the impact of the Global Pandemic and exhibiting its leadership, astute decision making, board effectiveness and on time response; several important initiatives were taken in order to minimize the impact from the global pandemic. Some of the important initiatives implemented by the Board are as follows;

01. Emphasis on Health and Safety

The Board has realized that the health and safety of its employees, guests, suppliers and the community as one of its primary concerns during this period of global pandemic. Several initiatives such as reducing the number of staff working at a given point of time, work from home and online meetings, providing the facilities for sanitization and maintain the one meter distance, ensuring a safe working environment and limiting outsiders visiting the premises were implemented by the Board.

02. Continuous Assessment of the Financial Resources

The Board is constantly assessing the financial position and the cash flow status of the entity in order to ensure that the company has sufficient working capital to carryout out its routine operational activities. Also the Board is on the constant look out for different means of financing which would ensure that the company does not borrow at high rates of interest and makes use of the reliefs granted by the government due to the global pandemic. E.g.:- Saubagya Covid-19 Renaissance Facility

03. Succession Planning

As mentioned before the Board follows a proactive approach to combat against the Global Pandemic and planning on a quick recovery from the pandemic. Accessing

the critical functions, managing with lesser staff, guest relationship and maintaining the quality of the service are some of the areas which have been focused under the succession planning.

04. Risk Management

The Global Pandemic has caused several significant risks and uncertainties, especially in the tourism industry being one of the mostly affected industries by the pandemic. The Board had to take risk mitigation action in terms of several new risks such as health and safety of the employees, IT risk caused by working from home and online meetings, financial risk due to drastic reduction in revenue and cash inflows etc. which have been successfully managed by the Board in order to ensure the uninterrupted operations of the hotel even during the pandemic.

05. Promoting the Long-Term Success and Business Reputation

Board should ensure that the hotel does not engage in any activity that would tarnish the reputation of the company and to make sure that the Government rules and regulations pertaining to the pandemic is strictly followed by the management. This is a great period to look in to new market segments and business models which could ensure the long-term success of the business even after the pandemic is over. As an example most of the business especially in hotel industry started focusing on the local market during this pandemic in order to survive, who is usually focused on foreign markets before the pandemic. With the pandemic certain new business models and concepts have become popular such as virtual meetings and work from are being used by the Grand Hotel.

06. Focus on Key Disclosures and Reporting

Company has to be careful about its disclosures and reporting in order ensure that it does not create panic on stakeholders'

minds, while making sure that accurate and timely information is provided to its stakeholders. This is a period of chaos when it comes to the stakeholders as well for the businesses; with the public is also being affected mentally and financially by the global pandemic. Therefore, the company should ensure that it does not create an unnecessary doubt in the minds of its stakeholders but to comply with all the disclosure and reporting requirements.

07. Oversight on the Crisis Management

The management is in a crisis situation as a result of the global pandemic; with the lock downs, curfews, staff absenteeism, disruptions in government services, supplier issues and community pressures. Hence, if the management is not competent enough to manage this situation it would disrupt the smooth operation of the business and would lead to further losses and cash flow issues. Therefore, the Board should closely monitor the crisis management plan and effectiveness of the management to operate the business smoothly.

08. Be Informed, Board Effectiveness and Taking Advice

The Board should be well informed about the government rules and regulations, tourism development initiatives and other health and safety measure in order ensure that the entity does not engage in any illegal activities and to make use of the government reliefs. Also with new variants and waves of pandemic affecting the business the Board should be on the constant look out for the ways and means to overcome all different threats imposed by the Global Pandemic. In addition to the Board takes necessary expert advice on matters related to the management of the Global Pandemic, in order to maintain the effectiveness of the Board decisions.

CORPORATE GOVERNANCE

COMPLIANCE WITH CSE'S NEW LISTING RULES- SECTION 7.10, RULES ON CORPORATE GOVERNANCE

Corporate Governance Principal	Ref. to ICASL code	Ref. to SEC code	Compliance	Compliance Details
Directors (11 Principals)	A			
The Board	A.1	7.10.1(a) / 7.10.2(a)	Compliant	The Nuwara Eliya Hotels Co. PLC is headed by an effective board, which is responsible for the Leadership, Stewardship and Governance of the Company. The Board of Directors comprises of, - Two Executive Directors (ED) - Three Non-Executive Independent Directors (NED/ID) - Two Non-Executive Non Independent Director (NED/NID)
Independence of Non-Executive Directors	A.5.3, A.5.4 & A.5.5	7.10.2(b) Available with Secretaries 7.10.3 (a),(b) & (c) 7.10.4 (a-h)	Compliant	The presence of Non-executive Independent Directors enables independent judgment. None of the Independent Directors have held executive responsibilities in their capacity as Independent Directors and have submitted a declaration confirming their Independence as at 31st March 2022 in accordance with section 07 of the CSE listing regulations on Corporate Governance. The biographical details of the Directors are set out on page 13 to 14 of this report.
Appointments to the Board	A.7	7.10.3 (d)	Compliant	The Nuwara Eliya Hotels Co. PLC has a formal and transparent procedure for the appointment of Directors to the Board.
Disclosure of information in respect of Directors	A.10	7.10.3.(a)	Compliant	Information in respect of the Independence of Directors is set out on page 18 of the Corporate Governance Report.
Remuneration Committee, its composition and access to professional advice on determining the remuneration of Executive Directors	B.1.1, B.1.2, B.1.3 & B.1.5	7.10.5, 7.10.5(a) & 7.10.5(b)	Compliant	The Nuwara Eliya Hotels Co. PLC has established a formal and transparent procedure for determining the remuneration packages of the Directors, by delegating the responsibility and the authority to a sub-committee of the Board. The Remuneration Committee of the Company consists exclusively of Non-executive Directors as prescribed by the Code of Best Practice, out of which two Directors are Non-executive Independent Directors and a Non-executive Non-independent Director, namely: Mr. J.H.P.Ratnayake - (NED / ID) - Chairman Mr. L.N.D. S Wijeyeratne (NED / ID) Mr. Manil Galagoda (NED /NID) The Group Financial Controller assists the committee by providing the relevant information and participating in the analysis and deliberations, in addition to the consultations done by the remuneration committee from the Chairman and the Deputy Chairman, on proposals relating to the remuneration of Executive Directors. Further the remuneration committee is provided the access to professional advice on such proposal whenever it is necessary. The objective of the Remuneration Committee is to review and recommend the remuneration payable to the Executive Directors. The Remuneration Committee met once during the financial year.
Disclosure of Remuneration	B.3	7.10.5(c)	Compliant	The aggregate remuneration paid to Directors is disclosed on page 64 under the note 10 as a part of the financial statements of this report.

Corporate Governance Principal	Ref. to ICASL code	Ref. to SEC code	Compliance	Compliance Details
Audit Committee	D.3	7.10.6		The Board has established a formal and transparent process of Financial Reporting, Internal Controls, Risk Management and maintaining a proper relationship with the Company's Auditors.
Composition and the Duties of the Audit Committee	D.3.1 & D.3.2	7.10.6(a) , 7.10.6(b) & 7.10.6(c)	Compliant	The Audit Committee comprises exclusively of Non-executive Directors out of whom two are Independent Directors and a Non-independent Director (Engineer). The members of the Audit Committee are as follows: Mr. J.H.P.Ratnayake -(NED / ID) Chairman Mr. L.N.D. S Wijeyeratne (NED / ID) Mr. M.K.K.K.B Galagoda – (NED/NID) As prescribed in the listing rules of the Colombo Stock Exchange one member of the Audit Committee is member of a professional accounting body. Mr. L.N.D. S Wijeyeratne is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka. The External and Internal Auditors, the Financial Controller/Asst. Manager and Group Financial Controller attend the Audit Committee meetings by invitation. The Audit committee focuses principally in assisting the Board to fulfill its duties by providing an independent and objective view of the financial reporting process, internal controls, risk review and the audit function. The Audit Committee is assisted by the Internal Audit. Internal Controls have been designed to ensure transparency and good governance within the Company. The committee is responsible for the consideration and recommendation of External Auditors. A report of the Audit Committee is given on pages 28-30. The Audit Committee met three (3) times during the year according to a predetermined agenda.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors have pleasure in submitting their report, together with the Audited Accounts for the financial year ended 31st March 2022.

REVIEW OF THE YEAR

The Chairman's Review on page 02 contains a review of operations during the financial year.

PRINCIPAL ACTIVITY

The principal activity of the Company, which is hotelliering, remained unchanged.

CORPORATE GOVERNANCE

The Board of Directors of the Company is responsible for the governance of the company, which include setting out strategic aims, providing leadership and supervising the management. The corporate governance practices of the Company are given on pages 16-21.

INTERNAL CONTROLS

The Statement of Corporate Governance and the Statement of Directors Responsibilities on pages 16-21 and 27 respectively, give a detailed description of the Company's internal control system.

RISK MANAGEMENT

The Board has established and adhere to a comprehensive risk management framework. The categories of risks faced by the Group are identified, the significance they pose are evaluated and mitigating strategies are adopted. A detailed overview of this process is outlined in the Risk Management report on pages 37-38.

CUSTOMERS

The Company provides services to both local and foreign clientele, with a passion for excellence. Stringent quality standards are maintained to ensure that guests enjoy a unique experience.

SUPPLIERS

The Company endeavours to transact business with reputed organisations capable to offer quality goods and services at competitive prices with a view to building mutually beneficial business relationships.

EMPLOYMENT POLICY

The number of permanent and contract employees of the company as at 31st March 2022 are 369 (31st March 2021 – 311), the total remuneration paid during the year by the Company amounted to Rs. 166.8 Mn. (2020/21 – Rs. 140.8 Mn.) As a socially responsible "Equal Opportunity Employer", the Company's recruitment and employment policies are non-discriminatory.

ENVIRONMENT POLICY

The Company is committed to environmental conservation and measures are taken in order to minimise any adverse impact resulting from its operations. An Environmental management system is in place to monitor and control any adverse environmental or social impacts. The Company's environmental and social practices are detailed on pages 06 to 11.

COMPLIANCE WITH LAWS AND REGULATIONS

The Board has received assurance from the Audit Committee, and confirms that the Company has complied with all applicable laws, rules and regulations in its operations.

STATUTORY PAYMENTS

The Directors to the best of their knowledge are satisfied that all statutory payments in relation to the Government and employees have been either duly paid or appropriately provided.

TURNOVER

The net revenue of the Company and the Group for the year was Rs. 562,940,836 Mn (2020/21 Rs. 236,092,403) and Rs. 649,157,547 (2020/21 Rs. 254,954,712) respectively and the Segmental Analysis of revenue is given in Note 6.1 to the Financial Statements.

RESULTS FOR THE YEAR

	Company Millions		Group Millions	
	2021/22	2020/21	2021/22	2020/21
Profit/(Loss) Before Taxation	16	(116)	28	(143)
Taxation	(12.8)	(9.6)	(18.2)	(3.2)
Profit/(Loss) after tax	3.2	(106)	9.7	(140)
Balance brought forward from previous year	2,216	2,304	2,205	2,319
Actuarial Gain/(Loss) on defined benefit plan/ obligation	0.2	(5)	(0)	(5.1)
Amount available for appropriation	2,219	2,193	2,213	2,182
Transferred to Retained Earnings	23	23	23	23
Dividends paid	-	-	-	-
Retained Profit for the year	2,242	2,216	2,236	2,205

DIVIDENDS

The Board of Directors has not declared a dividend for the year ended 31st March 2022.

CAPITAL EXPENDITURE

The total capital expenditure incurred on the acquisition of fixed assets during the year by the Company amounted to Rs. 26.5 Mn (2021 - Rs. 39 Mn) and by Group amounted to Rs. 27.3 Mn (2021 - Rs. 39.4 Mn) details of which are given in Note 14 to the Financial Statements.

CONTINGENT LIABILITIES

The details of the contingent liabilities are disclosed in the Note 34.2 to the Financial Statements on page 90.

PROPERTY PLANT & EQUIPMENT

The details of property, plant & equipment of the Company are shown in Note 15 to the Financial Statements.

STATED CAPITAL

The Stated Capital of the Company as at 31st March 2022 is Rs. 335,209,740/- (2021/21 - Rs. 335,209,740/-) comprising of 2,186,040 ordinary shares and 5,800 participating cumulative preference shares.

RESERVES

The total reserves of the Company as at 31st March 2022 stand at Rs. 2,200 Mn (2020/21 - Rs. 1,920 Mn), comprising Revaluation Reserves of Rs. 2,236 Mn/-, and Other Reserves of Rs. (-36) Mn. The total reserves of the Group as at 31st March 2022 stand at Rs. 2,344 Mn (2020/21 - Rs. 2,011 Mn), comprising Revaluation Reserves of Rs. 2,380 Mn, and Other Reserves of Rs. (-36) Mn.

DONATIONS

During the year donations of Rs. 125,000/- (2021- Rs. 165,000/-) were made to various charities by the Company and Rs. 130,000/- (2021 - Rs. 175,000/-) by the Group.

EVENTS OCCURRING AFTER THE REPORTING DATE

No circumstances have arisen since the reporting date which would require adjustments to or disclosure in the Accounts, other than those disclosed in Notes to the Accounts Note 33 on page 90.

CHANGES IN ACCOUNTING POLICIES

The Accounting policies adopted by the Company and its subsidiary have been consistently applied from previous years.

The significant accounting policies adopted in the preparation of these Financial Statements are given on pages 50 to 62.

GOING CONCERN

The Board adopts a going concern basis in the preparation of accounts since the Company holds adequate resources to continue its operations in the foreseeable future.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

BOARD OF DIRECTORS

The Board of Directors of The Nuwara Eliya Hotels Co. PLC as at 31st March 2022 comprise of;

Name of Director	Executive/ Non-Executive	Independent/ Non-Independent	Year of appointment to the current position	Position / Status
J.H.P. Ratnayake	Non executive Director	Independent	06th February 2019	Chairman of the Board / Non Executive Director / Chairman Audit committee, Nominations Committee, RPT Review Committee & Remuneration Committee
Gerard G. Ondaatjie	Non executive Director	Non Independent	02nd July 2018	Deputy Chairman of the Board / Non executive Director /Member Nomination Committee
Angeline Ondaatjie *	Executive Director	Non Independent	17th Oct 2000	Executive Director
T.J. Ondaatjie *	Executive Director	Non Independent	17th Oct 2000	Executive Director
L.N.D.S. Wijeyeratne	Non executive Director	Independent	22nd Jan 2009	Non Executive Director / Member Audit committee, Nominations Committee, RPT Review Committee & Remuneration Committee
S.K. Abeysundara	Non Executive Director	Independent	8th Apr 2013	Non Executive Director
M.K.K.K.B. Galagoda	Non Executive Director	Non Independent	8th Apr 2013	Non Executive Director/ Member Audit committee, RPT Review Committee & Remuneration Committee

*Non - Executive Directors with effect from 01st July 2022

The number of meetings of the Board and individual attendance by members are shown below.

Name of Director	Directorship Status	No. of Meetings held in F/Y 2021/22	Meetings attended in F/Y 2020/21
J H P Ratnayake	Independent Non Executive Director	3	3/3
G G Ondaatjie	Non Independent Non Executive Director	3	3/3
A M Ondaatjie *	Executive Director	3	3/3
T J Ondaatjie *	Executive Director	3	2/3
L N de S Wijeyeratne	Independent Non Executive Director	3	3/3
M K K K B Galagoda	Non Independent Non Executive Director	3	3/3
S K Abeysundara	Independent Non Executive Director	3	0/3

*Non - Executive Directors with effect from 01st July 2022

In terms of Section 88(i) of the Articles of Association, Ms. A.M. Ondaatjie retires by rotation and being eligible, offer herself for re-election.

Special notice has been given of the intention to propose ordinary resolutions as set out in the notice of meeting to re-elect Mr. J.H.P. Ratnayake and Mr. L.N. de S. Wijeyeratne as Directors of the Company in terms of section 211 of the Companies Act No. 07 of 2007.

BOARD COMMITTEES

The following members of the Board serve on the Audit Committee

Mr. J H P Ratnayake
Mr. L N de S Wijeyeratne
Mr. M K K K B Galagoda

The report of the audit committee is given on pages 28-30 of this report.

The following members of the Board serve on the Remuneration Committee.

Mr. J H P Ratnayake
Mr. L N de S Wijeyeratne
Mr. M K K K B Galagoda

The report of the Remuneration Committee is given on pages 31- 32 of this report.

The following members of the Board serve on the Nominations Committee

Mr. J H P Ratnayake
Mr. G G Ondaatjie
Mr. L N de S Wijeyeratne

The report of the Nomination Committee is given on page 33 of this report.

The following members of the Board serve on the Related Party Transactions Review Committee

Mr. J H P Ratnayake
Mr. L N de S Wijeyeratne
Mr. M K K K B Galagoda

The report of the Related Party Transactions Review Committee is given on page 34-36 of this report.

DIRECTORS MEETINGS

The number of Directors' meetings which comprise of Board meetings, Audit Committee meetings, Remuneration Committee meetings, Nomination Committee meetings, and Related Party Transactions Review (RPT) Committee meetings together with the attendance of each Director at these meetings during the year are tabulated below.

Name of Director	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings		Nomination Committee Meetings		RPT Review Committee Meetings	
	A	B	A	B	A	B	A	B	A	B
J.H.P. Ratnayake	3	3	4	4	1	1	1	1	4	4
Gerard G. Ondaatjie	3	3	-	-	-	-	1	1	-	-
Angeline Ondaatjie	3	3	-	-	-	-	-	-	-	-
T.J. Ondaatjie	3	2	-	-	-	-	-	-	-	-
L.N.D.S. Wijeyeratne	3	3	4	4	1	1	1	1	4	4
S.K. Abeyesundara	3	0	-	-	-	-	-	-	-	-
M.K.K.K.B. Galagoda	3	3	4	4	1	1	-	-	4	4

A - No. of Meetings

B - Attendance

DIRECTORS INTEREST REGISTER

The Company maintains a Directors' Interest Register in compliance with the Companies Act No. 07 of 2007. All Directors of the Company have disclosed their interest in other Companies to the Board and those interests are recorded in the Directors' Interest Register, conforming to the provisions of the Companies Act No. 7 of 2007.

DIRECTORS INTEREST IN CONTRACTS

The Directors of the Company have made the general disclosures provided for in Section 192(2) of the Companies Act No.07 of 2007. The related party disclosures and the Directors of each of those related parties are given on page 88.

DIRECTORS' REMUNERATION

The aggregate emoluments paid to the Directors in respect of the Company and the Group for the financial year 2021/22 amounted to Rs. 6,696,400 given in note 9 to the Financial Statements on page 64.

DIRECTORS SHAREHOLDINGS

As at 31st March	2022 Shares	2021 Shares
Mr. G G Ondaatjie	238,088	232,562
Ms. A M Ondaatjie	219,737	12,352
Mr. T J Ondaatjie	219,737	12,352
Mr. J H P Ratnayake	327	327
Mr. L N de S Wijeyeratne	-	-
Mr. M K K K B Galagoda	-	-
Mr. S K Abeyesundara	-	-

SHAREHOLDERS' INFORMATION

The distribution of shareholders is indicated on pages 98-99 in the Annual Report. There were 635 registered shareholders as at 31st March 2022.

SHARE INFORMATION

Information on share trading is given on page 98 of the Annual Report.

PUBLIC HOLDING

The number of ordinary shares held by the public as at 31st March 2022 was 235,316 shares (2021 - 235,316), which amounted to 10.76% (2021 - 10.76%) of the issued capital of the Company. The number of public shareholders was 622 as at 31st March 2022.

The Company complies with the Minimum Public Holding requirement under option 2 of 7.13.1(b)

Float adjusted market capitalization as at 31st March 2022- Rs. 258,739,694/-

Number of shares representing the Stated Capital is 2,186,040

FINANCIAL STATEMENTS

The Financial Statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) as issued by the Chartered Accountants of Sri Lanka (CASL) and in compliance with the requirements of Companies Act No. 7 of 2007. The Financial Statements of the Company and the Group for the year ended 31st March 2022 signed by the Group Financial Controller, the Deputy Chairman and another Director of the

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Company are given on page 46 which form an integral part of the Annual report of the Board.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of the Financial Statements of the Company to reflect a true and fair view of the state of affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Companies Act No. 7 of 2007, the Sri Lanka Accounting Standards and the Listing Rules of the Colombo Stock Exchange. The statement of directors' responsibility for financial reporting is given on page 27 and forms an integral part of this report.

AUDITORS

The Financial Statements for the year ended 31st March 2022 have been audited by Messrs. Ernst & Young, Chartered Accountants.

Messrs. Ernst & Young, Chartered Accountants are deemed reappointed in terms of Section 158 of the Companies Act No. 7 of 2007 as the Auditors of the Company. A resolution proposing the Directors be authorized to determine the remuneration of the Auditors will be submitted to the Annual General Meeting.

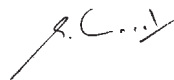
The amount payable to Auditors Messrs. Ernst & Young for the year ended 31st March 2022 is Rs. 615,000/- as Audit Fees and Cost of Non-Audit Services of Rs. 252,521/- was also incurred by the Company.

