Tangerine Beach Hotel

**TANGERINE BEACH HOTELS PLC**

Annual Report 2021 / 2022

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# FINANCIAL HIGHLIGHTS

| Year ended 31st March | 2022 Rs.' 000 | 2021 Rs.' 000 | % Change |
|---|---|---|---|
| **Results for the year** | | | |
| Gross Revenue | 321,332 | 133,462 | 140.77 |
| Cost of Sales | 113,920 | 49,819 | 128.67 |
| Operating Profit before Interest & Tax | (132,435) | (213,194) | (37.88) |
| Interest Expense | 1,717 | 632 | 171.68 |
| Profit /(Loss) before Tax | (94,935) | (199,953) | (52.5) |
| Income Tax Expense | (5,975) | (9,504) | (37) |
| Profit /(Loss) after Tax | (100,910) | (209,458) | (52) |
| Profit /(Loss) attributable to Shareholders | (100,910) | (209,458) | (52) |
| **Financial Position at the end of the year** | | | |
| Shareholders' Funds (Stated Capital & Reserves) | 3,457,223 | 3,272,453 | 5.65 |
| Total Assets | 3,938,124 | 3,712,259 | 6 |
| Number of Shares in Issue (Millions) | 20 | 20 | - |
| Cash at Bank and In Hand | 95,514 | 45,917 | 108.01 |
| **Ratios** | | | |
| Return on Shareholders' Funds (%) | (2.92) | (6.40) | (54) |
| Return on Total Assets (%) | (2.56) | (6.40) | (60) |
| Year on Year EPS increase / decrease (%) | 51.82 | (459.00) | 111 |
| Interest Cover (Times) | (50.59) | (257.20) | (80) |
| Equity / Assets (%) | 87.79 | 88.15 | (0.41) |
| Current Ratio (Times) | 5.36 | 6.56 | (18) |
| Gearing Ratio (Times) | 0.014 | 0.013 | 8 |
| **Information per Ordinary share** | | | |
| Earnings per Share (Rs.) | (5.05) | (10.47) | (52) |
| Net Asset per Share (Rs.) | 172.86 | 163.62 | 6 |
| **Market Shareholder Information** | | | |
| Market Value per Share as at 31st March (Rs.) | 44.1 | 40.1 | 10 |
| Market Capitalisation (Rs.' 000) | 882,000 | 802,000 | 9.98 |
| Price Earnings Ratio (Times) | (8.74) | (3.83) | 128 |

# CHAIRPERSON'S REVIEW

## A CHALLENGING YEAR

Dear fellow Shareholders,

The negative impact of COVID-19 on our businesses continued into 2021, with unprecedented challenges to the global tourism industry. The steep decline of international travel and restrictions in many international borders, coupled with emerging new variants of COVID-19 rattled the recovery progress. As the world starts to learn to live in this environment of endemicity, we are optimistic of emerging slowly over the next year with a gradual return to pre-COVID levels. Meetings, Incentives, Conferences and Exhibitions ("MICE") events and business travel will precede leisure tourism. Our performance will continue to be adversely affected as visitation will continue to be limited to only the domestic market.

**Sri Lankan Economy**

Sri Lanka faces an economic crisis partly resulting from its twin deficit economy, as the domestic expenditure exceeded the national income, and making her prone to external debt and reliance on foreign capital flows. Several major issues, initially a series of Easter attacks on churches and hotels started affecting the tourism industry, which accounted for 5.6% of the country's gross domestic product, followed by the COVID-19 pandemic in 2020, which prevented travel and finally the war between Russia and Ukraine in 2022, the two countries being a contributor for a majority of tourists in into Sri Lanka had aggravated this economic crisis. In addition, the Sri Lankan Government relaxed the taxation regime in 2019 to stimulate the economy, considerably reducing its revenues.

In May 2022, the country announced suspending the foreign debt repayments due that year. The Sri Lankan currency has also depreciated sharply, making basic goods more expensive for the population, thereby escalating a full scale economic, political and a social crisis.

**Sri Lankan Tourism and the Current Situation**

Tourism has endured a terrible pandemic, which is expected to bring in only a partial recovery in 2022. However the borders are reopening, international travel only a partial, as compliance with climate-change regulations and higher fuel prices and wages, will push up air-travel costs in 2022, thereby affecting the international tourist traffic.

The domestic crisis situation, especially the fuel shortages have created transportation issues for the staff and stakeholders. The movements of tourists inside the country are restricted. Energy and food costs have risen to unprecedented levels, and local travel market has also shrunk due to loss of consumable revenue and shortages. Senior skilled employees like chefs are migrating to Europe and other overseas destinations, which have become lucrative due to US$ exchange rate. This exodus is a great worry for the industry to retain its competitive advantage and value creation process, and is also a negative factor towards developing the younger talent to sustain the industry.

With the slump in demand for international and domestic tourism, the secondary sectors that provide essential inputs into tourism operations are also facing a decreased derived demand, leading to systemic weakened demand across multiple sectors. Stakeholders in Sri Lanka's tourism industry need to make strategic and pragmatic decisions regarding the future of tourism. Some tourism businesses will not survive even when things hopefully become stable in the future. Hence government intervention is needed for the tourism industry for the survival and sustenance of its stakeholders.

**Operational and Marketing Snapshot**

Where the COVID-19 lockdown was eased with the opening of airport for travel in January 2021, locals, expatriates and business clients alike started visiting Sri Lanka and started patronizing hotels categorized as Level 1. Tangerine Beach Hotel (TBH) had started an outdoor food delivery service which raked in revenue and built brand loyalty, especially in the local market and helped to gradually secure the lost banquet business.

With the easing of overseas travel restrictions, the tourist traffic trickled in from our main source markets such as Germany, Poland, Russia and CIS. The other feeder markets that generated some numbers were India, France and the Middle East. It was encouraging to note that the hotel was one of the best-selling properties in the Polish market. Principals from TUI - Germany, FTI Touristik, Kuoni UK visited the hotels in the south coast to and commended TBH for the standards maintained despite lockdowns. Customer feedback was tremendous, with the hotel receiving the Service Excellence award from Trip advisor and the rating on German feedback www.holidaycheck.de was at 94%.

2021 continued to provide opportunities for our team to innovative as we navigated the bumpy roads to recovery. Over the course of the year, our hotels occupancy increased from 50% compared to previous year's 12% while continuing to minimize operating expenses growth.

**Customer Focus and Orientation**

As we extend the reach of our brand, serving an increasingly diverse customer base, we embed customer focus throughout the organization by removing the barriers to innovation, such as unnecessary hierarchies and bureaucracy, whilst encouraging risk taking and entrepreneurialism. We foster and promote collaboration, to ensure that we enable our colleagues to constantly focus on delighting our customers by being proactive on their expectations.

Our aim is to build back better and stronger, so that we can deliver even better experiences to our customers and offer more support to the communities we serve. We expect the company to return to profitability in 2022-23, and are working hard to hit our targets, while keeping a close watch on headwinds such as high fuel prices, inflation, new COVID-19 variants, and political and economic uncertainty.

**The Future of Tourism Industry and Its Trends**

In tourism sector, a number of different developments have led to changes in consumer behavior and business processes, making new tourism trends to emerge.

One key development has been the fundamental change in the way technology is used, especially with regard to Artificial Intelligence (AI) and machine learning. This has led to the increased adoption of robotics and AI-powered technology in hotels, which has also changed customer behavior through the rise of user-friendly devices like voice control and voice search.

Tourism is slated to play a crucial role in the resurrection of the country's distressed economic condition, by attracting foreign exchange earnings and complementing the growth rate in the years to come. With the present adverse economic front, greater expectations will lie upon tourism sector to revive its fortunes, which in the past had been a source of much glory for the Sri Lankan economy.

**Capital Upkeep**

Only selected urgent maintenance were carried out roof repairs in our property. Lining of boulders to protect the seaside perimeter was carried out during this period. In the wake of the pandemic situation, the key initiatives were to freeze all non-committed capital expenditure. Accordingly, shortly after the lockdowns were announced, we introduced proactive cost containment measures to minimize the adverse financial impact of the lockdown of our operations.

**Governance Enhancements**

Despite turbulent environment, the Company has an ongoing focus on enhancing its governance, which is important to navigate troubled waters. During the year, it has made changes to the composition of its Board to reduce its size and to increase its diversity and bring greater sector expertise through the appointment of new independent non-executive directors. The Company has also established formal Audit, Remuneration and Nominations Committees and enhanced the internal oversight functions.

**Financial Review**

The revenue of Tangerine Beach Hotels PLC during the current financial year was Rs.321.3 Mn compared to Rs.133.4 Mn achieved in the previous year. This increase in revenue was mainly due to recommencement of normal local operations and the appreciation of the foreign currencies during the year. Company recorded 25 % occupancy compared with last year. Revenue from sale of rooms contributed to 37 % of the total revenue whilst F&B revenue contributed 58 % and other revenue contributed 5 %. The Loss for the year reduced to Rs. 100.9 Mn compared to previous year Loss of Rs. 209.4 Mn.

**Acknowledgment**

I would like to thank the Board of Directors for their contribution and support over the year and the tireless efforts of the senior management in steering the Company through the year along with the committed hard-working staff of your company. Furthermore, I take this opportunity to express my sincere gratitude to our regulator, The Sri Lanka Tourism Development Authority and its staff for the continuous guidance and support.

Angeline Ondaatjie

A M Ondaatjie
*Chairperson*

25th August 2022

# BOARD OF DIRECTORS

**A M Ondaatjie**
*Chairperson*

Ms. Angeline Ondaatjie was appointed to the Board on 14th August 1992 and appointed as Chairperson & Managing Director on 13th May 2019. She resigned from the post of Managing Director with effect from 30th June 2022. She has over 25 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 and Royal Palms Beach Hotels PLC. She holds directorship in several companies including Mercantile Investments and Finance PLC, The Nuwara Eliya Hotels Co. PLC (Grand Hotel), Nilaveli Beach Hotels (Pvt) Ltd, Fair View Hotel (Pvt) Ltd and Lighthouse Hotel PLC. 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.

**G G Ondaatjie**
*Non-Executive Director*

Mr. Gerard Ondaatjie was appointed to the Board on 04th December 1993. 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, Chairman several companies including Fair View Hotel (Pvt) Ltd and Mercantile Fortunes (Pvt) Ltd. He is Deputy Chairman of The Nuwara Eliya Hotels Co. PLC (Grand Hotel) and a Director of Royal Palms Beach Hotels PLC and Nilaveli Beach Hotels (Pvt) Ltd. He is a former Member of the Commission on the Simplification of Existing Laws and Regulations in the Interest of the people and former Member of the Colombo Port City Economic Commission

**T J Ondaatjie**
*Non-Executive Director*

Mr. Travice Ondaatjie was appointed to the Board on 20th July 1995. He has over 25 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 companies which include Mercantile Investments and Finance PLC, Royal Palms Beach Hotels PLC, The Nuwara Eliya Hotels Co. PLC (Grand Hotel) and Fair View Hotel (Pvt) Ltd.

**C A Ondaatjie**
*Non-Executive Director*

Mrs. Christabel Ondaatjie has been a Director of the Company since its inception. She has over 30 years experience in the tourism and trading sector. She is a Director of Nilaveli Beach Hotels (Pvt) Ltd. and Mercantile Fortunes (Pvt) Ltd.

**N H V Perera**
*Non-Executive Independent Director*

Mr. Hasantha Perera was appointed to the Board on 25th November 1999. He is and has been attached to Lucian Perera Associates, a legal firm, for over a period of ten years. He is a Director of Royal Palms Beach Hotels PLC, Blue Oceanic Beach Hotels Limited, Yala Safari Beach Hotels Limited, Yala Properties (Private) Limited Ceylon Electro Mechanical Services (Pvt) Ltd, South Asia Economic and Trade Corporation (Private) Limited, Koggala Beach Hotel (Private) Limited, Desano Investments (Private) Limited, Tisara Hotels (Private) Limited, Thisara Investments (Pvt) Ltd, Ranyan Industries (Pvt) Ltd, Ranali Marketing (Pvt) Ltd, Janath Trading & Investments (Pvt) Ltd and N Vaitilingam & Company Limited.

Mr. Hasantha Perera is a Non-Executive Director of Royal Palms Beach Hotels PLC, which is a group company and has been a Director of the company for a period of over nine years. The Board taking account of all the circumstances is of the opinion that he should be considered as a Non-Executive Independent Director.

**L H Jayasinghe**
*Executive Director*

Mr. Lakal Jayasinghe was appointed to the Board on 20th December 2007 and is presently the Director/General Manager of Tangerine Beach Hotels PLC. He has over 40 years' experience in the tourism sector which he gained in Sri Lanka as well as overseas. He is a Fellow of the Ceylon Hotel School Graduates Association and holds a Diploma in Hotel Management.

**P S R Casie Chitty**
*Non Executive Independent Director*

Mr. Rajiv Casie Chitty was appointed to the Board of Tangerine Beach Hotels PLC on 05th February 2013. He is presently the Chief Operating Officer of the Commercial Credit and Finance PLC. He is also a Non-Executive Independent Director at ACL Cables PLC, Royal Palms Beach Hotels PLC and in some companies of the Ceylon Printers Group. Mr. Casie Chitty is immediate Past President of the Association of Chartered Certified Accountants (ACCA) Sri Lanka Branch.

Mr. Cassie Chitty who holds a Master in Economics, University of Colombo is also a Fellow of the Association of Chartered Certified Accountants (ACCA) UK, an Associate Member of the Chartered Institute of Management Accountants (CIMA) UK, and is a Chartered Financial Analyst, USA.

Mr. Casie Chitty completed nine years as a Director of the Tangerine Beach Hotels PLC on 05th February 2022. He is also Director at Royal palms Beach Hotels PLC. Which is a group company. The Board taking account of all the circumstances is of the opinion that he should be considered as a Non-Executive Independent Director.

# CORPORATE GOVERNANCE

Corporate Governance is the system by which the company is directed and controlled.
A good Corporate Governance structure encourages companies to create value through entrepreneurism, innovation and establishes accountability and transparency commensurate with the inherent risks and opportunities available to the Company.
It influences how the objectives of the Company are set and achieved, risks identified and managed and organizational performance optimized. Tangerine Beach Hotels PLC uses the CSE listing rules as a guideline in their Corporate Governance framework. The Board of Directors is strictly committed towards achieving commendable Corporate Governance principles.

**Board Composition**

The Board comprises of 07 Directors including the Chairperson. This includes 02 Independent Non-Executive Directors, 01Executive Director and 04 Non-Executive Directors.

**Role and Function of the Board of Directors**

The Board has overall control and oversight of the activities, the strategic direction and the governance of the Company. Its role includes control and oversight of the company's businesses, risk management and compliance, the performance of management; approving and monitoring financial and other reports; and capital expenditure and reporting to shareholders.

The Board meets as a practice as and when required. Agendas and papers are circulated in advance to enable informed deliberation at meetings and decisions are made by consensus.

**Board Independence**

None of the Independent Directors have held executive responsibilities in their capacity as Independent Directors and had 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 Responsibilities of the Board**

The Board of Directors is responsible for;

- Formulating of business strategies taking into consideration the Company's strengths, competencies and risks
- Implementing and monitoring of such strategies
- Reviewing and ratifying systems in operation relating to risk management, internal control, codes of conduct and compliance with the laws, statutes and regulations
- Reviewing, monitoring and ratifying all capital expenditure, acquisitions and divestitures
- Monitoring Senior Management performance
- Ensuring that effective information and audit systems are in place
- Ensuring that due attention is given to annual and interim financial statements prior to Publication
- Determining the quantum of the final dividend
- Approving and monitoring financial and other reporting.

**Regular Re-election of Directors**

Directors retire at the Annual General Meeting in accordance to the Articles of Association of the Company. A retiring director is eligible for re-election.

**Compliance with Legal Requirements**

The Board is conscious of its responsibility to the Shareholders, the Government and the Society at large, in which it operates and is unequivocally committed to upholding ethical behavior in conducting its business. The Board, through the Company's Administrative and Finance Divisions, strives to ensure that the businesses of the Company comply with the laws and regulations of the country. The Board of Directors ensures that all financial statements are prepared in accordance with the Sri Lanka Accounting Standards and conform to the requirements of the Colombo Stock Exchange.

| Attendance at Board Meetings | | |
|---|---|---|
| Name of Director | 09/03/2022 | Meeting Attendance |
| Non-Executive Directors | | |
| A M Ondaatjie** | ✓ | 1/1 |
| G G Ondaatjie | ✓ | 1/1 |
| T J Ondaatjie | ✓ | 1/1 |
| C A Ondaatjie | - | 0/1 |
| Non-Executive Independent Directors | | |
| N H V Perera | ✓ | 1/1 |
| P S R Casie Chitty | ✓ | 1/1 |
| Executive Director | | |
| L H Jayasinghe | ✓ | 1/1 |

**A M Ondaaatjie resigned as Managing Director with effect of 30/06/2022

**Audit Committee**

The Audit Committee comprises of Two Independent Non-Executive Directors.

The members of the Audit Committee are as follows:
Mr. N H V Perera - Chairman
Mr. P S R Casie Chitty

The Group Financial Controller, Financial Controller and the General Manager attend the Audit Committee meetings by invitation. The Audit Committee is assisted by the Internal Audit. Internal Controls have been designed to ensure transparency and good governance within the Company. A report of the Audit Committee is given on page 18.

The Audit Committee met Four times during the year according to a predetermined agenda.

| Name of Director | Position | Attendance at Audit Committee Meetings | | | | Meeting Attendance |
|---|---|---|---|---|---|---|
| | | 10/02/2022 | 09/11/2021 | 09/08/2021 | 24/05/2021 | |
| N H V Perera | Chairman | ✓ | ✓ | ✓ | ✓ | 4/4 |
| P S R Casie Chitty | Member | ✓ | ✓ | ✓ | ✓ | 4/4 |

**Remuneration Committee**

The Remuneration Committee consists of 02 Independent Non-Executive Directors. The Committee is chaired by the Non-Executive Director, N.H.V.Perera. The Group Financial Controller assists the committee by providing the relevant information and participating in the analysis and deliberations.

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.

| Name of Director | Attendance at Remuneration Committee Meetings | | |
|---|---|---|---|
| | Position | 10/02/2022 | Meeting Attendance |
| N H V Perera | Chairman | ✓ | 1/1 |
| P S R Casie Chitty | Member | ✓ | 1/1 |

**Related Party Transactions Review Committee**

The Related Party Transactions Review Committee consists of two Non-Executive Independent Directors and an Executive Director, namely:
Mr. N H V Perera - Chairman
Mr. P S R Casie Chitty
Mr. L H Jayasinghe

The Group Financial Controller assists the committee by providing the relevant information and participating in the analysis and deliberations.

The objective of the Related Party Transactions Review Committee is to be consistent with the Code of Best Practices on Related Party transactions issued by the Securities & Exchange Commission.

A report of the Related Party Transactions Review Committee is given on page 20.

The Related Party Transactions Review Committee met Four times during the financial year.

| Name of Director | Position | Attendance at Related Party Transactions Review Committee | | | | Meeting Attendance |
|---|---|---|---|---|---|---|
| | | 10/02/2022 | 09/11/2021 | 09/08/2021 | 24/05/2021 | |
| N H V Perera | Chairman | ✓ | ✓ | ✓ | ✓ | 4/4 |
| P S R Casie Chitty | Member | ✓ | ✓ | ✓ | ✓ | 4/4 |
| Lakal Jayasinghe | Member | ✓ | ✓ | ✓ | ✓ | 4/4 |

**Relationship with Stakeholders**

The Board of Directors ensured that the top management team possesses right skills to deliver their best contribution towards the company. The Board has empowered such employees to make operational decisions and also encourage them to make recommendations to the Board on areas of strategic importance. The vision, goals and objectives of the company have been formulated and all the employees have been briefed clearly of their specific job to achieve overall results for the company.

