



GRAND HOTEL
ESTABLISHED 1891

The Nuwara Eliya Hotels Co. PLC

Annual Report
2022/2023

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Financial Highlights

Year at a Glance

Results of the year	Company			Group		
	2022/23	2021/22	% Change	2022/23	2021/22	% Change
Gross Revenue (Rs. '000)	883,608	559,330	58%	995,527	645,547	54%
Cost of Sales (Rs. '000)	(271,273)	(147,481)	84%	(292,632)	(160,157)	83%
Operating Profit before Interest & tax (Rs. '000)	(113,838)	(60,387)	89%	(121,343)	(58,357)	108%
Finance Income (Rs. '000)	245,990	77,583	217%	270,524	88,155	207%
Finance Expense (Rs. '000)	(1,721)	(1,112)	55%	(2,410)	(1,858)	30%
Profit / (Loss) before tax (Rs. '000)	130,431	16,084	711%	146,771	27,940	425%
Income tax expense (Rs. '000)	(64,044)	(12,798)	400%	(72,634)	(18,212)	299%
Profit / (Loss) after tax (Rs. '000)	66,386	3,285	1921%	74,137	9,728	662%
Profit / (Loss) attributable to shareholders (Rs. '000)	66,386	3,285	1921%	74,137	9,728	662%
Dividend paid (Rs. '000)	-	-	-	-	-	-

Financial Position at the end of the year

Shareholder's funds (Stated Capital & Reserves) (Rs. '000)	4,463,718	4,777,333	-7%	4,812,370	5,118,001	-6%
Number of shares in issue	2,186,040	2,186,040	0%	2,186,040	2,186,040	0%
Total Assets (Rs. '000)	5,503,263	5,369,243	2%	5,942,679	5,796,825	3%
Total Debt (Rs. '000)	15,998	20,000	-20%	28,797	36,000	-20%
Cash & Cash Equivalents (Rs. '000)	(4,086)	21,701	-119%	12,238	33,084	-63%

Ratios

Return on shareholders' funds (%)	1.49	0.07	2028%	1.54	0.19	711%
Return on total assets (%)	1.21	0.06	1916%	1.25	0.17	635%
Year on year EPS Growth (%)	1,925	103	1768%	794	107	642%
Interest Cover (Times)	(66)	(54)	22%	(50)	(31)	60%
Equity : Assets (%)	81	89	-9%	81	88	-8%
Current Ratio (Times)	8.8	8.41	5%	8.4	8.8	-5%
Debt/Equity (Long Term Debt/ Shareholders Funds) (%)	0.36	0.42	-14%	0.60	0.70	-15%
Debt/Total Assets (Long Term Debt/ Total Assets) (%)	0.29	0.37	-22%	0.48	0.62	-22%
Dividend cover (Times)	-	-	-	-	-	-
Dividend Yield (%)	-	-	-	-	-	-
Dividend pay-out ratio (%)	-	-	-	-	-	-

Investors

Earnings per share (Rs.)	30.37	1.50	1925%	33.00	3.69	794%
Dividend per share (Rs.)	-	-	-	-	-	-
Net assets per share (Rs.)	2,042	2,185	-7%	2,109	2,248	-6%

Market Shareholder Information

Market price per share as at 31st March (Rs)	1,490	1,100	35%	1,490	1,100	35%
Market Capitalization (Rs. '000)	350,475	258,740	35%	350,475	258,740	35%
Price Earnings Ratio - Company (Times)	49	733	-93%	45	298	-85%

Chairman's Message

Although the Financial Year began with a gloomy outlook with uncertain political vibe and economic challenges which has a serious impact on commercial enterprises generally in Sri Lanka, the Company has been able to overcome the challenges, stabilized its policies and created the necessary platform to secure good future.

The Board of Directors reflect with pride in what our teams delivered and how we drove our recovery, amidst this crisis in the general business environment. We have a very keen awareness of the ongoing external challenges that continue to face the business and wider sector, and the strength of our teams and senior leadership has been the backbone of our ability to bounce back after difficult periods. Our team members have continued to work sensibly and extremely hard to encounter the fluctuating and volatile circumstances, ensuring the longer-term success of the business. I have great gratitude for everything that they continue to do.

Notwithstanding the setbacks in domestic economy, people continue to prioritize travel and experiences, with consumer surveys indicating travel to be among the most resilient of discretionary spending areas, even with inflationary pressure. Leisure has led the way, with business travel and group activity improving steadily. Across our major markets, demand returned quickly with the lifting of Covid-19 restrictions, and we saw strong average daily rate growth as the year progressed. The notable exchange rate depreciation and tourism promotion campaigns also helped position Sri Lanka as an attractive destination for travel. The tourist arrivals recorded a significant increase during 2022 to 719,978 guests, from 194,495 guests in 2021, showing a lot of potential for further improvement. The Nuwara Eliya Hotels group recorded a revenue of Rs 995.5 million against the previous year Rs. 645.5 m, with an

impressive increase of 54% along with an increase in the group profit after tax to Rs. 74.1 million from Rs. 9.7 million respectively, despite the turbulent environment.