As far as the Directors are aware, the Auditor does not have any relationship (other than that of an auditor) with the company other than those disclosed above. The Auditors also did not have any interests in the Company.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at on 28th September 2022 at 11.00 a.m. as a virtual meeting. The notice of the meeting relating to the 130th Annual General Meeting is given on page 101.

FOR AND BEHALF OF THE BOARD



Gerard G. Ondaatjie
Deputy Chairman

(Sdg.)

Mercantile Investments and Finance PLC
Secretaries

Colombo.
25th August 2022



T.J. Ondaatjie
Director

STATEMENT OF DIRECTORS RESPONSIBILITIES

STATEMENT OF THE DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

The responsibilities of the Directors, in relation to the Financial Statements of the Company differ from the responsibilities of the Auditors, which are set out in the Independent Auditors' Report of the on pages 41- 43.

As per the provisions of the Companies Act No. 7 of 2007 the Directors are required to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company as at the end of the financial year and of the results of its operations for the financial year.

The Directors consider that, in preparing these Financial Statements set out through pages 44-94 appropriate Accounting Policies have been selected and applied in a consistent manner, supported by reasonable and prudent judgment and that all applicable Accounting Standards, as relevant, have been followed.

The Directors are confident that the Company has adequate resources to continue in operation and have applied the going concern basis in preparing these Financial Statements. Further, the Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose with reasonable accuracy, the financial position of the Company and to ensure that the Financial Statements presented comply with the Companies Act No. 7 of 2007.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and in this regard to give proper consideration to the establishment of appropriate internal control systems to prevent and detect fraud and other irregularities.

The Directors are confident that they have discharged their responsibilities as set out in the statement. The Directors also confirm that to the best of their knowledge, all statutory payments payable by the Company as at the Balance Sheet date have been paid or where relevant, provided for. Further the Directors are confident that company has complied with the CSE rules pertaining to Related Party Transactions

By order of the Board

(Sgd.)

Mercantile Investments & Finance PLC

Secretaries

Colombo.

25th August 2022

AUDIT COMMITTEE REPORT

CHAIRMAN

Mr. J.H.P. Ratnayake (Attorney at Law)

Dear shareholder,
I am pleased to present the Audit Committee Report for the year ended 31st March 2022. This report presents the roles and responsibilities of the Audit Committee and how the Audit Committee worked towards discharging its duties and responsibilities.

MEMBERS

Mr. L.N.de Silva Wijeyeratne
(Chartered Accountant)
Mr. M.K.K.B. Galagoda (Engineer)

AUDIT COMMITTEE COMPOSITION

Category	Number
Non-Executive Independent Directors	02
Non-Executive Non - Independent Directors	01

ROLES AND RESPONSIBILITIES

- Internal Controls & Risk Mgt.
- Financial Reporting
- Internal Audit
- External Audit & Compliance

PURPOSE OF THE COMMITTEE

The Audit Committee assists the Board in observing its responsibility of ensuring that the Group's financial systems provide accurate and up-to-date information on its financial position and that the published Consolidated Financial Statements represent a true and fair reflection of this position. It also assists the Board in ensuring that appropriate accounting policies, internal financial controls and compliance procedures are in place. The Audit Committee receives and reviews information from the Group Financial Controller, Financial Controller (Hotel), the Company Secretary, the Internal Audit Team and the External Auditors regularly throughout the year.

DUTIES OF THE COMMITTEE

- Monitoring the financial reporting process and compliance with Sri Lanka Accounting standards, information requirements as per Company's act and other financial reporting requirements and regulations.

- Monitoring the statutory audit of the Group's Financial Statements.
- Reviewing the Group's Financial Statements and the material financial reporting judgements contained therein.
- Monitoring the effectiveness of the Group's internal control and risk management systems.
- Reviewing and monitoring the independence of the External Auditors and their engagement for provision of additional services to the Group.
- Advising the Board on the appointment and removal of the external auditors and the remuneration and terms of engagement of the external auditors.

NON – AUDIT SERVICES

Ernst and Young provide non-audit services to the Group which are governed to safeguard their objectivity and independence by Nuwara Eliya Hotels Audit and Non-Audit Services Pre-Approval Policy.

The minutes of the Audit Committee meetings are sent to the Board of Directors for acknowledgement. Significant issues arising therefrom were discussed by the Board of Directors.

The Board has ultimate responsibility for ensuring that it has adequate systems of financial control. Systems of financial control can provide only reasonable and not absolute assurances against material misstatements or losses. The Board has adopted guidelines defining financial authorisation and setting procedures for approving capital and investment expenditure. The Board also reviews and approves the annual strategic and financial plans. It subsequently reviews quarterly performance against targets set forth in these plans and budgets. A key focus of the financial management strategy is the protection of the Group's earnings stream and management of its cash flow.

The Board and its committees have reviewed the effectiveness of the Group's risk management system and internal control systems in accordance with the Code of Best Practice on Corporate Governance. Part of this review involves the regular review by the Audit Committee of the Group's financial controls, which then reports back to the Board on its work and findings as described

above. The Board confirms, it has concluded that the Group's risk management and internal control systems are effective.

The Audit Committee monitors the integrity of the Financial Statements and annual accounts and confirms that they have been properly prepared in accordance with SLFRS and LKAS requirements of the Accounting Standards. The Audit Committee reviews draft annual and interim reports before recommending their publication to the Board. The Audit Committee discusses with the Group Financial Controller, Financial Controller (Hotel) and External Auditors the significant accounting policies, estimates and judgments applied in preparing the reports. The Audit Committee also reviews the reports to shareholders and any other public announcement concerning the Group's financial position, corporate governance statements and statements on the Group's system of internal controls and reports its views to the Board to assist in its approval of the results announcement and the Annual Report.

The Audit Committee monitors and reviews the effectiveness of the internal auditor; agrees the annual work plan and reviews whether the internal auditors has the proper resources to enable them to satisfactorily complete such work plans. It also reviews status reports and considers management's response to any major finding, providing support, if necessary, for any follow-up action required and ensures that the team obtains free and unrestricted access to all Group activities, records, property and personnel necessary to fulfil its agreed objectives.

To ensure that the external auditors, Ernst and Young's independence is safe guarded, lead audit partner will be rotated every seven years. This is the sixth year of the current lead audit partner. The Committee reviews the independence and effectiveness of Ernst and Young on an on-going basis and receives reports from them on their independence annually.

In addition to the Company policies and procedures which aim to ensure the external auditor's independence and effectiveness, Ernst and Young also have their own protective policies and systems in place,

which are explained in an Engagement Letter issued by Ernst and Young on an annual basis. For the year ended 31 March 2022, the Committee was satisfied with the independence, objectivity and effectiveness of the relationship with Ernst and Young as the external auditor.

The Audit Committee reviewed the reports submitted by the management and the Internal Auditors on a quarterly basis, regarding the compliance with applicable laws and regulations. The Committee is satisfied that laws and regulations are duly complied with and statutory payments have been made on a timely basis.

CONCLUSION

The Audit Committee is satisfied about the effectiveness of the internal controls and risk management practices, implementation of Accounting Policies and auditors independence in accordance with the Group policies and that the Group assets are properly accounted for and adequately safeguarded.

Date	For the Quarter Ended	Key Issues Discussed	Key Role	Meeting Attendance
19th May 2021	31st March 2021	- Reviewed the draft Audited Financial Statements and the auditors tabled the audit results presentation. Significant issues were discussed. - Audit Committee recommended the Draft Audited Financial Statements for Board approval. - Financial Highlights, Outlet P&L and Farm P&L were tabled. - The Interim Financial Statements were recommended for Board approval. - The Audit Committee recommended not increase audit fees for this financial year. - The Audit Committee Report and the Corporate Governance Report for the Annual Report 2021 circulated among the committee members. - The Internal Audit Report for the period 01/10/2020 – 31/03/2021 was circulated and the observations were discussed. - Statutory compliance report for the period was tabled. - Internal Audit Scope for the year 2021/22 was submitted and approved. - Capital Expenditure Budget/Actuals 2020/21 were circulated.	b d a b d b c d c a	3/3
05th August 2021	30th June 2021	- Reviewed and made recommendations on the Interim Financial Statements for Board approval. - Statutory compliance report for the period 01/04/2021 – 30/06/2021 was tabled. - Capital Expenditure Budget/Actuals for 2021/22 was circulated. - Asset Disposals for the quarter was circulated.	b d a a	3/3
10th November 2021	30th September 2021	- Matters related to the rectification of last quarter interim Financial Statements were discussed - Reviewed the draft Interim Financial Statements for the quarter and recommended for Board approval. - Internal Audit Report for the period was submitted by the Internal Auditors and observations were discussed. - Statutory compliance report for the period 2021/22 was tabled. - Capital Expenditure Budget/Actuals for 2021/22 was circulated. - Asset Disposals for the quarter was circulated. - Matter related to the next year Internal Audit Plan were discussed	a b c d a a c	3/3
8th February 2022	31st December 2021	- Matters related to implementation of back-office IT system and IT function were discussed. - Reviewed the draft Interim Financial Statements for the quarter and recommended for Board approval subject to the observations. - Internal Audit Report for the period 01/07/2021 – 30/09/2021 was submitted by the Internal Auditors and observations were discussed. - Statutory compliance report for the period 01/10/2021 – 31/12/ 2021 was tabled. - Capital Expenditure Budget/Actuals for 2021/22 was circulated. - Asset Disposals for the quarter was circulated.	a b c d a a	3/3

AUDIT COMMITTEE REPORT

Compliance with CSE's New Listing Rules- Section 7.10.6, Rules on Audit Committee

Listing Rule	Governance Principal	Description	Compliance	Compliance Details
a	Composition	The audit committee shall comprise; of a minimum of two independent non-executive directors or of non-executive directors a majority of whom shall be independent, whichever shall be higher.	Complied	2/3 of the audit committee consists of independent non-executive directors.
		In the situation where both parent and the subsidiary are listed entities the audit committee of the parent can function as the audit committee of the subsidiary, however if the parent is not a listed entity subsidiary should have a separate audit committee.	Complied	Parent Company (Grand Hotel) is a Listed Entity while Subsidiary (Fairview Hotel) is a Private Entity.
		One non-executive director shall be appointed as Chairman of the committee by the board of directors.	Complied	Chairman of the Audit Committee is an independent non-executive director.
		Unless otherwise determined by the audit committee, the Chief Executive Officer and the Chief Financial Officer of the Listed Entity shall attend Audit Committee meetings.	Complied	The General Manager and the Group Financial Controller attend the meeting by invitation.
		The Chairman or one member of the committee should be a Member of a recognized professional accounting body.	Complied	Chairman is an Attorney-at-Law and Mr. L.N.de Silva Wijeyeratne is a fellow member of the Institute of Chartered Accountants of Sri Lanka.
		Audit committee performing functions of Remuneration Committee and Related Party Transactions Review Committee	Complied	Two members (out of the three members) of the audit committee are independent directors including the chairman and Mr. L.N.de Silva Wijeyeratne is a fellow member of a recognized professional accounting body.
b	Functions	Roles and responsibilities of the Audit Committee	Complied	Refer the roles and responsibilities of the Audit Committee set in page 28.
c	Disclosures in the Annual Report	Names of directors comprising the Audit Committee	Complied	Refer the Audit Committee Report in page 28.
		Independence of the auditors	Complied	Refer the Audit Committee Report in page 28.
		Audit Committee Report	Complied	Refer the Audit Committee Report in pages 28-30.



J.H.P. Ratnayeke
Chairman - Audit Committee

25th August 2022

REMUNERATION COMMITTEE REPORT

CHAIRMAN

Mr. J.H.P. Ratnayeke (Attorney at Law)

Dear Shareholder,

I am pleased to present the Remuneration Committee Report for the year ended 31st March 2022. This report presents the roles and responsibilities of the Remuneration Committee and how the Remuneration Committee discharged its duties and responsibilities.

MEMBERS

Mr. L.N.de Silva Wijeyeratne (Chartered Accountant)

Mr. M.K.K.K.B. Galagoda (Engineer)

REMUNERATION COMMITTEE COMPOSITION

Category	Number
Non-Executive Independent Directors	02
Non-Executive Non - Independent Directors	01

ROLES AND RESPONSIBILITIES

Reviewing and making recommendations to the Board on remuneration packages and policies applicable to the Directors and Key Management Personnel.

PURPOSE OF THE COMMITTEE

The Remuneration Committee is a sub-committee of the Board, which is responsible for reviewing, making recommendations to the Board and approving the remuneration packages and policies applicable to the Directors and Key Management Personnel.

DUTIES OF THE COMMITTEE

Attracting, retaining and motivating Directors and Key Management Personnel of appropriate caliber and experience are essential to the Company's future success and therefore it is the primary objective of the Committee.

The other objectives of the remuneration policy are to:

- Ensure the integrity of the company's remuneration strategy is maintained and that the shareholder and employee interests are aligned;
- Pay a base salary, benefits and other perks which compares with other companies of comparable size and complexity in accordance with the remuneration policy;
- Use short-term and long-term increments to encourage Executive Directors to out-perform targets, thereby linking their rewards to the interests of shareholders and other stakeholders and giving them the opportunity to increase their earnings;
- Overseeing the compliance with statutory responsibilities relating to remuneration;
- Reviewing executive and director termination payments;
- Encourage Executive Directors to hold shares in the Company; and facilitate effective succession planning.

REMUNERATION POLICY

The remuneration policy of The Nuwara Eliya Hotels Company PLC is designed to attract, reward, motivate and retain the Company's Directors and Key Management Personnel, with market competitive remuneration and benefits, to support the continued future success of the Company and creation of shareholder value. Accordingly, salaries and other benefits are reviewed periodically, taking into account the performance of the individual and industry standards

REMUNERATION OF NON-EXECUTIVE DIRECTORS

The process for determining remuneration of the Non-Executive Directors has the objective of ensuring maximum benefit for The Nuwara Eliya Hotels Company PLC by the retention of high quality resources in the Board.

The Remuneration Committees bears the responsibility of determining the appropriate remuneration for Non-Executive Directors. Non- Executive Directors' fees are reviewed periodically by the Remuneration Committee with reference taken to the fees paid to the Non-Executive Directors of comparable companies.

The Remuneration Committee is subject to the direction and control of the Board. In forming a view of the appropriate level of Board fees to be paid to Non-Executive Directors, the Committee may also elect to receive advice from independent remuneration consultants, if necessary. The Directors emoluments are disclosed on page 64.

MEETING ATTENDANCE

Name of Member	08th Feb 2022
Mr. J.H.P.Ratnayeke	✓
Mr. L.N.de Silva Wijeyeratne	✓
Mr. M.K.K.K.B. Galagoda	✓

REMUNERATION COMMITTEE REPORT

CONCLUSION

During the year, the Committee conducted a review of all elements of the remuneration packages of Directors and performance-related elements. , this report describes how the Board has applied the principles relating to Directors' remuneration in the Combined Code on Corporate Governance, and the corresponding requirements as per Companies Act 2007 through the remuneration committee.

Compliance with CSE's New Listing Rules- Section 7.10.5, Rules on Remuneration Committee

Listing Rule	Governance Principal	Description	Compliance	Compliance Details
a	Composition	The remuneration committee shall comprise; of a minimum of two independent non-executive directors or of non-executive directors a majority of whom shall be independent, whichever shall be higher.	Complied	The committee consists of three non-executive directors out of which two are independent non-executive directors.
		In the situation where both parent and the subsidiary are listed entities the remuneration committee of the parent can function as the remuneration committee of the subsidiary, however if the parent is not a listed entity subsidiary should have a separate audit committee.	Complied	Parent Company (Grand Hotel) is a Listed Entity while Subsidiary (Fairview Hotel) is a Private Entity.
		One non-executive director shall be appointed as Chairman of the committee by the board of directors.	Complied	Chairman of the Audit Committee is an independent non-executive director.
b	Functions	Roles and responsibilities of the Remuneration Committee	Complied	Refer the roles and responsibilities of the Remuneration Committee set in page 31.
c	Disclosures in the Annual Report	Names of directors comprising the Audit Committee	Complied	Refer the Remuneration Committee Report in page 31.
		Remuneration Policy	Complied	Refer the Remuneration Committee Report in page 31.
		Aggregate Remuneration paid to executive and non-executive directors	Complied	Refer the Financial Statements Note 10 set in page 64.



J.H.P. Ratnayeke

Chairman -Remuneration Committee

25th August 2022

NOMINATION COMMITTEE REPORT

CHAIRMAN

Mr. J.H.P.Ratnayeke

Dear Shareholder,

I am pleased to present the Nomination Committee Report for the year ended 31st March 2022. This report presents the roles and responsibilities of the Nomination Committee and how the Nomination Committee discharged its duties and responsibilities.

MEMBERS

Mr. L.N.de Silva Wijeyeratne
Mr. Gerard G. Ondaatjie

NOMINATION COMMITTEE COMPOSITION

Category	Number
Non-Executive Independent Directors	02
Non-Executive Non-Independent Directors	01

ROLES AND RESPONSIBILITIES

Make recommendations to the Board on all Board appointments to ensure that the Board possesses the necessary expertise, knowledge and the Board Balance to effectively discharge its duties and responsibilities.

PURPOSE OF THE COMMITTEE

The Nomination Committee at The Nuwara Eliya Hotels Co. PLC is established for making recommendations to the Board for the appointment or replacement of additional Directors and ensuring there is an appropriate balance and diversity of skills, experience, knowledge and independence both now and in the future.

SCOPE AND OBJECTIVES OF THE COMMITTEE

The Nomination Committee acknowledges the importance of diversity and promoting equal opportunities throughout the Company. The Nominations Committee leads the process for Board appointments,

re-election and succession of Directors, as well as making recommendations for the membership of the Board's main committees. It is also responsible for succession planning for the Group.

The Committee firmly believes that the current composition represents a strong, well balanced and diverse Board. The Board membership is made up of specialists in accounting, legal, engineering and architectural, possessing considerable knowledge, experience and skills to meet the current and future requirements of the Group.

The Committee from time to time reviews the composition of the Board with particular regard to ensuring that there are an appropriate number of Directors on the Board.

KEY ROLES AND RESPONSIBILITIES OF THE COMMITTEE

In accordance with its terms of reference, the Nomination Committee's responsibilities include the following:

- Determination of the Board's structure, size and composition;
- Determination of the skills, experience and knowledge of the Board, and identifies candidates to fill Board vacancies and enhance its capability;
- Succession planning for Directors and other senior executives, taking into account the challenges and opportunities facing the business, and the skills and expertise therefore required on the Board for the future;
- Establishing the time commitment required from Non-executive Directors;
- Determination of the leadership needs of the organization, both Executive and Non-executive, with a view of ensuring the continued ability of the organization to compete effectively in the market place; and
- Observing strategic issues and commercial changes affecting the Group and the market in which it operates.

MEETING ATTENDANCE

Name of Member	08th Feb 2022
Mr. J.H.P.Ratnayeke	✓
Mr. L.N.de Silva Wijeyeratne	✓
Mr. Gerard G. Ondaatjie	✓

CONCLUSION

The committee is satisfied that the combined expertise and knowledge of the Board is sufficient to effectively discharge its duties and responsibilities.



J.H.P. Ratnayeke
Chairman - Nomination Committee

25th August 2022

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

CHAIRMAN

Mr. J.H.P. Ratnayake (Attorney at Law)

Dear shareholder,

I am pleased to present the Related Party Transactions Review Committee Report for the year ended 31st March 2022. This report presents roles and responsibilities and how the Related Party Transactions Review Committee worked towards discharging its duties and responsibilities.

MEMBERS

Mr. L.N.de Silva Wijeyeratne (Chartered Accountant)

Mr. M.K.K.K.B. Galagoda (Engineer)

RPT REVIEW COMMITTEE COMPOSITION

Category	Number
Non-Executive Independent Directors	02
Non-Executive Non - Independent Directors	01

ROLES AND RESPONSIBILITIES

1. Review all proposed Related Party Transactions (RPT)
2. Ensure the compliance with LKAS 24, CSE listing rules and other regulatory requirements, in terms of RPT.

PURPOSE OF THE COMMITTEE

The purpose of the Related Party Transactions Review Committee is to review all proposed Related Party Transactions other than those transactions explicitly exempted in conformity with the Listing Rules of the Colombo Stock Exchange and Code of Best Practices on RPT issued by the Securities & Exchange Commission.

The Committee is an entity under the Board of Directors, and was established to enhance corporate transparency and promote fair transactions. The committee is responsible for reviewing related party transactions.

SCOPE AND OBJECTIVES OF THE COMMITTEE

The RPT Review Committee was formed by the Board to assist the Board in reviewing all related party transactions carried out by The Nuwara Eliya Hotels Co. PLC and its subsidiaries to facilitate early adoption of the Code of Best Practice on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka (SEC).