The company maintains sound relationship with regulatory authorities The Shareholders have the right to voice their concerns to Board of Directors and exercise their votes at Annual General Meetings/ Extraordinary General Meetings of the company. The notice of such meetings, and relevant documents as required by the Companies Act No.07 of 2007 and Listing Rules of Colombo Stock Exchange are circulated to all the shareholders at least 15 working days prior to the date of the meeting

**The Company Secretary**

The role of the company secretary comprises of advising the Board and ensuring that all requirements relating to the Companies Act, Board procedures and other related rules and regulations are adhered to and followed. All directors have access to the company secretary. The removal of the company secretary requires a board resolution to be passed as specified in the Company's Articles of Association.

**Accountability**

The Board of Directors' and the Audit Committee review the quarterly and annual audited Financial Statements and the accounts to ensure that a true, balanced and a fair view of the Company's performance is presented to the shareholders.

**Disclosure**

The Board's policy is to disclose all relevant information to stakeholders, within the bounds of prudent commercial judgment, in addition to preparing the financial statements in accordance with Sri Lanka Accounting Standards, the Companies Act No.07 of 2007 and in conformity with Stock Exchange disclosure requirements.

**Going Concern**

The Board of Directors after reviewing the financial position and cash flow of the company is confident that the company has adequate resources to continue in operation for the foreseeable future. Accordingly, the "Going Concern Basis" has been adopted in the preparation of the Financial Statements.

**Compliance Report**

The Directors confirm that to the best of their knowledge all taxes and duties payable by the Company and all contribution levies and taxes payable on behalf of and in respect of the employees of the company and all other known statutory dues payable as at the Balance Sheet date have been paid or are provided for in the accounts.

**Auditors**

The auditors Ernst & Young were re-appointed at the Annual General Meeting held on the 29th of September 2021 and the Directors' authorized their remuneration.

The auditors conduct the annual audit with the objective of providing credence to the accounting records, policies and Financial Statements of the Company

**Management Committee**

The executive directors and senior managers have been assigned and delegated to achieve Company objectives.

**Internal Audits**

SJMS Associates are appointed as the internal auditors of Tangerine Beach Hotels PLC. The internal audit function operates unconstrained to the external audit. Quarterly internal audits are conducted to identify any exposure to risk and any such vulnerability are reported to the management in order to facilitate early action.

**Other Information**

The Annual Report contains statements from the Board including the responsibilities of the Directors for the preparation of the Financial Statements and the Directors are of the view that they have discharged their responsibilities as set out in this statement. The performance of the company during the year under review and the future prospects of the company are covered in the Chairman's review of operations

| Reference to SEC & ICASL Code CSE Listing Rules | Subject | Applicable requirement | Compliance Status | Details |
|---|---|---|---|---|
| 7.10. 1 (a) | Non-Executive Directors | At least one third of the total number of Directors should be Non-Executive Directors | Compliant | Six out of the Seven Directors are Non-Executive Director |
| 7.10.2 (a) | Independent Directors | Two or one third of Non-Executive Directors, whichever is higher should be Independent | Compliant | Two out of the Six Non-Executive Directors are Independent |
| 7.10.2 (b) | Independent Directors | Each Non-Executive Director should submit a declaration of independence/non independence in the prescribed format | Compliant | Non-Executive Directors have submitted the declaration |
| 7.10.3 (a) | Disclosure relating to Directors | The Board shall annually make a determination as to the independence or other wise of the Non-Executive Directors and names of Independent Directors should be disclosed in the Annual Report | Compliant | Please refer 'Board of Directors' on page 4. |
| 7.10.3 (c) | Disclosure relating to Directors | A brief resume of each Director should be included in the Annual Report including the areas of Expertise | Compliant | Please refer 'Board of Directors' on page 4. |
| 7.10.3 (d) | Disclosure relating to Directors | Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3 (a),(b) and (c) to the Exchange | Compliant | No new directors appointed during the period. |
| 7.10.5 | Remuneration Committee | A listed company shall have a Remuneration Committee | Compliant | Remuneration Committee consist of Two Non-Executive Directors. |
| 7.10.5 (c) | Disclosure in the Annual Report relating to Remuneration Committee. | • Name Of Directors comprising of the Remuneration Committee | Compliant | Corporate Governance |
| | | • Statement of Remuneration Policy | Compliant | Corporate Governance |
| | | • Aggregated Remuneration paid to Director | Compliant | Notes to the Financial Statements |
| D.1.7 | Related party Transactions | Disclosure of Related Party Transactions | Compliant | Notes to the Financial Statement |
| 7.10.6 | Audit Committee | The company shall have an Audit Committee | Compliant | Names of the members of the Audit Committee are stated on page 18. |
| 7.10 .6 (a) | Composition of Audit Committee | Shall comprise of Non-Executive Directors a majority of whom will be independent | Compliant | Audit Committee consists of Two Independent Non Executive Directors. |
| 7.10.6 (a) | Audit Committee Functions | A Non-Executive Director shall be appointed as the Chairman of the Committee | Compliant | Chairman of the Audit Committee is an Independent Non-Executive Director |
| | | CEO & Chief Financial Officer shall attend Audit Committee Meetings | Compliant | The General Manager and Group Financial Controller attended meetings by Invitation. |
| | | The Chairman of the Audit Committee or one member should be a member of a professional accounting body | Compliant | One member of the Audit Committee is a Chartered Management Accountant |

| Reference to SEC & ICASL Code CSE Listing Rules | Subject | Applicable requirement | Compliance Status | Details |
|---|---|---|---|---|
| 7.10.6( b) | Audit Committee Functions | Functions shall include:<br>Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards.<br><br>Overseeing of the compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements<br><br>Overseeing the processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards.<br><br>Assessment of the independence and Performance of the external auditors. Make recommendations to the Board pertaining to appointment, re-appointment and removal of external auditors, and approve the remuneration and terms of engagement of the external auditors. | Compliant | Corporate Governance and Audit Committee Report |
| 7.10.6( c) | Disclosure in the Annual Report relating to Audit Committee | a) Names of Directors comprising the Audit Committee<br>b) The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination<br>c) The Annual Report shall contain a Report of the Audit Committee setting out the manner of compliance with their functions | Compliant<br>Compliant<br>Compliant | Please refer page 18.<br>Please refer Audit Committee Report on Page 18.<br>Please refer Audit Committee Report on page 18. |

# MANAGEMENT DISCUSSION AND ANALYSIS

## INTRODUCTION

The COVID-19 pandemic has caused significant disruptions in the global economy. It had brought international travel to an abrupt halt and significantly impacted the tourism industry since late 2020. For many developed and developing countries, the tourism sector is a major source of employment, government revenue and foreign exchange earnings. Without this vital lifeline, many countries may experience a dramatic contraction in GDP and a rise in unemployment.

The tourism sector which is the third-largest foreign income generator for Sri Lanka has been severely affected by COVID-19. In fact, major tourist destinations in Sri Lanka have been suffering due to the travel bans which apply to domestic tourists as well. China, which contributed the second largest number of tourists till January 2020, will most likely not be a part of the top 10 countries with the most tourist arrivals in Sri Lanka in 2021. Specifically, 54,452 Chinese tourists had visited Sri Lanka during January–February of 2019, and Chinese tourist arrivals had dropped to 24,459 during the same period in 2020, reporting a 55.1% drop in Chinese tourist arrivals and which has drastically dropped to 144 which is almost a 99% during the same period in 2021 (SLTDA 2020–21).

It required critical crisis management skills; tremendous resilience and innovations of the Team Tangerine to survive the hardest 2 years that Tourism Industry has ever experienced in its history.

## BUSINESS TRENDS

TBH was certified as a Safe and a secure hotel (Covid 19 protocols) in the third quarter of 2020 & carried out Level 1 operations for tourists until 31st March 2021. However due to the instability of the forward forecasts the Management decided to move on to Normal operations from the beginning of the financial year 2021/22. After moving to the Normal operations despite so many restrictions from Health Authorities TBH managed to achieve 19% occupancy through domestic travelers in month of April 2022 registering 22.4 million gross revenue.

However due to another lockdown in the Month of May 2021 TBH went in to an ICC operation (Intermediate care center) with the collaboration of the Pannipitiya Nursing home(PNH) from 14th May to 6th of July 2021. TBH went back to normal operation from 7th July onwards due to lack of reservations coming through PNH (ICC Operation). Furthermore Banquet functions were allowed to carry out with a limited capacity of 50 per function by the Health officials.

TBH was forced to revert back to the ICC operation, this time with the Durdans Hospitals due to increased demand for ICC facilities by COvid-19 patients. TBH management convinced the health officials to allocate 3 blocks out of 7 for the ICC operation and use the balance 4 blocks along with the Banquet halls for normal operation, resulted in a duel operation.

| | 2017/18 | | 2018/19 | | 2019/20 | | 2020/21 | | 2021/22 | |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenue Centre | Amount LKR | % | Amount LKR | % | Amount LKR | % | | | Amount LKR | % |
| Room + Meal Plan | 550,619,378 | 81.91 | 561,924,312 | 78.40 | 67,024,777 | 88.34 | 89,203,524 | 67.78 | 49,462,687 | 78.11 |
| Banquets | 44,088,439 | 6.56 | 66,597,102 | 9.29 | 3,458,364 | 4.56 | 26,058,439 | 19.80 | 31,309,727 | 9.80 |
| Food & Beverage | 48,156,583 | 7.16 | 55,906,715 | 7.80 | 3,578,542 | 4.72 | 14,019,629 | 10.65 | 30,425,304 | 9.53 |
| Dream Wedding | | 0.00 | 631,864 | 0.09 | | 0.00 | | 0.00 | | 0.00 |
| Ayurweda + SPA | 16,539,839 | 2.46 | 19,380,043 | 2.70 | 1,191,459 | 1.57 | 375,686 | 0.29 | 4,080,368 | 1.28 |
| Room Supplementary | 1,549,151 | 0.23 | 1,888,817 | 0.26 | 107,948 | 0.14 | 469,709 | 0.36 | 460,684 | 0.14 |
| F&B Supplementary | 1,951,489 | 0.29 | 1,870,077 | 0.26 | 85,045 | 0.11 | 33,083 | 0.03 | 83,874 | 0.03 |
| Gift Boutique | 7,184,124 | 1.07% | 6,030,580 | 0.84 | 268,653 | 0.35 | 465,733 | 0.35 | 144,420 | 0.05 |
| Laundry | 722,310 | 0.11 | 687,195 | 0.10 | 33,934 | 0.04 | 25,393 | 0.02 | 334,923 | 0.10 |
| Sports & Swimming Pool | 374,308 | 0.06 | 377,787 | 0.05 | 18,545 | 0.02 | 68,273 | 0.05 | 142,091 | 0.04 |
| Others | 1,064,972 | 0.16 | 1,447,949 | 0.20 | 102,864 | 0.14 | 884,687 | 0.67 | 2,926,036 | 0.92 |
| Grand Total | 672,250,594 | | 716,742,439 | | 75,870,131 | | 131,604,156 | | 319,370,113 | |
| Occupancy % YTD | 70.46% | | 64.00% | | 6.37% | | 11.67% | | 25.41% | |

As the Durdans Hospital withdrew from the ICC operation by end of September, effective 1st October 2021 TBH commenced catering for both Sri Lankan and fully vaccinated foreign guests as certain health restrictions were lifted by officials. By end of the financial year despite many internal and external challenges, TBH managed to record 25.41% occupancy and net revenue of 319 million rupees.

Comparison of the Revenue distribution of the last 5 financial years.

As the financial year 2020/21 had been the worst due to Covid-19 pandemic; encouraging sings have been shown in year 2021/22 as occupancy had improved by 125% and net revenue by 142%. However it is safe to assume that the road to recovery would take minimum of 2 more years & The Team Tangerine will always act proactively in order to capture market share by introducing new revenue centers such as Food Delivery and various in house promotions.

## OPERATIONAL STRATEGIES

Due to several lockdowns throughout the financial year contributions from the foreign tourists were minimal towards revenue generation. Hence TBH has to survive with Domestic travelers who visited mainly during weekends, wedding functions & Food & Beverage sales. Therefore it was important to implement certain operational strategies to minimize the cost. Following areas were specially looked in to and TBH managed to minimize the cost wherever possible.

- Food cost
- Labor cost
- Energy cost
- Annual contracts such as PABX , WIFI, TV Channels
- Departmental operational cost (Uniforms, Stationary etc..)

## HUMAN RESOURCE STRATEGIES

TBH believes Human capital is the most important aspect of its operations. Hence most of the staff was retained despite incurring major revenue losses throughout the year. While some of the staff members resigned due to vulnerable situation of the Hospitality industry & joined other industries, certain other staff members found employment in overseas locations. TBH took initiative to vaccinate all its staff members with the assistance of area health officials. Furthermore staff was provided accommodation and transport whenever required during lockdown periods. In addition to regular on the job training done by the in-house training consultant, special training programs were carried out by area health officials in order to make the staff members aware of safe and secure procedures to be carried out during pandemic period.

## COOPERATE SOCIAL RESPONSIBILITIES (CSR)

Due to financial constrains TBH could not carry out the regular CSR engagements. However following programs were done.

- Offered assistance to Health Officials in terms of providing Food & Beverage when clinics were carried out to provide the Covid-19 vaccination in the area.
- TBH premises were given to carry out the Covid-19 vaccination program with the assistance of area Health Officials.
- Training program of Table Etiquette was carried out for Police training school and Nursing Training school.

## SUSTAINABLE INITIATIVES

TBH believes Sustainability improves the quality of our lives, protects our ecosystem and preserves natural resources for future generations. In the corporate world, sustainability is associated with an organization's holistic approach, taking into account everything, from manufacturing to logistics to customer service. Hence following initiatives are taken.

### Economic Initiatives

- Cost saving by introducing Solar panels to Generate Electricity to most part of the Hotel building.
- Micro farming in the hotel premises and use the produce for serve guests and staff in order to reduce carbon emission and purchasing cost.

### Environmental Initiatives

- Purified water is filled in to glass bottles from our own bottling plant for guest usage in rooms & various outlets to eradicate to usage of plastic. Further we have done away with the plastic straws and instead we have introduced disposable paper straws.
- The recycled water generated from our sewerage treatment plant is reused to water & maintain our garden.
- Wet garbage is donated to a home which maintains a piggery in the area. All dry garbage is segregated and handed over to registered byers accordingly.
- LED bulbs are used for lighting of the entire property and the water consumption is closely monitored through water meters. Further solar energy is used to generate hot water to the entire property.
- Place tent card in the rooms requesting the guests to change their linen if needed only. This enables to reduce the usage of water.
- In the process of obtaining ISO14001 Environmental Management Certification.
- TBH also established a designated cubical to store plastic waste in order to facilitate recycling in collaboration with an organization kwon as Eco Spindles located in Wadduwa Kalutara district.

**Community Initiatives**

- More than 50% of our food purchases are done through local suppliers in order to improve their economic and social wellbeing.
- Awareness programs for the local suppliers from the community related to various standards Ex: ISO 22000:2018
- Participation of the local community is encouraged for various events in the hotel. Example: Annual Religious Programs, Annual Staff Events.
- The Hotel Management had permitted and allocated a separate space within the property for the Disaster Management Centre to install the Tsunami tower for the benefit of the entire community.
- The storm water generated from the village is channeled through the property in order to avoid any flooding situations in the village during the rainy season.

**Infrastructure Management**

Despite several challenges faced by the TBH management, priority is given to manage and upgrade the infrastructure of the hotel. The Ayurveda and Spa underwent a semi - refurbishment and the three pavilions (Pavilion 1,2 and 3) were repaired and fully color washed, including all the furniture and new light fittings were added. Broken down wooden stair case of the pavilion number 3 was fitted with a new solid staircase. Spa Garden area too was given a face lift.

Guest room balcony wooden frames are changed in to more durable UPVC frames. Out of 179 rooms 81 rooms had been already completed and the balance 98 rooms will be completed shortly.

After carrying out the beach resurrection project in November 2020 the land of TBH and perimeters are now safe from sea erosion. However the beach is not foamed as expected but  a usable size beach is available, certain Tour Operators had voiced their concerns over losing the beach stretch.

New Beach perimeter lights were installed with a logical sequence and improving the beach side security in the nights and also affording hotel guests to utilize the beach area during late evenings.

Staff accommodation complex will be upgraded as per the requirement of SLTDA classification for a 4 star hotel.

# RISK MANAGEMENT

Tangerine Beach Hotels PLC identifies that operating a business involves both risk and reward. The hotel believes that in order to ensure reward, risk needs to be managed effectively. The risk framework involves risk identification, risk assessment and risk mitigation.

Risk is the probability of an undesirable outcome occurring due to a chosen activity or action.

The process of identifying potential risks and developing strategies to mitigate those risks is known as Risk Management.

The benefit of identifying, managing and mitigating risks is immense for the diverse hospitality industry in which Tangerine Beach Hotel operates.

Listed below are some of the risks and risk mitigation strategies used by Tangerine Beach Hotels PLC:

**Business Risk** results from the adverse impact on the Company's revenue and profitability. If business risk is not effectively managed, the revenues and cash flows will reduce. As a result, Tangerine Beach Hotel may not be able to achieve its business objectives and grow as it will lose its competitiveness within the industry.

**Control Measures**

- Tangerine Beach Hotel manages its business risk by strategizing on increasing its market share and constantly seeking to tap emerging markets. The Company boasts of an impressive foreign clientele consisting of Russian, Ukraine, Germany and UK clients apart from its local market.
- The business also utilizes the aid of various booking engines such as Agoda.com and Booking.com to increase its revenue and market position worldwide.
- Internal measures are taken by the Company as well to constantly review and streamline its costs and expenditure. This internal exercise helps the Company to revise rates and increase profitability while maintaining its competitive position.

**Economic Risk** emerges from changes in economic variables such as inflation rates and interest rates which may distort the Company's growth as a result. Higher inflation rates may cause costs to increase and lower profitability for the Company. On the other hand, an increase in interest rates may increase finance costs and result in inability to repay debt.

**Control Measures**

- Tangerine Beach Hotel exercises regular cost reviews and places strict cost controls while maintaining quality concurrently. Maintaining high quality and improving its impressive brand image enables the hotel to maintain its rates in a competent manner enabling any adverse effects of inflation to even out.
- Though higher interest rates are detrimental to the finance costs payable by the Company, Tangerine Beach Hotel uses these increased rates to invest its excess funds. Thus, the Company benefits from matching payments against receipts.
- The Hotel is cautious in investing its funds or entering into loans and takes into account both reliability and the most beneficial rates. The Hotel manages to do this effectively using the strength of its associate company Mercantile Investments and Finance PLC.

**Foreign Exchange** Risk disrupts revenue due to exposure to fluctuations in foreign currency. Tangerine Beach Hotel deals with a wide foreign clientele. Volatility in foreign exchange rates can cause a fall in revenue for the Company when translating its foreign currency payments to rupees.

**Control Measures**

- The hotel seeks to denominate most of its foreign sales contracts in the stable US Dollar which is considered a safe currency. The recent hike in the US Dollar due to the devaluation of the rupee was immensely beneficial with regard to foreign currency receipts.
- The Company is also able to monitor Foreign Exchange movements through its head office treasury function. The treasury function enables the Company to review and convert foreign currency at the best rates and thereby maximize revenue.

**Natural Disaster Risk** is the damage any natural hazards could cause to the business. Several examples of natural disasters that could affect the hotel include fire, tsunami and floods.

**Control Measures**

- The Company has taken numerous measures to transfer the risk to third parties in the form of insurance policies. These insurance policies cover the risk of the Company's assets being damaged due to natural hazards.
- The Hotel has invested in physical security and contingency measures in the hotel premises such as emergency exits, fire hoses, fire extinguishers and fire alarms to safeguard the assets of the company.