The recipe for success in gaining the trust of our guests has been the strong focus on commercial initiatives and continuing to deliver the high level of service that characterizes the Grand Hotel. We have also become more flexible and efficient in the way we are organized and how we adopt staffing to cater our guest requirements. I can affirm that our company is in many ways remain a stronger company today than before the economic crisis and this gives us an immense confidence to develop the company, way forward.

On behalf of the Board of Directors I would like to thank our management team, who carried the company through the obstacles with their positivity and diligence. My heartfelt gratitude goes to all of our employees, for the continued valiant efforts to keep our hotels operating at the highest standards. Whether you work at the front desk or behind-the-scenes, your contribution towards value chain ensures our hotels are outstanding, for which, we are most grateful.



J.H.P. Ratnayake
25th August 2023

Deputy Chairman's Review

I write this year's annual statement with a lot of pride in what our teams delivered and how we drove our recovery in a challenging situation. We have a very keen awareness of the ongoing external challenges that continue to affect the business and wider sector. However, the strength of our teams and senior leadership remains the backbone of The Nuwara Eliya Hotels Company PLC's ability to bounce back, which I acknowledge with humble pride and utmost gratitude.

The Nuwara Eliya Hotels Company PLC has achieved significant recoveries across its key markets over the course of the last year, whenever and wherever the prevalent restrictions were lifted, due to this resilience and the strength of the Group's business model and customer proposition. It was clear that there had been significant pent-up demand for both leisure and, increasingly, business related travel over the last two years, and our well-invested in hotels and appealing brands welcomed visitors back in their paths as soon as it was conducive and safe. I am very proud of our post pandemic recovery, which has continued unabated, and in spite of the onset of a number of new external challenges that have arisen over recent months.

Operational sustainability has continued to be an area of focus over the last 12 months. We have closely balanced the hotel re-opening after the pandemic based on demand and growth forecasts, so that the hotels could be reopened at the right time, with requisite operational management and cost optimization initiatives. An intense focus was made on the group's financial stability through optimization strategies, such as postponing capital-intensive refurbishments, curtailing expenditure and optimization of revenue, which were carefully implemented and monitored, with a view to resuming our regular activities at the earliest opportunity.

Sri Lanka Economy

The Sri Lankan economy faced its most onerous year in its post-independence history in 2022, resulting in severe economic hardships that led to both public anxiety and political upheaval. The impoverished conditions in the economy warranted immediate and coordinated policy initiatives by the Government and the Central Bank to preempt a further escalation of the situation. Although the corrective measures affected the vast citizenry in the near term, they were seen to be necessary to safeguard the economy and economic agents from potentially devastating consequences of unrestrained economic instability, such as hyperinflation, collapse of economic activity to a much deeper level, and completely disconnect the country from the rest of the world, with far worse consequences to the people and businesses. The outcomes of these efforts have eventuated since late 2022.

The country managed to transition to a workable equilibrium in the near term, focused on restoring socio-economic stability, while the envisaged assistance from the international financial institutions begins to materialize, subsequent to the initiatives by the in early 2022 to seek assistance from the International Monetary Fund after months of indecisiveness.

Sri Lanka Tourism

Earnings from tourism in 2022 recorded a significant increase of 124.2 per cent compared to 2021, securing US dollars 1,136 million, compared to US dollars 507 million in 2021. The tourist arrivals recorded a significant increase during 2022 with 719,978 tourists, from 194,495 in 2021.

Sri Lanka's tourism needs to explore fresh niche markets and engage strong marketing campaigns to take advantage of the thriving global tourism industry. Several policy initiatives and various

“These exceptional results would not have been possible without commitment, professionalism and teamwork, as well as the resilience and ability of our team of high caliber artists to adopt into an adverse industry and economic situation”

promotional programs were carried out by Sri Lanka Tourism development authority, by publishing a Strategic Plan for Sri Lanka Tourism 2022-2025 in April 2022, identifying issues, opportunities and actions proposed, in order to set an agenda for the recovery and future resilience of the tourism sector. In support of easing the arrival procedure, Sri Lanka resumed the visa-on-arrival facility for international travelers in January 2022 for most countries.

Several measures were taken by Sri Lanka tourism development authority to address hardships faced by various tourism service providers amidst the pandemic and the economic crisis, such as extending the validity period of all types of tourist guide licenses, waiving off the annual registration fee of all tourist establishments and individuals listed under the Sri Lanka tourism development authority.