- Review all proposed Related Party Transactions of the Company except those explicitly exempted by the code;
- Ensuring the compliance with listing rules and other requirements with regard to the Related Party Transactions;
- Overseeing existing policies and procedures and adopting new policies and procedures to review Related Party Transactions of the Company;
- Determination of the requirement of approval by the Board or Shareholders with regard to Related Party Transactions that are to be entered into by the Company;
- Establishes guidelines for senior management to follow in its ongoing dealings with the relevant related party;
- Make recommendations if there is any potential conflict in any Related Party Transaction.

POLICIES AND PROCEDURES

The Company maintains a Directors' Interest Register and all Directors of the Company have disclosed their interests in other Companies, conforming to the provisions of the Companies Act No. 07 of 2007. Further all Related Party Transactions in accordance with Sri Lanka Accounting Standard 24 – (LKAS 24) – Related Party Transactions are disclosed under note No. 31 to the Financial Statements.

MEETING ATTENDANCE

Meeting	19th May 2021	05th Aug 2021	10th Nov 2021	08th Feb 2022
a	✓	✓	✓	✓
b	✓	✓	✓	✓
c	✓	✓	✓	✓

*a. - Mr. J.H.P.Ratnayake

b. - Mr. L.N.de Silva Wijeyeratne

c. - Mr. M.K.K.K.B. Galagoda

CONCLUSION

RPT Review Committee has reviewed all the Related Party Transactions and communicated the comments and observations to the Board of Directors and has complied with the sections 9.2 and 9.3 of the CSE listing rules.

Compliance with CSE's New Listing Rules- Section 9.2 and 9.3, Rules on Audit Committee

Listing Rule	Governance Principal	Description	Compliance	Compliance Details
9.2.1	RPT Review Committee	RPT Review Committee reviews all Related Party Transactions other than Exempted Related Party Transactions.	Complied	RPT Review committee meets on a quarterly basis in order to review all the Related Party Transactions.
9.2.2	Composition	RPT Review Committee shall consist of a combination of executive and non-executive directors. One non-executive independent director will be appointed as the Chairman.	Complied	The committee consists of three non-executive directors out of which two are independent non-executive directors. Chairman of the RPT Review Committee is an independent non-executive director.
9.2.3	Parent and Subsidiary companies.	In the situation where both parent and the subsidiary are listed entities the audit committee of the parent can function as the audit committee of the subsidiary, however if the parent is not a listed entity subsidiary should have a separate audit committee.	Complied	Parent Company (Grand Hotel) is a Listed Entity while Subsidiary (Fairview Hotel) is a Private Entity.
9.2.4	Meeting and Meeting Minutes	The Committee shall meet at least once a calendar quarter and ensure meeting minutes are properly documented and communicated.	Complied	RPT Review committee meets on a quarterly basis and meeting minutes are documented by the Company Secretaries.
9.2.5	Expert Advise	Directors of the Committee should ensure that they have, or have access to, enough knowledge or expertise to assess all aspects of proposed Related Party Transactions	Complied	RPT Review Committee is provided the opportunity to make enquiries from industry experts and professionals, senior management, auditors, central internal departments and the Company Secretary for further details and information as and when necessary
9.2.6	Board Approval	Where necessary, the Committee shall request the Board of Directors to approve the Related Party Transactions, which are under review by the Committee.	N/A	During the year there were no such Related Party Transactions which required board approval.
9.2.7	Personal Interest on a Related Party Transaction	If a director of the Listed Entity has a material personal interest in a matter being considered at a directors' meeting to approve; Such director should not be present at the meeting a vote to be conducted on the matter.	N/A	During the year there were no such Related Party Transactions which required board approval.

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

Compliance with the Listing Rules of the Colombo Stock Exchange – Section 9.3.2 – Disclosures in Annual Report

Listing Rule	Governance Principal	Description	Compliance	Compliance Details
9.3.2 (a)	Non-recurrent Related Party Transactions	Related Party Transactions exceeds 10% of the Equity or 5% of the Total Assets, whichever is lower, should be disclosed in the annual report.	N/A	During the year there were no non-recurrent Related Party Transactions which exceeds 10% of Equity or 5% of Assets.
9.3.2 (b)	Recurrent Related Party Transactions	Recurrent Related Party Transactions exceeding 10% of the gross revenue/income should be disclosed in the annual report.	Complied	Refer the table below
9.3.2. (c)	Related Party Transactions Review Committee Report	Related Party Transactions Review Committee Report should contain; Names of Directors in the Committee A statement that committee has reviewed the Related Party Transactions and observations communicated to the Board. Policies and procedures adopted by the Committee for reviewing the Related Party Transactions. The number of times the Committee has met during the Financial Year	Complied	Refer the Related Party Transactions Report set out in pages 34-36.
9.3.2. (d)	A declaration by the Board	Affirmative statement of the compliance with these Rules pertaining to Related Party Transactions by the Board of Directors.	Complied	Refer the Statement of Directors' Responsibility set out in pages 27.

Compliance with the Listing Rules of the Colombo Stock Exchange – Section 9.3.2 (b) – Aggregate value of recurrent related party Transactions

Name of the Related Party	Relationship	Nature of the Transaction	Aggregate value of the RPT	Aggregate value of the RPT as a % of the Net Revenue/Income	Terms and Conditions of the RPT
Security Ceylon (Private) Ltd.	Other related Company	Security services	10,058,047	1.79%	As per agreement
		Security staff meals	1,526,037	0.27%	As per agreement
Tangerine Beach Hotels PLC	Other related Company	Salaries to staff	307,050	0.05%	As per agreement
Tangerine Tours (Private) Ltd.	Other related Company	Salaries to staff	2,083,300	0.37%	As per agreement
		Administration fee	-	0%	-
		Revenue from operations	4,369,190	0.78%	As per contract
Mercantile Investments & Finance PLC	Other related Company	Repairs & services to fleet vehicles	1,301,549	0.23%	As per agreement
		Rent	1,560,000	0.28%	As per agreement
		Salaries to staff	605,485	0.11%	As per agreement
		Fixed deposit made	230,599,228	40.96%	Market terms
		Upliftment of fixed deposit	37,638,561	6.69%	Market terms
Royal Palms Beach Hotels PLC	Other related Company	Interest income	61,907,100	11.00%	Market terms
		Salaries to staff	3,634,562	0.65%	As per agreement
Mercantile Fortunes (Private) Ltd.	Other related Company	Flooring	331,600	0.06%	Market terms



J.H.P. Ratnayake
Chairman – RPT Review Committee

25th August 2022

RISK MANAGEMENT

Political instability, economic crisis and the global pandemic created a highly volatile, complex and uncertain environment for especially for the hotel industry. Hence, the company ensured that its risk management measures are in proper order to combat the significant risks imposed by the external environment. Risk Management measures became ever so important during the year as the tourism industry was affected by a chain of adverse developments such as the pandemic, Ukraine-Russia war with both Ukraine and Russia been two of the most lucrative tourist markets for Sri Lanka. Company remained resilient to these impacts as a result of the sound Risk Management system developed by Grand Hotel over the decades of its operations. As result of these external environment developments, company faced several significant risks as listed below;

- Significant drop in tourist arrivals as a result of local as well as the global developments such as the Ukraine and Russia war.
- Managing our finances due to the rapid reduction in revenues as a result of decline in tourist arrivals to the country.
- Managing the other stakeholders such as shareholders, public, media, government and pressure groups during this period.
- Cost management due to low occupancy and income.
- Protecting the health of our guests and staff from the epidemic.
- Managing the staff motivation during the period of low occupancy as a result of reduction in their income earned from service charges (which is a substantial proportion of hotel staff income).
- Facing the intense competition with all the players trying to attract the few tourists coming to the country, with strategies such as price undercutting, high discounts etc.
- Retaining our staff from skilled migration.

RISK MANAGEMENT FRAMEWORK

Grand Hotel's risk management framework is based on five stages; namely risk identification, risk ranking and assessment, risk response, implementation and response. We continue to incorporate improvements to our integrated risk management framework and the quality of risk information generated, whilst at the same time maintaining a simple and practical approach. Risk management is essential to meet our objectives, build shareholder value and promote our stakeholders interests. We implement this framework as a group-wide risk management process.

Risk	Description	Impact	Likelihood
Business Risk	The Coronavirus and the global as well as the local political instability were the main external environmental factor that affected the sales and income of the hotel. As a result the company had to revise the budgets and revisit the strategies to further strengthen the cost managing initiatives. A new business/operational risk has emerged as a result of the global pandemic Covid-19 to most companies worldwide especially in tourism, travel and hotel industries which are highly sensitive to such calamities. As a result of these travel restrictions a drastic drop in revenue and occupancy had already taken place and is expected to continue until the pandemic is controlled and the travel restrictions are removed. Even after the pandemic is over there would be several business risks that would affect the operations of the Hotels which is referred to as the "New Normal". However, with the proactive responses taken by the Government, we have an optimistic view on the future of the tourism industry as Sri Lanka could be at a competitive advantage of being recognized as country with reliable health services and a safe destination for the tourists to travel. With several decades of experience and focus on the industry we are working through our contingent strategy to gradually open our doors to our guests based on the reopening of the airport and the uplifting of the curfew completely. The Directors, Management and staff would continue to extend our support to our stakeholders, communities and small and medium enterprise to overcome the crisis situation and survive through the impacts of Covid-19.	Severe	Virtually Certain

RISK MANAGEMENT

Risk	Description	Impact	Likelihood
Employee Risk	High labor turnover resulting from skilled labor migration became a significant issue during the period for most of the hotels in the country as result of the adverse developments in the economic and political environment. Further, as a result of the pandemic the hotel management had to constantly monitor the health and safety of its staff members.	High	Probable
Health & Safety Risk	The global pandemic has resulted in drastic changes to the health and safety environment. The hotel will be compelled to follow strict health and safety guidelines in order ensure the health and wellbeing of our guests as well as employees. Further we are committed to comply with the health regulations prescribed by the national and international organizations such as the health ministry and the World Health Organizations.	High	Virtually Certain
Socio-Economic, Political & Environmental Risk	Coronavirus epidemic affect the tourism industry, China being one of the countries that has highest contribution for tourism arrivals. The macroeconomic situations are monitored and where necessary cost optimization programs are introduced. Developing revenue management tools and guidelines to assist the Company to monitor local developments in supply and demand to obtain informed decisions on pricing and promotions.	High	Probable
Credit Risk	The risk that the Company not being able to recover payments from its debtors, resulting financial losses and working capital issues. With the economic downturn in the country and due the global pandemic not only the hotels, the travel agents and tour operators were also faced with drastic drop in revenues and income. Hence there is a risk of recovering from our debtors. The Company carries out actively, trade debtor balance reviews with review meetings held on a continuous basis. The Hotel transactions are based on cash terms and credit is provided only through established and reputed travel agents and tour operators. Also credit control checks are carried out on parties to significant contracts, along with the continuing auditing & monitoring of those contracts. However during the period the Company has been able collect the most of its outstanding debt and ensure the collections are properly administered.	Moderate	Possible
Tax, Legal & Regulatory Risk	With the downturn in tourism the government provided several tax concessions in terms of Value Added Tax (VAT) for the Hotel Industry. A concession of 0% VAT was granted for hotels provided that 60% of the supplies are from local sources. In respect to tax, legal and regulatory matters, the Board and the Management seek professional advice from external consultants such as legal, tax consultants as and when needed.	Medium	Virtually Certain

CYBER-SECURITY AND DATA PROTECTION AT GRAND HOTEL

Cyber-security and data protection were another key aspects of risk management that Grand Hotel focused upon during the past year. With rapid increase in viruses, hackers, and cyber-attacks the Grand Hotel was constantly monitoring its computer and information systems are secured from these external security breaches. Further Grand Hotel implemented necessary controls such as anti-virus software, passwords and other cyber-security measures to ensure the safety and confidentiality of the company, guest and employee data.

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INDEPENDENT AUDITOR'S REPORT



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TO THE SHAREHOLDERS OF THE NUWARA ELIYA HOTELS COMPANY PLC REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of The Nuwara Eliya Hotels Company PLC ("the Company") and the consolidated financial statements of the Company and its subsidiary ("the Group"), which comprise the statement of financial position as at 31 March 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2022, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

BASIS FOR OPINION

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

KEY AUDIT MATTERS COMMON TO BOTH GROUP AND COMPANY

Key audit matter	How our audit addressed the key audit matter
Assessment of fair value of land and buildings As disclosed in note 15 to the financial statements, Property, plant and equipment include land and buildings carried at fair value. This was a key audit matter due to: - Materiality of the reported land and buildings balances which amounted to Rs. 3,759,420,902/- and represent 65% of the total assets - The degree of assumptions, judgements and estimates associated with fair valuation of land and buildings such as reliance on comparable market transactions, and current market conditions. Key areas of significant judgments, estimates and assumptions used in the valuation of the land and buildings included the following: - Estimate of per perch value of the land - Estimate of the per square foot value of the buildings	Our audit included the following: - Assessed the competency, capability and objectivity of the external valuer engaged by the Group. - Read the external valuer's report and understood the key estimates made by the valuer in determining the valuation of land and buildings. - Assessed the reasonableness of the significant judgements made by the valuer and valuation techniques, per perch value, value per square foot used by the valuer in the valuation of land and buildings. We have also assessed the adequacy of the disclosures made in note 15 to the financial statements.

Partners: H M A Jayasinghe FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, W R H De Silva FCA ACMA, Ms. Y A De Silva FCA, Ms. K R M Fernando FCA ACMA, N Y R L Fernando ACA, W K B S P Fernando FCA FCMA, Ms. L K H L Fonseka FCA, D N Gamage ACA ACMA, A P A Gunasekera FCA FCMA, A Herath FCA, D K Hulangamuwa FCA FCMA LLB (London), Ms. G G S Manatunga FCA, A A J R Perera ACA ACMA, Ms. P V K N Sajeevan FCA, N M Sulaiman ACA ACMA, B E Wijesuriya FCA FCMA, C A Yalagala ACA ACMA

Principals: W S J De Silva BSc (Hons)-MIS MSc-IT, G B Goudlan ACA ACMA, D L B Karunathilaka ACA ACMA, Ms. P S Paranavilane ACA ACMA LLB (Colombo), T P M Ruberu FCMA FCCA

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INDEPENDENT AUDITOR'S REPORT



Key audit matter	How our audit addressed the key audit matter
Investments in short term deposits The Group invested an amount of Rs. 1,144,512,800 /- (2021 – Rs.943,850,427/-) in short term deposits of related party registered finance company from which it earned interest income of Rs. 61,907,101/- (2021 – Rs. 81,120,159/-) for the year as disclosed in Note 19.3 and 31.1. We selected Investments in short term deposits with a related party registered finance company as a key audit matter due to; • The materiality of the short-term deposits • The magnitude of and the inherent risk associated with related party transactions and disclosures Probable effects of the current pandemic on liquidity needs of the Group in Note 2.1.1.	Our procedures in relation to Investments in short term deposits in related party registered finance company included the following, among others: • We evaluated the appropriateness of management's process for identifying and recording related party transactions. • We inspected fixed deposit certificates and confirmations to understand the nature, terms and conditions of the transactions. • We evaluated the appropriateness of calculation of provisions for impairment. • We performed analytical review procedures to evaluate the reasonableness of interest income. • We assessed the adequacy of the related disclosures given in Note 20.3 and 32.1 to the financial statements.

OTHER INFORMATION INCLUDED IN THE 2022 ANNUAL REPORT OF THE COMPANY

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 1884.

31st August 2022
Colombo

STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2022	Note	Group		Company	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Revenue	6	649,157,547	254,954,712	562,940,836	236,092,403
Cost of sales		(162,387,420)	(70,849,303)	(149,710,662)	(65,307,539)
Gross profit		486,770,127	184,105,409	413,230,174	170,784,864
Other operating income	7	11,783,044	15,619,023	10,360,090	15,601,728
Administrative expenses		(262,672,667)	(223,123,303)	(233,192,032)	(199,365,909)
Selling and marketing expenses		(33,119,294)	(15,437,043)	(23,662,841)	(13,494,652)
Other operating expenses		(261,118,253)	(233,020,611)	(227,122,791)	(204,199,241)
Operating loss		(58,357,043)	(271,856,525)	(60,387,400)	(230,673,210)
Finance expenses	8	(1,857,740)	(1,285,990)	(1,111,910)	(803,030)
Finance income	9	88,154,849	129,770,704	77,583,085	115,509,060
Profit/(loss) before tax	10	27,940,066	(143,371,811)	16,083,775	(115,967,180)
Income tax (expenses) /reversal	11	(18,212,305)	3,263,075	(12,798,366)	9,570,085
Profit/ (loss) for the year		9,727,761	(140,108,736)	3,285,409	(106,397,095)
Profit/ (loss) attributable to :					
Equity holders of the parent company		8,063,444	(131,399,673)	3,285,409	(106,397,095)
Non-controlling interests	19.2.1	1,664,317	(8,709,063)	-	-
		9,727,761	(140,108,736)	3,285,409	(106,397,095)
Basic/diluted earnings per share	12	3.69	(60.11)	1.50	(48.67)
Dividend per share	13	-	-	-	-

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 50 to 94 form an integral part of these financial statements.

STATEMENT OF TOTAL COMPREHENSIVE INCOME

Year ended 31 March 2022	Note	Group		Company	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Profit/(loss) for the year		9,727,761	(140,108,736)	3,285,409	(106,397,095)
Other comprehensive income/(loss)					
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods					
Gain on equity instruments designated at fair value through other comprehensive income	26	928,573	47,632,598	928,573	47,632,598
Actuarial gain/ (loss) on retirement benefit obligation	29	(116,060)	(5,983,628)	225,154	(5,833,817)
Income tax effect		(12,382)	817,316	(31,522)	816,734
		(128,442)	(5,166,311)	193,632	(5,017,082)
Revaluation of land and buildings	25	430,462,378	-	351,363,981	-
Income tax effect on revaluation of land and buildings		(57,100,797)	-	(49,190,957)	-
		373,361,581	-	302,173,024	-
Total other comprehensive Income items not to be reclassified to profit or loss in subsequent periods:		374,161,712	42,466,287	303,295,229	42,615,516
Other comprehensive income for the year, net of tax		374,161,712	42,466,287	303,295,229	42,615,516
Total comprehensive income/(loss) for the year		383,889,473	(97,642,449)	306,580,638	(63,781,579)
Total comprehensive income/(loss) attributable to:					
Equity holders of the parent		363,917,509	(88,894,835)	306,580,638	(63,781,579)
Non-controlling interests		19,971,964	(8,747,615)	-	-
		383,889,473	(97,642,449)	306,580,638	(63,781,579)

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 50 to 94 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

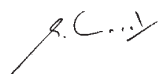
As at 31 March 2022	Note	Group		Company	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
ASSETS					
Non-current assets					
Property, plant and equipment	15	3,948,681,347	3,609,841,763	3,256,760,861	2,984,588,125
Right-of-use assets	16	1,340,000	2,345,000	-	-
Intangible assets	17	12,943,107	15,062,379	12,348,327	14,298,207
Biological assets	18	1,787,717	2,516,017	1,787,717	2,516,017
Investment in subsidiary	19	-	-	444,996,000	444,996,000
Other non-current financial assets	20	234,212,690	233,284,117	234,212,690	233,284,117
		4,198,964,861	3,863,049,276	3,950,105,595	3,679,682,466
Current assets					
Inventories	21	60,160,194	31,538,515	55,573,342	28,713,100
Trade and other receivables	22	38,949,126	16,153,734	36,448,908	13,215,987
Prepayments		7,048,758	2,764,167	5,093,728	1,420,187
Other current financial assets	20	1,427,721,813	1,362,057,313	1,270,473,631	1,217,934,134
Cash and cash equivalents	23	63,980,301	28,997,783	51,548,059	26,437,596
		1,597,860,192	1,441,511,512	1,419,137,668	1,287,721,004
Total assets		5,796,825,053	5,304,560,788	5,369,243,263	4,967,403,470
EQUITY AND LIABILITIES					
Equity					
Stated capital	24	335,209,740	335,209,740	335,209,740	335,209,740
Revaluation reserve	25	2,380,136,695	2,047,943,823	2,236,512,800	1,957,117,633
Fair value reserve of financial assets at FVOCI	26	(36,152,354)	(37,080,927)	(36,152,354)	(37,080,927)
Retained earnings		2,236,074,706	2,205,278,642	2,241,763,028	2,215,506,130
Equity attributable to owners of the company		4,915,268,787	4,551,351,278	4,777,333,214	4,470,752,576
Non-controlling interests	19.2	202,732,231	182,760,267	-	-
Total equity		5,118,001,018	4,734,111,545	4,777,333,214	4,470,752,576
Non-current liabilities					
Interest Bearing Loans and Borrowings	27	14,393,919	14,998,800	7,993,999	8,333,200
Deferred tax liability	28	431,887,170	377,920,945	383,726,284	340,536,696
Retirement benefit obligations	29	34,602,471	32,895,446	31,406,956	30,705,183
		480,883,560	425,815,191	423,127,239	379,575,079
Current liabilities					
Interest Bearing Loans and Borrowings	27	52,502,179	42,342,927	41,853,162	28,787,867
Trade and other payables	30	113,162,469	66,151,437	98,215,967	55,494,920
Contract liabilities	31	25,224,007	24,725,272	22,445,688	22,948,497
Income tax liabilities		7,051,820	11,414,416	6,267,993	9,844,531
		197,940,475	144,634,052	168,782,810	117,075,815
Total liabilities		678,824,035	570,449,243	591,910,049	496,650,894
Total equity and liabilities		5,796,825,053	5,304,560,788	5,369,243,263	4,967,403,470

It is certified that the financial statements have been prepared in compliance with the requirements of the Companies Act No. 7 of 2007.