# RISK MANAGEMENT

**Legal & Statutory Risk** is borne through litigation by the Government, customers and business partners as a result of the Company being unable to comply with legal and statutory requirements. This could result in losses arising from non-compliance with statutes and flawed contracts.

**Control Measures**

- The Company obtains assistance from the centralized legal division in all legal proceedings. The division provides guidance, direction and advice to the hotel upon entering business contracts and signing agreements. Hence, the hotel is safeguarded from incurring unexpected losses as a result
- Statutory compliance is given high priority and is regularly monitored and reviewed by the management. Statutory Compliance is included in the scope of Quarterly Internal Audit program to ensure continuity of the business. A compliance certification is handed over to the Audit Committee for review.

**Operational Risk** results through slack in internal controls, inefficient business processes, fraud, and undue care and system breakdowns. The Company would face several implications in the form of disrupted operations, losses and ineffective use of resources.

**Control Measures**

- The Hotel has laid down clear systems and procedures with regard to ensuring compliance with its internal controls. The Hotel uses a formal process where internal auditors are appointed to help detect the above mentioned operational risks by means of quarterly internal audits.
- The auditors review the processes for its efficiency and effectiveness. More stringent internal controls are placed if deemed necessary. This process promotes transparency and minimizes the risks associated with the Company operations.
- Further, there are CCTV cameras attached to key locations in the hotel premises to detect fraud and negligence.

**Health and Safety Risk** is caused by unhealthy and dangerous work practices. This could be of two fold, health and safety of customers and health and safety of the workers in the Company.

**Control Measures**

- The Company does constant maintenance to its chillers, elevators and the other assets it owns to ensure safe use. The Hotel also carries out constant refurbishment of its premises to ensure safety for both its customers and workers.
- The hotel has taken contingency measures and has ensured the availability of emergency exits and safety warnings.

**Competition Risk** results through strong competitive actions from new entrants and existing players in the market. The risk of competition involves the threat of new entrants as well.

**Control Measures**

- Tangerine Beach Hotel PLC places significant emphasis on maintaining its competitive position in the market. The excellent brand quality, unique interior and superlative service by the staff remain exclusive to the hotel, hence giving Tangerine Beach a competitive edge over new and existing players in the market.
- To take further advantage of its attractive brand, Tangerine Beach enhances its brand standard through regular refurbishment of the hotel property and upgrading of the facilities being offered. This helps the hotel to remain consumer focused and blend in innovative changes to suit the various tastes of its guests and make their visits memorable and repeated.
- Another measure the Hotel takes to maintain its competitive position is through support from its associate travel arm Tangerine Tours (Pvt) Ltd. Besides this, long term relationships with other major tour operators are maintained to ensure successful business relationships. The hotel also maintains constant monitoring of its main competitors in the market as this enables them to respond faster to competitive strategies.

# ANNUAL REPORT OF 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 Chairperson Review on pages 2 to 3 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 5 to 9.

**Turnover**

The net revenue of the Company for the year was Rs.321,332,797 (2021 Rs,133,462,726) Segmental Analysis of revenue is given in Note 03 to the financial statements.

**Results for the Year**

| | 31.03.2022 | 31.03.2021 |
|---|---|---|
| Net Profit /(Loss) for Year | (94,935,675) | (199,953,812) |
| Less: Provision for Taxation | (5,974,431) | (9,504,963) |
| Profit / (Loss) for the year | (100,910,106) | (209,458,775) |
| Unappropriated profit brought forward | (1,182,112,447) | 1,369,014,105 |
| Profit available for appropriation | 1,080,818,273 | (1,182,112,447) |

**Dividends**

The Directors do not recommend a dividend for this financial year.

**Capital Expenditure**

The total capital expenditure incurred on the acquisition of fixed assets during the year amounted to Rs. 10,900,571 (2021 - Rs. 39,479,163) details of which are given in Note 10 to the Financial Statements.

**Commitments & Contingencies**

The Company does not have significant capital commitments as at the reporting date.

**Property Plant & Equipment**

The details of property, plant & equipment of the Company are shown in Note 10 to the Financial Statements.

**Reserves**

The movements during the year of Capital and Revenue Reserves are shown in the Statement of changes in Equity on page 29.

**Donations**

During the year donations to Rs. Zero (2021- Rs Zero) were made to various charities by the Company.

**Post Balance Sheet Events**

There have been no material events occurring after the Balance Sheet date that require adjustments to or disclosure in the financial statements.

**Directors**

The names of the Directors are shown on page 4.

In terms of Section 88(i) of the Articles of Association, Mr. P S R Casie Chitty retires by rotation and being eligible, offers himself 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 Mrs. C A Ondaatjie as a Director 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. N H V Perera
Mr. P S R Casie Chitty

The report of the audit committee is given on page 18 of this report.

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

Mr. N H V Perera
Mr. P S R Casie Chitty

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

Mr. N H V Perera
Mr. P S R Casie Chitty
Mr. L H Jayasinghe

The Board affirms that the Company has complied with the requirements of the listing rules of the Colombo Stock Exchange on Related Party Transactions.

# ANNUAL REPORT OF BOARD OF DIRECTORS

**Directors Interest Register**

The Company maintains an Interest Register in compliance with the Companies Act No.07 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 57.

**Directors' Remuneration**

The aggregate emoluments paid to the Directors during the year, amounted to Rs.6,034,075/-.

**Directors Shareholdings**

| As at 31st March | 2022 Shares | 2021 Shares |
|---|---|---|
| Ms. A M Ondaatjie | 569,982 | 164,842 |
| Mrs. C A Ondaatjie | 259,854 | 259,854 |
| Mr. G G Ondaatjie | 538,028 | 132,888 |
| Mr. T J Ondaatjie | 582,220 | 177,080 |
| Mr. N H V Perera | 202,236 | 202,236 |
| Mr. L H Jayasinghe | - | - |
| Mr. P S R Casie Chitty | - | - |

Ms. A M Ondaatjie serves as Chairperson of the Company.

**Public Holding**

The number of ordinary shares held by the public as at 31st March 2022 was 7,253,886 shares (2021- 7,253,886), which amounted to 36.27% (2021- 36.27%) of the issued ordinary shares of the Company.

The number of public shareholders as at 31st March 2022 - 1,551.

Float adjusted Market Capitalisation as at 31st March 2022 - Rs. 319,901,400.00

The Company is compliant with the minimum public holding requirement under option 5 of 7.13.1(a)

Number of shares representing the Stated Capital is - 20,000,000

**Auditors**

Messrs. Ernst & Young Chartered Accountants are deemed re-appointed 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 Auditors Messrs. Ernst & Young were paid Rs.650,500/- as audit fees. Fees for non-audit services of Rs. 716,020/- 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 do not have any interests in the Company.

For and behalf of the Board

Angeline Ondaatjie

A M Ondaatjie
*Chairperson*

T J Ondaatjie
*Director*

*(Sgd.)*
Mercantile Investments and Finance PLC
*Secretaries*

25th August 2022

# STATEMENT OF DIRECTORS RESPONSIBILITY

**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 on page 23 to 25.

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 page 26 to 64 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.

By Order of the Board

*(Sgd.)*
Mercantile Investments and Finance PLC
*Secretaries*

25th August 2022
Colombo.

# AUDIT COMMITTEE REPORT

**Functions**

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its overall responsibilities. The Audit Committee functions include the review of Financial Statements, internal control procedures, compliance with accounting standards and statutory compliance. The Audit Committee assists the Board of Directors in discharging their duties. Where necessary the Audit Committee makes suggestions and recommendations to the Board in areas within its purview.

**Members of the Audit Committee**

The Audit Committee consists of Two Non-Executive Independent Directors namely Mr. Hasantha Perera, and P.S.R.Casie Chitty.

**Meetings**

The Audit Committee held 04 meetings during the year under review. The Statutory Auditors, the Group Financial Controller, Financial Controller and the General Manager also attend these meetings on invitation.

| Name of Director | Position | Attendance at Audit Committee Meetings | | | | Meeting Attendance |
|---|---|---|---|---|---|---|
| | | 10/02/2022 | 09/11/2021 | 09/08/2021 | 24/05/2021 | |
| N H V Perera | Chairman | ✓ | ✓ | ✓ | ✓ | 4/4 |
| P S R Casie Chitty | Member | ✓ | ✓ | ✓ | ✓ | 4/4 |

**Internal Audit Function**

The Committee reviews the internal audit reports to ensure that the Company's systems and procedures are effective and that the internal controls provide reasonable assurance to the Directors that assets are safeguarded and that the financial reporting system can be relied upon in preparation and presentation. The Internal Audit function has been outsourced to Messrs SJMS Associates Chartered Accountants. Generally, the audits are carried out on a quarterly basis. Based on the audit findings and recommendations of the Internal Auditors, the Audit Committee after discussing with the management recommends the implementation of those recommendations that are considered to be practical and necessary.

**Financial Statements**

The Audit Committee assists the Board in assuring the integrity of the Financial Statements and disclosures. The Committee discusses matters relating to the Financial Statements with the External Auditors before recommending to the Board the adoption of the Financial Statements.

**External Auditors**

The Audit Committee has determined that Messrs Ernst & Young, Auditors are independent on the basis that they do not carry out any management related functions of the Company. The Audit Committee has recommended the Board of Directors the re-appointment of Messrs Ernst & Young (Chartered Accountants) for the financial year ending 31st March 2022, subject to the approval of the shareholders at the Annual General Meeting.

N H V Perera
*Chairman - Audit Committee*

25th August 2022

# REMUNERATION COMMITTEE REPORT

The Remuneration Committee, appointed by and responsible to the Board of Directors, consists of two Non-executives independent Directors N.H.V. Perera, and P.S.R. Casie Chitty. The Committee is chaired by Mr N.H.V Perera.

**Roles and Responsibility**

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 Committee**

Attracting, retaining and motivating Directors 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 Non-Executive Director termination payments;

**Remuneration Policy**

Remuneration policies and practices are designed to support strategy and promote long-term sustainable success of the Company;

- Executive remuneration is aligned to the Company's purpose and values, and is clearly linked to the successful delivery of the Company's long-term strategy;
- Determine the remuneration of senior management.
- Executive EPF & ETF contributions are in line with those available to the rest of the workforce; and provide enhanced reporting in the Company's annual report and accounts.

**Meetings**

The Committee met once during the financial year. The Group Financial Controller assists the committee by providing relevant information required by the committee.

| | | Attendance at Remuneration Committee Meetings | |
|---|---|---|---|
| Name of Director | Position | 10/02/2022 | Meeting Attendance |
| N H V Perera | Chairman | ✓ | 1/1 |
| P S R Casie Chitty | Member | ✓ | 1/1 |

**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.

N H V Perera
*Chairman - Remuneration Committee*

25th August 2022

# RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

**Introduction**

The Board established the Related Party Transactions Review Committee in terms of the Code of Best Practice on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka (the "Code") and section 9 of the Listing Rules of the Colombo Stock Exchange (the "Rules")

**Composition of the Committee**

| Name | Membership Status | Directorship Status/ Position held in the company |
|---|---|---|
| Mr. N H V Perera | Chairman | Non- Executive Independent Director |
| Mr. P S R Casie Chitty | Member | Non- Executive Independent Director |
| Mr. L H Jayasinghe | Member | Executive Director |

**The mandate of the Committee includes:**

**(1) The Purpose:**
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.

**(2) Composition:**
The Related Party Transactions Committee shall comprise of two Non-executive Independent Directors and one Executive Director. Currently, the committee consists of three Directors. The head of the committee is Mr. N.H.V.Perera - Independent Director.

**(3) Operation:**
The Related Party Transactions Committee held four meetings during the last financial year ending 31st March 2022.The Committee reviewed the Related Party Transactions quarterly

| Name of Director | Position | Attendance at Related Party Transaction Review Committee Meetings | | | | Meeting Attendance |
|---|---|---|---|---|---|---|
| | | 10/02/2022 | 09/11/2021 | 09/08/2021 | 24/05/2021 | |
| N H V Perera | Chairman | ✓ | ✓ | ✓ | ✓ | 4/4 |
| P S R Casie Chitty | Member | ✓ | ✓ | ✓ | ✓ | 4/4 |
| Lakal Jayasinghe | Member | ✓ | ✓ | ✓ | ✓ | 4/4 |

**(4) Responsibilities:**

- To seek and receive reports on Related Party Transactions between the Company and its Affiliates.
- To review related Party Transactions.
- To recommend corrective measures.

**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. 29 to the Financial Statements.

N H V Perera
*Chairman - Related Party Transactions Review Committee*

5th August 2022

# FINANCIAL REPORTS

# INDEPENDENT AUDITOR'S REPORT

Building a better working world

Ernst & Young
Chartered Accountants
201, De Saram Place
P.O. Box 101
Colombo 10, Sri Lanka

Tel: +94 11 246 3500
Fax (Gen): +94 11 269 7369
Fax (Tax): +94 11 557 8180
Email: eysl@lk.ey.com
ey.com

**TO THE SHAREHOLDERS OF TANGERINE BEACH HOTELS PLC**

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the Financial Statements of Tangerine Beach Hotels PLC ("the Company"), which comprise the statement of financial position as at 31 March 2022, and the income statement, 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 gives a true and fair view of the financial position of the Company as at 31 March 2022, and of its financial performance and its 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 Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) 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 Matter | How our audit addressed the key audit matter |
|---|---|
| Assessment of fair value of land and buildings<br>As disclosed in note 10 to the financial statements, Property, Plant and equipment include land and buildings carried at fair value.<br><br>This was the key audit matter due to:<br>• Materiality of the reported land and building balances which amounted to Rs 2,362 Mn and represents 60% of the total assets.<br>• The degree of assumptions, judgments and estimation uncertainties associated with assessing fair value of land and buildings such as reliance on comparable market transactions, and current market conditions.<br><br>Key areas of significant judgments, estimates and assumptions used in assessing fair value of the land and building, as disclosed in note 29.6, included judgements involved in ascertaining the appropriateness of valuation techniques and estimates such as:<br>• Estimate of per perch value of the land.<br>• Estimate of the per square foot value of the buildings. | Our audit included the following:<br>• Assessed the competency, capability, and objectivity of the external valuer engaged by the group.<br>• Read the external valuer's report and understood the key estimates made by the valuer in determining the valuation of land buildings.<br>• Assessed the reasonableness of the significant judgements made by the valuer including the appropriateness of valuation techniques, per perch price and value per square foot used by the valuer.<br><br>We have also assessed the adequacy of the disclosures made in note 10 to the financial statements. |

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| Key Audit Matter | How our audit addressed the key audit matter |
|---|---|
| **Assessment of carrying value of investment in associate**<br>As at 31 March 2022, the Company's Investment in associate amounted to Rs. 814 Mn which represents 21% of the total assets of the Company.<br><br>As disclosed in Note 12.4, an assessment of impairment was carried out by the management to ascertain the recoverable amount of the investment in associate.<br><br>The assessment of impairment of investment in associate was a key audit matter due to the following;<br>• Materiality of the reported balance,<br>and<br>• Degree of assumptions, judgments and estimation uncertainties associated with ascertain the recoverable value of the investment in associate.<br><br>Key areas of significant judgments, estimates and assumptions used in assessing recoverable value of investment in associate included judgements involved in ascertaining the appropriateness of valuation techniques and estimates as disclosed in note 12.4 to the financial statements. | Our audit procedures included the following;<br>• Obtained an understanding and assessed the reasonableness of the Company's process of assessing impairment of investment in associate<br>• Assessed the appropriateness of valuation techniques used and reasonableness of assumptions, estimates and significant judgments<br><br>We have also assessed the adequacy of the disclosures made in Note 12 to these 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 Management and those Charged with Governance for the Financial Statements**

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 company'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 company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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.

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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 company's internal controls.
- 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 Company'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 Company 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.

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 7752.

Ernst & Young

31 August 2022
Colombo

# STATEMENT OF FINANCIAL POSITION

| As at 31 March | Note | 2022 Rs. | 2021 Rs. |
|---|---|---|---|
| ASSETS | | | |
| Non-Current Assets | | | |
| Property, Plant & Equipment | 10 | 2,529,792,331 | 2,379,729,076 |
| Intangible Assets | 11 | 605,859 | 1,007,293 |
| Investments in Associate | 12.1 | 814,396,602 | 719,133,502 |
| Right-of-use assets | 14 | 5,353,051 | 10,706,102 |
| | | 3,350,147,843 | 3,110,575,973 |
| Current Assets | | | |
| Inventories | 13 | 20,177,297 | 14,060,150 |
| Trade and Other Receivables | 15 | 41,197,680 | 28,937,281 |
| Other Non Financial Assets | 16 | 29,044,070 | 9,609,034 |
| Amounts Due from Related Parties- Other Financial Assets | 17.3 | 148,085 | 578,359 |
| Short Term Investments - Other Financial Assets | 17.2 | 401,895,280 | 502,581,747 |
| Cash at Bank and In Hand | 18 | 95,514,401 | 45,916,923 |
| | | 587,976,813 | 601,683,494 |
| Total Assets | | 3,938,124,656 | 3,712,259,467 |
| EQUITY AND LIABILITIES | | | |
| Capital and Reserves | | | |
| Stated Capital | 19 | 244,800,000 | 244,800,000 |
| Revaluation Reserve | 20.1 | 2,131,572,172 | 1,845,541,132 |
| Fair Value Reserve | 20.4 | 32,543 | - |
| Retained Earnings | | 1,080,818,272 | 1,182,112,447 |
| Total Equity | | 3,457,222,987 | 3,272,453,579 |
| Non-Current Liabilities | | | |
| Interest Bearing Loans and Borrowings | 23 | 7,994,000 | 9,999,997 |
| Deferred Tax Liabilities | 9.2 | 331,038,287 | 305,679,800 |
| Post Employment Benefit Liability | 24 | 27,168,227 | 24,978,293 |
| Lease Liability | 25 | 4,907,337 | 9,146,102 |
| | | 371,107,851 | 349,804,192 |
| Current Liabilities | | | |
| Trade and Other Payables | 21 | 60,353,109 | 50,294,436 |
| Amounts Due to Related Parties | 22 | 5,254,843 | 4,408,053 |
| Income Tax Payable | | 2,308,126 | 1,012,411 |
| Current Portion of Lease Liability | 25 | 788,442 | 1,560,000 |
| Current Portion of Interest Bearing Loans and Borrowings | 23 | 41,089,298 | 32,726,796 |
| | | 109,793,818 | 90,001,696 |
| Total Equity and Liabilities | | 3,938,124,656 | 3,712,259,467 |

The Accounting Policies and Notes on page 31 through 64 form an integral part of the Financial Statements.

These Financial Statements are in compliance with the requirements of the Companies Act No.07 of 2007.

M.I. Shahabdeen
*Group Financial Controller*

The Board of Directors is responsible for these Financial Statements. Signed for and on behalf of the Board by.

A.M. Ondaatjie
*Chairperson*

T. J. Ondaatjie
*Director*

25th August 2022
Colombo

# INCOME STATEMENT

| Year ended 31 March | Note | 2022 Rs. | 2021 Rs. |
|---|---|---|---|
| Revenue | 3 | 321,332,797 | 133,462,726 |
| Cost of Sales | | (113,920,838) | (49,818,646) |
| Gross Profit | | 207,411,959 | 83,644,080 |
| Other Income | 4 | 18,145,821 | 8,853,665 |
| Selling and Distribution Costs | | (5,826,473) | (5,032,828) |
| Administrative Expenses | | (333,570,559) | (291,387,033) |
| Other Expenses | 7 | (450,560) | (419,343) |
| Profit / (Loss) from Operation | | (114,289,812) | (204,341,458) |
| Finance Income | 6.1 | 27,404,046 | 41,628,691 |
| Finance Expenses | 6.2 | (1,717,296) | (632,633) |
| Share of Associate Company's Profit | 12.3 | (6,332,613) | (36,608,412) |
| Profit / (Loss) Before Tax | 5 | (94,935,675) | (199,953,812) |
| Income Tax Expenses | 9 | (5,974,431) | (9,504,963) |
| **Profit / (Loss) for the Year** | | **(100,910,106)** | **(209,458,775)** |
| Earnings Per Share | 8 | (5.05) | (10.47) |

The Accounting Policies and Notes on page 31 through 64 form an integral part of the Financial Statements.