Deputy Chairman's Review contd.

The financial performance of the Group

The Financial performance of the group improved despite of the economic situation in the country. However, we could not get the maximum benefit of the US dollar appreciation against our currency, as mainly the tourist influx into the country was not impressive, while due the local hoteliers were handicapped with prolonged crisis and depleted resources to impress inbound travel partners for better terms and volumes.

Revenue increased by 54% from Rs 645.5 million in 2022/23 to Rs. 995.5 million during previous year. Our Cost of Sales increased from Rs 160.1 million to Rs 292.6 million compared to last year and our Gross Profit margins have increased by 4.60 % which has affected our profitability. Our profits increased from Rs. 9.7 million to Rs 74.1 million during 2022/23, while an increase of 4% was noted in occupancy with 25 % in 2022/23 as against last year's 21%.

Mitigating new external challenges:

Over the last year, a variety of new and emerging macro pressures – both economic and geo-political – have become dominant issues for business, including ours. These have had clear and significant impacts on the supply chain, inflation and the labour markets, among other areas. The last few years have shown how resilient the business is to external pressures through swift adaptation.

We remain confident in the fundamental resilience of our business model and strategy, and our leading proposition. The Company's ability to weather future challenges, including the possible onset of economic downturns and recessions which are predicted across some of our key markets in coming months and potentially years, remains tried and tested.

Ongoing investment in technologies

A move to embed greater digitalization and increased automation is progressing at the hotel, to support an improved guest experience and drive efficiencies. This is a trend which accelerated during the pandemic, as operators needed to work faster to evolve the ways in which they interacted with customers. We know that technology plays a huge part in our guests' overall experience, and we have continued to invest in this area and adapt the ways in which we engage with our guests.

Refurbishments

After the pandemic, the Grand Coffee bar was given a new face lift to present it as a modern café, which was completed by December 2022 and rebranded it as the Grand Café. This has become very popular among the visitors. These detailed operations and initiatives are reported in the management & discussions analysis.

Awards

As usual, at the April Blooms 2022 competition conducted by the Nuwara Eliya Municipal Council, the Grand Hotel achieved several accolades: In total, the hotel won 107 prizes in various categories during the competition, showcasing its exceptional commitment to floral and garden aesthetics.

The Grand Hotel received a merit at the National Presidential Environment Award 2021/22 organized by the Central Environment Authority. This recognition highlights the hotel's efforts and contributions to environmental sustainability and preservation.

Certifications

ISO 9001:2015 – Quality Management System: The Grand Hotel obtained accreditation for the ISO 9001:2015 Quality Management Systems. This certification signifies the hotel's dedication to consistently delivering products and services that meet customers' and regulatory requirements. The certification was received in December 2021 following a rigorous audit and document verification process.

Grand Hotel was certified with the ISO 14001:2015 May 2022 without a single noncompliance reports due to the stringent environmental management systems we have adopted proving our conscious effort to mitigate negative impacts to the environment.

Governance & Ethics

Hospitality is committed to good governance, which we view as an enabler of value creation. We strive to conduct our business in an ethical, responsible and transparent manner. Our governance framework supports value creation throughout our business, and aligns with the 2017 governance code outcomes, namely ensuring an ethical culture, effective control, good performance and legitimacy. Our relationships with our employees, shareholders and business partners are built on principles of trust, honesty and fairness. We have a zero-tolerance policy on any form of bribery and corruption, and our governance processes are regularly reviewed and aligned to reflect changes in the regulatory and business environment.

Learning and Development

The heart of our people development and talent management strategy is Learning and Development. As part of our 5-year strategic plan, this is a key pillar to create a highly productive learning environment, as learning serves as a key enabler to keep team members engaged and focused, particularly during difficult times. It also works to bring leaders closer to team members and develop a continuous learning culture via networking initiatives and enhanced learning offerings.

Therefore, our dedication to individual development and creating a strong performance culture plays a major role in facilitating career growth at all levels of our organization.

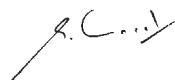
Current operations and future outlook

Our room rate focused strategy has continued to deliver into 2023, with average room rates for all guest segments exceeding pre-pandemic levels. The forward booking pace continues to be solid, and we are not seeing consumer price resistance or cooling of leisure demand. Demand for business travel and meetings and events is continuing to grow. As previously commented, the widely reported inflationary pressures are likely to impact the Company's margins, albeit modestly due to the offset by room rate increases.

Acknowledgment

I would like to thank our associates for their hard work and commitment in navigating through the last few challenging years and in helping the company achieve our record 2023 financial results. Our associates continue to show a tremendous amount of resilience and dedication in taking care of the company, our guests and each other, and demonstrating their commitment to service excellence.