M.I. Shahabdeen
Group Financial Controller

The board of directors is responsible for these financial statements.
Approved and signed for and on behalf of the Board;



G.G. Ondaatjie
Deputy Chairman



T.J. Ondaatjie
Director

The accounting policies and notes as set out in pages 50 to 94 form an integral part of these financial statements.

25th August 2022
Colombo

STATEMENT OF CHANGES IN EQUITY - GROUP

Group	Attributable to equity holders of the parent					Non controlling interest	Total
	Stated capital (Note 24)	Revaluation reserve (Note 25)	Fair value reserve of financial assets at FVOCI (Note 26)	Retained earnings	Total		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1 April 2020	335,209,740	2,070,721,680	(84,713,525)	2,319,028,218	4,640,246,113	191,507,882	4,831,753,995
Loss for the year	-	-	-	(131,399,673)	(131,399,673)	(8,709,063)	(140,108,736)
Other comprehensive income /(loss)							
Net gain on equity instruments designated at fair value through other comprehensive income	-	-	47,632,598	-	47,632,598	-	47,632,598
Actuarial loss on retirement benefit obligation	-	-	-	(5,944,926)	(5,944,926)	(38,702)	(5,983,628)
Income tax effect on actuarial gain	-	-	-	817,166	817,166	150	817,316
Total comprehensive income/(loss) for the year net of tax	-	-	47,632,598	(136,527,433)	(88,894,835)	(8,747,615)	(97,642,449)
Transferred to retained earnings	-	(22,777,857)	-	22,777,857	-	-	-
	-	(22,777,857)	-	22,777,857	-	-	-
Balance as at 31 March 2021	335,209,740	2,047,943,823	(37,080,927)	2,205,278,642	4,551,351,278	182,760,267	4,734,111,545
Balance as at 1 April 2021	335,209,740	2,047,943,823	(37,080,927)	2,205,278,642	4,551,351,278	182,760,267	4,734,111,545
Profit for the year	-	-	-	8,063,444	8,063,444	1,664,317	9,727,761
Other comprehensive income /(loss)							
Net gain on equity instruments designated at fair value through other comprehensive income	-	-	928,573	-	928,573	-	928,573
Actuarial loss on retirement benefit obligation	-	-	-	(27,911)	(27,911)	(88,149)	(116,060)
Income tax effect on actuarial loss	-	-	-	(17,326)	(17,326)	4,945	(12,382)
Revaluation of lands and buildings	-	410,028,098	-	-	410,028,098	20,434,280	430,462,378
Income tax effect on revaluation of land and buildings	-	(55,057,369)	-	-	(55,057,369)	(2,043,428)	(57,100,797)
Total comprehensive income for the year net of tax	-	354,970,729	928,573	8,018,207	363,917,509	19,971,964	383,889,473
Transferred to retained earnings	-	(22,777,857)	-	22,777,857	-	-	-
	-	(22,777,857)	-	22,777,857	-	-	-
Balance as at 31 March 2022	335,209,740	2,380,136,695	(36,152,354)	2,236,074,706	4,915,268,787	202,732,231	5,118,001,018

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 50 to 94 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY - COMPANY

Company	Stated capital (Note 24)	Revaluation reserve (Note 25)	Fair value reserve of financial assets at FVOCI (Note 26)	Retained earnings	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01 April 2020	335,209,740	1,979,895,490	(84,713,525)	2,304,142,451	4,534,534,156
Loss for the year	-	-	-	(106,397,095)	(106,397,095)
Other comprehensive income /(loss)					
Net gain on equity instruments designated at fair value through other comprehensive income	-	-	47,632,598	-	47,632,598
Actuarial loss on retirement benefit obligation	-	-	-	(5,833,817)	(5,833,817)
Income tax effect on actuarial gain	-	-	-	816,734	816,734
Total comprehensive income/(loss) for the year net of tax	-	-	47,632,598	(111,414,177)	(63,781,579)
Transferred to retained earnings	-	(22,777,857)	-	22,777,857	-
	-	(22,777,857)	-	22,777,857	-
Balance as at 31 March 2021	335,209,740	1,957,117,633	(37,080,927)	2,215,506,130	4,470,752,576
Balance as at 1 April 2021	335,209,740	1,957,117,633	(37,080,927)	2,215,506,130	4,470,752,576
Profit for the year	-	-	-	3,285,409	3,285,409
Other comprehensive income /(loss)					
Net gain on equity instruments designated at fair value through other comprehensive income	-	-	928,573	-	928,573
Actuarial gain/ (loss) on retirement benefit obligation	-	-	-	225,154	225,154
Income tax effect on actuarial loss	-	-	-	(31,522)	(31,522)
Revaluation of lands and buildings	-	351,363,981	-	-	351,363,981
Income tax effect on revaluation of land and buildings (Note 24)	-	(49,190,957)	-	-	(49,190,957)
Total comprehensive income for the year net of tax	-	302,173,024	928,573	3,479,041	306,580,638
Transferred to retained earnings	-	(22,777,857)	-	22,777,857	-
	-	(22,777,857)	-	22,777,857	-
Balance as at 31 March 2022	335,209,740	2,236,512,800	(36,152,354)	2,241,763,028	4,777,333,214

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.
Figures in brackets indicate deductions.

CASH FLOW STATEMENT

Year ended 31 March 2022	Note	Group		Company	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Cash flows from/(used in) operating activities					
Profit/(loss) before tax		27,940,066	(143,371,811)	16,083,775	(115,967,180)
Adjustments for:					
Depreciation of property, plant and equipment	15	118,900,568	121,681,904	105,633,764	107,873,470
Depreciation of right-of-use assets		1,005,000	1,720,583	-	715,583
Amortization of intangible asset	17	2,119,272	2,119,560	1,949,880	1,949,881
Provision for impairment		447,620	325,006	447,620	325,006
Provision for retirement benefit obligation		5,862,305	6,691,163	5,130,411	6,080,441
Interest expenses	8	287,279	297,040	242,230	254,628
Interest income	9	(87,465,336)	(123,419,502)	(76,893,572)	(109,157,858)
Dividend income	7	(1,960,098)	(1,959,183)	(1,960,098)	(1,959,183)
Fair value gain on of biological assets	18	(1,772,970)	(2,949,062)	(1,772,970)	(2,949,062)
Derecognition of ROU assets and lease liabilities		-	(34,147)	-	(34,147)
Gain on equity investments fair value through profit or loss		(689,513)	(6,351,202)	(689,513)	(6,351,202)
Profit from disposal of property, plant and equipment		(739,802)	(7,535,223)	(739,802)	(7,535,223)
Write back of unclaimed dividends		(535,269)	(606,823)	(535,269)	(606,823)
Operating profit/(loss) before working capital changes		63,399,122	(153,391,697)	46,896,456	(127,361,669)
Decrease / (increase) in inventories		(28,621,679)	5,897,028	(26,860,242)	5,773,491
Decrease / (increase) in trade, other receivables and prepayments		(26,929,648)	72,569,288	(26,756,125)	72,057,121
Increase/ (decrease) in trade and other payables		47,546,301	(42,825,208)	43,256,316	(40,469,827)
Increase/ (decrease) in contract liabilities		498,735	19,676,626	(502,809)	19,609,153
Cash generated from/(used in) operations		55,892,831	(98,073,963)	36,033,596	(70,391,731)
Income tax paid		(25,721,856)	(18,127,904)	(22,407,796)	(15,802,111)
Interest paid		(287,279)	(297,040)	(242,230)	(254,628)
Gratuity paid		(4,271,340)	(7,021,391)	(4,203,484)	(6,973,747)
Net cash from/(used in) operating activities		25,612,356	(123,520,298)	9,180,086	(93,422,217)
Cash flows from/(used in) investing activities					
Acquisition of property, plant and equipment	15	(27,292,978)	(39,409,462)	(26,457,723)	(39,050,482)
Proceeds from disposal of property, plant and equipment		755,007	10,667,429	755,006	10,667,429
Interest received		97,385,229	139,978,592	86,033,227	124,299,713
Dividend received		1,960,098	1,959,183	1,960,098	1,959,183
Investment in fixed deposits		(367,480,361)	(176,887,804)	(353,575,121)	(148,154,080)
Upliftment of fixed deposits		291,987,526	120,837,521	291,987,526	101,261,216
Addition of biological assets	18	(31,100)	-	(31,100)	-
Sale of biological assets	18	2,532,370	4,055,865	2,532,370	4,055,865
Net cash from investing activities		(184,209)	61,201,324	3,204,283	55,038,844
Cash flows from/(used in) financing activities					
Proceed from Long term borrowings		-	14,998,800	-	8,333,200
Proceed from Short term borrowings		-	30,001,200	-	16,666,800
Repayments of bank loans		(9,000,201)	-	(5,000,001)	-
Repayments of lease payment		-	(910,000)	-	(910,000)
Net cash from/(used in) financing activities		(9,000,201)	44,090,000	(5,000,001)	24,090,000
Net increase /(decrease) in cash & cash equivalents		16,427,946	(18,228,974)	7,384,368	(14,293,373)
Cash & cash equivalents at the beginning of the year		16,656,056	34,885,030	14,316,529	28,609,902
Cash & cash equivalents at the end of the year	23	33,084,002	16,656,056	21,700,897	14,316,529

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 50 to 94 form an integral part of these financial statements.

ACCOUNTING POLICIES

1. CORPORATE INFORMATION

The consolidated financial statements of the Nuwara Eliya Hotels Co. PLC and its subsidiary (collectively, the Group) and the separate financial statements of the Company for the year ended 31 March 2022 were authorized for issue in accordance with a resolution of the directors on 19 May 2022. The Nuwara Eliya Hotels Co. PLC (the Company or the parent) is a public limited company incorporated and domiciled in Sri Lanka and whose shares are listed on Colombo Stock Exchange and publicly traded.

The registered office of the Company is located at No 236, Galle Road, Colombo 03 and the Principal place of business is (Hotel) located at Nuwara Eliya.

The Group is principally engaged in the provision of Hotel Services. Information of the subsidiary is provided in Note 2.3. Information on other related party relationships of the Group is provided in Note 31.1.

The Company does not have an identifiable parent company of its own.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Company and the Group comprise the statement of financial position as at 31 March 2022 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

The financial statements of the Company and the Consolidated Financial Statements of the Group have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), and in compliance with the requirements of Companies Act No. 7 of 2007.

The consolidated financial statements have been prepared on a historical cost basis,

except for Land and Buildings, financial instruments fair value through at profit or loss, equity instruments designated at fair value through OCI and biological assets.

The consolidated financial statements are presented in Sri Lanka Rupees (Rs.).

Comparative Information

The consolidated financial statements provide comparative information in respect of the previous year. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year. Previous year's figures and phrases have been re-arranged whenever necessary to conform to current presentation.

2.1.1 Going Concern

The Board of Directors has made an assessment of the Group's ability to continue as a going concern considering all the current internal and external environmental factors including the business impact of the overall tourism industry and they do not intend either to liquidate or to cease trading.

Current market and economic conditions

As at the reporting date, several market and economic changes such as shortages of oil and gas, limitation of imported food items, regular power cuts present, and the said facts directly affected on the industry in which the Group is operating.

Further, adverse changes in political environment, travel advisory and warnings issued for Sri Lanka, shortage of foreign exchange and significant depreciation of Rupee value against foreign currencies, changes in market interest rates and global macroeconomic factors also affected the tourism industry in Sri Lanka.

The Board of Directors has carefully evaluated the implications of these conditions on the operations of the Group. In addressing these issues, the Government of Sri Lanka has taken several policy decisions to overcome form obstacles. Even the conditions are beyond management control, the Group has taken measures to mitigate the potential impact on

the operations and to continue the business smoothly.

The board has considered the potential implications in concluding the Going Concern of the Group.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 31 March 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee. (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to receive variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses

control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

2.3 Subsidiary

Investment subsidiary is carried at cost less impairments (if any) in the separate financial statements.

The subsidiary and its controlling percentage of the Group, which have been consolidated, are as follows:

Subsidiary	2022	2021
Fair View Hotel (Pvt) Ltd	74%	74%

The principal activities of the subsidiary are provision of lodging, food, beverage and other hospitality industry related activities. The principal place of business of the subsidiary is located at Colombo.

The financial statements of the subsidiary is prepared in compliance with the Group's accounting policies.

03. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) *Business combinations and goodwill*

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquirer's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of SLFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with SLFRS 9. Other contingent consideration that is not within the scope of SLFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the

consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

b) *Current versus non-current classification*

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period;

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Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.
- All other assets are classified as non-current.
- A liability is current when:
- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period;

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

c) **Fair value measurement**

The Group measures financial instruments such as quoted equity securities designated as fair value through profit or loss and financial assets at fair value through OCI and non-financial assets such as Land, Buildings and Biological Assets at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either;

- In the principal market for the asset or liability;

Or

- In the absence of a principal market, in the most advantageous market for the asset or liability;

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1-Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's senior management and Board determines the policies and procedures for fair value measurement, such as land and buildings and biological assets.

External valuers are involved for valuation of land, buildings and biological assets of the Group. Involvement of external valuers is determined annually by the senior management and the board after discussion with and approval by the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The senior management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the senior management analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the senior management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The senior management, in conjunction with the Group's external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

On an annual basis, the senior management presents the valuation results to the Audit Committee and the Group's independent auditors. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

Fair value measurement	Disclosure Notes
Disclosures for valuation methods, significant estimates and assumptions	Notes 13, 17, 19
Quantitative disclosures of fair value measurement hierarchy	Note 13
Property, plant and equipment under revaluation model	Note 14
Biological Assets	Note 17
Financial Instruments (Including those carried at amortized cost)	Note 19

d) Revenue recognition

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the company expect to be entitled in exchange of those goods or services.

The Group's gross turnover comprises proceeds from provision of food, beverage, lodging and other hospitality industry related activities. The net Group's turnover excludes turnover taxes and trade discounts.

The specific recognition criteria described below must also be met before revenue is recognised.

Room revenue

Room revenue is recognized when the rooms are occupied on daily basis. The performance obligation is to provide the right to use accommodation for a given number of nights, and the transaction price is the room rate for each night determined at the time of booking. The performance obligation is met when the customer is given the right to use the accommodation, and so revenue is recognised for each night as it takes place, at the room rate for that night.

Contract balances associated with room revenue

Contract assets

A contract asset is initially recognised for revenue earned from room sales because the consideration is receiving at the departure of the guests. Upon departure of guests, the amount recognised as contract assets is reclassified to trade receivables.

Contract assets are subject to impairment assessment.

Contract liabilities

Customers may pay in advance for accommodation. In this case the Group has received consideration for services not yet provided. This is treated as a contract liability until the performance obligation is met. The Group has taken advantage of the practical expedient in SLFRS 15 to not adjust the consideration for the effects of a financing component as the period between payment and the performance obligation is less than one year.

Food and beverage revenue

The contract is established when the customer orders the food or beverage item and the performance obligation is the provision of food and beverage by the Group. The performance obligation is satisfied when the food and beverage is delivered to the customer (at a point of time), and revenue is recognised at this point at the price for the items purchased.

Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as financial assets at fair value through OCI, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of profit or loss.

Dividend income

Dividend income is recognised in statement of profit or loss on the date the entity's right to receive the payment is established, which is generally when shareholders approve the dividend.

Rental income, other income and gains

Rental income, other income and gains are recognised in the statement of profit or loss as it accrues.

Gains and losses on disposal of assets

Gains and losses on disposal of assets are determined by comparing the net sales proceeds with the carrying amounts of the assets and are recognised net within "other operating income" in the statement of profit or loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

e) Taxation

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

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Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred taxation

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future;
- Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:
- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same

taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable;
- When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

f) Foreign currencies

The Group's consolidated financial statements are presented in Sri Lanka Rupees, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

g) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

h) Cash dividend

The Group recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Group. A distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

i) Property, plant and equipment

Property, Plant and equipment (other than land, buildings, swimming pool and farm structures) is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised at the date of revaluation. Revaluation of land is done with sufficient frequency to ensure that the carrying amount of the land does not differ materially from its fair value, and is undertaken by professionally qualified valuers.

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus.

An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized.

Depreciation is recognised in the statement of profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Useful lives as follows;

Asset	Years
Buildings	4 to 92 Years
Swimming pool complex	4 to 20 Years
Farm Structure	5 to 7 Years
Plant and Machinery	10 to 28 Years
Motor Vehicles	4 to 13 Years
Furniture and Fittings	5 to 11 Years
Fixtures	20 Years
Electrical Equipment	10 to 34 Years
Office Equipment	10 Years
Soft Furniture	4 to 10 Years
Crockery, Cutlery and Glassware	3 Years

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Capital work-in-progress

Capital work-in-progress is stated at cost less impairment losses if any. These would be transferred to the relevant asset category in property, plant and equipment when the asset is completed and available for use i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

j) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index

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or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Interest-bearing loans and borrowings.

iii) Short-term leases and leases of low-value assets

The Group does not apply the 'short-term lease' and 'lease of low-value assets' recognition exemptions during the year for any lease contracts.

k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

l) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability and intention to use or sell the asset;

- How the asset will generate future economic benefits;
- The availability of resources to complete the asset;
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

m) Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i. Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price as disclosed in section revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost. (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition. (equity instruments)
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

The Group classifies its financial assets as at amortised cost only if both of the following criteria are met and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to collect the contractual cash flows,
- and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables and investments in fixed deposits.

Financial assets designated at fair value through OCI (equity instruments)

Financial assets at fair value through OCI comprise:

- Equity securities which are not held for trading, and which the group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

Financial assets at fair value through OCI are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of OCI. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI.

On disposal of these equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings.

Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its listed equity investments in Royal Palm Beach Hotels PLC and John Keels Holdings PLC under this category. The classification is determined on an instrument-by-instrument basis.

Financial assets at fair value through profit or loss

The Group classifies the following financial assets at fair value through profit or loss (FVPL)

- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognise fair value gains and losses through OCI

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired;

Or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

ACCOUNTING POLICIES

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Trade receivables and disclosures for significant assumptions Note 21

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures

for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss.
- Financial liabilities at amortised cost. (loans and borrowings)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

The Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (loans and borrowings)

This category generally applies to interest-bearing loans and borrowings. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or

modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iii) *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

n) *Inventories*

Inventories are measured at the lower of cost and net realizable value. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

Food and Beverages	At Weighted Average Cost
Engineering Supplies and Other Consumables	At Weighted Average Cost
Grand Gift Boutique	Actual Cost on FIFO Basis

Net realizable value is the estimated selling price in the ordinary course of business less, the estimated cost of completion and the estimated costs necessary to make the sale.

o) *Biological Assets*

Biological Assets are measured at Fair Value less costs to sell, with any change therein recognized in profit or loss. Costs to sell include all costs that would be necessary to sell the assets, including transportation costs. The fair value of livestock held for sale is based on the market price of livestock of similar age based on the market value circular issued by the National Livestock Development Board on weight, breed and genetic make-up.

p) *Impairment of non-financial assets*

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable

amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised

impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

q) *Cash and short-term deposits*

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

r) *Provisions*

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

ACCOUNTING POLICIES

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

s) Employee Benefits

Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Provident and Trust Funds covering all employees are recognised as an employee benefit expense in statement of profit or loss in the periods during which services are rendered by employees. The Group contributes 12% and 3% of gross emoluments to employees as Provident Fund and Trust Fund contribution respectively.

Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated by independent actuaries using Projected Unit Credit (PUC) method as recommended by LKAS 19 – “Employee benefits”. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability.

Current service cost and interest cost are recognized in the statement of profit or loss while any actuarial gains or losses arising are recognized in statement of other comprehensive income.

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined

retirement benefit obligations are given in note 29. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

Provision has been made for retirement gratuities from the beginning of service for all employees, in conformity with LKAS 19 on employee benefit. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of five years of continued service. Short-term Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:

- Financial risk management and policies Note 34
- Sensitivity analyses disclosures Note 34
- Capital management Note 34

I. Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on

parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

II. Revaluation of land and buildings including swimming pool and farm structures

The Group carries its land and buildings including swimming pool and farm structures at fair value, with changes in fair value being recognised in the statement of OCI.

The valuer has used valuation techniques such as market values and discounted cash flow methods where there was lack of comparable market data available based on the nature of the property.

The lands were valued by reference to transactions involving properties of a similar nature, location and condition. The Group engaged an independent valuation specialist to assess fair values as at 31 March 2022.