# STATEMENT OF COMPREHENSIVE INCOME

| Year ended 31 March 2022 | Note | 2022<br>Rs. | 2021<br>Rs. |
|---|---|---|---|
| Profit for the Year | | (100,910,106) | (209,458,775) |
| Other Comprehensive Income | | | |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax): | | - | - |
| Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax): | | | |
| Actuarial gains/(Losses) on defined benefit plans | 24.1 | (922,420) | (2,332,368) |
| Income tax effect on actuarial gains/(Losses) on defined benefit plans | 9.2 | 129,139 | 326,531 |
| Revaluation of Land & Building | 20.2 | 211,778,950 | - |
| Deferred Tax effect on Revaluation of Land & Building | 20.2 | (26,901,869) | - |
| | | 184,083,800 | (2,005,837) |
| Actuarial Gains/(Losses) on defined benefit plans - Associate | 12.2 | 475,827 | (380,250) |
| Deferred tax effect on actuarial gains/(Losses) on defined benefit plans -Associate | 12.2 | (66,616) | 53,235 |
| Revaluation of Land & Building -Associate | 20.3 | 116,838,451 | - |
| Deferred Tax effect on Revaluation of Land & Building - Associate | 20.3 | (15,684,492) | - |
| Gain on Fair Value Through Other Comprehensive Income Financial Instruments | 20.4 | 36,159 | |
| Income tax effect on Gain on Fair Value Through Other Comprehensive Income Financial Instruments | 20.4 | (3,616) | |
| | | 101,595,713 | (327,015) |
| Net other comprehensive income not to be reclassified to profit or loss in subsequent periods | | 285,679,513 | (2,332,852) |
| **Other Comprehensive Income for the Year** | | 285,679,513 | (2,332,852) |
| **Total Comprehensive Income for the Year** | | **184,769,407** | **(211,791,627)** |

The Accounting Policies and Notes on page 31 through 64 form an integral part of the Financial Statements.

# STATEMENT OF CHANGES IN EQUITY

| Year ended 31 March 2022 | Stated Capital Rs. | Revaluation Reserve Rs. | Revaluation Reserve of Associate Company Rs. | Fair value Reserve of Financials Assets at FVOCI Rs. | Retained Earnings Rs. | Total Equity Rs. |
|---|---|---|---|---|---|---|
| | | (Note 20.1) | (Note 20.1) | (Note 20.4) | | |
| **As at 1 April 2020** | 244,800,000 | 1,550,621,358 | 316,349,482 | | 1,369,014,106 | 3,480,784,946 |
| Profit / (Loss) for the Year | - | - | - | | (209,458,775) | (209,458,775) |
| Other Comprehensive Income | | - | - | | (2,332,852) | (2,332,852) |
| **Total Comprehensive Income** | - | - | - | | (211,791,627) | (211,791,627) |
| Transfer to retained earnings from Revaluation Reserve | | (19,447,585) | | | 19,447,585 | |
| Deferred Tax on Transfer | | 2,722,662 | | | | 2,722,662 |
| Transfer to Retained Earnings from Revaluation Reserve (Associate Company) | | | (5,442,384) | | 5,442,384 | |
| Deferred Tax on Transfer (Associate Company) | | | 737,599 | | | 737,599 |
| **Balance as at 1 April 2021** | 244,800,000 | 1,533,896,435 | 311,644,697 | | 1,182,112,447 | 3,272,453,579 |
| Profit for the year | - | - | - | | (100,910,106) | (100,910,106) |
| Other Comprehensive Income | - | 184,877,081 | 101,153,959 | 32,543 | (384,070) | 285,679,513 |
| **Total Comprehensive Income** | - | 184,877,081 | 101,153,959 | 32,543 | (101,294,176) | 184,769,407 |
| **Balance as at 31 March 2022** | **244,800,000** | **1,718,773,516** | **412,798,656** | **32,543** | **1,080,818,272** | **3,457,222,987** |

The Accounting Policies and Notes on page 31 through 64 form an integral part of the Financial Statements.

# STATEMENT OF CASH FLOWS

| Year ended 31 March 2022 | Note | 2022<br>Rs. | 2021<br>Rs. |
|---|---|---|---|
| Operating Activities | | | |
| Profit before tax | | (94,935,675) | (199,953,812) |
| Adjustments for: | | | |
| Depreciation on property, plant and equipment | 10.2 | 71,687,305 | 75,669,737 |
| Allowance for Inventory | | 153,877 | 411,226 |
| Amortisation of intangible assets | 11 | 401,434 | 385,568 |
| Depreciation of Right-of -Use Assets | 14 | 1,070,610 | 1,383,065 |
| Provision for bad and doubtful debts | 15.2 | (1,696,255) | 305,978 |
| Interest income | 6.1 | (27,404,046) | (41,628,691) |
| Interest expense | 6.2 | 1,717,296 | 632,633 |
| (Profit)/Loss on disposal of property, plant and equipment | 4 | (2,733,463) | (2,041,667) |
| Post employment benefit plans | 24.1 | 3,400,766 | 4,848,101 |
| Share of Associate Profit | 12.3 | 6,332,613 | 36,608,412 |
| | | (42,005,538) | (123,379,450) |
| Changes in working capital: | | | |
| - receivable and prepayments | 15/16/17 | (42,320,551) | 111,903,823 |
| - inventories | 13 | (6,271,024) | (72,890) |
| - payables | 21/22 | 10,905,464 | (31,995,322) |
| Cash Generated from Operations | | (79,691,650) | (43,543,839) |
| Finance Costs Paid | 6.2 | (885,178) | (537,055) |
| Retirement Benefit Cost Paid | 24 | (2,133,253) | (11,827,110) |
| Income Tax Paid | | (6,092,958) | (10,982,509) |
| Net Cash Flows From/(Used in) Operating Activities | | (88,803,039) | (66,890,513) |
| Cash Flows from/(Used in) Investing Activities | | | |
| Acquisition of Property, Plant & Equipment | 10.1 | (10,900,571) | (30,045,600) |
| Acquisition of Intangible Assets | 10 | - | (630,980) |
| Proceeds from Disposal of Property, Plant & Equipment | | 3,662,422 | 2,875,000 |
| Investments (Made) / withdrawals in Fixed Deposit | | 101,320,870 | (548,156) |
| Interest Received | | 26,769,646 | 53,791,877 |
| Net Cash Flows from/(Used in) Investing Activities | | 120,852,367 | 25,442,141 |
| Cash Flows from/(Used in) Financing Activities | | | |
| (Repayment)/Proceed of Interest bearing Loans and Borrowings | 23.1 | (5,000,000) | 25,000,000 |
| Lease rental paid | 25.1 | (1,560,000) | (1,560,000) |
| Net Cash Flows from/(Used in) Financing Activities | | (6,560,000) | 23,440,000 |
| Net increase/(Decrease) in Cash and Cash Equivalents | | 25,489,328 | (18,008,372) |
| Effect of exchange rate changes on cash and cash equivalents | | 12,751,644 | 614,937 |
| Cash and Cash Equivalents at the beginning of the year | 18 | 28,190,130 | 45,583,565 |
| **Cash and Cash Equivalents at the end of the year** | | **66,431,102** | **28,190,130** |

The Accounting Policies and Notes on page 31 through 64 form an integral part of the Financial Statement

# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

### 1.1 General

Tangerine Beach Hotels PLC ("Company") is a PLC limited liability company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at No. 236 Galle Road, Colombo 03, and the principal place of business is situated at St. Abrew's Drive Road, Waskaduwa, Kalutara North.

### 1.2 Principal Activities and Nature of Operations

The principal activity of the Company was hoteliering.

### 1.3 Parent Enterprise and Ultimate Parent Enterprise

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

### 1.4 Date of Authorisation for Issue

The financial statements of Tangerine Beach Hotels PLC for the year ended 31 March 2022 were authorized for issue in accordance with a resolution of the Board of Directors on 27 August 2022.

## 2. STATEMENT OF COMPLIANCE

The Financial Statements which comprise the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the Statement of Cash Flows, together with the accounting policies and notes have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirement of the Companies Act No. 7 of 2007.

### 2.1 Basis of Preparation

#### 2.1.1 Basis of Measurement

The Financial Statements have been prepared on a historical cost basis except for Freehold Land and Buildings and Financial Instruments at amortized cost that have been measured at fair value. The preparation and presentation of these Financial Statements is in compliance with the Companies Act No. 07 of 2007.

#### 2.1.2 Comparative Information

The presentation and classification of the financial statements of the previous year has been amended, where relevant for better presentation and to be comparable with those of the current year.

#### 2.1.3 Materiality and Aggregation

Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

### 2.2 Significant Accounting Judgments, Estimates and Assumptions

Judgments

In the process of applying the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognized in the Financial Statements.

Going Concern

The directors have made an assessment of the company's ability to continue in business for the foreseeable future. Therefore the financial statements are continued to be prepared in a Going Concern Basis.

Impairment of Trade Debtors:

The Company reviews at each reporting date all receivables to assess whether an allowance should be recorded in the statement of income. The Management uses judgment in estimating such amounts in the light of the duration of outstanding and any other factors management is aware of, that indicate uncertainty in recovery. Further information is given in Note 15.

Critical Accounting Estimates and Assumptions

The financial statements are sensitive to assumptions and estimates made in measuring certain carrying amounts represented in the Statement of Financial Position and amounts charged to the Statement of income. These could result in a significant risk of causing material adjustments to the carrying amounts of assets and liabilities which are disclosed in the relevant Notes to the Financial Statements.

Fair Value of Property, Plant & Equipment:

The Land and Building of the Company are reflected at fair value. When current market prices of similar assets are available, such evidences are considered in estimating fair values of these assets. In the absence of such information the Company determines within reasonable fair value estimates, amounts that can be attributed as fair values, with the assistance of an independent valuer. Further details are given in Note 10.

Components of Buildings:

In determining the depreciation expense, the Company with the assistance of an independent professional valuer determined the components of buildings that have varying useful lives. Approximation techniques and appropriate groupings were used in such determination as well as in the assessment of the useful lives of each component.

De-recognition of Property Plant & Equipment subject to refurbishments:

In order to comply with the LKAS 16 - Property Plant & Equipment, the company determined the cost of derecognised assets based on the quantity surveyor's valuation.

Defined Benefit Plans:

The Defined Benefit Obligation and the related charge for the year are determined using actuarial valuations. The actuarial valuations involve making assumptions about discount rates, future salary increases, mortality rates etc. Due to the long term nature of such obligations these estimates are subject to significant uncertainty. Further details are given in Note 24.

Useful lives of Property, Plant & Equipment:

The company reviews the residual values, useful lives and methods of depreciation of Property, Plant & Equipment at each reporting date. Judgement of the management is exercised estimation of these values, rates, methods and hence they are subject to uncertainty.

Useful life of Intangible Asset:

The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period.

### 2.3 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 2.3.1 Foreign Currencies

The Financial Statements are presented in Sri Lanka Rupees, which is also the Company's functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognised in the profit and loss. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

#### 2.3.2 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognized.

a) Room Revenue

Revenue is recognized on the rooms occupied on daily basis.

b) Food & Beverage Revenue

Food & Beverage Revenue is accounted at the time of sale.

c) Other Hotel Related Revenue

Other Hotel Related Revenue is accounted when such service is rendered.

d) Interest

Interest Income is recognized on a time proportion basis that takes in to account the effective yield.

e) Others

Other income is recognized on an accrual basis.

Net gains and losses of a revenue nature on the disposal of Property, Plant & Equipment has been accounted for in the Statement of income, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses.

Gains and losses arising from incidental activities to main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

#### 2.3.3 Expenditure Recognition

a) Expenses are recognized in the statement of income on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the Property, Plant and Equipment in a state of efficiency has been charged to income in arriving at the profit for the year.

b) For the purpose of presentation of statement of income the directors are of the opinion that function of expenses method presents fairly the elements of the Company's performances, hence such presentation method is adopted.

#### 2.3.4 Taxation

(a) Current Income Taxes

Current income tax assets and liabilities for the current and prior periods 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 by the reporting date.

The provision for income tax is based on the elements of income and expenditure as reported in the Financial Statements and computed in accordance with the provisions of the relevant tax legislations.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss.

(b) Sales Tax

Revenue, expenses and assets are recognised net of the amount of sales tax except where the sales tax incurred on a purchase of assets or service is not recoverable from the taxation authorities in which case the sales tax is recognised as a part of the cost of the asset or part of the expense items as applicable and 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.

(c) Deferred Tax

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 recognized for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, 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 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 utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized 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 realized 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 recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### 2.3.5 Inventories

Inventories are valued at the lower of cost and net realizable value, after making due allowances for obsolete and slow moving items. Net realizable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

The cost incurred in bringing inventories to its present location and condition is accounted using the following cost methods:

Food and Beverage - At purchase cost on weighted average basis.

Other Inventories - At purchase cost on weighted average basis.

### 2.3.6 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.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

### 2.3.7 Investment in Associates

The company's investment in its associates is accounted for under the equity method of accounting in separate financial statements (amendments to LKAS 27). An associate is an entity in which the company has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in an associate is carried in the financial position at cost plus post acquisition changes in the company's share of net assets of the associate. Goodwill relating to an associates included in the carrying amount of the investment is not amortised. The statement of income reflects the share of the result of operation of the associate. Where there has been a change recorgnised directly in the equity of the associate, the Company recognized its share of any such change and discloses this, when applicable, in the statement of changing in equity.

The reporting dates of the associate and the company are identical and the associate's accounting policies confirm to those used by the company for like transactions and events in similar circumstance.

### 2.3.8 Property, Plant and Equipment

Property, Plant and Equipment (except for land & Building) is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the Property, Plant and Equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of Property, Plant and Equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major refurbishment is performed, its cost is recognized in the carrying amount of the Property, Plant and Equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the profit or loss as incurred.

Land and Building is measured at fair value less accumulated depreciation on building, less impairment losses. Valuations are performed with sufficient frequency (Once in 3 years) to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

A revaluation surplus is recognized in other comprehensive income and credited to the revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in the Statement of income, in which case the increase is recognized in the Statement of income. A revaluation deficit is recognized in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets original cost.

An item of Property, Plant and Equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition 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 income when the asset is derecognized.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Depreciation is calculated on a straight line basis over the useful lives of the assets.

The useful lives of the assets are estimated as follows;

| | 2022 | 2021 |
|---|---|---|
| Buildings and building integrals | 3.66-70 Years | 3.66-70 Years |
| Motor Vehicles | 6-16 Years | 6-16 Years |
| Kitchen Equipment | 6-12 Years | 6-12 Years |
| Furniture and Fittings | 10-20 Years | 10-20 Years |
| Office Equipment | 6-15 Years | 6-15 Years |
| Recreational Equipment | 3-8 Years | 3-8 Years |
| Hotel Equipment | 3-12 Years | 3-12 Years |
| Computer Equipment | 3-5 Years | 3-5 Years |
| Linen & Furnishing | 3 Years | 3 Years |
| Cutlery, Crockery & Glassware | 3 Years | 3 Years |
| Plant & Machinery | 10-20 Years | 10-20 Years |
| Solar Heater System | 10 Years | 10 Years |
| Telephone System | 8- 10Years | 8- 10Years |
| Air Conditioning System | 10-16 Years | 10-16 Years |
| Wooden House | 3 Years | 3 Years |
| Gym Equipment | 10-15 Years | 10-15 Years |
| Solar Power System | 15 Years | 15 Years |

Depreciation of an asset begin when it is available for use that is when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

#### Capital Work-in-Progress

Capital work-in-progress is stated at cost. These are expenses of a capital nature directly incurred in the construction of buildings, major plant and machinery, awaiting capitalisation.

### 2.3.9 Financial Assets and Liabilities

#### Initial recognition of Financial Assets and Financial Liabilities

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

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

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 Company'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.

#### Subsequent measurement

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

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (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 Company measures financial assets at amortised cost if both of the following conditions are met:

The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

And

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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 company's financial assets at amortised cost includes following,

Trade receivables and Other current financial assets are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Debt instruments at amortised cost.

Equity investments in non-listed companies are classified and measured as Equity instruments designated at fair value through OCI. The Company elected to classify irrevocably its non-listed equity investments under this category at the date of initial application as equity instrument fair value through OCI, since it intends to hold these investments for the foreseeable future. There were no impairment losses recognised in profit or loss for these investments in prior periods.

#### Debt instrument at Fair Value through OCI

A debt instrument is measured at FVOCI only if it meets both of the following conditions:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; And
- The contractual terms of the financial assets give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

FVOCI debt instruments are subsequently measured at fair value with gains or losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses and ECL and reversals are recognised in profit or loss. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

#### Derecognition of financial assets

A financial asset is primarily derecognised when:

- The rights to receive cash flows from the asset have expired Or
- The company 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 company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

#### Impairment of Financial Assets

The company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss which includes trade receivables.

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, the company applies a simplified approach in calculating ECLs. Therefore, the company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The company 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.

#### 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 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 financial liabilities of the Company include loans and borrowings, Trade and other payables and Amount due to related parties.

#### 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)

The Company does not have any Financial liabilities at fair value through profit or loss.

#### Financial liabilities at amortised cost (loans and borrowings)

This is the category most relevant to the Company. 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. This category generally applies to interest-bearing loans and borrowings.

#### Derecognition of financial liabilities

The Company may remove a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished - i.e when the obligation specified in the contract is discharged or cancelled or expires.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognised in profit or loss.

A gain or loss on a financial liability that is measured at amortised cost and is not part of a hedging relationship be recognised in profit or loss when the financial liability is derecognised and through the amortisation process.

#### 2.3.10 SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 established a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. SLFRS 15 required the Company to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Company carried out an impact analysis of the possible impact from adoption of the SLFRS 15 across all the services offered by the Hotel. The key aspects covered are as follows.

Identified all the goods or services, or contract deliverables, which have been promised within usual course of carrying out services of the Hotel. In determining this, the management looked at implicitly or explicitly promised services including customary business practices or policies of the hotel. Having considered the same, hotel then determined that in all principle services rendered, there was one distinct performance obligation rather than many.

In connection with contracts with travel agents, tour operators, on-line travel agents, corporate customers and free-individual-travelers, the company identified certain principal vs agent considerations. In recognising revenue from these transactions, the company considered whether the nature of its promise is a performance obligation to provide the hotel services itself (acting as a principal) or to arrange for the other party to provide those such services (acting as an agent). In particular, certain on-line travel agent agreements had terms indicative that the Hotel was in fact the principal, while in certain other circumstances, considerations that were suggestive of agency considerations were present. Company does not have any outsourced other hotel related services. Accordingly, this aspect of principal versus agent did not result in material changes to the reported figures, despite the analysis and effort carried out by the Company.

#### 2.3.11 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, except capitalized development costs, are not capitalized and expenditure is recognized in the statement of income when it is incurred.

The Company's intangible assets include the value of computer software. An intangible asset is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Company. Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

Computer software 5 years

Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with finite useful lives 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 is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of income in the expense category consistent with the function of the intangible assets.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of income when the asset is derecognized.

#### 2.3.12 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, where 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 Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of income net of any reimbursement.

#### 2.3.13 Capital Commitments and Contingencies

Capital commitments and contingent liabilities of the company are disclosed in Note 26.

#### 2.3.14 Retirement Benefit Obligations

a) Defined Benefit Plans – Gratuity

A defined benefit plan is a post – employment benefit plan other than a defined contribution plan.

The Company measures the present value of the promised retirement benefits of gratuity, which is a defined benefit plan with the advice of an independent professional actuary once in every year using the Projected Unit Credit method. Actuarial gains and losses are recognized in full in the period in which they occur in Other Comprehensive Income.

The present value of the defined benefit obligation 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 obligation are given in Note 24 Any changes in these assumptions will impact the carrying amount of defined benefit obligation.

Provision has been made for retirement gratuities from the first year of service for all employees, in conformity with LKAS 19 on "Employee benefits' However, under the payment of gratuity act no 12 of 1983, the liability to an employee rises only on completion of 5 years of continued service.

The gratuity liability is not externally funded.

b) Defined Contribution Plans – Employees' Provident Fund & Employees' Trust Fund

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations. The Company contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

**2.3.15 Impairment of Non Financial Assets**

The Company 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 Company 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 Companies 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 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 to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognised in the Statement of income in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the Statement of profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

**2.3.16 Dividend Distributions**

The Company recognizes a liability to make cash or non-cash distributions to owners of equity when the distribution is authorized and is no longer at the discretion of the Company. A corresponding amount is recognized directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed. Upon settlement of the distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in income as a separate line in statement of comprehensive income.

**2.4 Changes in Accounting Policies**

The accounting policies adopted by the Company are consistent with those of the previous financial year except for the following;

New and amended standards and interpretations

The following are the new significant accounting policies applied by the company in preparing its Financial Statements. Several other amendments and interpretations apply for the first time in financial year 2018/19, but do not have an impact on the financial statements of the company. The Company has not early adopted any standards, interpretations or amendments that have been issued, but are not yet effective.

I. SLFRS 16 - Leases

SLFRS 16 supersedes LKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

The Company applied SLFRS 16 – Leases using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 01st April 2019. Accordingly, the comparative information for 2018/19 is presented as previously reported, under LKAS 17 – Leases and related interpretations. Furthermore, the disclosure requirements in SLFRS 16 – Leases is not provided for comparative information. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

Upon adoption of SLFRS 16, the Company applied a single recognition and measurement approach for all leases for which it is the lessee, except for short-term leases and leases of low-value assets. The Company recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Policy applicable after 01st April 2019

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

The Company recognises a right-of-use asset representing the right to use the underlying asset and a lease liability at the lease commencement date.

Right-of-use Asset

The right-of-use asset is initially measured at cost. This comprises of the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. After the commencement date, Company measures the right-of-use asset on cost model.

Depreciation

Right-of-use assets are depreciated using the straight-line method over the shorter of the lease term and the estimated useful life of the underlying asset.

If the ownership of the leased asset transfers to the Company at the end of the lease term, or the cost of the right-of-use asset reflects the exercise a purchase option, the asset is depreciated over the useful life of the underlying asset.

The right-of-use assets are subject to impairment.

Lease Liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, on initial application the Company used the incremental borrowing rate as the discount rate to determine the lease liability.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

The lease liability is measured at amortised cost using the effective interest method. After the commencement date, the Company measures the lease liability by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the term of the lease or any other basis more representative of the time pattern of the benefits derived from the lease.

Presentation in the Statement of Financial Position

The Company presents right-of-use assets separately from other assets and lease liabilities separately from other liabilities in its 'statement of financial position.

Policy applicable before 01st April 2019

Accounting policies under LKAS 17 – "Leases" and IFRIC 4 - "Determining Whether an Arrangement Contains a Lease".

Finance Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership were classified as finance leases. On initial recognition, the leased assets under property, plant and equipment, were measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, the asset was accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments under finance leases were apportioned between the finance expense and the reduction of the outstanding liability. The finance expense was allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating Leases

Leases where the lessor effectively retains substantially all the risks and rewards of ownership over the assets were classified as operating leases. Payments under operating leases were recognised as an expense in the income statement on a straight line basis over the term of the lease or any other basis more representative of the time pattern of the benefits derived from the lease.

The initial cost of acquiring a leasehold property treated as an operating lease was recognised as a non-current asset and was amortised over the period of the lease in accordance with the pattern of benefits expected to be derived from the lease. The carrying amount of leasehold property was tested for impairment annually.

II. IFRIC 23 Uncertainty over income tax treatments

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of LKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Company applies significant judgement in identifying uncertainties over income tax treatments.

Upon adoption of the Interpretation, the Company considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company determined, based on its tax compliance and transfer pricing study that it is probable that its tax treatments will be accepted by the taxation authorities. The Interpretation did not have an impact on the financial statements of the Company.

### 2.5 Standards Issued But Not Yet Effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

SLFRS 17 - Insurance Contracts

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace IFRS 4 Insurance Contracts (SLFRS 4). 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.

SLFRS 17 is effective for annual reporting periods beginning on or after 01 January 2023.

#### 2.5.1 Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 – Interest Rate Benchmark Reform (Phase 1 & 2)

The amendments to SLFRS 9 & LKAS 39 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

IBOR reforms Phase 2 include number of reliefs and additional disclosures. Amendments supports companies in applying SLFRS when changes are made to contractual cash flows or hedging relationships because of the reform.

These amendments to various standards are effective for the annual reporting periods beginning on or after 01 January 2022.

#### 2.5.2 Amendments to SLFRS 16 - COVID – 19 Related Rent Concessions

The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 Pandemic.

As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from Covid-19 related rent concession the same way it would account for the change under SLFRS16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 01 June 2020.

#### 2.5.3 Amendments to SLFRS 3

The amendments update SLFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to SLFRS 3 a requirement that, for obligations within the scope of LKAS 37, an acquirer applies LKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

#### 2.5.4 Property, Plant and Equipment: Proceeds before Intended Use – Amendments to LKAS 16

In March 2022, the ICASL adopted amendments to LKAS16-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 recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

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.

**2.5.5 Onerous Contracts – Costs of Fulfilling a Contract – Amendments to LKAS 37**

In March 2022, the ICASL adopted amendments to 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. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

**2.5.6 Amendments to LKAS 1: Classification of Liabilities as Current or Non-current**

In March 2022, ICASL adopted amendments to paragraphs 69 to 76 of LKAS 1 which specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively.

None of the new or amended pronouncements are expected to have a material impact on the financial statements of the Company in the foreseeable future.

## 3. REVENUE

| | 2022<br>Rs. | 2021<br>Rs. |
|---|---:|---:|
| **Segmentation of the Revenue** | | |
| Room Sales | 120,332,220 | 35,646,604 |
| Food and Beverage Sales | 187,203,260 | 92,501,708 |
| Other Hotel Related Revenue | 13,797,317 | 5,314,414 |
| | 321,332,797 | 133,462,726 |

## 4. OTHER INCOME

| | 2022<br>Rs. | 2021<br>Rs. |
|---|---:|---:|
| Exchange Gain | 15,411,641 | 6,749,738 |
| Profit/(Loss) on Property Plant & Equipment | 2,733,463 | 2,041,667 |
| Scrap Sales | 718 | 62,260 |
| | 18,145,821 | 8,853,665 |

## 5. PROFIT BEFORE TAXATION

| | 2022<br>Rs. | 2021<br>Rs. |
|---|---:|---:|
| **Stated after Charging/(Crediting)** | | |
| Depreciation | 71,687,305 | 75,669,737 |
| Amortisation of intangible Assets | 401,434 | 385,568 |
| Auditors' Remuneration | 650,500 | 650,500 |
| Allowances for Inventory | 153,877 | 411,226 |
| Salaries & Wages | 100,132,992 | 101,236,307 |
| Cost of meals | 19,164,075 | 14,810,592 |
| Defined contribution plans | 12,734,660 | 12,626,020 |
| Post employment benefit plans | 3,400,766 | 4,848,101 |
| Directors' Emoluments | 490,200 | 287,400 |
| Operation and marketing Fees - Related Party | 10,496,378 | 4,305,949 |
| Repair and maintenance expenditure | 26,948,692 | 16,027,524 |
| Power and energy expenditure | 32,435,748 | 22,471,726 |
| Exchange Gain/(Loss) | 15,411,641 | 6,749,738 |
| Profit/(Loss) on Disposal of Assets | 2,733,463 | 2,041,667 |
| **Sales Promotional and advertising** | **1,218,779** | **3,669,047** |

## 6. NET FINANCE INCOME/(EXPENSES)

| | 2022<br>Rs. | 2021<br>Rs. |
|---|---|---|
| **6.1 Finance Income** | | |
| Interest Income on Foreign currency deposit | 263,647 | 203,914 |
| Interest Income on fixed deposit | 25,981,018 | 40,446,469 |
| Interest Income on Money Market | 1,159,382 | 978,308 |
| | 27,404,046 | 41,628,691 |
| **6.2 Finance Expenses** | | |
| Interest Expenses on Overdrafts/Loans | (885,178) | (537,055) |
| Interest Expenses on Lease | (832,118) | (95,578) |
| | (1,717,296) | (632,633) |
| | 25,686,750 | 40,996,059 |

## 7. OTHER EXPENSES

| | 2022<br>Rs. | 2021<br>Rs. |
|---|---|---|
| Bank Charges | 450,560 | 419,343 |
| | 450,560 | 419,343 |

## 8. EARNINGS PER SHARE

Basic Earnings Per Share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding.

The following reflects the income and share data used in the Basic Earnings Per Share computations.

| | 2022<br>Rs. | 2021<br>Rs. |
|---|---|---|
| Amount Used as the Numerator: | | |
| Net Profit for the period | (100,910,106) | (209,458,775) |
| Net Profit attributable to Ordinary Shareholders for Basic Earnings Per Share | (100,910,106) | (209,458,775) |
| Number of Ordinary Shares Used as Denominator | Number | Number |
| Weighted average number of Ordinary Shares Applicable to Basic Earnings Per Share | 20,000,000 | 20,000,000 |
| Earnings Per Share | (5.05) | (10.47) |

## 9. INCOME TAX

The major components of income tax expense for the years ended 31 March are as follows:

| | 2022<br>Rs. | 2021<br>Rs. |
|---|---|---|
| **Statement of profit or loss** | | |
| **Current Income Tax** | | |
| Current Income Tax charge | 7,403,616 | 10,633,497 |
| Under/(Over) Provision of current taxes in respect of prior years | (14,942) | 1,155,130 |
| | 7,388,674 | 11,788,627 |
| | 7,388,674 | 11,788,627 |
| **Deferred Income Tax** | | |
| Deferred Taxation Charge/(Reversal) (Note 9.2) | (1,414,243) | (2,283,664) |
| **Income tax expense reported in the Statement of profit or loss** | **5,974,431** | **9,504,963** |
| **Statement of Changes in Equity** | | |
| **Deferred Income Tax related to items charged or credited through OCI to equity:** | | |
| Net Gain /(Loss)on revaluation of land and buildings | (26,772,730) | 326,531 |
| **Income tax expense reported in equity** | **(26,772,730)** | **326,531** |

### 9.1 A reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows:

| | 2022<br>Rs. | 2021<br>Rs. |
|---|---|---|
| Accounting Profit / (Loss) before tax from continuing operations | (94,935,675) | (199,953,812) |
| Less : Share of Associate Company's (Profits) / Loss | (6,332,613) | (36,608,412) |
| Accounting Profit before Income Tax | (88,603,062) | (163,345,400) |
| Add - Aggregate disallowable Items | 78,027,498 | 86,620,408 |
| Less - Aggregate Allowable Items | (43,290,405) | 47,698,740 |
| Less - Other Sources of Income | (31,112,047) | (44,447,894) |
| Tax Loss for the Year | (84,978,016) | (168,871,625) |
| Other Sources of Income | | |
| - Statutory Income from Interest | 27,404,128 | 41,628,691 |
| - Rent Income | 3,707,919 | 2,819,203 |
| Less - Exempt Interest & Other | (263,647) | (141,656) |
| Taxable Income | 30,848,400 | 44,306,238 |
| Applicable Tax Rate | 24% | 24% |
| Income Tax Expense for the Year | 7,403,616.00 | 10,633,497 |

**9. INCOME TAX (CONTD.)**

**9.2 Deferred Tax Assets, Liabilities and Income Tax relates to the followings**

| | Statement of Income Statement Financial Position | | Income Statement | | Statement of Comprehensive Income | |
|---|---|---|---|---|---|---|
| | 2022 Rs. | 2021 Rs. | 2022 Rs. | 2021 Rs. | 2022 Rs. | 2021 Rs. |
| **Deferred Tax Liability** | | | | | | |
| Intangible Assets | 27,401 | - | 27,401 | - | - | - |
| Revalued Land and Building | 315,672,488 | 234,535,985 | 54,234,634 | - | 26,901,869 | - |
| Capital allowances for tax purposes | 19,922,423 | 75,821,800 | (55,899,377) | (1,897,228) | - | - |
| | 335,622,312 | 310,357,785 | (1,637,342) | (1,897,228) | 26,901,869 | - |
| **Deferred Tax Assets** | | | | | | |
| Defined Benefit Plans - recongnised through income statement | (3,803,552) | (3,655,376) | (19,037) | (297,418) | (129,139) | (326,531) |
| Right of Use Asset - recongnised through income statement | (47,982) | - | (47,982) | 11,390 | | |
| General Provisions - | | | | | | |
| Allowances for Doubtful Receivables | (131,035) | (442,696) | 311,661 | (42,837) | | |
| Allowances for obsolete inventories | (601,456) | (579,913) | (21,543) | (57,571) | | |
| Right of use assets | - | - | - | | | |
| | (4,584,025) | (4,677,985) | 223,099 | (386,436) | (129,139) | (326,531) |
| Deferred Tax Charge to the Income Statement | | | (1,414,243) | (2,283,664) | | |
| Deferred Tax Charge to the Income Statement | | | | | 26,772,730 | (326,531) |
| **Net Deferred Tax Liability** | 331,038,287 | 305,679,800 | | | | |

**10. PROPERTY, PLANT & EQUIPMENT**

**10.1 Gross Carrying Amounts**

| | Balance as at 01.04.2021 Rs. | Additions Rs. | Adjustment on Revaluation Rs. | Disposal Rs. | Increase in Revaluation Rs. | Balance as at 31.03.2022 Rs. |
|---|---|---|---|---|---|---|
| **At Cost or Valuation** | | | | | | |
| Freehold Land | 1,164,000,000 | - | - | - | 84,375,000 | 1,248,375,000 |
| Buildings on freehold land | 1,087,291,984 | - | (101,070,934) | - | 127,403,950 | 1,113,625,000 |
| Motor Vehicles | 41,366,568 | - | - | (2,700,000) | - | 38,666,568 |
| Plant & Machinery | 54,678,146 | - | - | (75,991) | - | 54,602,155 |
| Hotel Equipment | 90,299,273 | 3,285,316 | - | (2,069,224) | - | 91,515,365 |
| Kitchen Equipment | 29,336,829 | 69,421 | - | - | - | 29,406,250 |
| Furniture and Fittings | 163,879,775 | - | - | - | - | 163,879,775 |
| Office Equipment | 1,135,827 | 189,900 | - | - | - | 1,325,727 |
| Recreational Equipment | 1,647,500 | - | - | | - | 1,647,500 |
| Solar Heater System | 6,171,101 | - | - | | - | 6,171,101 |
| Telephone System | 4,053,049 | - | - | | - | 4,053,049 |
| Air Conditioning System | 58,364,968 | - | - | | - | 58,364,968 |
| Gym Equipment | 6,485,171 | - | - | | - | 6,485,171 |
| Computer Equipment | 12,021,553 | 561,644 | - | (256,035) | - | 12,327,161 |
| Linen and Furnishing | 30,106,859 | 6,378,176 | - | (2,714,577) | - | 33,770,458 |
| Cutlery, Crockery and Glassware | 9,644,662 | 416,114 | - | (297,739) | - | 9,763,037 |
| Solar Power System | 3,030,000 | - | - | - | - | 3,030,000 |
| **Total Value of Depreciable Assets** | 2,763,513,264 | 10,900,571 | (101,070,934) | (8,113,566) | 211,778,950 | 2,877,008,285 |

### 10.2 Depreciation

| | Balance as at 01.04.2021 Rs. | Charge for the year Rs. | Adjustment on Revaluation Rs. | Disposals Rs. | Increase in Revaluation Rs. | Balance as at 31.03.2022 Rs. |
|---|---|---|---|---|---|---|
| At Cost or Valuation | | | | | | |
| Buildings on freehold land | 66,876,386 | 34,194,548 | (101,070,934) | | - | - |
| Motor Vehicles | 27,030,132 | 4,749,881 | - | (1,867,500) | - | 29,912,514 |
| Plant & Machinery | 29,321,781 | 3,348,534 | - | (63,325) | - | 32,606,990 |
| Hotel Equipment | 73,957,550 | 7,085,390 | - | (2,054,646) | - | 78,988,294 |
| Kitchen Equipment | 19,962,644 | 2,716,888 | - | | - | 22,679,531 |
| Furniture and Fittings | 73,127,708 | 8,969,683 | - | | - | 82,097,391 |
| Office Equipment | 981,520 | 46,699 | - | | - | 1,028,219 |
| Recreational Equipment | 527,500 | 320,000 | - | | - | 847,500 |
| Solar Heater System | 5,698,759 | 330,848 | - | | - | 6,029,607 |
| Telephone System | 2,417,683 | 279,430 | - | | - | 2,697,114 |
| Air Conditioning System | 34,913,295 | 3,255,125 | - | | - | 38,168,420 |
| Gym Equipment | 2,963,550 | 540,431 | - | | - | 3,503,981 |
| Computer Equipment | 10,184,375 | 874,284 | - | (186,819) | - | 10,871,840 |
| Linen and Furnishing | 27,993,979 | 2,458,521 | - | (2,714,577) | - | 27,737,923 |
| Cutlery, Crockery and Glassware | 7,120,325 | 2,315,044 | | (297,739) | - | 9,137,630 |
| Solar Heater System | 707,000 | 202,000 | | | - | 909,000 |
| Total Depreciation | 383,784,188 | 71,687,305 | (101,070,934) | (7,184,606) | - | 347,215,954 |

### 10.3 Net Book Values

| | 2022 Rs. | 2021 Rs. |
|---|---|---|
| At Cost or Valuation | | |
| Freehold Land | 1,248,375,000 | 1,164,000,000 |
| Buildings on freehold land | 1,113,625,000 | 1,020,415,598 |
| Motor Vehicles | 8,754,055 | 14,336,436 |
| Plant & Machinery | 21,995,164 | 25,356,364 |
| Hotel Equipment | 12,527,071 | 16,341,724 |
| Kitchen Equipment | 6,726,719 | 9,374,186 |
| Furniture and Fittings | 81,782,384 | 90,752,067 |
| Office Equipment | 297,508 | 154,306 |
| Recreational Equipment | 800,000 | 1,120,000 |
| Solar Heater System | 141,494 | 472,342 |
| Telephone System | 1,355,935 | 1,635,365 |
| Air Conditioning System | 20,196,548 | 23,451,673 |
| Gym Equipment | 2,981,190 | 3,521,621 |
| Computer Equipment | 1,455,321 | 1,837,177 |
| Linen and Furnishing | 6,032,535 | 2,112,880 |
| Cutlery ,Crockery and Glassware | 625,407 | 2,524,337 |
| Solar Power System | 2,121,000 | 2,323,000 |
| Total Net Carrying Amount of Property, Plant & Equipment | 2,529,792,331 | 2,379,729,076 |

**10. PROPERTY, PLANT & EQUIPMENT (CONTD.)**

a) Land and Building is measured at fair value less depreciation on building, less impairment losses. Valuations are performed with sufficient frequency (Once in 3 years). The fair value of land and buildings was determined by means of a revaluation during the financial year 2021/2022 by Messrs. P. P. T Mohideen an independent valuer based on contractor's methods. The results of such evaluation were incorporated in these Financial Statements from its effective date which is 31 March 2022. The surplus arising from the revaluation net of deferred taxes was transferred to a revaluation reserves.