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

A. Retirement Benefit Obligation

The cost of retirement benefit obligation and the present value of the retirement benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of long-term government bonds, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. Future salary increases, and pension increases are based on expected future inflation rates of the country.

Further details about the assumptions used are given in Note 28.

B. Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. Management considered 100% ECL for debtors aged more than 150 days in determining the provision matrix for ECL.

The provision matrix is initially based on the Group's historical observed default rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. The Group has considered the current decline in the tourism industry due to the impact of covid19 pandemic in determining the provisioning under ECL. The Management has monitored the effect of the global economic downturn to its travel agents through frequent discussion with them and based on the financial strength and negotiated the payment terms and future arrangements accordingly.

5. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. Adoption of these amendments and interpretations will not have significant impact on the consolidated financial statements of the Group.

SLFRS 17 Insurance Contracts

In 8 January 2020, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued SLFRS 17 Insurance Contracts (SLFRS 17). SLFRS 17 was amended by Amendments to SLFRS 17 - Insurance Contracts, in 28 June 2021. SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts (SLFRS 4) that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of SLFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in SLFRS 4, which are largely based on grandfathering previous local accounting policies, SLFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of SLFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17.

Amendments to LKAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Costs of Fulfilling a Contract

In 25 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to LKAS 37 Provisions, Contingent Liabilities and Contingent Assets (LKAS 37) to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.

Amendments to LKAS 16 Property, Plant & Equipment: Proceeds before Intended Use

In 25 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued LKAS 16 Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

ACCOUNTING POLICIES

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

Amendments to SLFRS 3 Business Combinations: Updating a reference to conceptual framework

In 23 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to SLFRS 3 Business Combinations - Updating a Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

At the same time, it was decided to clarify existing guidance in SLFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

NOTES TO THE FINANCIAL STATEMENTS

6 REVENUE

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Revenue from contracts with customers (Note 6.1)	649,157,547	254,954,712	562,940,836	236,092,403
	649,157,547	254,954,712	562,940,836	236,092,403

6.1 Revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time/the period of stay and at a point in time in the following major categories ;

Over period of stay				
Room revenue	193,746,439	70,322,087	144,037,465	60,669,398
At a point in time				
Food revenue	372,696,777	154,355,956	339,298,103	145,798,219
Beverage revenue	64,571,426	21,026,180	61,927,506	20,470,202
Spa income	7,295,980	-	7,295,980	-
Laundry income	3,657,886	1,789,161	3,194,672	1,741,279
Gift shop sales	3,016,313	1,032,215	3,016,313	1,032,215
Telephone income	1,929	48,023	-	-
Billiard income	559,773	122,545	559,773	122,545
Farm revenue	3,611,024	6,258,545	3,611,024	6,258,545
	649,157,547	254,954,712	562,940,836	236,092,403

Contract liabilities and its movement are disclosed in Note 31 to the financial statements and there are no contract assets.

7 OTHER OPERATING INCOME

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Dividend income	1,960,098	1,959,183	1,960,098	1,959,183
Change in fair value of biological assets (Note18)	1,772,970	2,949,062	1,772,970	2,949,062
Rental income	1,570,000	1,550,000	1,570,000	1,550,000
Excursion income	848,732	595,575	848,732	595,575
Profit on sale of property, plant and equipment	739,802	7,535,223	739,802	7,535,223
Sundry income	4,891,442	1,029,980	3,468,488	1,012,685
	11,783,044	15,619,023	10,360,090	15,601,728

NOTES TO THE FINANCIAL STATEMENTS

8 FINANCE EXPENSES

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Interest on bank overdrafts & bank charges	287,279	229,772	242,230	187,360
Interest expenses on lease liabilities	-	67,268	-	67,268
Interest on bank loan	1,570,461	988,950	869,680	548,402
	1,857,740	1,285,990	1,111,910	803,030

9 FINANCE INCOME

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Interest income on short term deposits	87,465,336	123,419,502	76,893,572	109,157,858
Net change in fair value of financial assets (Note 20.2)	689,513	6,351,202	689,513	6,351,202
	88,154,849	129,770,704	77,583,085	115,509,060

10 PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax is stated after charging all the expenses including the followings:

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Included in cost of sales				
Materials and consumables	158,367,487	60,781,370	145,690,729	55,825,611
Included in administration expenses				
Auditors' remuneration				
- Statutory audit fee	764,833	745,325	615,000	615,000
- Internal audit fee	440,000	440,000	440,000	440,000
Costs of defined employee benefits				
- Defined benefit plan costs	5,862,305	6,691,163	5,130,411	6,080,441
- Defined contribution plan cost - EPF and ETF	22,091,246	21,061,384	22,091,246	21,061,384
- Other staff cost	191,135,968	160,889,817	166,791,584	140,786,605
Donations	130,000	175,000	125,000	165,000
Directors' emoluments	6,696,400	6,540,000	6,696,400	6,540,000
Included in other operating expenses				
Depreciation of property, plant and equipment	118,900,568	121,681,904	105,633,764	107,873,470

10 PROFIT/(LOSS) BEFORE TAX CONTD.

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Depreciation of right-of-use assets	1,005,000	1,720,583	-	715,583
Amortization of intangible assets	2,119,272	2,119,560	1,949,880	1,949,881
Included in Selling and marketing expenses				
Advertisement charges	2,248,551	3,278,459	1,504,071	2,480,337
Credit card commission	10,310,094	4,067,150	9,332,834	3,882,976

11 TAX EXPENSE/(REVERSAL)

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
The major components of income tax expenses for the year ended 31st March are as follows :				
Current income tax				
Current income tax charge (Note 11.1)	21,359,258	29,989,749	18,831,257	26,569,886
Adjustments in respect of current income tax of previous year	-	275,815	-	275,815
	21,359,258	30,265,564	18,831,257	26,845,701
Deferred tax expense				
Deferred tax charge/ (reversal) (Note 28)	(3,146,953)	(33,528,639)	(6,032,891)	(36,415,786)
Income tax expense/(reversal) reported in the statement of profit or loss	18,212,305	(3,263,075)	12,798,366	(9,570,085)
Effective tax rate	65%	2%	80%	8%

11.1 Taxable profit form the business is as follows;

Taxable income/(loss) from hotel operations	(342,079)	(224,693,327)	(342,079)	(224,693,327)
Investment Income	89,023,075	124,957,241	78,463,572	110,707,858
Total taxable income/(loss)	88,680,996	(99,736,086)	78,121,493	(113,985,469)
Current income tax charge for the year is made up of the following:				
- Income tax on other income 24%	21,359,258	29,989,749	18,831,257	26,569,886
Current income tax charge for the year	21,359,258	29,989,749	18,831,257	26,569,886

*The taxable income from promotion of Tourism business is taxed at the rate of 14% and the taxable income other than tourism business is taxed at the rate of 24% .

NOTES TO THE FINANCIAL STATEMENTS

11.2 A reconciliation of tax expense and the accounting profit multiplied by the statutory tax rate is as follows :

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Profit/(loss) before income tax expenses	27,940,066	(143,371,811)	16,083,775	(115,967,180)
Tax at statutory income tax rate of 14% (2021 - 14%)	-	-	-	-
Tax at statutory income tax rate of 24%	21,359,258	29,989,749	18,831,257	26,569,886
Adjustments in respect of current income tax of previous year	-	275,815	-	275,815
<i>Amounts (allowed)/disallowed for income tax purposes</i>				
Retirement benefit obligations	129,770	(125,063)	129,770	(125,063)
Loss on investments at fair value through profit or loss	(96,532)	(889,168)	(96,532)	(889,168)
Professional fees	1,149,253	1,011,297	1,149,253	1,011,297
Entertainment	245,542	343,899	245,542	343,899
Change in fair value of biological assets	(248,216)	(412,869)	(248,216)	(412,869)
Other (allowable)/disallowable items for tax purpose	(14,630,616)	602,492	(6,741,083)	821,493
Depreciation-disallowed for income tax purpose	10,775,472	3,106,149	-	-
Income unclaimed dividend	(74,938)	-	(74,938)	-
Net loss from the realisation of non depreciable assets	(2,129)	(5,708,310)	(2,129)	(5,708,310)
Deferred tax effect on business losses	(394,559)	(31,457,066)	(394,559)	(31,457,066)
	18,212,305	(3,263,075)	12,798,366	(9,570,085)

Income tax rates - The Nuwara Eliya Hotels Co. PLC

Hotel operations

The profits and income of the Company arising on provision of tourism related services is liable for taxation at the rate of 14% (2021 : 14%) in terms of Inland Revenue Act No. 24 of 2017 and amendments thereto.

Other income and gains

Income from other sources are taxed at the rate of 24%

Income tax rates - Fair View Hotel (Pvt) Ltd (Subsidiary)

Hotel operations

The Company is entitled to a tax exemption under the Section 17 of the Board of Investment of Sri Lanka. As per the agreement company is entitled to a 5 years tax exemption from the year of assessment in which company commences to make profits or any year of assessment not later than two years from the date of commencement of Commercial Operation. After the expiration of such period, a rate of 10% would apply for immediate next year and thereafter the operating profits of the Company will liable to pay tax at a rate of 20%. Currently the operating profits of Fair View Hotel (Pvt) Ltd is excepted from income tax.

Other income and gains

Income from other sources are taxed at the rate of 24%

12 BASIC/DILUTED EARNINGS PER SHARE

Basic earnings per share has been calculated based on the profit after taxation attributable to ordinary shareholders divided by the weighted average number of ordinary shares outstanding during the year.

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Amount used as the numerator				
Profit/ (loss) attributable to ordinary equity holders of the parent	8,063,444	(131,399,673)	3,285,409	(106,397,095)
Less : Preference dividend paid	-	-	-	-
Profit/ (loss) Attributable to ordinary shareholders	8,063,444	(131,399,673)	3,285,409	(106,397,095)
Amount used as the denominator				
Weighted Average Number of Ordinary Shares	2,186,040	2,186,040	2,186,040	2,186,040
Basic/diluted earnings/ (loss) per share	3.69	(60.11)	1.50	(48.67)

13 DIVIDEND PER SHARE

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Dividend declared and paid during the year				
Final dividend	-	-	-	-
Average number of ordinary shares	2,186,040	2,186,040	2,186,040	2,186,040
Dividend per share	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

14 FAIR VALUE MEASUREMENT - GROUP

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Fair value measurement hierarchy for assets as at 31 March 2022 and 2021:

	Date of valuation	Fair value measurement using			
		Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value:					
As at 31 March 2022					
Non financial assets					
Land (Note 15.1)	31 March 2022	2,146,612,500	-	-	2,146,612,500
Buildings, swimming pool and farm structure (Note 15.1)	31 March 2022	1,612,808,402	-	-	1,612,808,402
Biological assets (Note 18)	31 March 2022	1,787,717	-	-	1,787,717
Non financial assets as at 31 March 2022		3,761,208,618	-	-	3,761,208,618
Financial assets					
Financial assets at fair value through OCI (Note 20.1)					
Quoted equity shares	31 March 2022	234,212,690	234,212,690	-	-
Equity instruments designated at fair value through profit or loss (Note 20.2)					
Quoted equity shares	31 March 2022	31,973,759	31,973,759	-	-
Total financial assets as at 31 March 2022		266,186,449	266,186,449	-	-
As at 31 March 2021					
Non financial assets					
Land (Note 15.1)	31 March 2021	2,035,210,000	-	-	2,035,210,000
Buildings, swimming pool and farm structure (Note 15.1)	31 March 2021	1,361,483,265	-	-	1,361,483,265
Biological assets (Note 18)	31 March 2021	2,516,017	-	-	2,516,017
Total non financial assets as at 31 March 2021		3,399,209,282	-	-	3,399,209,282
Financial assets					
Financial assets at fair value through OCI (Note 20.1)					
Quoted equity shares	31 March 2021	233,284,117	233,284,117	-	-
Equity instruments designated at fair value through profit or loss (Note 20.1)					
Quoted equity shares	31 March 2021	31,284,246	31,284,246	-	-
Total financial assets as at 31 March 2021		264,568,363	264,568,363	-	-

There were no transfers between Level 1 and Level 2 during year ended 31 March 2022 and 2021.

14.1 Fair value of financial assets and liabilities by class

Group/Company

Set out below is a comparison, by class, of the carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values.

As at 31st March	2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
	Rs.	Rs.	Rs.	Rs.
Financial assets				
Financial assets at fair value through OCI	234,212,690	234,212,690	233,284,117	233,284,117
Equity instruments designated at fair value through profit or loss	31,973,759	31,973,759	31,284,246	31,284,246
Total	266,186,449	266,186,449	264,568,363	264,568,363

Financial assets of which carrying values are reasonable approximates its fair value

The management assessed that the fair values of cash and short-term deposits, trade and other receivables approximate their carrying amounts largely due to the short-term maturities of these instruments.

Financial liabilities

Financial liabilities of which carrying values are reasonable approximates its fair value

The management assessed that the fair values of trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

14.2 Fair Value Measurement - Company

The following table provides the fair value measurement hierarchy of the company's assets and liabilities.

Fair value measurement hierarchy for assets as at 31 March 2022 and 2021:

	Date of valuation	Total	Fair value measurement using		
			Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)

Assets measured at fair value:

As at 31 March 2022

Non financial assets

Land (Note 15.2)	31 March 2022	1,971,312,500	-	-	1,971,312,500
Buildings, swimming pool and farm structure (Note 15.2)	31 March 2022	1,132,888,400	-	-	1,132,888,400
Biological assets (Note 18)	31 March 2022	1,787,717	-	-	1,787,717
Total non financial assets as at 31 March 2022		3,105,988,617	-	-	3,105,988,617

NOTES TO THE FINANCIAL STATEMENTS

14.2 Fair Value Measurement - Company Contd.

Fair value measurement hierarchy for assets as at 31 March 2022 and 2021: Contd.

	Date of valuation	Fair value measurement using			
		Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets					
Financial assets at fair value through OCI (Note 20.1)					
Quoted equity shares	31 March 2022	234,212,690	234,212,690	-	-
Equity instruments designated at fair value through profit or loss (Note 20.2)					
Quoted equity shares	31 March 2022	31,973,759	31,973,759	-	-
Total financial assets as at 31 March 2022		266,186,449	234,212,690	-	-
As at 31 March 2021					
Non financial assets					
Land (Note 15.2)	31 March 2021	1,886,210,000	-	-	1,886,210,000
Buildings, swimming pool and farm structure (Note 15.2)	31 March 2021	927,092,695	-	-	927,092,695
Biological assets (Note 18)	31 March 2021	2,516,017	-	-	2,516,017
Total non financial assets as at 31 March 2021		2,815,818,711	-	-	2,815,818,711
Financial assets					
Financial assets at fair value through OCI (Note 20.1)					
Quoted equity shares	31 March 2021	233,284,117	233,284,117	-	-
Equity instruments designated at fair value through profit or loss (Note 20.1)					
Quoted equity shares	31 March 2021	31,284,246	31,284,246	-	-
Total financial assets as at 31 March 2021		264,568,363	264,568,363	-	-

There were no transfers between Level 1 and Level 2 during year ended 31 March 2022 and 2021.

15 PROPERTY, PLANT AND EQUIPMENT

15.1 Group

	Balance as at 01.04.2021 Rs.	Additions Rs.	Revaluations Rs.	Transfers/ disposals Rs.	Balance as at 31.03.2022 Rs.
Gross carrying amounts					
At cost or valuation					
Freehold land	2,035,210,000	-	111,402,500	-	2,146,612,500
Buildings	1,392,012,299	7,470,199	294,585,051	(196,680,388)	1,497,387,162
Swimming pool complex	107,604,840	-	21,651,948	(19,256,788)	110,000,000
Farm structure	4,791,500	-	2,822,878	(2,193,138)	5,421,240
Plant & machinery	200,606,469	30,482,038	-	(521,276)	230,567,231
Motor vehicles	64,457,333	-	-	-	64,457,333
Furniture & fittings	91,786,854	831,914	-	-	92,618,768
Fixtures	8,845,976	68,800	-	-	8,914,776
Office equipment	29,407,029	987,331	-	-	30,394,360
Electrical equipment	42,591,406	1,407,197	-	-	43,998,603
Soft Furniture	60,543,463	871,496	-	(196,085)	61,218,874
Crockery, cutlery & glassware	21,622,954	1,649,980	-	(46,866)	23,226,067
Total value of depreciable assets	4,059,480,123	43,768,956	430,462,377	(218,894,542)	4,314,816,915
In the course of construction					
Capital work-in-progress	23,765,000	20,517,896	-	(36,993,874)	7,289,022
Total gross carrying amount	4,083,245,123	64,286,852	430,462,377	(255,888,416)	4,322,105,936

	Balance as at 01.04.2021 Rs.	Charge for the Year Rs.	Revaluations Rs.	Transfers/ Disposals Rs.	Balance as at 31.03.2022 Rs.
Depreciation					
At cost or valuation					
Buildings	128,652,977	68,027,412	-	(196,680,389)	-
Swimming pool complex	12,810,305	6,446,483	-	(19,256,788)	-
Farm Structure	1,462,092	731,046	-	(2,193,138)	-
Plant & machinery	103,450,635	16,464,360	-	(506,072)	119,408,923
Motor vehicles	52,994,788	4,039,483	-	-	57,034,271
Furniture & fittings	69,000,964	7,485,996	-	-	76,486,959
Fixtures	2,911,513	444,284	-	-	3,355,797
Office equipment	14,144,320	2,569,365	-	-	16,713,685
Electrical equipment	23,922,893	3,801,819	-	-	27,724,712
Soft furniture	47,667,653	6,156,495	-	(196,085)	53,628,063
Crockery, cutlery & glassware	16,385,219	2,733,826	-	(46,866)	19,072,179
Total depreciation	473,403,360	118,900,568	-	(218,879,338)	373,424,589

NOTES TO THE FINANCIAL STATEMENTS

15 PROPERTY, PLANT AND EQUIPMENT (CONTD.)

15.2 Company

Net book value	2022	2021
At cost or valuation	Rs.	Rs.
Freehold land	2,146,612,500	2,035,210,000
Buildings	1,497,387,162	1,263,359,322
Swimming pool	110,000,000	94,794,535
Farm structure	5,421,240	3,329,408
Plant & machinery	111,158,308	97,155,834
Motor vehicles	7,423,062	11,462,545
Furniture & fittings	16,131,808	22,785,890
Fixtures	5,558,979	5,934,463
Office equipment	13,680,675	15,262,709
Electrical equipment	16,273,891	18,668,513
Soft furniture	7,590,811	12,875,810
Crockery, cutlery & glassware	4,153,889	5,237,735
Total value of depreciable assets	3,941,392,326	3,586,076,764
In the course of construction		
Capital work-in-progress	7,289,022	23,765,000
Carrying value	3,948,681,347	3,609,841,763

15.2.1 Property plant & equipment - group

During the financial year, the Group acquired Property, Plant and Equipment to the aggregate value of Rs.27,292,978/- (2021 - Rs.39,409,462/-) including cost incurred on capital work in progress of which Rs. 20,517,896 (2021 - Rs.14,916,817/-). Cash payments amounted to Rs. 27,292,978/- (2021 - Rs.39,409,462/-) were made during the year for purchase of Property, Plant and Equipment.

15.3 Revaluation of freehold land and buildings including swimming pool and farm structure

Freehold land and buildings including swimming pool and farm structure of the Group were revalued by Mr. P.P.T. Mohideen (RICS), a professional valuer considering the existing use as the highest and best use and considering the nature, location and condition of the properties. Effective date of the valuations of the Company and subsidiary were 31 March 2022. Note 3(c) to the financial statements describes the valuation process of the Group.

Covid 19 effect on fair value of land and buildings

The outbreak of Covid-19, decelerated by the World Health Organization (WHO) as a global pandemic on 11 March 2020 and has impacted on both local and global tourism industry market and properties. Therefore, the valuer has considered the potential impact on pandemic in valuation and the fair value approximates its carrying value as at 31 March 2022.

Set out below is a comparison of the carrying amounts and fair value of the Group's land and buildings as at the reporting date.

	Carrying Value	Fair Value
Company		
Land	1,971,312,500	1,971,312,500
Buildings, swimming pool and farm structure	1,132,888,400	1,132,888,400
Group		
Land	2,146,612,500	2,146,612,500
Buildings, swimming pool and farm structure	1,612,808,402	1,612,808,402

Valuation technique, inputs and relationship with fair value

The fair value measurement for the freehold land and buildings of the Group has been categorized as a Level 3 fair value measurement based on the inputs to the valuation technique used in market comparable method.

Significant unobservable valuation input:	Range
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The Nuwara Eliya Hotels Co.PLC

Nature of the property - 4 star Tourist hotel

Location - Nuwara Eliya

Price per perch	Rs. 32,500/- - Rs.1,300,000/-
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Price per sq.ft	Rs. 3,000/- - Rs.12,500/-
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Fair View Hotel (Pvt) Ltd

Nature of the property - Tourist boutique hotel

Location - Colombo 06

Price per perch	Rs. 10,000,000/-
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Price per sq.ft	Rs.19,500/-
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Significant increases/(decreases) in estimated price per square meter and price per perch in isolation would result in a significantly higher/ (lower) fair value on a linear basis.

The carrying amount of revalued assets that would have been included in the financial statements, had the assets been carried at cost less accumulated depreciation is as follows:

	2022			2021		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Group						
Freehold land	66,563,275	-	66,563,275	66,563,275	-	66,563,275
Buildings	680,340,173	70,421,503	609,918,670	672,869,974	63,088,601	609,781,372
Total	746,903,448	70,421,503	676,481,945	739,433,249	63,088,601	676,344,647
Company						
Freehold land	773,000	-	773,000	773,000	-	773,000
Buildings	261,797,132	20,004,744	241,792,388	254,326,932	16,942,687	237,384,246
Total	262,570,132	20,004,744	242,565,388	255,099,932	16,942,687	238,157,246

NOTES TO THE FINANCIAL STATEMENTS

16 RIGHT OF USE ASSETS

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Leasehold lands	1,340,000	2,345,000	-	-
	1,340,000	2,345,000	-	-

16.1 Nature of the leasehold properties and cash outflows

	Purpose	Lease Term
	Staff Quarters	2018-2023

16.2 Set out below are the carrying amounts of right-of-use assets recognized and the movements during the year

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
As at 1 April	2,345,000	4,781,165	-	1,431,165
Depreciation expenses	(1,005,000)	(1,720,583)	-	(715,583)
Derecognitions	-	(715,582)	-	(715,582)
As at 31 March	1,340,000	2,345,000	-	-

16.3 The following are the amounts recognized in profit or loss in respect of ROU assets and related lease liabilities:

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Depreciation expense of right-of-use assets	1,005,000	1,720,583	-	715,583
Interest expense on lease liabilities	-	67,268	-	67,268
Total amount recognized in profit or loss	1,005,000	1,787,851	-	782,851

16.4 Lease liabilities

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Opening balance	-	1,659,729	-	1,659,729
Gross payments	-	(910,000)	-	(910,000)
Interest accrued on lease liabilities	-	67,268	-	67,268
Derecognitions	-	(816,997)	-	(816,997)
Closing balance	-	-	-	-

16.5 Future lease commitments

Lease payments related to the leasehold land has been fully paid as at the date of transition and there is no future commitments on the same.

17 INTANGIBLE ASSETS

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Cost				
Opening balance	22,765,577	22,765,577	21,071,614	21,071,614
Additions	-	-	-	-
Closing balance	22,765,577	22,765,577	21,071,614	21,071,614
Accumulated amortization				
Opening balance	7,703,198	5,583,638	6,773,407	4,823,526
Amortizations	2,119,272	2,119,560	1,949,880	1,949,881
Closing balance	9,822,470	7,703,198	8,723,287	6,773,407
Carrying Value	12,943,107	15,062,379	12,348,327	14,298,207

17.1 The cost incurred on purchase of computerized accounting software and Opera & Symphony System have been recognized as intangible assets and amortized over a period of 10 years on a straight-line basis.

18 BIOLOGICAL ASSETS

	Group/Company	
	2022 Rs.	2021 Rs.
Carrying value at the beginning of the year	2,516,017	3,622,820
Additions during the year	31,100	-
Decrease due to sales	(2,532,370)	(4,055,865)
Gain from changes in weight and value	1,772,970	2,949,062
At the end of the year	1,787,717	2,516,017

Biological assets comprise of piggery and cattle stock, which have been valued at the reporting date by an independent, consultant veterinary surgeon, based on the circular issued by the National Livestock Development Board (NLDB).

Following variables are significant in determining the fair value of the above live stocks:

a - Weight

c - Age

b - Pregnancy

d - Rates as per 01/2018 NLDB Circular

NOTES TO THE FINANCIAL STATEMENTS

18.1 Fair Value Hierarchy

The Fair Value measurements of Live stock have been categorized as level 3 fair values based on observable market sales data.

Valuation techniques and significant unobservable inputs

Type	Valuation technique
Livestock comprises cattle and pigs characterized as commercial breeders	Market comparison technique: The fair values are based on the market price of livestock of similar age, weight and market value.

Sensitivity analysis

Significant increases/(decreases) in estimated price per 1Kg of live weight in isolation would result in a significantly higher/ (lower) fair value on a linear basis.

19 INVESTMENT IN SUBSIDIARIES

	Company	
	2022 Rs.	2021 Rs.
Fair View Hotel (Private) Limited (Note 19.1)	444,996,000	444,996,000
	444,996,000	444,996,000

19.1 Investment in subsidiary- Fair View Hotel (Private) Limited

Number of shares	44,499,600	44,499,600
Holding %	74%	74%
Cost of the investment Rs.	444,996,000	444,996,000

Based on the Management's assessment which considered the net assets of the subsidiary, other indications and current operations, the above investment in subsidiary is not impaired as at the reporting date.

19.2 Non-controlling interest (NCI) in subsidiary

Financial information of the Fair View Hotel (Private) Ltd that have material non-controlling interests is provided below.

	2022	2021
NCI percentage (%)	26%	26%

19.2.1 Summarized statement of profit or loss and other comprehensive income

	2022 Rs.	2021 Rs.
Revenue	86,216,711	18,862,309
Cost of sales	(12,676,758)	(5,541,753)
Gross profit	73,539,953	13,320,556
Other income	1,422,954	17,295
Operating expenses	(72,932,552)	(54,521,155)
Finance income	10,571,764	14,261,644
Finance costs	(745,830)	(482,960)
Profit/(loss) before tax	11,856,289	(27,404,620)
Income tax expense	(5,413,940)	(6,307,011)
Profit/(loss) for the year	6,442,350	(33,711,631)

19.2.1 Summarized statement of profit or loss and other comprehensive income Contd.

	2022 Rs.	2021 Rs.
Other comprehensive income/(loss)	70,866,483	(149,229)
Total comprehensive income/(loss)	77,308,833	(33,860,860)
Profit/(loss) attributable to NCI	1,664,317	(8,709,063)
Summarized statement of financial position		
Non-current assets	693,855,266	628,362,803
Current assets	178,749,672	153,572,057
Total assets	872,604,938	781,934,860
Non-current liabilities	57,756,321	46,240,114
Current liabilities	29,160,988	27,339,783
Equity	785,687,628	708,354,971
Total equity and liabilities	872,604,937	781,934,868
Total equity attributable to:		
Equity holders of parent	582,955,397	525,594,704
Non-controlling interest	202,732,231	182,760,267
	785,687,628	708,354,971

19.2.2 Summarized cash flow information

	2022 Rs.	2021 Rs.
Cash flows from operating activities	16,432,271	(30,098,075)
Cash flows from investing activities	(3,388,492)	6,162,480
Cash flows from finance activities	(4,000,200)	20,000,000
Net increase in cash and cash equivalents	9,043,579	(3,935,595)

NOTES TO THE FINANCIAL STATEMENTS

20 OTHER FINANCIAL ASSETS

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Financial assets at fair value through OCI				
Listed equity investments (Note 20.1)	234,212,690	233,284,117	234,212,690	233,284,117
Equity instruments designated at fair value through profit or loss				
Listed equity investments (Note 20.2)	31,973,759	31,284,246	31,973,759	31,284,246
Total financial assets at fair value	266,186,449	264,568,363	266,186,449	264,568,363
Debt instruments at amortized cost				
Trade and other receivables (Note 22)	38,949,126	16,153,734	36,448,908	13,215,987
Investments in fixed deposits (Note 20.3)	1,395,748,054	1,330,773,066	1,238,499,872	1,186,649,887
Total financial assets at amortized cost	1,434,697,180	1,346,926,800	1,274,948,780	1,199,865,874
Total financial assets	1,700,883,629	1,611,495,164	1,541,135,229	1,464,434,238
Total non-current financial assets	234,212,690	233,284,117	234,212,690	233,284,117
Total other current financial assets	1,427,721,813	1,362,057,313	1,270,473,631	1,217,934,134

Equity instruments designated at fair value through OCI and Financial assets at fair value through profit or loss

This include investments in equity shares of listed companies. The Group holds non-controlling interests in these companies. These to be strategic in nature investments were irrevocably designated at fair value through OCI as the Group considers these investments. The fair value of these investments is determined by reference to published price quotations in the Colombo stock exchange as at 31 March 2022. Note 14.1 provides further details of comparison of carrying values and fair values of equity investments.

20.1 Financial assets at fair value through OCI

	Group/Company	
	2022 Rs.	2021 Rs.
Investment in quoted shares (Note 20.1.1)	234,212,690	233,284,117
	234,212,690	233,284,117

20.1.1 Investment in quoted shares

	No. of Shares		2022		2021	
	2022	2021	Cost Rs.	Market Value Rs.	Cost Rs.	Market Value Rs.
Group/Company						
Royal Palm Beach Hotels PLC	2,750,000	2,750,000	28,895,047	44,825,000	28,895,047	39,325,000
John Keells Holding PLC	1,306,122	1,306,122	241,469,995	189,387,690	241,469,995	193,959,117
			270,365,042	234,212,690	270,365,042	233,284,117
Fair value adjustment of investments			(36,152,352)	-	(37,080,925)	-
Carrying value of investments in quoted equity securities			234,212,690	234,212,690	233,284,117	233,284,117

20.2 Equity instruments designated at fair value through profit or loss

Quoted shares	2022		2021	
	No. of shares	Fair value Rs.	No. of shares	Fair value Rs.
Group/Company				
The Light House Hotel PLC	520,123	14,303,383	520,123	14,719,481
Overseas Realty (Ceylon) PLC	750,750	11,711,700	750,750	11,636,625
John Keells Hotels PLC	500,000	5,850,000	500,000	4,750,000
Ceylon Investment PLC	1,719	63,775	1,719	109,500
Ceylon Guardian Investment Trust PLC	572	44,902	572	68,640
		31,973,759		31,284,246

20.3 Investments in fixed deposits

This includes the fixed deposits placed with Mercantile Investment and Finance PLC, Commercial Bank of Ceylon PLC, Hatton National Bank and LB Finance. All of these deposits mature within 12 months.

	Credit Rating	Group		Company	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Mercantile Investment and Finance PLC	BBB-	1,144,512,800	943,850,427	987,264,618	799,727,248
Commercial Bank of Ceylon PLC	AA-	131,594,859	387,854,521	131,594,859	387,854,521
LB Finance PLC	A-	100,929,122	-	100,929,122	-
Hatton National Bank PLC	AA-	20,241,111	-	20,241,111	-
		1,397,277,891	1,331,704,948	1,240,029,709	1,187,581,769
Provision for impairment	(Note 20.4)	(1,529,837)	(931,882)	(1,529,837)	(931,882)
		1,395,748,054	1,330,773,066	1,238,499,872	1,186,649,887

20.4 Provision for impairment - fixed deposits

The impairment provision of Rs. 1,529,837 (2021-Rs. 931,882) is recognized based on the expected credit loss (ECL) calculation considering the credit ratings of the financial institutions.

21 INVENTORIES

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Food and beverages	35,875,262	12,110,892	35,089,439	11,691,611
Consumables, books and general	21,933,707	16,468,894	18,132,678	14,062,760
Grand Boutique	2,351,225	2,958,729	2,351,225	2,958,729
	60,160,194	31,538,515	55,573,342	28,713,100

NOTES TO THE FINANCIAL STATEMENTS

22 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Trade receivables	16,417,547	3,502,009	16,099,219	3,348,794
Other receivables	22,760,096	13,030,577	20,578,206	10,246,045
	39,177,643	16,532,586	36,677,425	13,594,839
Allowance for expected credit losses (Note 22.1)	(228,517)	(378,852)	(228,517)	(378,852)
	38,949,126	16,153,734	36,448,908	13,215,987

22.1 Allowance for expected credit losses

Balance as at the beginning of period	(378,852)	(985,728)	(378,852)	(985,728)
Changes in impairment for the period	150,335	606,876	150,335	606,876
Balance as at end of the period	(228,517)	(378,852)	(228,517)	(378,852)

Management has carried out an impairment provision based on the simplified approach of ECL method. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Management considered 100% ECL for debtors aged more than 150 days in determining the provision matrix for ECL.

The Group has considered the current decline in the tourism industry due to the impact of Covid19 pandemic as a specific factor to the economic environment. The Management has monitored the effect of the global economic downturn to its travel agents through frequent discussions with them and based on the financial strength and negotiated the payment terms and future arrangements accordingly. All above receivables are due from well established travel agents and most of the dues are still within the credit period. The Management has considered the subsequent settlements of receivables and results of negotiations with travel agents on arriving the default rates.

Trade and other receivables are non-interest bearing and generally on terms of 30 to 90 days credit.

As at 31 March, the ageing analysis of trade and other receivables is, as follows

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Neither past due nor impaired	13,970,452	1,268,738	13,970,452	1,268,738
Past due but not impaired				
31-60 days	1,671,148	512,349	1,671,148	512,349
61-90 days	253,662	375,158	253,662	375,158
> 90 days	203,956	1,214,050	203,956	1,214,050
Gross carrying value	16,099,218	3,370,295	16,099,218	3,370,295
Provision for impairment	(228,517)	(378,852)	(228,517)	(378,852)
Total	15,870,701	2,991,443	15,870,701	2,991,443

23 CASH AND CASH EQUIVALENTS

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Favorable cash & bank balances				
Cash in hand	1,403,500	1,153,500	1,193,500	943,500
Cash at bank	62,576,801	27,844,283	50,354,559	25,494,096
	63,980,301	28,997,783	51,548,059	26,437,596
Unfavorable cash and bank balances				
Bank Overdraft	(30,896,299)	(12,341,727)	(29,847,162)	(12,121,067)
Total cash and cash equivalents for the purpose of cash flow statement	33,084,002	16,656,056	21,700,897	14,316,529

The identified impairment loss on Cash and cash equivalents was immaterial.

Bank overdrafts

Interest rate is AWPLR + 2.5 Per annum.

At 31 March 2022, the Group had available Rs. 75,000,000 (2021: 75,000,000) of undrawn bank overdraft/borrowing facilities.

24 STATED CAPITAL

	Group/Company		Group/Company	
	Number of shares			
	2022	2021	2022 Rs.	2021 Rs.
Ordinary shares	2,186,040	2,186,040	335,151,740	335,151,740
7% Participating cumulative preference shares (Note 24.1)	5,800	5,800	58,000	58,000
	2,191,840	2,191,840	335,209,740	335,209,740

24.1 7% Cumulative participating preference shares

The cumulative participating preference shares are entitled to a cumulative dividend of 7% per annum on the amount of each such preference share prior to the payment of any dividend to ordinary share holders and ordinary shareholders shall have received a dividend for a likely amount from any balance remaining over for division, then the shareholders of such preference shares shall be entitled to join with the ordinary share holders pari passu in the division of any then remaining balance.

NOTES TO THE FINANCIAL STATEMENTS

25 REVALUATION RESERVE

Nature and purpose of the reserve

Revaluation reserve is used to record increments and decrements on the revaluation of lands and buildings of the Group. In the event of a sale or disposal of an asset, any balance in the reserve in relation to the asset is transferred to retained earnings, see accounting policy note 3(i) for details.

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Opening balance	2,047,943,823	2,070,721,680	1,957,117,633	1,979,895,490
Transferred to retained earnings (additional depreciation on revaluation)	(22,777,857)	(22,777,857)	(22,777,857)	(22,777,857)
Surplus on Revaluation	430,462,378	-	351,363,981	-
Income tax effect on revaluation of land and buildings (Note 28)	(57,100,797)	-	(49,190,957)	-
Transfers to non controlling interests*	(18,390,852)	-	-	-
	2,380,136,695	2,047,943,823	2,236,512,800	1,957,117,633

*Effective portion of the Revaluation reserve of subsidiary attributable to non controlling stake has transferred to non-controlling interest.

26 FAIR VALUE RESERVE OF FINANCIAL ASSETS AT FVOCI

Nature and purpose of the reserve

Changes in the fair value arising on translation of quoted equity investments that are classified as financial assets at fair value through OCI, are recognized in other comprehensive income and accumulated in a separate reserve within equity. This amount can not be reclassified to profit or loss when the associated assets are sold. Refer accounting policy note 3(m) for details.

	Group/Company FVTOCI Reserve	
	2022 Rs.	2021 Rs.
As at 1st April	(37,080,927)	(84,713,525)
Change in fair value	928,573	47,632,598
As at 31st March	(36,152,354)	(37,080,927)

Refer Note 20.1.1 for further details of the FVOCI financial assets.

27 OTHER FINANCIAL LIABILITIES

27.1 Interest Bearing Loans and Borrowings - Group

	2022 Amount Repayable Within 1 Year Rs.	2022 Amount Repayable After 1 Year Rs.	2022 Total Rs.	2021 Amount Repayable Within 1 Year Rs.	2021 Amount Repayable After 1 Year Rs.	2021 Total Rs.
Bank Loans	21,605,880	14,393,919	35,999,799	30,001,200	14,998,800	45,000,000
Bank Overdrafts (Note 23)	30,896,299	-	30,896,299	12,341,727	-	12,341,727
	52,502,179	14,393,919	66,896,098	42,342,927	14,998,800	57,341,727

27.2 Interest Bearing Loans and Borrowings - Company

	2022 Amount Repayable Within 1 Year Rs.	2022 Amount Repayable After 1 Year Rs.	2022 Total Rs.	2021 Amount Repayable Within 1 Year Rs.	2021 Amount Repayable After 1 Year Rs.	2021 Total Rs.
Bank Loans	12,006,000	7,993,999	19,999,999	16,666,800	8,333,200	25,000,000
Bank Overdrafts (Note 23)	29,847,162	-	29,847,162	12,121,067	-	12,121,067
	41,853,162	7,993,999	49,847,161	28,787,867	8,333,200	37,121,067

27.3 Bank Loans

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Commercial Bank of Ceylon PLC - Working capital loans				
As at 01 April	45,000,000	-	25,000,000	-
Loans received during the year	-	45,000,000	-	25,000,000
Gross payments	(9,000,201)	-	(5,000,001)	-
Closing balance	35,999,799	45,000,000	19,999,999	25,000,000
Current	21,605,880	30,001,200	12,006,000	16,666,800
Non-Current	14,393,919	14,998,800	7,993,999	8,333,200
	35,999,799	45,000,000	19,999,999	25,000,000

Commercial Bank of Ceylon PLC - Working capital loan under "Saubhagya Covid 19 Renaissance Facility"

The Group has obtained term loan facility under the Saubhagya Covid 19 Renaissance Facility Phase II proposed by the Government. An amount of Rs. 45 Million was granted under this facility. This loan has restructured during the year.

Terms and Conditions

Purpose - Working Capital Requirements

Repayment Period - 36 Months (Including 18 Months grace period)

Remaining installments - 15 Months

Rate of Interest- 4% per annum (Fixed Rate)

Security- The Group has not pledged any properties as securities for these loans

NOTES TO THE FINANCIAL STATEMENTS

27 OTHER FINANCIAL LIABILITIES (CONTD.)

27.4 Lease Liability

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Opening Balance	-	1,659,729	-	1,659,729
Gross payments	-	(910,000)	-	(910,000)
Interest accrued on lease liabilities	-	67,268	-	67,268
Derecognition*	-	(816,997)	-	(816,997)
Closing Balance	-	-	-	-

* Lease arrangements pertaining to office premises has been terminated and accordingly Rs. 816,997/- derecognized in prior year.

28 DEFERRED TAX LIABILITY

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Opening balance	377,920,945	412,266,900	340,536,696	377,769,217
Reversal through statement of profit or loss	(3,146,953)	(33,528,639)	(6,032,891)	(36,415,786)
Charge / (reversal) on actuarial gain/(loss) through OCI	12,382	(817,316)	31,522	(816,734)
Income tax effect on revaluation of land and buildings	57,100,797	-	49,190,957	-
Closing balance	431,887,170	377,920,945	383,726,284	340,536,696

The deferred tax (asset)/liability on each temporary difference which were recognized in the financial statements are disclosed below.