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

| Class of Asset | Cost Rs. | Cumulative Depreciation If assets were carried at cost Rs. | Net Carrying Amount 2022 Rs. | Net Carrying Amount 2021 Rs. |
|---|---|---|---|---|
| Freehold Land | 9,782,792 | - | 9,782,792 | 9,782,792 |
| Buildings on Freehold Land | 626,280,047 | 141,476,081 | 484,803,966 | 443,672,115 |
| | **636,062,839** | **141,476,081** | **494,586,758** | **453,454,907** |

**10.5** During the financial year, the Company acquired Property, Plant & Equipment to the aggregate value of Rs.10,900,571/- (2021 - Rs.39,479,163/-) for cash consideration.

**10.6** Property, Plant & Equipment includes fully depreciated assets which are still in use having a gross carrying amount of Rs.107,034,739 (2021 - Rs.98,682,595/-).

**11. INTANGIBLE ASSETS**

| | 2022 Computer Software Rs. | 2021 Computer Software Rs. |
|---|---|---|
| **Cost** | | |
| As at 1 April | 7,100,763 | 6,469,783 |
| Acquired during the period | - | 630,980 |
| As at 31 March | 7,100,763 | 7,100,763 |
| **Amortisation** | | |
| As at 1 April | 6,093,470 | 5,707,903 |
| Amortisation for the year | 401,434 | 385,567 |
| As at 31 March | 6,494,904 | 6,093,470 |
| **Net Book Value** | **605,859** | **1,007,293** |

## 12. INVESTMENT IN ASSOCIATE

The Company has a 28.41% interest in Royal Palms Beach Hotels PLC,situated at Kaluthara which is also involved in the hoteliering business. The companies' interest in Royal Palms Beach Hotels PLC is accounted for using the equity method in the company financial statements. The following table illustrates the summarised financial information of the Royal Palms Beach Hotels PLC.

### 12.1 Share of the Associate's Statement of Financial Position (28.41%)

| | As per books of associate | | As per Shareholding | |
|---|---|---|---|---|
| | 2022 Rs. | 2021 Rs. | 2022 Rs. | 2021 Rs. |
| Current assets | 642,328,869 | 593,314,032 | 182,485,632 | 168,560,516 |
| Non current assets | 2,524,146,209 | 2,171,981,040 | 717,109,937 | 617,059,812 |
| Current liabilities | (92,446,623) | (73,471,869) | (26,264,086) | (20,873,358) |
| Non current liabilities | (374,939,749) | (328,049,884) | (106,518,633) | (93,197,221) |
| Net assets | 2,699,088,705 | 2,363,773,319 | 766,812,850 | 671,549,750 |
| Goodwill | | | 47,583,752 | 47,583,752 |
| | | | 814,396,602 | 719,133,502 |

### 12.2 Equity Value of Investment in Equity Accounted Investee

| | 2022 Rs. | 2021 Rs. |
|---|---|---|
| As at 1 April | 719,133,502 | 755,331,330 |
| Comprehensive income (Note 12.3) | (6,332,613) | (36,608,412) |
| Other comprehensive income (Note 12.3) | 409,211 | (327,015) |
| Revaluation of land & Building | 116,838,451 | - |
| Revaluation of land & Building - Income tax effect | (15,684,492) | - |
| Deferred tax impact on transfer to retained earnings | - | 737,599 |
| Gain on Fair Value Through Other Comprehensive Income Financial Instruments | 36,159 | |
| Income tax effect on Gain on Fair Value Through Other Comprehensive Income Financial Instruments | (3,616) | |
| As at 31 March | 814,396,602 | 719,133,502 |

### 12.3 Associate's Revenue and Profit

| | 2022 Rs. | 2021 Rs. |
|---|---|---|
| Revenue | 336,870,358 | 150,953,434 |
| Cost of sales | (108,314,580) | (50,579,079) |
| Other income | 50,997,629 | 22,075,356 |
| Selling and Distribution Costs | (6,789,522) | (5,357,519) |
| Administrative Expenses | (315,759,077) | (274,011,118) |
| Loss from Derecognition of Property,Plant & Equipment | - | (1,321,171) |
| Other Expenses | (601,900) | (623,669) |
| Finance Income | 27,569,369 | 39,579,062 |
| Finance Cost | (1,748,544) | (636,237) |
| Loss before tax | (17,776,267) | (119,920,941) |
| Tax expense | (4,513,818) | (8,936,546) |
| Loss after tax | (22,290,085) | (128,857,487) |
| Other comprehensive income | 357,605,470 | (1,151,058) |
| Total comprehensive income | 335,315,385 | (130,008,545) |

## 12. INVESTMENT IN ASSOCIATE (CONTD.)

| | 2022<br>Rs. | 2021<br>Rs. |
|---|---|---|
| Share of the Associate's Revenue and Profit (28.41%) | | |
| Profits before tax | (5,050,237) | (34,069,539) |
| Profit after tax | (6,332,613) | (36,608,412) |
| Other comprehensive income | 101,595,714 | (327,016) |
| **Total comprehensive income** | **95,263,101** | **(36,935,428)** |
| Carrying amount of the Investment | 814,396,602 | 719,133,502 |
| Market Value of the shares ** | 231,505,412 | 203,099,840 |

**Investment is held for long term strategic reason and the investment is recovered through dividends. The management do not intend on disposing the stake held and realizing the investment.

**12.4** The Company performed an impairment test of carrying value of the investment considering indicators of impairment identified as at 31 March 2022 by using Discounted Cash Flow valuation technique, where significant input were not based on observable market data (Level 03). There was no impairment required as the carrying amount of the investment did not fall below its recoverable value. Valuation techniques, key assumption and the sensitivity of the significant inputs to the performed an impairment test are as follows;

| Valuation Technique | Significant Unobservable Inputs | Sensitivity of the input to fair value |
|---|---|---|
| Discounted cash flow (DCF) method | Long term growth rate 3% | 0.5% increase/(decrease) in the growth rate would result in increase/(decrease) in fair value by Rs 10,592,944/- and (Rs. 10,872,139/-) respectively |
| | Moving Weighted Average Cost of Capital (WACC) 21% to 14% | 1% increase/(decrease) in the WACC would result in (decrease)/Increase in fair value by (Rs. 814,785) and Rs. 812,473 respectively. |

## 13. INVENTORIES

| | 2022<br>Rs. | 2021<br>Rs. |
|---|---|---|
| Food and beverage | 10,114,126 | 5,289,295 |
| Housekeeping and uniform | 6,792,205 | 5,980,481 |
| Other consumables | 7,567,081 | 6,932,612 |
| | 24,473,412 | 18,202,388 |
| Allowances for obsolete inventories | (4,296,115) | (4,142,238) |
| | **20,177,297** | **14,060,150** |

## 14. RIGHT-OF-USE ASSETS

| | Right-of-Use buildings | |
|---|---|---|
| | 2022 | 2021 |
| Movement during the year | Rs. | Rs. |
| **Cost** | | |
| Balance as at beginning of the year | 13,472,232 | 2,766,130 |
| Recognition/(Derecognition) of operating leases under SLFRS 16 | (4,282,441) | 10,706,102 |
| At 31 March 2022 | 9,189,791 | 13,472,232 |
| **Accumulated depreciation / impairement** | | |
| Balance as at 01st April 2021 | 2,766,130 | 1,383,065 |
| Recognition of operating leases under SLFRS 16 | | |
| Charge for the year | 1,070,610 | 1,383,065 |
| At 31 March 2022 | 3,836,740 | 2,766,130 |
| **Net book value** | | |
| At at the beginning of the year | 10,706,102 | 10,706,102 |
| As at the end of the year | 5,353,051 | 10,706,102 |

Details of right-of-use asset relating to leased property

| Nature of the leasing activity | Location of the leased property | Unexpired lease period as at 31.03.2022 |
|---|---|---|
| Building - 898.44 Sq.Ft. | Colombo 03 | 05 Year |

### 14.1 Sensitivity of Right-of-Use Assets / Lease Liability to Key Assumption

| Sensitivity to discount rate/ Incremental Borrowing Rates | ROU Asset | Lease Liability |
|---|---|---|
| Increased 1% | (35,941) | (35,941) |
| Decreased -1% | 36,140 | 36,140 |

## 15. TRADE AND OTHER RECEIVABLES

| | 2022 | 2021 |
|---|---|---|
| | Rs. | Rs. |
| Trade Debtors | | |
| - Related Parties (15.1) | 17,213,980 | 15,407,848 |
| - Others | 24,488,977 | 15,130,022 |
| Less: Impairment Allowances for Trade Debtors (15.2) | (935,962) | (2,632,217) |
| | 40,766,995 | 27,905,653 |
| Other Debtors | 270,043 | 863,712 |
| Loans to Company Officers | 160,642 | 167,916 |
| | 41,197,680 | 28,937,281 |

### 15.1 Trade Dues from Related Parties

| Name of the Related Party | 2022 | 2021 |
|---|---|---|
| | Rs. | Rs. |
| Tangerine Tours (Pvt) Limited | 17,213,980 | 15,407,848 |
| | 17,213,980 | 15,407,848 |

## 15. TRADE AND OTHER RECEIVABLES (CONTD.)

### 15.2 Total Allowance for Impairment on Trade Debtors

| | 2022<br>Rs. | 2021<br>Rs. |
|---|---|---|
| Balance as at beginning of the year(As per SLFRS 09) | 2,632,217 | 2,326,239 |
| Charge/(reversal) for the year | (1,696,255) | 305,978 |
| **Balance as the end of the year** | **935,962** | **2,632,217** |

## 16. OTHER NON FINANCIAL ASSETS

| | 2022<br>Rs. | 2021<br>Rs. |
|---|---|---|
| Prepayments | 16,155,076 | 2,839,274 |
| Other receivables | 120,000 | 120,000 |
| VAT Receivable | 12,768,994 | 6,649,760 |
| | **29,044,070** | **9,609,034** |

## 17. OTHER FINANCIAL ASSETS

### 17.1 Measured at Fair value through OCI

| Non Quoted Equity Securities with Non Related Parties | No. of Shares 2022 Rs. | 2021 Rs. | Cost 2022 Rs. | Directors Valuation 2022 Rs. | Cost 2021 Rs. | Directors Valuation 2021 Rs. |
|---|---|---|---|---|---|---|
| Lanka Glass Company Limited | 50,000 | 50,000 | 500,000 | - | 500,000 | - |
| Research International (Pvt) Limited | 10,000 | 10,000 | 100,000 | - | 100,000 | - |
| **Gross Carrying Value of Investments** | | | **600,000** | - | **600,000** | - |

Directors' valuations are based on cost of investments less any decline in value other than temporary, as decided by the Board of Directors.

### 17.2 Measured at Amortizsd Cost Short Term Investments - Fixed Deposits

| | Company | Relationship | 2022<br>Rs. | 2021<br>Rs. |
|---|---|---|---|---|
| Fixed Deposits | Mercantile Investments and Finance PLC | Other Related Party | 356,296,697 | 398,327,064 |
| | Commercial Bank of Ceylon PLC | | 45,598,583 | 104,254,683 |
| | | | **401,895,280** | **502,581,747** |

### 17.3 Measured at Amortizsd Cost Amount due form related parities - Other financial assets

| Name of the Related Party | Relationship | 2022<br>Rs. | 2021<br>Rs. |
|---|---|---|---|
| Nilaveli Beach Hotels (Pvt) Limited | Other Related Party | 87,843 | 320,114 |
| The Nuwara Eliya Hotels Company PLC | Other Related Party | 60,243 | 258,245 |
| | | **148,085** | **578,359** |

## 18. CASH AND BANK BALANCES

| | 2022<br>Rs. | 2021<br>Rs. |
|---|---|---|
| Cash at bank and in hand | 95,514,401 | 45,916,923 |

| | | |
|---|---|---|
| For the purposes of the cash flow statement, the year end cash and cash equivalents comprise the following: | | |
| Cash at bank and in hand | 95,514,401 | 45,916,923 |
| Bank overdraft (Note 23) | (29,083,298) | (17,726,793) |
| | 66,431,102 | 28,190,130 |

## 19. STATED CAPITAL

| | Number of shares | Ordinary shares |
|---|---|---|
| At 31 March 2022 | 20,000,000 | 244,800,000 |
| At 31 March 2021 | 20,000,000 | 244,800,000 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time on the residue of Profits and are eligible to participate in any surplus assets in a winding up. They are also entitled to one vote per share at meetings of the Company. There are no other preferences or restrictions on ordinary shares.

## 20. RESERVE

| | 2022<br>Rs. | 2021<br>Rs. |
|---|---|---|
| **20.1 Revaluation Reserve** | | |
| Revaluation Reserve - Company (Note 20.2) | 1,718,773,516 | 1,533,896,435 |
| Revaluation Reserve - Associate Company (Note 20.3) | 412,798,656 | 311,644,697 |
| | 2,131,572,172 | 1,845,541,132 |
| **20.2 Revaluation Reserve - Company On: Property, Plant and Equipment** | | |
| As at the beginning of the year | 1,533,896,435 | 1,550,621,358 |
| Revaluations During the year | 211,778,950 | - |
| Transfer to retained earning (a) | - | (19,447,585) |
| Deferred tax on transfers to retained earnings | - | 2,722,662 |
| Tax effect on surplus on revaluation | (26,901,869) | - |
| As at the end of the year | 1,718,773,516 | 1,533,896,435 |

a) Transfer to retained earnings represents the amounts transferred on impact of deferred tax, depreciation difference on cost and revalued amount of property, plant and equipment disposed and de-recognised during the year.

## 20. RESERVE (CONTD.)

### 20.3 Revaluation Reserve - Associate Company On: Property, Plant & Equipment

| | 2022<br>Rs. | 2021<br>Rs. |
|---|---|---|
| As at the beginning of the year | 311,644,697 | 316,349,482 |
| Revaluations During the year | 116,838,451 | - |
| Transfer to retained earning | - | (5,442,384) |
| Deferred tax on transfers to retained earnings | - | 737,599 |
| Tax effect on surplus on Revaluation | (15,684,492) | - |
| As at the end of the year | 412,798,656 | 311,644,697 |

The above Share of Associate Company's Revaluation Reserve represents the Company's Share of current year depreciation effect of the revaluation gain of previous years and the revaluation gain of those assets which were disposed or de-recognised during the year.

### 20.4 Fair Value Reserve- Associate Company

| | 2022 | 2021 |
|---|---|---|
| As at the beginning of the year | - | - |
| Fair Value Reserve During the year | 36,159 | - |
| Tax effect on Reserve | (3,616) | - |
| As at the end of the year | 32,543 | - |

## 21. TRADE AND OTHER PAYABLES

| | 2022<br>Rs. | 2021<br>Rs. |
|---|---|---|
| Financial Liabilities (Note 21.1) | 28,835,014 | 30,478,143 |
| Non Financial Liabilities (Note 21.2) | 31,518,094 | 19,816,293 |
| | 60,353,109 | 50,294,436 |

### 21.1 Financial Liabilities

| | 2022<br>Rs. | 2021<br>Rs. |
|---|---|---|
| Trade payables | 20,120,759 | 23,537,564 |
| Other payables | 6,519,137 | 5,000,636 |
| Dividends payable | 988,720 | 988,720 |
| Payables to contractors /Other suppliers | 1,206,399 | 951,223 |
| | 28,835,014 | 30,478,143 |

### 21.2 Non Financial Liabilities

| | 2022<br>Rs. | 2021<br>Rs. |
|---|---|---|
| Advanced received for reservation | 19,195,795 | 7,651,412 |
| TDL Payable | 1,491,637 | 3,813,991 |
| EPF and ETF Payable | 1,783,240 | 1,601,228 |
| Other payables | 9,047,423 | 6,749,662 |
| | 31,518,094 | 19,816,293 |

## 22. AMOUNTS DUE TO RELATED PARTIES

| Name of the Related Party | Relationship | 2022 Rs. | 2021 Rs. |
|---|---|---|---|
| Security Ceylon (Pvt) Limited | Other Related Party | 737,303 | 911,073 |
| Tangerine Tours (Pvt) Limited | Other Related Party | 1,968,753 | 2,846,999 |
| Mercantile Investments and Finance PLC | Other Related Party | - | 389,728 |
| Royal Palms Beach Hotels PLC | Associate company | 2,548,788 | 260,253 |
| | | 5,254,843 | 4,408,053 |

## 23. INTEREST BEARING LOANS AND BORROWINGS

| | 2022 Rs. | 2021 Rs. |
|---|---|---|
| Current | | |
| Bank overdraft | 29,083,298 | 17,726,793 |
| Term Loan -Commercial Bank Of Ceylon PLC (23.1) | 12,006,000 | 15,000,003 |
| | 41,089,298 | 32,726,796 |
| Non- current | | |
| Term Loan -Commercial Bank Of Ceylon PLC (23.1) | 7,994,000 | 9,999,997 |
| Total borrowings | 49,083,298 | 42,726,793 |

### 23.1 Term Loan - Commercial Bank Of Ceylon PLC

| | As At 01.04.2021 Rs. | Repayment Rs. | As At 31.03.2022 Rs. |
|---|---|---|---|
| Saubagya Covid-19 Renaissance Facility Phase II | 25,000,000 | (5,000,000) | 20,000,000 |
| | 25,000,000 | (5,000,000) | 20,000,000 |

### 23.2 Details of Loan - Terms and Conditions

| | |
|---|---|
| Purpose | To finance 02months working capital requirement of the company. |
| Loan amount | Rs. 25,000,000/- (Rupees Twenty Five Million only) |
| Commencement date | 09th of September 2020 |
| Grace Period | 09 months Grace period |
| Repayment of Loan | Capital to be repaid 18 equal monthly installements of Rs. 1,334,000 /- and the final installement of Rs.1,323,999 /- together with interest, after the grace period. |
| Interest Rate | 4% |
| Term | 02 Years |
| Security | Company had pledged Fixed Deposit of Rs. 28,000,000 as security |

## 24. POST EMPLOYMENT BENEFIT LIABILITY

| | 2022<br>Rs. | 2021<br>Rs. |
|---|---|---|
| Balance as at the Beginning of the Year | 24,978,293 | 29,624,934 |
| Charge for the Year (Note 24.1) | 4,323,187 | 7,180,469 |
| Payments Made during the year | (2,133,253) | (11,827,110) |
| Balance as at the end of the Year | 27,168,227 | 24,978,293 |

### 24.1 Charge for the Year

| | 2022 | 2021 |
|---|---|---|
| Current Service Cost for the year | 2,289,227 | 2,033,732 |
| Interest cost for the year | 1,748,481 | 2,814,369 |
| Past service cost | (636,941) | |
| | 3,400,767 | 4,848,101 |
| Actuarial (Gain)/Loss | 922,420 | 2,332,368 |
| | 4,323,187 | 7,180,469 |

### 24.2 Actuarial Assumptions

| | 2022 | 2021 |
|---|---|---|
| Discount Rate | 14.00% | 7.00% |
| Salary Increment | 12.00% | 7.00% |
| Mortality-A67/70 Mortality Table Issued by the Institute of Actuaries London | | |
| Retirement Age | 55 years. | 55 years. |
| Disability rate | Simple disability rate | |

Staff turnover

The staff turnover rate used in the valuation are

Category 01: 14% up to age 54 and thereafter zero

Category 02: 14% up to age 54 and thereafter zero

An actuarial valuation of the gratuity was carried out as at 31 March 2022 by Actuarial and Management Consultants (Pvt) Limited, a firm of professional actuaries. The valuation method used by the actuaries is the "Projected Unit Credit Method", recommended by LKAS 19 Employee Benefits.