28.1 Deferred tax - Group

	Statement of financial position		Statement of profit or loss	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Deferred tax liability				
Capital allowances for tax purpose	133,925,424	136,686,829	(2,761,405)	(1,905,763)
Deferred tax effect on revaluation of buildings	47,703,393	5,146,947	-	-
Deferred tax effect on revaluation of land	286,826,503	272,282,153	-	-
	468,455,320	414,115,928	(2,761,405)	(1,905,763)
Deferred tax assets				
Retirement benefit obligation - recognized through statement of profit or loss	(3,661,364)	(3,670,375)	9,011	(165,810)
Retirement benefit obligation - recognized through other comprehensive Income	(1,055,161)	(1,067,543)	-	-
Deferred tax effect on unutilized taxable losses	(31,851,625)	(31,457,066)	(394,559)	(31,457,066)
	(36,568,150)	(36,194,984)	(385,548)	(31,622,876)
Deferred taxation charge/(reversal)			(3,146,953)	(33,528,638)
Net deferred tax liability	431,887,170	377,920,945	-	-

28.2 Deferred Tax - Company

	Statement of financial position		Statement of profit or loss	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Deferred tax liability				
Capital allowances for tax purpose	106,822,745	112,331,308	(5,508,562)	(5,083,783)
Deferred tax effect on revaluation of buildings	37,276,607	-	-	-
Deferred tax effect on revaluation of land	275,875,530	263,961,180	-	-
	419,974,883	376,292,488	(5,508,562)	(5,083,783)
Deferred tax assets				
Retirement benefit obligation - recognized through statement of profit or loss	(3,369,833)	(3,240,063)	(129,770)	125,063
Retirement benefit obligation - recognized through other comprehensive income	(1,027,141)	(1,058,663)	-	-
Deferred tax effect on unutilized taxable losses	(31,851,625)	(31,457,066)	(394,559)	(31,457,066)
	(36,248,599)	(35,755,791)	(524,329)	(31,332,003)
Deferred taxation charge/(reversal)			(6,032,891)	(36,415,786)
Net deferred tax liability	383,726,284	340,536,696		

29 RETIREMENT BENEFIT OBLIGATIONS

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Opening balance	32,895,446	27,242,046	30,705,183	25,764,672
Interest cost	2,302,681	2,724,205	2,149,363	2,576,467
Past service cost	(849,083)	-	(837,974)	-
Current service cost	4,408,707	3,966,958	3,819,022	3,503,974
Actuarial loss/ (gain)	116,060	5,983,628	(225,154)	5,833,817
Payments during the year	(4,271,340)	(7,021,391)	(4,203,484)	(6,973,747)
Closing balance	34,602,471	32,895,446	31,406,956	30,705,183

29.1 Following amount are recognized in profit or loss and other comprehensive income during the year in respect of the retirement benefit obligation.

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Amount recognized in profit or loss				
Interest cost	2,302,681	2,724,205	2,149,363	2,576,467
Past Service Cost	(849,083)	-	(837,974)	-
Current service cost	4,408,707	3,966,958	3,819,022	3,503,974
	5,862,305	6,691,163	5,130,411	6,080,441
Amount recognized in other comprehensive income/(loss)				
Actuarial loss/(gain) for the year	116,060	5,983,628	(225,154)	5,833,817
	116,060	5,983,628	(225,154)	5,833,817

NOTES TO THE FINANCIAL STATEMENTS

The retirement benefit obligation of the Group is based on the actuarial valuation carried out by Actuarial & Management Consultants (Private) Limited; an independent professional actuarial valuer. The projected unit credit method is used to determine the present value of the defined benefit obligation and the current service cost. Actuarial gain/(loss) is related to the changes in financial assumptions compared to the previous year. There is no material changes in demographic assumptions compared to the previous year.

The key assumption used in determining above were as follows;

	2022	2021
(1) Rate of discount	14%	7%
(2) Salary increment	11%	5%
(3) Staff turnover rates	Age Rates	
	18-34	0.35
	35-49	0.23
	>50	0.06
(4) Staff retirement age	55 Years	55 Years

29.2 A quantitative sensitivity analysis for significant assumptions as at 31st march 2022 and 2021 are shown below:

	Expected future salaries		Discount rate	
	1% increase	1% decrease	1% increase	1% decrease
Group				
2022				
Change in present value of defined benefit obligation	1,587,915	(1,484,371)	(1,372,146)	1,488,398
2021				
Change in present value of defined benefit obligation	1,112,246	(1,057,373)	(984,653)	1,052,680
Company				
2022				
Change in present value of defined benefit obligation	1,502,475	(1,403,309)	(1,288,178)	1,398,607
2021				
Change in present value of defined benefit obligation	1,082,274	(1,029,342)	(945,863)	1,010,763

29.3 The expected maturity analysis of defined benefit obligation as at 31st March 2022 and 31st March 2021 are as follows:

	Group		Company	
	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
Less the 1 year	6,299,728	10,051,292	6,299,728	10,051,292
Between 1-5 years	17,145,066	16,910,872	13,949,550	15,433,497
Over 5 years	11,157,678	5,933,281	11,157,678	5,220,393
	34,602,472	32,895,446	31,406,956	30,705,183

The average duration of the defined benefit plan obligation at the end of the year 4.84 Years 3.36 Years

30 TRADE AND OTHER PAYABLES

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Trade payables	57,017,016	23,681,629	51,923,310	20,651,980
Amounts due to related companies (Note 30.1)	1,221,010	1,034,222	1,004,336	920,260
Accrued expenses	54,924,443	41,435,586	45,288,321	33,922,680
	113,162,469	66,151,437	98,215,967	55,494,920

Terms and conditions of the above financial liabilities:

- Trade payables and accrued expenses are non-interest bearing and are normally settled on 60-120 day terms
- For terms and conditions with related parties, refer to Note 30.1

For explanations on the Group's liquidity risk management processes, refer to Note 35

30.1 Amounts Due To Related Companies

		Group		Company	
	Relationship	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Nilaveli Beach Hotel (Pvt) Ltd.	Other related company	21,850	21,850	-	-
Tangerine Beach Hotels PLC	Other related company	84,070	25,588	84,070	25,588
Royal Palm Beach Hotels PLC	Other related company	287,408	-	287,408	-
Tangerine Tours (Pvt) Ltd.	Other related company	134,225	177,613	158,045	177,613
Mercantile Investments & Finance PLC	Other related company	46,232	44,676	49,572	46,884
Security Ceylon (Pvt) Ltd.	Other related company	647,225	764,495	425,242	670,175
		1,221,010	1,034,222	1,004,336	920,260

31 CONTRACT LIABILITIES

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Advance received for future bookings	25,224,007	24,725,272	22,445,688	22,948,497
	25,224,007	24,725,272	22,445,688	22,948,497
Opening balance	24,725,272	5,048,646	22,948,497	3,339,344
Advance received during the year	12,043,443	22,559,098	9,791,899	22,559,098
Setoff against the receivables	(11,574,708)	(2,882,472)	(10,294,708)	(2,949,945)
Closing balance	25,224,007	24,725,272	22,445,688	22,948,497

NOTES TO THE FINANCIAL STATEMENTS

32 RELATED PARTY DISCLOSURES

32.1 Transactions with related parties

Name of the related party	Relationship	Nature of transactions	Terms of transactions
a. Transactions with Subsidiaries - Recurring transactions			
Fair View Hotel (Private) Ltd.	Subsidiary		
b. Transactions with other related companies - Recurring transactions			
Security Ceylon (Private) Ltd.	Other related company	Security services	As per agreement
		Security staff meals	As per agreement
		Settlements	
Tangerine Beach Hotels PLC	Other related company	Salaries to staff	As per agreement
		Settlements	
Tangerine Tours (Private) Ltd.	Other related company	Salaries to staff	As per agreement
		Administration fee	As per agreement
		Settlements	
		Revenue from operations	As per contract
Mercantile Investments & Finance PLC	Other related company	Repairs & services to fleet vehicles	As per agreement
		Rent	As per agreement
		Salaries to staff	As per agreement
		Settlements	
		Fixed deposit made	Market terms
		Upliftment of fixed deposit	Market terms
		Interest income	Market terms
Royal Palms Beach Hotels PLC	Other related company	Salaries to staff	As per agreement
		Settlements	
Mercantile Fortunes (Private) Ltd.	Other related company	Payment for flooring	As per agreement
		Settlements	

Figures in brackets indicates payables

There were no non-recurring related party transactions during the year and all related party transactions have been conducted on an agreed commercial terms with respective parties.

Transaction Value				Balance as at 31 March	
2022	Aggregate Value of the RPT as a % of the Net Revenue/ Income	2021	Aggregate Value of the RPT as a % of the Net Revenue/ Income	2022	2021
Rs.		Rs.		Rs.	Rs.
-	0.00%	-	0.00%	-	-
(10,058,047)	1.79%	(11,054,804)	4.68%	(425,242)	(670,175)
1,526,037	0.27%	1,235,531	0.52%		
8,776,943		9,773,233			
(307,050)	0.05%	(1,561,468)	0.66%	(84,070)	(25,588)
248,568		1,835,817			
(2,083,300)	0.37%	(1,914,621)	0.81%	(158,045)	(177,613)
-		(700,000)	0.30%		
2,102,868		3,564,831			
4,369,190	0.78%	789,700	0.33%		
(1,301,549)	0.23%	(926,544)	0.39%	(49,572)	(46,884)
(1,560,000)	0.28%	(910,000)	0.39%		
(605,485)	0.11%	(650,000)	0.28%		
3,464,346		2,352,110			
(230,599,228)	40.96%	(118,040,442)	50.00%	987,264,618	799,727,248
37,638,561	6.69%	101,261,216	42.89%		
61,907,100	11.00%	81,120,159	34.36%		
(3,634,562)	0.65%	(3,449,551)	1.46%	(287,408)	-
3,347,155		4,013,945			
(331,600)	0.06%	-	0.00%	-	-
331,600		-			

NOTES TO THE FINANCIAL STATEMENTS

32.2 Transactions with key management personnel

Key management personnel include members of the board of directors of the company following transactions have been entered in to with the key management personnel.

	2022 Rs.	2021 Rs.
Short-term employee benefits	6,696,400	6,540,000
	6,696,400	6,540,000

33 EVENTS OCCURRING AFTER THE REPORTING DATE

There have been no other material events occurring after the reporting date that require adjustment to or disclosure in the financial statements.

34 COMMITMENTS AND CONTINGENCIES

34.1 Lease commitments

The Group has lease contracts for land. Undiscounted future lease payments are disclosed in Note 16.5.

34.2 Contingent Liabilities

There were no contingent liabilities as at the reporting date.

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial assets include trade and other receivables, cash and fixed deposits that arrive directly from its operations. The Group also holds non-current financial assets such as FVOCI financial assets and equity investments designated under fair value through profit or loss. The Group's principal financial liabilities comprise trade and other payables and bank overdrafts. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations.

The Group is exposed to market risk, credit risk and liquidity risk.

The Group's senior management oversees the management of these risks. The Group's senior management is supported by the Audit committee and board that advises on financial risks and the appropriate financial risk governance framework for the Group. The board provides assurance to the Group's senior management that the group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with group policies and Group risk appetite.

The Board of directors reviews and agrees policies for managing each of these risks which are summarized below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include bank overdrafts, debt and equity investments and investments designated under fair value through profit or loss.

The sensitivity analyses in the following sections relate to the position as at 31 March 2022 and 2021.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates is minimal as it relates primarily to the Group's investments in fixed deposits which are not more than 12 months of maturity, bank overdrafts and loan term debt obligation.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when room rates are denominated in a foreign currency).

Foreign currency sensitivity

The following table demonstrate the sensitivity to a reasonably possible change in USD exchange rates, with all other variables held constant. The Group's exposure to foreign currency changes for all other currencies is not material.

	Change in USD rate	Effect on profit/ loss before tax
2022	+ 5%	560,376
	- 5%	(560,376)
2021	+ 5%	267,854
	-5%	(267,854)

Equity price risk

The Group's listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

As at the reporting date, the exposure to non-listed equity investments is immaterial.

Group's equity investments are publicly traded and are included in all share price index (ASPI) of Colombo stock exchange (CSE). Changes in fair values of the equity investments held are strongly positively correlated with changes of the market index.

At the reporting date, the Group's exposure to equity securities at fair value was Rs. 266,186,449/- (2021 - Rs. 264,568,363/-). The changes in fair values of the equity investments held are strongly positively correlated with changes of the market prices.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including term deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The maximum exposure to credit risk for trade and other receivables at the reporting date by the type of counter parties are as follows:

	2022 Rs.	2021 Rs.
Trade and other receivables	38,949,126	16,153,734
Other current financial assets	1,427,721,813	1,362,057,313
Non-current financial assets	234,212,690	233,284,117
Cash and short term deposits	63,980,301	16,656,056
	1,764,863,930	1,628,151,220

NOTES TO THE FINANCIAL STATEMENTS

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

Trade and other receivables

The maximum exposure to the credit risk of the trade and other receivables in the statement of financial position as at 31 March 2022 and 2021 is the carrying amounts as disclosed in Note 22.

The maximum exposure to credit risk for trade and other receivables at the reporting date by the type of counter parties are as follows:

	2022 Rs.	2021 Rs.
Individual debtors	-	-
Corporate debtors	16,417,547	3,502,009
	16,417,547	3,502,009

The Group has established policies, procedures and controls to manage the credit risk of Travel Agents of the Group. The Group carefully evaluating travel agents credentials and credit worthiness prior to contracting with them and as at reporting date all of the trade receivables are due from well established local travel agents. There is no Risk exposure to receivables from individuals as at reporting date.

The Group has considered the current decline in the tourism industry due to the impact of Covid-19 Pandemic evaluating the credit risk of trade receivables. The Management has monitored the effect of the global economic downturn to its travel agents through frequent discussion with them and based on the financial strength and negotiated the payment terms and future arrangements accordingly. Dues from travel agents are still within the credit period and those travel agents have agreed to release the payments on due dates.

An impairment analysis is performed at each reporting date using a provision matrix (simplified approach) to measure expected credit losses. The Group has received all the dues within agreed credit period in the past without any delays. The management also considered the local and global economic indicators and the results of negotiations and subsequent cash receipts in determining the provision for impairment.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

31 March 2022	Trade receivables						Total
	Days past due						
	0–30 days	31–60 days	61–90 days	91–120 days	121–150 days	>151 days	
Expected credit loss rate	1%	3%	7%	11%	25%	45%	
Estimated total gross carrying amount at default	13,970,452	1,671,148	253,662	148,639	17,050	38,267	16,099,218
Expected credit loss	127,303	46,179	16,682	16,812	4,320	17,220	228,517

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's senior management in accordance with the Group's policy. Investments of surplus funds generated from hotel operations are made only with approved banks and financial institutions. Deposits are held with banks and financial institutions which are rated BBB- fitch rating or above based on approved rating agencies.

Liquidity risk

Liquidity risk management used to maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. The maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and lease contracts. The Group has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

Due to the Covid19 pandemic, overall tourism industry declines and affected the operational cash flows of the Group. The Group has negotiated with its key suppliers to extend the credit terms and expects to used overdraft facilities or to withdraw fixed deposits in a strategic way to maintain the cash requirements of the Group.

The table below summarizes exposure to liquidity risk and the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

Year ended 31 March 2022	On demand	Less than 3 months	3 to 12 months	1 to 3 years	Total
	Rs.	Rs.	Rs.		Rs.
Trade and other payables	-	111,941,459	-	-	111,941,459
Amounts due to related companies	-	-	1,221,010	-	1,221,010
Income tax liabilities	-	7,051,820	-	-	7,051,820
Interest Bearing Loans and Borrowings	30,896,299	7,201,960	14,403,920	14,393,919	66,896,098
	30,896,299	126,195,239	15,624,930	14,393,919	187,110,387

Year ended 31 March 2021	On demand	Less than 3 months	3 to 12 months	1 to 3 years	Total
	Rs.	Rs.	Rs.		Rs.
Trade and other payables	-	65,117,215	-	-	65,117,215
Amounts due to related companies	-	-	1,034,222	-	1,034,222
Income tax liabilities	-	11,414,416	-	-	11,414,416
Interest Bearing Loans and Borrowings	-	7,500,060	22,500,140	14,999,800	45,000,000
	-	84,031,691	23,534,362	14,999,800	122,565,853

Capital Management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence to sustain future development of the business. The Group's objectives when managing capital are to;

- (i) Safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits for other stakeholders, and
- (ii) Maintain an optimal capital structure to reduce the cost of capital

Management monitors the return on capital, as well as the level of dividends to ordinary shareholders.

NOTES TO THE FINANCIAL STATEMENTS

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. The Group's policy is to keep the gearing ratio at minimum level. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents.

	2022 Rs.	2021 Rs.
Interest-bearing loans and borrowings other than convertible preference shares (Note 23)	35,999,799	45,000,000
Trade and other payables (Note 30)	113,162,469	66,151,437
Less-		
Cash and bank balances (Note 23)	33,084,002	(16,656,056)
Net debt	116,078,266	94,495,381
Equity as shown in the statement of financial position	5,118,001,018	4,734,111,545
Total equity and net debt	5,234,079,284	4,828,606,926
Gearing ratio	2%	2%

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2022 and 2021.

DECADE AT A GLANCE

GROUP										
Year ended 31st March	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Trading Results										
Gross Turnover (Rs.' 000)	649,157	254,955	732,612	1,104,375	1,033,721	1,114,871	1,042,749	837,811	829,894	772,904
Profit / (Loss) before Tax (Rs.' 000)	27,940	(143,372)	99,248	357,126	363,692	398,905	350,971	306,866	347,754	333,548
Provision for Tax (Rs.' 000)	(18,212)	3,263	(24,171)	(51,903)	(77,275)	(61,186)	(66,127)	(37,090)	(54,546)	(60,999)
Profit / (Loss) after Tax (Rs.' 000)	9,728	(140,109)	75,077	305,223	286,417	337,719	284,844	269,776	293,208	272,549
Preference Dividend (Rs.' 000)	-	-	(93)	(174)	(174)	(174)	(174)	(131)	(131)	(116)
Ordinary Dividend (Rs.' 000)	-	-	(34,977)	(65,581)	(65,581)	(60,116)	(60,116)	(45,087)	(45,087)	(40,077)
Retained Profit / (Loss) (Rs.' 000)	9,728	-140,109	40,007	239,468	220,662	277,429	224,554	224,559	247,991	232,356
Balance Sheet										
Share Capital (Rs.' 000)	335,210	335,210	335,210	335,210	335,210	80,172	80,172	80,172	80,172	80,172
Reserves (Rs.' 000)	4,580,059	4,216,142	4,305,036	4,327,591	3,364,148	3,583,070	3,318,104	2,822,244	2,622,612	2,388,842
Non Controlling interest (Rs.' 000)	202,732	182,760	191,508	189,534	154,034	149,841	151,944	138,860	138,965	-
Shareholders' Funds (Rs.' 000)	5,118,001	4,734,112	4,831,754	4,852,335	3,853,392	3,813,083	3,550,220	3,041,277	2,841,750	2,469,014
Non Current Assets (Rs.' 000)	4,198,965	3,863,049	3,906,484	4,022,109	3,139,772	3,107,602	3,031,602	2,657,516	2,351,220	2,076,986
Current Assets (Rs.' 000)	1,597,860	1,441,512	1,481,070	1,440,563	1,207,264	991,988	794,949	552,443	677,672	605,871
Current Liabilities (Rs.' 000)	(197,940)	(144,634)	(116,292)	(171,515)	(174,866)	(183,718)	(177,143)	(92,593)	(109,885)	(138,710)
Net Current Assets (Rs.' 000)	1,399,920	1,296,878	1,364,778	1,269,048	1,032,398	808,270	617,806	459,850	567,787	467,161
Non Current Liabilities (Rs.' 000)	(480,884)	(425,815)	(439,508)	(438,823)	(318,778)	(102,789)	(99,188)	(76,090)	(77,258)	(75,133)
Net Assets (Rs.' 000)	6,079,769	4,734,112	4,831,754	4,852,334	3,853,392	3,813,083	3,550,220	3,041,277	2,841,750	2,469,014

REAL ESTATE PORTFOLIO

Company and Location	Buildings (in Sq. Ft.)		No. of Buildings		Land in Acres		Net Book Value	
	2021/22	2020/21			Freehold Property		Rs.'000 2021/22	Rs.'000 2020/21
					2021/22	2020/21		
Nuwara Eliya Hotels Co PLC Nuwara Eliya	195,346	195,346	19	19	19.10	19.10	3,104,201	2,813,303
Fair View Hotel (Pvt) Ltd. Wellawatte	23,310	23,310	1	1	0.11	0.11	655,200	583,391
Total	218,656	218,656	20	20	19.21	19.21	3,759,401	3,396,693

STATEMENT OF VALUE ADDED

Year ended 31st March	2021/22 Rs.' 000	%	2020/21 Rs.' 000	%
Value Added				
Income earned by providing hotel services	649,158		254,955	
Cost of services	(162,387)		(70,849)	
Value added by hotel services	486,771		184,105	
Other operating income	11,783		15,619	
Total Value Added	498,554	100	199,724	100
To Employees				
Salaries, wages & other benefits	238,379	47	204,602	102
To Providers of Capital				
Dividends to shareholders	-	-	-	-
To Government as taxes				
	31,112	6	22,295	11
To Expansion & Growth				
Retained Income	110,162	22	(150,576)	75
Depreciation	119,906	24	123,402	62
	230,068	47	(27,174)	(13)
	499,599	100	199,724	100
Value added per Revenue (Rs)	0.77		0.78	
Value added per Employment cost (Rs)	2.09		0.98	
Value added per Ordinary Share (Rs)	228.06		91.36	

SHAREHOLDERS INFORMATION

DISTRIBUTIONS TO SHAREHOLDERS

No. of shares held	As at 31st March 2022				As at 31st March 2021			
	No. of shareholders	%	Shareholding	%	No. of shareholders	%	Shareholding	%
1 - 1,000	596	93.86	36,483	1.67	638	94.10	41,130	1.88
1,001 - 10,000	25	3.94	68,673	3.14	25	3.69	64,727	2.96
10,001 - 100,000	8	1.26	238,634	10.92	10	1.47	262,637	12.01
100,001 - 1,000,000	6	0.94	1,842,250	84.27	5	0.74	1,817,546	83.14
Over 1,000,000	-	-	-	-	-	-	-	-
	635	100	2,186,040	100	701	100	2,186,040	100

COMPOSITION OF SHAREHOLDERS

Category	As at 31st March 2022		As at 31st March 2021	
	Shareholding	%	Shareholding	%
Resident	2,145,646	98.15	2,146,908	98.24
Non-Resident	40,394	1.85	39,132	1.76
Total	2,186,040	100	2,186,040	100
Individuals	862,975	39.48	1,077,128	49.27
Corporate	1,323,065	60.52	1,108,912	50.73
Total	2,186,040	100	2,186,040	100

PUBLIC HOLDING

	31-Mar-22	%	31-Mar-21	%
No. of Ordinary shares held	235,316	10.76%	235,316	10.76

SHARE INFORMATION

	2021/22	Period	2020/21	Period
Highest Price (Rs.)	1,680.50	Q/E Mar 2022	1,299.80	Q/E Dec 2020
Lowest Price (Rs.)	970.25	Q/E June 2021	792.00	Q/E June 2020
As at period end (Rs.)	1,100.00	31-Mar-22	1,025.00	31-Mar-21

TRADING STATISTICS

	2021/22	2020/21
No. Transactions	1,063	585
No. of shares traded	44,543	13,540
Share Turnover (Rs.)	51,466,674	13,471,135.50
Market Capitalisation (Rs.)	2,404,644,000	2,240,691,000
Average daily turnover (Rs.)	214,444	61,512
Float adjusted market capitalization (Rs.)	258,739,694	232,395,289

The Company complies with the Minimum Public Holding requirement under “Diri Savi Board”.