### 24.3 Sensitivity of Assumptions Employed in Actuary Valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measures.

The sensitivity of the Comprehensive Income Statement and the Statement of Financial Position is the effect of the assumed changes in discount rate & salary increment rate on the Profit or Loss & Employment Benefit Obligation for the year.

| 31st March 2022 | Sensitivity Effect on Comprehensive Income Statement Increase / (Reduction) in results for the year | Sensitivity effect on employee benefit Obligation increase / (Reduction) in the Liability |
|---|---|---|
| Increase/ (decrease) in discount rate | | |
| 1% | 1,081,731 | (1,081,731) |
| -1% | 1,180,194 | (1,180,194) |
| Increase/ (decrease) in salary Increment rate | | |
| 1% | (1,316,580) | 1,316,580 |
| -1% | (1,225,374) | 1,225,374 |

| 31st March 2021 | Sensitivity Effect on Comprehensive Income Statement Increase / (Reduction) in results for the year | Sensitivity effect on employee benefit Obligation increase / (Reduction) in the Liability |
|---|---|---|
| Increase/ (decrease) in discount rate | | |
| 1% | 1,066,213 | (1,066,213) |
| -1% | (1,159,399) | 1,159,399 |
| Increase/ (decrease) in salary Increment rate | | |
| 1% | (1,027,116) | 1,027,116 |
| -1% | 963,107 | (963,107) |

### 24.4 Maturity Profile

| | 2022 | 2021 |
|---|---|---|
| Weighted Average Duration of defined benefit obligation | 4.71 Years | 4.71 Years |
| Distribution of defined benefit obligation over the future working life time | | |
| Less than or equal 1 year | 6,541,971 | 4,821,078 |
| Over 1 year and less than or equal 2 years | 6,405,472 | 4,993,619 |
| Over 2 year and less than or equal 5 years | 5,593,796 | 7,696,658 |
| Over 5 years and less than or equal 10 years | 5,760,379 | 5,502,811 |
| Over 10 years | 2,866,609 | 1,964,128 |
| Total | **27,168,227** | **24,978,294** |

## 25. LEASE LIABILITIES

### 25.1 Movement of Lease Liabilities

| | 2022<br>Rs. | 2021<br>Rs. |
|---|---|---|
| Balance as at the beginning of the year | 10,706,102 | 1,464,422 |
| Recognition of operating lease liability under SLFRS 16 | - | 10,706,102 |
| Payment of lease liabilities | (1,560,000) | (1,560,000) |
| Derecognition of operating lease liability | (4,282,441) | - |
| Interest expense | 832,118 | 95,578 |
| **Balance as at 31.03.2022** | **5,695,779** | **10,706,102** |
| Current portion of lease liabilities | | |
| 2022/23 FY Lease payments | 1,560,000 | 1,560,000 |
| 2022/23 FY Lease interest | (771,558) | - |
| | 788,442 | 1,560,000 |
| **Non Current portion of lease liabilities** | **4,907,337** | **9,146,102** |

** The Company use 8.32% as Incremental Borrowing Rate

### 25.2 The following are the amount recognized in profit or loss:

| | 2022<br>Rs. | 2021<br>Rs. |
|---|---|---|
| Depreciation expenses of right of use assets | 1,070,610 | 1,383,065 |
| Interest expense on lease liability | 832,118 | 95,578 |
| **Total Amount recognized in profit and loss** | **1,902,728** | **1,478,643** |

### 25.3 Following is the Maturity Lease Liability for Future Periods with Interest Cost

| | Rs.<br>0-3 Months | Rs.<br>3-12 Months | Rs.<br>1 to 5 Years | Rs.<br>Total |
|---|---|---|---|---|
| Lease Liability | 390,000 | 1,170,000 | 6,240,000 | 7,800,000 |

## 26. COMMITMENTS AND CONTINGENCIES

### 26.1 Commitments

#### 26.1.1 Capital Expenditure Commitments

The Company does not have significant capital commitments as at the reporting date.

#### 26.1.2 Financial Commitments

There are no financial commitments as at the reporting date.

### 26.2 Contingencies

Contingent liabilities
There are no significant contingencies as at 31 March 2022

## 27. ASSETS PLEDGED

A total of 3,237,332 shares of Royal Palm Beach Hotels PLC, (Associate Company) amounting to Rs. 32,373,320 have been pledged against the facilities obtained by Commercial Bank of Ceylon PLC.

Company had pledged Fixed Deposit of Commercial Bank of Ceylon PLC Rs. 28,000,000 as security for Saubagye Covid 19 Loan.

## 28. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:
The following tables provides the significant amount of transactions, which have been entered into with related parties for the relevant financial year.

### 28.1 Transactions with Associate Company - Recurring Transactions

Tangerine Hotel PLC holds 28.41% Share holding of Royal Palms Beach Hotels PLC.

| | | Amount | | Balance as at | |
|---|---|---|---|---|---|
| | | 2022 | 2021 | 2022 | 2021 |
| Nature of Transaction | Terms of Transactions | Rs. | Rs. | Rs. | Rs. |
| Staff quarters rent | Market terms | 550,000 | 600,000 | - | - |
| Sewerage treatment plant rent | Market terms | 2,482,919 | 2,219,203 | - | - |
| Bottle water | | 65,671 | 39,180 | - | - |
| Staff meals | Market terms | 30,632 | 20,350 | - | - |
| Laundry Chargers | Market terms | (6,232,450) | (3,982,511) | - | - |
| Reimbursements of expenses | | (3,778,567) | (2,383,096) | - | - |
| Fund transfers for settlements | | 4,593,260 | 3,599,367 | - | - |
| Amounts due from Royal Palm Beach Hotel PLC | | - | - | (2,548,788) | (260,253) |

### 28.2 Transactions with Key Management Personnel

The Key Management Personnel (KMPs) are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Key Management Personnel of the Company are Board of Directors of the Company and personnel holding designation General Manager and above. Transactions with Key Management Personnel and transaction with the close family members (CFMs) of the KMPs, If any, also have been taken into consideration in the following disclosure.

| 28.2 a Key Management Personnel Compensation | 2022<br>Rs. | 2021<br>Rs. |
|---|---|---|
| Short-Term Post Employment Benefits | 6,034,075 | 5,023,275 |

## 28. RELATED PARTY DISCLOSURES (CONTD.)

### 28.3 Transaction with Other Related Parties -Recurring transactions
**Transactions with entities that are significantly influenced by Key Management Personnel of the Company:**

Some Key Management Personnel of the Company and their members of the families collectively have control directly or indirectly in certain entities with which the Company entered into the transactions, summarised as follows:

The Company carries out transactions with KMPs & their close family members in the ordinary course of its business on an arms length basis at commercial rates.

| Company | Nature of Transaction | Relationship | Terms of Transactions | Amount 2022 Rs. | Amount 2021 Rs. | Balance as at 2022 Rs. | Balance as at 2021 Rs. |
|---|---|---|---|---|---|---|---|
| Security Ceylon (Pvt) Ltd. | Security Services | Other Related Company | As per Agreement | (15,054,444) | (13,888,200) | - | - |
| | Staff Meals | | Market terms | 2,098,530 | 1,817,979 | - | - |
| | Fund transfers for settlements | | | 13,129,684 | 11,947,526 | - | - |
| | Amounts payable to Security Ceylon (Pvt) Ltd | | | - | - | (737,303) | (911,073) |
| Nilaveli Beach Hotel (Pvt) Ltd. | Reimbursement expenses | Other Related Company | Reimbursement cost | 821,569 | 650,214 | | |
| | Fund transfers for settlements | | | (1,053,840) | (789,046) | | |
| | Amounts receivable from Nilaveli Beach Hotel (PVT) Ltd | | | - | - | 87,843 | 320,114 |
| Tangerine Tours (Pvt) Ltd. | Marketing Fee | Other Related Company | As per Agreement | (10,496,378) | (4,305,949) | | |
| | Tour Operation | | As per Agreement | 33,113,782 | 17,884,046 | - | - |
| | Reimbursement expenses | | | (4,630,562) | (6,720,278) | - | - |
| | Meal costs | | Market terms | - | - | - | - |
| | Fund transfers for settlements | | | (15,302,664) | (66,002,206) | - | - |
| | Amounts receivable from Tangerine Tours ( Pvt) Ltd | | | | | 15,245,026 | 12,560,849 |
| Mercantile Investments & Finance PLC | Fixed Deposit Investments(net) | Other Related Company | Market terms | (42,030,367) | (56,462) | 356,296,697 | 398,327,064 |
| | Interest income on Fixed deposits | | Market terms | 10,728,698 | 31,890,214 | - | - |
| | Head office Rent | | As per agreement | 1,684,800 | 1,560,000 | - | - |
| | Repairs and Service to the motor vehicle | | Market Terms | 717,866 | 257,456 | - | - |
| | Amounts payable to Mercantile Investment & Finance Plc | | | | | - | (389,728) |
| The Nuwara Eliya Hotels PLC | Reimbursement expenses | Other Related Company | Reimbursement cost | 383,656 | 1,607,816 | - | - |
| | Fund transfers for settlements | | | (581,658) | (1,649,752) | - | - |
| | Amounts receivable from Nuwara Eliya Hotels PLC | | | | | 60,243 | 258,245 |
| Fair View Hotel (Pvt) Ltd. | Reimbursement of advertising Expenses | Other Related Company | Market terms | | - | - | - |
| | Fund transfers for settlements | | | | - | - | - |

There were no non-recurrent transactions carried out with related parties during the year where the aggregate value of transaction exceeds 10% of equity or 5% of total assets which ever is lower.

## 29. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Financial instruments of the Company comprise of financial assets and financial liabilities. 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 information presented herein represents the determination of fair values as at the reporting date.

### 29.1 Financial Instruments Carried at Fair Value

The Company does not have any financial instruments that are carried at Fair value at the reporting date.

### 29.2 Carrying amounts and fair values of financial instruments

Financial instruments of the Company comprise of financial assets and financial liabilities. 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 information presented herein represents the determination of fair values as at the reporting date.

Fair values of financial assets and financial liabilities, together with the carrying amounts in the statement of financial position, are as follows:

| 31 March 2022 | Amortized Cost Rs. | Fair value through profit & loss Rs. | Fair value through other comprehensive income Rs. | Total carrying amount Rs. | Fair value Rs. |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| **Current assets** | | | | | |
| Trade & other receivables | 41,197,680 | - | - | 41,197,680 | 41,197,680 |
| Cash and short-term deposits | 497,409,681 | - | - | 497,409,681 | 497,409,681 |
| Amounts due from related parties | 148,085 | - | - | 148,085 | 148,085 |
| | 538,755,446 | - | - | 538,755,446 | 538,755,446 |
| **Financial liabilities** | | | | | |
| **Current liabilities** | | | | | |
| Trade and other payables | 60,353,109 | - | - | 60,353,109 | 60,353,109 |
| Amounts due to related parties | 5,254,843 | - | - | 5,254,843 | 5,254,843 |
| Bank overdrafts / Short term loan | 41,085,298 | - | - | 41,085,298 | 41,085,298 |
| | 106,693,250 | - | - | 106,693,250 | 106,693,250 |
| **Non-current liability** | | | | | |
| Interest -Bearing Loans and Borrowings | 7,994,000 | - | - | 7,994,000 | 7,994,000 |
| | 7,994,000 | - | - | 7,994,000 | 7,994,000 |

## 29. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTD.)

| 31 March 2021 | Amortized Cost Rs. | Fair value through profit & loss Rs. | Fair value through other comprehensive income Rs. | Total carrying amount Rs. | Fair value Rs. |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| **Current assets** | | | | | |
| Trade & other receivables | 28,937,281 | - | - | 28,937,281 | 28,937,281 |
| Cash and short-term deposits | 548,498,670 | - | - | 548,498,670 | 548,498,670 |
| Amounts due from related parties | 578,359 | - | - | 578,359 | 578,359 |
| | 578,014,310 | - | - | 578,014,310 | 578,014,310 |
| **Financial liabilities** | | | | | |
| **Current liabilities** | | | | | |
| Trade and other payables | 50,294,436 | - | - | 50,294,436 | 50,294,436 |
| Amounts due to related parties | 4,408,053 | - | - | 4,408,053 | 4,408,053 |
| Bank overdrafts / Short term loan | 32,726,793 | - | - | 32,726,793 | 32,726,793 |
| Interest -Bearing Loans and Borrowings | 15,000,000 | | | 15,000,000 | 15,000,000 |
| | 102,429,282 | - | - | 102,429,282 | 102,429,282 |
| **Non-current liability** | | | | | |
| Interest -Bearing Loans and Borrowings | 9,999,997 | - | - | 9,999,997 | 9,999,997 |
| | 9,999,997 | - | - | 9,999,997 | 9,999,997 |

### 29.3 Financial Instruments not Carried at Fair Value (Current)

Given below is a comparison by class of the carrying amounts and fair values of the company's financial instruments that are not carried at fair value in the financial statements. This table does not include the fair values of non–financial assets and non–financial liabilities.

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Carrying Value Rs. | Fair Value Rs. | Carrying Value Rs. | Fair Value Rs. |
| **Financial Assets** | | | | |
| Trade and other receivables | 41,197,680 | 41,197,680 | 28,937,281 | 28,937,281 |
| Amounts due from related parties | 148,085 | 148,085 | 578,359 | 578,359 |
| Short-term deposits | 401,895,280 | 401,895,280 | 502,581,747 | 502,581,747 |
| Cash at bank and cash in hand | 95,514,401 | 95,514,401 | 45,916,923 | 45,916,923 |
| | **538,755,446** | **538,755,446** | **578,014,310** | **578,014,310** |
| **Financial Liabilities** | | | | |
| Trade and other payables | 28,835,014 | 28,835,014 | 30,478,143 | 30,478,143 |
| Amounts due to related parties | 5,254,843 | 5,254,843 | 4,408,053 | 4,408,053 |
| | **34,089,858** | **34,089,858** | **34,886,196** | **34,886,196** |

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not recorded at fair value in the financial statements:

**Trade and other receivables and trade and other payables**

For the above instruments with maturities of less than 12 months, the carrying value closely approximates with its fair values.

Trade and other payables

For the above instruments with maturities of less than 12 months, the carrying value is reasonably estimate of its fair values.

Interest-bearing loans and borrowings

All the borrowings are obtained at variable interest rates. Hence the carrying value reasonably approximates of its fair values.

### 29.4 Determination of fair Value and Fair Value Hierarchy

The company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the disclosed fair value are observable, either directly or indirectly

Level 3: techniques which use inputs that have a significant effect on the disclosed fair value that are not based on observable market data

### 29.5 Financial Instruments not Carried at Fair Value (Non Current)

Given below is a comparison, by class, of the carrying amounts and fair values of the company's financial instruments that are not carried at fair value in the financial statements. This table does not include the fair values of non–financial assets and non–financial liabilities.

| | | 2022 | | 2021 | |
|---|---|---|---|---|---|
| | | Carrying Value | Fair Value | Carrying Value | Fair Value |
| | Level | Rs. | Rs. | Rs. | Rs. |
| Financial liabilities | | | | | |
| Interest-bearing loans and borrowings | Level 2 | 49,083,298 | 49,083,298 | 42,726,793 | 42,726,793 |
| | | 49,083,298 | 49,083,298 | 42,726,793 | 42,726,793 |

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not recorded at fair value in the financial statements:

For financial assets and financial liabilities that have a short term maturity it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to trade and other receivables, cash and cash equivalents, other financial assets amount due from related parties, other payables and short term deposits amount due to related parties.

### 29.6 Non Financial Assets Disclosed at Fair value

| | Method | Date of valuation | Level ** | Value | Unobservable Inputs | Price range per perch/Sq.ft |
|---|---|---|---|---|---|---|
| 2022 | | | | | | |
| Free hold land | Market Approach | 31.03.2022 | 03 | 1,248,375,000 | Estimated price per perch | 575,000 - 715,000 |
| Buildings | Market Approach | 31.03.2022 | 03 | 1,113,625,000 | Estimated price per sq.ft | 650 -13,000 |
| 2021 | | | | | | |
| Free hold land | Market Approach | 31.03.2019 | 03 | 1,164,000,000 | Estimated price per perch | 525,000 - 650,000 |
| Buildings | Market Approach | 31.03.2019 | 03 | 1,020,415,598 | Estimated price per sq.ft | 550 - 9500 |

** Fair value measurement sensitivity to unobservable inputs - positive impact to the fair value

Valuation was carried out by professionally qualified independent value in compliance with Sri Lanka Accounting Standard - SLFRS 13 (Fair Value Measurement).

## 30. RISK MANAGEMENT

### 30.1 Introduction

The Company has exposure to the following risks from its use of financial instruments;

1. Credit Risk
2. Liquidity risk
3. Market risk

The Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework, which includes developing and monitoring the Company's risk management policies.
The Audit Committee oversees how management monitors compliance with the risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by it.

### 30.2 Credit Risk

a) Introduction

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

Company has an established credit policy under which each new customer is reviewed individually for credit worthiness before standard payment and delivery terms are offered to the customer. The credit review includes bank and other reputed company references. Credit granted is subject to regular review, to ensure it remains consistent with the customer's creditworthiness in relations to the anticipated volume of business.

The maximum exposure to credit risk is represented by the carrying value of each financial asset on the Reporting date.

b) The maximum exposure to credit risk at the reporting date

| | Note | 2022<br>Rs. | 2021<br>Rs. |
|---|---|---|---|
| Cash and cash equivalents | 18 | 95,514,401 | 45,916,923 |
| Trade and other receivables | 15 | 41,197,680 | 28,937,281 |
| Other financial assets | 17.2 | 401,895,280 | 502,581,747 |
| Amounts Due from Related Parties | 17.3 | 148,085 | 578,359 |
| | | 538,755,446 | 578,014,310 |

Expected credit loss assessment

The company adopted Expected Credit Loss (ECL) approach to impairment of its financial assets. This enables better credit risk reporting of financial instruments by carrying reasonably quantified default risk adjusted value of assets in the balance sheet and minimising the timing difference in recognition of future default loss.

ECL measurement approach that is best suited for each class of asset is determined based on underlying risk characteristics of the asset. Subsequent to selection between general and simplified approaches to measurement, the company assesses financial assets using data that is determined to be predictive of default risk, including but not limited to external ratings, historical payment patterns, audited financial statements and cash flow projections.

The company re-evaluated its approach to measurement of ECL in the light of the COVID-19 pandemic, as the consequent unexpected deterioration in credit quality of loan portfolios (Financial institutions) and trade receivables (Non-financial institutions), will have a significant impact on the ECL measurement. The company considered all reasonable and supportable information available without undue cost or effort at the reporting date as well as practical expedients made available. Economic Factor Adjustment (EFA) updated to reflect the impact of COVID-19 was incorporated in measuring ECL while information used for Probability of Default (PD) and Loss Given Default (LGD) were used without modification due to insufficiency of updated information relating to borrowers repayment ability, resource constraints and various government relief measures as a result of the outbreak.

The company also assessed its financial instruments for Significant Increase in Credit Risk (SICR) with available, reasonable and supportable information including economic support and relief measures provided to counterparties.

c) The ageing of the trade receivable as at the reporting date

| | Gross Receivable | |
|---|---|---|
| | 2022 | 2021 |
| | Rs. | Rs. |
| Not past due 0- 60 days | 33,530,817 | 17,061,203 |
| Past due 61-90 days | 2,649,750 | |
| Past due 90-120 days | 1,116,895 | |
| Past due 120-180 days | 1,390,236 | |
| More than 180 days | 3,015,259 | 13,476,666 |
| **Total** | **41,702,957** | **30,537,869** |

| Movement in the Impairment Allowance* | 2022<br>Rs. | 2021<br>Rs. |
|---|---|---|
| Balances at 1 April | (2,632,217) | (2,326,239) |
| Impairment recognised | 1,696,255 | (305,978) |
| **Balances at 31 March** | **(935,962)** | **(2,632,217)** |

### 30.3 Liquidity Risk

a) Introduction

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

b) The table below summaries the maturity profile of company's financial liabilities based on contractual undiscounted payments.

| | Contractual maturities of financial liabilities | | | | |
|---|---|---|---|---|---|
| | Total<br>Rs. | Up to 3<br>Months<br>Rs. | 3-12<br>Months<br>Rs. | 1 - 5<br>Years<br>Rs. | More than<br>5 Years<br>Rs. |
| **31 March 2022** | | | | | |
| Trade and other payables | 60,353,109 | 60,353,109 | - | - | - |
| Interest-bearing loans and borrowings | 20,733,294 | 201,643 | 12,445,884 | 8,085,767 | - |
| Bank overdraft | 29,083,298 | 29,083,298 | - | - | - |
| Amounts Due to Related Parties | 5,254,843 | 5,254,843 | - | - | - |
| | **115,424,544** | **94,892,893** | **12,445,884** | **8,085,767** | - |
| **31 March 2021** | | | | | |
| Trade and other payables | 50,294,436 | 50,294,436 | - | - | - |
| Interest-bearing loans and borrowings | 25,664,834 | - | 15,549,953 | 10,114,881 | - |
| Bank overdraft | 17,726,793 | 17,726,793 | - | - | - |
| Amounts Due to Related Parties | 4,408,053 | 4,408,053 | - | - | - |
| | **98,094,116** | **72,429,282** | **15,549,953** | **10,114,881** | - |

c) Undrawn committed borrowing facilities

There are no undrawn borrowing facilities available to the Company as at the reporting date.

**30. RISK MANAGEMENT (CONTD.)**

**30.4 Market Risk**

a) Introduction

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to the changers in market prices. Mainly the changes in market prices, such as foreign exchange rates and interest rates will affect the company's income or the value of its holdings of financial instruments.

(b) Foreign currency risk

The Company is exposed to foreign currency risk on revenue, and receivables and cash deposits denominated in currencies other than the functional currency of the Company. The currencies giving rise to this risk are primarily US dollars and Euro. The Company Finance team closely monitors the exchange rate movement, for necessary action.

The Sri Lankan Rupee is depreciating against the US Dollar in March 2021 on the back of economic turmoil in global, regional and local markets resulting from the COVID-19 pandemic. The Company exposed to foreign currency denominated payments with local currency revenues are adversely impacted to undue fluctuations in exchange rates.

If market rate appreciate or depreciate by 20% the effect of the same to the exchange gain/(loss) would be:

| | Sensitivity Effect on Comprehensive Income increase/(decrease) in Results for the Year | |
|---|---|---|
| | +20% | -20% |
| Euro (€) | 2,489,134 | (2,489,134) |
| Dollar ($) | 4,066,878 | (4,066,878) |
| | 6,556,013 | (6,556,013) |

(c) 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 Company's borrowing portfolio consist with fixed rate borrowings thus company does not have an interest rate risk as at the reporting date.

**31. CAPITAL MANAGEMENT**

The company's capital structure comprising share capital, reserves and retained earnings, as disclosed in the statement of changes in equity. The Board's intention is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company's objective for managing its capital is to ensure that company will be able to continue as a going concern while maximizing the return to shareholders, as well as sustaining the future development of its business. In order to maintain or adjust the capital structure, the Company may alter the total amount of dividends paid to shareholders, issue new shares, and draw down additional debt.

**32. GOING CONCERN**

The Management, after making necessary inquiries and reviews including reviews of the hotel budgets for the ensuing year. Capital expenditure requirements, future prospects along with risks, cash flows and borrowing facilities have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore, the going concern basis has been adopted in the preparation of the Financial Statements. In determining the basis of preparing the financial statements for the year ended 31 March 2022, based on available information, the management has assessed the existing and anticipated effects of current economic situation on the Company.

**32. EVENTS OCCURRING AFTER THE REPORTING DATE**

There have been no material events occurring after the reporting date that require adjustments to or disclosure in the Financial Statements.

# INVESTOR INFORMATION

| | No. of Members | Shareholding | % |
|---|---|---|---|
| 1 - 1000 | 1,302 | 153,413 | 0.77 |
| 1001 - 10000 | 184 | 605,250 | 3.03 |
| 10001 - 100000 | 55 | 1,615,207 | 8.08 |
| 100001 - 1000000 | 16 | 4,869,764 | 24.35 |
| > 1000000 | 4 | 12,756,366 | 63.78 |
| | **1,561** | **20,000,000** | **100.00** |

| Category | Shareholding | % |
|---|---|---|
| Resident | 19,898,988 | 99.49 |
| Non Resident | 101,012 | 0.51 |
| | **20,000,000** | **100.00** |

| Category | Shareholding | % |
|---|---|---|
| Individuals | 5,570,181 | 27.85 |
| Corporate | 14,429,819 | 72.15 |
| | **20,000,000** | **100.00** |

**20 LARGEST SHAREHOLDERS**

| | 2022 | | 2021 | |
|---|---|---|---|---|
| Nilaveli Beach Hotels (Pvt) Limited | 6,147,018 | 30.74% | 5,336,738 | 26.68% |
| Mercantile Investments and Finance PLC | 3,899,644 | 19.50% | 3,899,644 | 19.50% |
| G.L.A.Ondaatjie (deceased) | | | 2,025,700 | 10.13% |
| Employees Providend Fund | 1,629,471 | 8.15% | 1,629,471 | 8.15% |
| N Vaitilingam & Co. Ltd | 1,080,233 | 5.40% | 1,173,064 | 5.87% |
| T J Ondaatjie | 582,220 | 2.91% | 177,080 | 0.89% |
| A M Ondaatjie | 569,982 | 2.85% | 164,842 | 0.82% |
| G G Ondaatjie | 538,028 | 2.69% | 132,888 | 0.66% |
| N J H M Cooray | 433,770 | 2.17% | 433,770 | 2.17% |
| Tangerine Tours (Pvt) Ltd | 405,478 | 2.03% | 405,478 | 2.03% |
| Blue Oceanic Beach Hotels (Pvt) Ltd | 295,172 | 1.48% | 295,172 | 1.48% |
| Jet Travels (Private) Ltd | 267,032 | 1.34% | 267,032 | 1.34% |
| C A Ondaatjie | 259,854 | 1.30% | 259,854 | 1.30% |
| M Keerthiratne | 255,898 | 1.28% | 255,898 | 1.28% |
| N T M S Cooray | 246,072 | 1.23% | 246,072 | 1.23% |
| Ceylon Galvanising Industries Ltd | 234,000 | 1.17% | 234,000 | 1.17% |
| N H V Perera | 202,236 | 1.01% | 202,236 | 1.01% |
| B Surendra | 174,244 | 0.87% | 174,244 | 0.87% |
| K M N Perera | 152,756 | 0.76% | 152,756 | 0.76% |
| H A A de Silva | 150,530 | 0.75% | 150,530 | 0.75% |
| R J G de Mel | 102,492 | 0.51% | - | 0 |

# VALUE ADDED STATEMENT

| For the Financial Year Ended 31st March | 2022 | 2021 |
|---|---|---|
| **Revenue** | 321,332 | 133,462 |
| Less | | |
| Cost of Sales | (278,514) | (166,502) |
| | 42,818 | (33,040) |
| Adjustment for | | |
| Other Income | 39,216 | 13,873 |
| **Total Value Added** | **82,034** | **(19,167)** |
| Distribution of Value Added as Follows | | |
| To employee as Remuneration | 100,132 | 101,236 |
| To Providers of Capital | | |
| Dividends to shareholders | - | 0 |
| Total Tax to Government | 10,509 | 13,388 |
| To Expansion and Growth | | |
| Retained With Business | | |
| as Deprecation | 71,687 | 75,669 |
| as reserves | (100,294) | (209,458) |
| | **82,034** | **(19,167)** |
| Value Added Per Revenue | 0.26 | (6.96) |
| Value Added per Employment | 1.22 | (5.28) |
| Value Added Per Ordinary Share | 4.10 | (0.96) |

# DECADE AT GLANCE

| Year Ended 31st March | 2022<br>Rs. '000 | 2021<br>Rs.'000 | 2020<br>Rs.'000 | 2019<br>Rs.'000 | 2018<br>Rs.'000 | 2017<br>Rs.'000 | 2016<br>Rs.'000 | 2015<br>Rs.'000 | 2014<br>Rs.'000 | 2013<br>Rs.'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Trading Results** | | | | | | | | | | |
| Turnover net of Turnover Tax | 321,332 | 133,462 | 591,289 | 710,257 | 669,997 | 631,272 | 596,826 | 548,615 | 658,179 | 530,872 |
| Operating profit/(Loss) before interest exp. and other income | (132,435) | (213,194) | (14,416) | 91,087 | 92,048 | 79,622 | 55,006 | 33,181 | 159,625 | 87,666 |
| Profit/(Loss) before Taxation | (94,935) | (199,953) | 71,088 | 178,085 | 165,162 | 131,180 | 124,360 | 49,872 | 182,713 | 128,988 |
| Taxation Provision | (5,975) | (9,504) | (12,892) | (36,009) | (40,188) | (25,512) | (20,497) | (4,708) | (33,434) | (14,667) |
| Profit after taxation on ordinary activities | (100,910) | (209,457) | 58,196 | 142,076 | 124,974 | 105,668 | 103,863 | 45,164 | 149,279 | 114,321 |
| **Capital & Reserves** | | | | | | | | | | |
| Stated Capital/Share Capital | 244,800 | 244,800 | 244,800 | 244,800 | 244,800 | 244,800 | 244,800 | 244,800 | 244,800 | 244,800 |
| Revaluation Reserve | 1,718,773 | 1,533,896 | 1,550,621 | 1,566,408 | 1,355,990 | 1,506,126 | 1,505,773 | 1,308,464 | 1,320,912 | 1,330,293 |
| Revenue Reserve | 1,080,818 | 1,182,113 | 1,369,014 | 1,301,574 | 1,171,462 | 1,057,997 | 963,057 | 859,159 | 797,183 | 653,292 |
| Fair Value Reserve | 32 | | | | | | | | | |
| Capital Reserves of Associate company | 412,798 | 311,644 | 316,349 | 321,126 | 273,532 | 293,821 | 293,380 | 197,259 | 200,339 | 205,472 |
| Total Equity | 3,457,223 | 3,272,453 | 3,480,784 | 3,433,908 | 3,045,784 | 3,102,744 | 3,007,010 | 2,609,682 | 2,563,234 | 2,433,857 |
| **Assets Employed** | | | | | | | | | | |
| Current Assets | 587,976 | 601,683 | 753,150 | 701,478 | 573,465 | 460,025 | 380,506 | 344,102 | 328,475 | 227,940 |
| Current Liabilities | (109,793) | (91,668) | (115,390) | (112,747) | (112,328) | (101,211) | (106,584) | (118,265) | (141,556) | (108,506) |
| Net Current Assets | 478,183 | 510,015 | 637,760 | 588,731 | 461,137 | 358,814 | 273,922 | 225,837 | 186,919 | 119,434 |
| Property,Plant, & Equipment | 2,529,792 | 2,379,729 | 2,426,186 | 2,443,737 | 2,209,578 | 2,193,329 | 2,192,953 | 1,970,922 | 1,971,819 | 1,912,506 |
| Intangible assets | 606 | 1,007 | 761 | 1,217 | 1,757 | 1,868 | 3,121 | 3,560 | 3,714 | 1,741 |
| Long Term Investments | 814,396 | 719,134 | 755,331 | 747,608 | 678,423 | 685,980 | 672,733 | 540,751 | 533,988 | 528,077 |
| Right of use assets | 5,353 | 10,706 | 1,383 | | | | | | | |
| Non- Current Liabilities | (371,107) | (348,137) | (340,637) | (347,385) | (305,110) | (137,247) | (135,719) | (131,388) | (133,206) | (127,901) |
| | 3,457,223 | 3,272,453 | 3,480,784 | 3,433,908 | 3,045,785 | 3,102,744 | 3,007,010 | 2,609,682 | 2,563,234 | 2,433,857 |
| **Ratio & Statistics** | | | | | | | | | | |
| Gearing Ratio (Times) | 0.014 | 0.013 | 0 | 0 | 0.00004 | 0.005 | 0.007 | 0.01 | 0.01 | 0.01 |
| Current ratio (Times) | 5 | 7 | 7 | 6.22 | 5.11 | 4.55 | 3.57 | 2.91 | 2.32 | 2.10 |
| Earnings per Share | (5) | (10) | 3 | 7.10 | 6.25 | 5.28 | 5.19 | 2.26 | 7.46 | 5.72 |
| Net assets per Share | 173 | 164 | 174 | 171.70 | 152.29 | 155.14 | 150.35 | 130.48 | 128.16 | 121.69 |
| Interest Cover (Times) | (51) | (257) | 196 | 8,514 | 600.26 | 224.35 | 109.54 | 44.26 | 114.89 | 61.12 |
| Return on Shareholder's Funds (%) | (3) | (6) | 2 | 4.14 | 4.10 | 3.41 | 3.45 | 1.73 | 5.82 | 4.70 |
| Return on Total Assets(%) | (3) | (5.64) | 1.48 | 3.65 | 3.61 | 3.16 | 3.20 | 1.58 | 5.26 | 4.28 |
| Price Earning Ratio | (8.74) | (3.83) | 12.06 | 5.72 | 7.25 | 11.26 | 12.84 | 34.98 | 8.64 | 11.44 |
| Dividends per Share | 0 | 0 | 1 | 0.50 | 0.50 | 0.50 | 0.50 | - | 1.00 | 0.50 |
| Dividend cover (Times) | 0 | 0 | 3 | 14.21 | 12.50 | 10.57 | 10.39 | - | 7.46 | 11.43 |
| Dividend Yield ( %) | 0 | 0 | 0.03 | 0.01 | 0.01 | 0.01 | 0.01 | - | 0.01 | 0.01 |
| Dividend Pay- out Ratio | 0 | 0 | 0.344 | 0.07 | 0.08 | 0.09 | 0.10 | - | 0.13 | 0.09 |

# REAL ESTATE PORTFOLIO

| Company & Location | Building in (sq.ft) | | No of Building | Freehold property Land in Acers | | Net Book value | |
|---|---|---|---|---|---|---|---|
| | | | | | | Rs.'000 | Rs.'000 |
| | 2022/2021 | 2020/2021 | | 2021/2022 | 2020/2021 | 2021/2022 | 2020/2021 |
| Tangerine Beach Hotels PLC<br><br>St.Abrew's Road ,<br>Nagashandiya<br>Waskaduwa,<br>Kaluthara North | 195,540 | 195,540 | 15 | 11.00 | 11.00 | 2,362,000 | 2,184,415 |
| Total | 195,540 | 195,540 | 15 | 11.00 | 11.00 | 2,362,000 | 2,184,415 |

# NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the 42nd Annual General Meeting of Tangerine Beach Hotels PLC, will be held as a virtual meeting on 28th September 2022 at 11.45 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 therein.
2. To elect Mr. P S R Casie Chitty who retires in terms of Article 88(i) of the Articles of Association of the Company.
3. To elect Mrs. C A Ondaatjie 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 resolution as an ordinary resolution.

   "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 Mrs. Christabel Angela Ondaatjie who is 81 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 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.
5. To authorize the Directors to determine payments for charitable and other purposes for year 2022/23.

BY ORDER OF THE BOARD
TANGERINE BEACH HOTELS PLC

Mercantile Investments and Finance PLC
*Secretaries*

25th August 2022
Colombo

Note:
Any member entitled to attend and vote at the Meeting is entitled to appoint a Proxy (whether member or not) to attend and vote instead of him. A Form of Proxy is enclosed with the Report of this 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.

# NOTES

# FORM OF PROXY

I/We ..........................................................................................................................................................................................................

of ........................................................................................................................................................ being a member/members of

TANGERINE BEACH HOTELS PLC, do hereby appoint; ........................................................................................................................ of

....................................................................................................................................... or failing him/her

| | |
|---|---|
| Angeline Myrese Ondaatjie | or failing her |
| Gerard George Ondaatjie | or failing him |
| Christabel Angela Ondaatjie | or failing her |
| Travice John Ondaatjie | or failing him |
| Nawagamuwage Hasantha Viraj Perera | or failing him |
| Lakal Hemendra Jayasinghe | or failing him |
| Prasanna Senani Rajiv Casie Chitty | |

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 11.45 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 re-elect Mr. P S R Casie Chitty retiring in terms of Article 88(i) of the Articles of Association of the Company. | | |
| 3) | To re-elect Mrs. C A Ondaatjie retiring in terms of Section 211 of the Companies Act No.07 of 2007 | | |
| 4) | 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. | | |
| 5) | To authorize the Directors to determine payments for charitable and other purpose for the year 2022/23. | | |

As witness* my/our hand this ………………..day of ………………2022

…………………………..
Signature of Shareholder/s

Note: Please delete the inappropriate words.
**(Instructions as to completion are noted on the reverse hereof)**

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. 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.
3. 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.
4. 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**
Tangerine Beach Hotels PLC.

**Status & Legal Form**
Public quoted company with limited liability
Incorporated in Sri Lanka on 21st May 1980

**Company Registration No.**
PQ 162

**Tax Payer Identification Number**
104065600

**VAT Registration Number**
104065600 7000

**Communication Registered Office**
236, Galle Road, Colombo 03, Sri Lanka
P.O. Box 195, Colombo
Tel : 2343720-7
Fax : 2391193, 2448279
Website : www.tangerinehotels.com

**Hotel**
Tangerine Beach Hotel,
St.Abrew's Road,
Nagashandiya,
Waskaduwa.

Tel : 034-2237295, 2237982, 2237983
2237640
Fax : 034-2237794
E-mail : reservations@tangerine.lk

**Secretaries**
Mercantile Investments & Finance PLC

**Remuneration Committee**
Mr. N H V Perera - Chairman
Mr. P S R Casie Chitty

**Audit Committee**
Mr. N H V Perera - Chairman
Mr. P S R Casie Chitty

**Related party Committee**
Mr. N H V Perera - Chairman
Mr. P S R Casie Chitty
Mr. L H Jayasinghe

**External Auditors**
Ernst & Young
Chartered Accountants

**Internal Auditors**
SJMS Associates
Chartered Accountants

**Bankers**
Hatton National Bank PLC
Commercial Bank of Ceylon PLC
Sampath Bank PLC

**Board of Directors**
A M Ondaatjie - Chairperson
G G Ondaatjie
T J Ondaatjie
C A Ondaatjie
N H V Perera
L H Jayasinghe
P S R Casie Chitty

**Corporate Management**
Lakal H.Jayasinghe - Director / General Manager
Arju Vijayarajah - Resident Manager
Gihan Liyanage - Assistant Manager
M I Shahabdeen - Group Financial Controller
Manil Galagoda - Group Engineer
Ravi Fernando - Group Accountant
Nelson Mayadunnage - Financial Controller
Hareez Jameel - Senior Accountant

**Management Team**
Lakal H.Jayasinghe - Director/General Manager
Arju Vijayarajah - Resident Manager
Gihan Liyanage - Assistant Manager
Nelson Mayadunnage - Financial Controller
Menaka Fernado - Chief Accountant
Hareez Jameel - Senior Accountant
K K Pradeep Krishantha - Executive Chef
B S S Bangsajayah - Food & Beverage Manager
Praboth Jayaweera - Credit Manager
Chaturanga Hettiarachchi - Front Office Manager
Kalpitha Dias - Housekeeper
S Lalith Kumara - Maintenance Engineer
Priyanka Liyanage - Cluster Cost Controller
Gayan Liyanage - Human Resources Manager

Concept & Designed by
Copyline
a great equation

Tangerine Beach Hotel

TANGERINE BEACH HOTELS PLC