Ratios	2021/22	2020/21
Earnings per Share (Rs.)	1.50	(48.67)
Price Earnings Ration (Times)	733.33	(21.06)
Net Assets per share as at 31st March (Rs.)	2,185.00	2,045.00
Dividend per share (Rs.)	-	-
Dividend yield (%)	-	-

DIRECTORS' SHAREHOLDING

	As at 31st March 2022		As at 31st March 2021	
	Shareholding	%	Shareholding	%
Mr. J.H.P. Ratnayeke	327	0.01	327	0.01
Mr.G.G. Ondaatjie	238,088	10.89	232,562	10.64
Ms. A.M. Ondaatjie	219,737	10.05	12,352	0.57
Mr.T.J. Ondaatjie	219,737	10.05	12,352	0.57
Mr. L.N. de Silva Wijeyeratne	-	-	-	-
Mr. M.K.K.K.B. Galagoda	-	-	-	-
Mr. S.K. Abeyesundara	-	-	-	-
	677,889	31.01	257,593	11.78%

TWENTY LARGEST SHAREHOLDING

	As at 31st March 2022	
	Shareholding	%
Mercantile Investments and Finance PLC	571,068	26.12%
Nilaveli Beach Hotels (Pvt) Ltd	443,390	20.28%
G G Ondaatjie	238,088	10.89%
A M Ondaatjie	219,737	10.05%
T J Ondaatjie	219,737	10.05%
Tangerine Tours (Pvt) Ltd	150,230	6.87%
Security Ceylon (Pvt) Ltd	66,372	3.04%
Mercantile Fortunes (Pvt) Ltd	40,816	1.87%
The Ceylon Investors (Pvt) Ltd	28,001	1.28%
D Grimshaw	27,797	1.27%
C G Senanayake	24,789	1.13%
S R S de Saram	20,821	0.95%
J A de Silva & Co. Ltd	17,178	0.79%
G A G Punchihewa	12,860	0.59%
J R de Silva	8,875	0.41%
D P Navaratnam	5,775	0.26%
A D Dadabhoy	5,646	0.26%
F A A Mack	4,446	0.20%
S Abishek	4,254	0.19%
M P D Cooray	4,182	0.19%

GLOSSARY OF FINANCIAL TERMS

ACCOUNTING POLICIES

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

ACCRUAL BASIS

Recording Revenues and Expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period.

AMORTISATION

The systematic allocation of the depreciable amount of an asset over its useful life.

CAPITAL EMPLOYED

Shareholders' Funds plus non-current liabilities

CONTINGENT LIABILITIES

A condition or situation existing at the Balance Sheet date due to past events, where the financial effect is not recognised because:

- a) the obligation is crystallised by the occurrence or non-occurrence of one or more future events or,
 - b) a probable outflow of economic resources is not expected
- or,
- c) it is unable to be measured with sufficient reliability.

CURRENT RATIO

Current Assets divided by Current Liabilities.

CAPITAL RESERVES

Reserves that are not available for distribution, which is identified for specific purposes.

CAPITAL EXPENDITURE

The total additions to Property, Plant and Equipment.

CASH EQUIVALENTS

High liquid investments that are readily convertible to cash, which has an insignificant risk of change in value.

CORPORATE GOVERNANCE

Corporate Governance is the system by which the Company is directed and managed, and it influences the manner in which the objectives of the Company are formulated, communicated, accepted and achieved.

DEBT/EQUITY RATIO

Non-current interest bearing borrowings and preference share capital divided by the total shareholders' interest less preference share capital.

DIVIDEND PAYOUT RATIO

Ordinary dividend per share divided by earnings per share.

DIVIDEND YIELD RATIO

Ordinary dividend per share divided by market value per share

EARNINGS PER SHARE (EPS)

Profit attributable to Equity holders of the company divided by the weighted average number of ordinary shares in issue during the period.

EPS GROWTH

Percentage of the increase in the EPS, over the previous year.

EQUITY

Total shareholders' funds.

FAIR VALUE

The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

FAIR VALUE THROUGH PROFIT OF LOSS

A financial asset/liability, acquired/incurred principally for the purpose of selling or repurchasing it in the near term part, of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking, or a derivative. (except for a derivative that is a financial guarantee contract).

INTEREST COVER

Profit before Interest and Tax over Finance Expenses.

IMPAIRMENT

This occurs when the recoverable amount of an asset is less than its carrying amount.

MARKET VALUE PER SHARE

The price at which an Ordinary Share can be purchased in the stock market.

MARKET CAPITALISATION

Number of ordinary shares in issue multiplied by the market price per share.

NET ASSETS

Total Assets less total Liabilities.

NET ASSETS PER SHARE

Total Assets less total Liabilities divided by the number of Ordinary Shares in issue at the end of the period.

PRICE EARNINGS RATIO

Market price per share divided by Earnings per Share.

RELATED PARTIES

Parties where one party has the ability to control the other party or exercise significance influence over the other party in making financial or operational decisions, directly or indirectly.

RETURN ON EQUITY

Profit attributable to shareholders as a percentage of Average Shareholders' Funds.

SHAREHOLDERS' FUNDS

Total of issued and fully paid share capital, capital reserves and revenue reserves.

TOTAL DEBT

Long term loans plus short term loans and overdrafts.

TOTAL VALUE ADDED

The difference between net revenue (including other income) and expenses, cost of materials and services purchased from external sources.

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the 130th Annual General Meeting of The Nuwara Eliya Hotels Company PLC will be held as a virtual meeting on 28th September 2022 at 11.00 a.m. assembled at 236, Galle Road, Colombo 3 to transact the following business.

1. To receive and adopt the Report of the Directors and the Statement of Accounts for the year ended 31st March 2022, with the Report of the Auditors thereon.
2. To elect Ms. A M Ondaatjie who retires in terms of Article 88(i) of the Articles of Association as a Director of the Company.
3. To elect Mr. J H P Ratnayake, in terms of Section 211 of the Companies Act No.07 of 2007. The Company has received special notice of intention to pass the following resolutions as ordinary resolutions.
Resolved that the age limit of 70 years referred to in Sections 210 of the Companies Act No.07 of 2007 shall not be applicable to Mr. James Henry Paul Ratnayake who is 72 years of age and whose appointment as a Director of the Company be and is hereby approved and who is elected a Director of the Company notwithstanding the provisions of the said Section 210 of the Companies Act."
4. To elect Mr. L N de S Wijeyeratne in terms of Section 211 of the Companies Act No.07 of 2007. The Company has received special notice of intention to pass the following resolutions as ordinary resolutions.
Resolved that the age limit of 70 years referred to in Sections 210 of the Companies Act No.07 of 2007 shall not be applicable to Mr. Lalit Nihal de Silva Wijeyeratne who is 72 years of age and whose appointment as a Director of the Company be and is hereby approved and who is elected a Director of the Company notwithstanding the provisions of the said Section 210 of the Companies Act."
5. To re-appoint Messrs. Ernst & Young who are deemed to be re-appointed as Auditors of the Company in terms of Section 158 of the Companies Act No.7 of 2007 and to authorize the Directors to determine their remuneration.
6. To authorize the Directors to determine payments for charitable and other purposes for year 2022/23.

By Order of the Board,
For The Nuwara Eliya Hotels Company PLC

Mercantile Investments and Finance PLC
Secretaries

Colombo
25th August 2022

Notes: A member entitled to attend and vote at the meeting is entitled to appoint a proxy (whether a purpose and Shareholders who are unable to attend the meeting in person are requested to kindly complete and return such form of proxy in due time, in accordance with the instructions noted on the form of proxy.

For information on how to participate by virtual means in the above meeting please refer the circular to shareholders.

CIRCULAR TO SHAREHOLDERS

THE NUWARA ELIYA HOTELS COMPANY PLC

130TH ANNUAL GENERAL MEETING

Dear Shareholder,

Please be informed that taking into consideration the current restrictions prevailing in the country, the Board of Directors of The Nuwara Eliya Hotels Company PLC (Company) has decided as per the issuance of guidelines by the CSE to proceed with the AGM using audio visual technology on 28th September 2022 as per the Notice of Meeting of the AGM.

Please note the following procedure to be adopted in terms of same.

1. Notice of Meeting, Form of Proxy and Form of Registration are enclosed herewith.
2. The AGM will be held in compliance with the principals set out in the Guidelines issued by CSE for hosting of virtual Annual General Meeting.
3. Only the key officials who are essential for the administration of the formalities of the meeting will be physically present at the venue. All shareholders will participate via online meeting platform.
4. Shareholders who wish to participate in AGM through audio visual means should forward the duly perfected Registration Form (Annexure 1) to Mercantile Investments and Finance PLC, Secretaries, 236, Galle Road, Colombo 3 or by email to mercantile@mi.com.lk at least 48 hours before the time fixed for the meeting.
5. Adequate arrangements will be made for Shareholders who wish to participate in the AGM via the online meeting platform with log in information being forwarded to shareholders in advance of the meeting upon verification of registration details. Only Shareholders or their duly appointed proxyholders are requested to log in to the virtual meeting platform. It is recommended that Shareholders/Proxy Holders join the AGM at least 15 minutes before the start of the AGM. The digital Platform will be active 30 minutes before the start of the AGM. The Company will not be responsible or liable for misuse and/or unauthorized use of the login information.
6. Shareholders will be given the opportunity to raise any questions or comments on the matters listed on the Agenda for the meeting or forward the questions in advance to the email mercantile@mi.com.lk
7. Voting on items listed on the Agenda will be registered using an online platform. Shareholders/Proxyholders will be briefed on the procedure for voting prior to the commencement of the AGM.
8. Further to Circular No. 04/2022 dated 27th May 2022 issued by the Colombo Stock Exchange the Company will not be Providing a Printed copy of the Annual Report
9. For any inquiries or Clarification, please contact the following persons on any working day from 8th September 2022 to 27th September 2022 between 8.45 a.m. to 5.00 p.m.

Ms. sonali Pethiyagoda - 0112343720-7 Ext 206

Mr. Ravi Fernando - 0112343720-7 Ext 401

In the event the Company is required to take any further action in relation to the Meeting and/or other communications, guidelines, directives or orders issued by the Government of Sri Lanka, Notice of such action shall be given by way of an announcement to the Colombo Stock Exchange and/or publication on the Company website www.thegrandhotelnuwaraeliya.com

The Board wishes to thank the Shareholders of the Company for their corporation and support to ensure a smooth and uninterrupted process at the Annual General Meeting of the Company and look forward to their virtual attendance.

By Order of the Board

The Nuwara Eliya Hotels Company PLC

Mercantile Investments and Finance PLC

Secretaries

25th August 2022

Colombo

REGISTRATION FORM

THE NUWARA ELIYA HOTELS COMPANY PLC

130TH ANNUAL GENERAL MEETING

To: Mercantile Investments and Finance PLC
Secretaries
236, Galle Road,
Colombo 3

Full Name of Shareholder

Address of Shareholder

Shareholder's NIC No/Passport No/Co. Reg No

Membership No/ CDS Account No

Shareholder's Contact Nos. Residence Mobile

Shareholder's e-mail address (Please type clearly, mandatory)

If Proxy is Appointed

Full Name of Proxy

Proxy Holder's NIC No/Passport No.

Telephone No. Residence Mobile

e-mail Address (Please type clearly, mandatory)

.....
Shareholder's Signature/Date

.....
1st Joint holder's Signature/date

.....
2nd Joint holder's Signature/date

Notes: Instructions as to completion are noted on the reverse hereof.

REGISTRATION FORM

INSTRUCTIONS AS TO COMPLETION

1. Shareholders are advised to complete the form legibly in order to facilitate their participation through the online platform
2. The "Web Link" for participation at the AGM through the online platform will be forwarded to the Shareholder's above noted email address.
3. In the case of a Company/Corporation, the registration form must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association.
4. If the registration form is signed by an Attorney, the relative Power of Attorney should also accompany the proxy form for registration, if such Power of Attorney has not already been registered with the Company.
5. The completed registration form should be deposited at the Secretaries office at No.236, Galle Road, Colombo 3 or emailed to mercantile@mi.com.lk 48 hours before the time appointed for the meeting.

FORM OF PROXY

I/We

of

being a member/members of THE NUWARA ELIYA HOTELS COMPANY PLC, do hereby appoint;

..... of or failing him/her

Mr. J H P Ratnayake	or failing him
Mr. G G Ondaatjie	or failing him
Ms. A M Ondaatjie	or failing her
Mr. T J Ondaatjie	or failing him
Mr. L N de Silva Wijeyeratne	or failing him
Mr. S K Abeyesundara	or failing him
Mr. M K K K B Galagoda	of Colombo

as my/our proxy to represent me/us and to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 28th September 2022 at 11.00 a.m. as a virtual meeting assembled at 236, Galle Road, Colombo 3 and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

	FOR	AGAINST
1) To receive and adopt the Report of Directors and the Statement of Accounts for the year ended 31st March 2022, with the Report of the Auditors there on.	☐	☐
2) To elect Ms. A M Ondaatjie retiring in terms of Article 88(i) of the Articles of Association of the Company.	☐	☐
3) To re-elect Mr. J H P Ratnayake retiring in terms of Section 211 of the Companies Act No.07 of 2007	☐	☐
4) To re-elect Mr. L N de S Wijeyeratne retiring in terms of Section 211 of the Companies Act No.07 of 2007	☐	☐
5) To re-appoint Messrs. Ernst & Young, who are deemed to be re-appointed as Auditors of the Company in terms of Section 158 of the Companies Act No.7 of 2007 and to authorize Directors to determine their remuneration	☐	☐
6) To authorize the Directors to determine payments for charitable and other purposes for the year 2022/23.	☐	☐

As witness my/our hand thisday of2022

.....
Signature of Shareholder/s

Note: Please delete the inappropriate words.

(Instructions as to completion are noted on the reverse hereof)

FORM OF PROXY

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the form of proxy, after filling legibly your full name and address and by signing in the space provided and please fill in the date of signature.
2. Please indicate with an "X" in the boxes provided how your Proxy is to vote on each resolution. If no indication is given, the Proxy in his discretion will vote as he thinks fit.
3. If the proxy form is signed by an Attorney, the relative Power of Attorney should also accompany the proxy form for registration, if such Power of Attorney has not already been registered with the Company.
4. In the case of a Company/Corporation, the proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association.
5. The completed form of proxy should be deposited at the Registered Office of the Company at No.236, Galle Road, Colombo 3, 48 hours before the time appointed for the meeting.

CORPORATE INFORMATION

NAME OF THE COMPANY

The Nuwara Eliya Hotels Co. PLC

COMPANY REGISTRATION NO.

PQ 101

STATUS & LEGAL FORM

Public quoted company with limited liability
Incorporated in Sri Lanka in 1982.

TAX PAYER IDENTIFICATION NUMBER

204000492

VAT REGISTRATION NO.

204000492 7000

SECRETARIES

Mercantile Investments & Finance PLC

COMMUNICATION REGISTERED OFFICE

236, Galle Road, Colombo 03, Sri Lanka

P.O. Box 195, Colombo Tel: 2343720-7

Fax: :2434524, 2448279

E-mail: tangerine@mi.com.lk

Website : www.thegrandhotelnuwaraeliya.com

HOTEL

Grand Hotel Road, Nuwara Eliya.

Tel: 052-2222881-7

Fax: 052-2222264/5

E-mail: admin@grandhotel.lk

Website :

www.thegrandhotelnuwaraeliya.com

BANKERS

- Hatton National Bank
- Commercial Bank of Ceylon PLC
- Nations Trust Bank
- Sampath Bank

BOARD OF DIRECTORS

- J.H.P. Ratnayeke - Chairman
- Gerard G. Ondaatjie - Deputy Chairman
- A.M. Ondaatjie
- T.J. Ondaatjie
- L.N.D.S. Wijeyeratne
- M.K.K.K.B. Galagoda
- S.K. Abeysundara

CORPORATE MANAGEMENT

- Refhan Razeen - General Manager
- M.I. Shahabdeen - Group Financial Controller
- Ravi Fernando - Group Accountant
- Nazeem Mohamed - Financial Controller/Asst. Manager
- I.D. Rodrigo - Accountant Head Office

AUDIT COMMITTEE

- Chairman - J.H.P. Ratnayeke
- L.N.D.S. Wijeyeratne
- M.K.K.K.B. Galagoda

NOMINATION COMMITTEE

- Chairman - J.H.P. Ratnayeke
- L.N.D.S. Wijeyeratne
- Gerard G. Ondaatjie

RELATED PARTY TRANSACTION REVIEW COMMITTEE

- Chairman - J.H.P. Ratnayeke
- L.N.D.S. Wijeyeratne
- M.K.K.K.B. Galagoda

INTERNAL AUDITORS

BDO Partners Chartered Accountants

EXTERNAL AUDITORS

Ernst & Young Chartered Accountants

MANAGEMENT TEAM

- Refhan Razeen - General Manager
- Nazeem Mohamed - Financial Controller/Asst. Manager
- Faizeen Jameel - Food & Beverage cum Asst. Manager
- R.M.C.K. Bandara - Front Office & Revenue Manager
- Dilum Nishantha Karunasena - Asst. Group Engineer
- S. Anbalagan - Maintenance Manager
- W.R.P. Weerasinghe - Corporate Executive Chef
- K.G.S.K. Udagama - Accommodation & Quality Assurance Manager
- K.D.W. Lakmali - CCEM/Human Resource Manageress
- B.H. Kodithuwakku - Senior Boutique Manager
- S R. Liyanage - Learning & Development Manageress
- S.M. M. Shuaib - IT Manager
- M.A.M. Riyad - Hotel Accountant
- A.C.D.J.X. Motha - Senior Asst. F&B Manager
- R. Muralitharan - Asst. Accountant cum Cost Controller
- K.M. Dinesh Dammika - Asst. Front Office Manager
- A. Ranasinghe - Lobby Manageress
- P.B.S.S.D. Dissanayake - Restaurant Manager
- L.C.S. Lamahew - Restaurant Manager
- P.T.S. Dias - Management Trainee
- Chathuska Piumal - Management Trainee
- W.M.A. Lowe - Executive Sous Chef
- G.H.R.P.V. Jayaratne - Executive Pastry Chef
- Ravindra Herath - Stores Executive
- M.T. Theepan - Accounts Executive
- A.G.R.M.S.D. Ranasinghe - Credit Executive
- R.A.D.P. Rathnayake - IT Executive
- W.H. Perera - Purchasing Executive
- M.S.A. Azees - Purchasing Executive
- P.H. De Costa - Exe. Secretary/CSR Co-ordinator
- M.S. Husamdeen - Restaurant & Bar Manager
- Rodney Fernando - Chief Steward
- L.G.C.K. Udayasiri - Sous Chef
- P.S. Hatthasinghage - Thai Sous Chef
- Sunil P. Punchihewa - Chief Engineer
- D.L.S.M. Perera - Front Office Executive
- Waruna K. Palliyaguru - Exe. Sustainability & Compliance
- Dulanga M. Jayalath - Farm Manager
- Shanaka Amarasekera - Garden Curator
- K. Wijesiri - Housekeeping Executive
- B.K.S.P. Rodrigo - Laundry Executive



GRAND HOTEL
ESTABLISHED 1891

THE NUWARA ELIYA HOTELS COMPANY PLC