To conclude, we are very optimistic about the future of travel. Leisure rates remain well above 2019 levels, and as of mid-February, total group revenue pace for 2023 is down only slightly to the same-time in 2019 and business transient demand continues to improve. We are extremely proud of the results we achieved in 2022, and we are confident that the quality of our portfolio, our ability to reinvest in our assets, and our strong balance sheet leave us very well-positioned to create significant long-term value for our stockholders.



Gerard G. Ondaatjie
Deputy Chairman

25th August 2023

Management Discussion and Analysis

Preserving the Past, Inspiring the Future: A Journey through Authenticity

The hospitality industry in the year under review continued to evolve and adapt to the changing needs and preferences of travelers where Personalization remained a key focus and hotels leveraged technology to gather guest data and preferences, allowing them to provide tailored experiences and services. From personalized room settings and amenities to customized recommendations for local experiences, hotels strived to create unique and memorable stays for their guests.

Another aspect was the integration of technology which continued to revolutionize the hospitality industry, while on the other hand as environmental concerns grew, sustainability became a significant focus. Hotels implemented eco-friendly practices, such as energy-efficient lighting, water conservation measures, waste management, and locally sourced organic food options. Many travelers prioritized eco-friendly accommodations, and hotels are responding by adopting green initiatives.

The wellness trend continued to gain momentum. Hotels incorporated dedicated wellness spaces, such as fitness centers, yoga studios, and spa facilities, to cater to health-conscious travelers. Additionally, there was a growing emphasis on healthy dining options, mindfulness programs, and activities that promoted relaxation and rejuvenation.

With the rise of remote work and digital nomads, hotels also integrated co-working spaces within their premises. These spaces offered a productive environment with high-speed internet, comfortable workstations, and meeting facilities, catering to guests who needed a place to work while traveling. This

trend blurred the lines between work and leisure, making hotels more attractive to business travelers and remote workers.

The COVID-19 pandemic accelerated the adoption of contactless services in the hospitality industry. Guests now expect minimal physical contact and increased hygiene measures. Hotels have implemented many automations to minimize contact and ensure a safer experience for guests.

Travelers today seek authentic local experiences, and hotels have responded by offering unique activities and immersive cultural experiences. These include curated local tours, cooking classes, art workshops, and collaborations with local artisans and businesses. Hotels are aiming to provide guests with a deeper connection to the local culture, enhancing their overall travel experience.

These are just a few trends that shaped the hospitality industry in 2022/2023. The industry is constantly evolving, and new innovations and trends will continue to emerge as guest preferences evolve.

Keeping abreast with the emerging trends Grand Hotel has cruised through the year under review contributing significantly in all aspects of performance

Grand Hotel – Trendsetter

It has never been a question, but accepted with delight that in every experience that is given to the guests, the Grand Hotel creates a norm that other Hotels love to follow and adopt.

First Hotel in Sri Lanka to be certified with the “Heritage Grand” Classification by SLTDA

The Grand Hotel’s classification as a heritage hotel indeed brings numerous benefits and advantages. By being the first hotel in Sri Lanka to meet the stringent

criteria set by the Sri Lanka Tourism Development Authority (SLTDA) and receive the heritage hotel certification, it established itself as a distinguished property with historical significance. This recognition sets it apart from other hotels in the country and adds prestige to its brand.

One of the key advantages of being classified as a heritage hotel is the unique experience it offers to guests in terms of the rich history, period architecture, and traditional décor. Travelers who seek authentic and immersive experiences will be drawn to the Grand Hotel, as it provides them with a glimpse into the hotels’ heritage. The historical significance and cultural heritage can also generate increased visibility, media coverage, and positive word-of-mouth recommendations. Furthermore, operating as a heritage hotel demonstrates the Grand Hotel’s commitment to the preservation and conservation of historical buildings and properties. This commitment to preservation can resonate with environmentally and culturally conscious travelers, attracting them to choose the Grand Hotel for their stay. The potential to attract higher-paying guests, including luxury travelers and heritage tourism enthusiasts is great as these guests are often willing to spend more on accommodations that offer exceptional experiences and a sense of cultural immersion. As a result, the hotel may experience an increase in revenue per room and overall profitability.

Grand Coffee Bar upscaled to Grand Café

Moving from Grand Coffee Bar to the Grand Café, is not only a mere name change with the refurbishment that took place over a couple of five months but a complete transition and makeover of both hardware and software upscaling. The Grand Café provides an elevated and memorable coffee experience, focusing

on exceptional coffee quality, expert craftsmanship, and an atmosphere that caters to customers seeking a refined and luxurious environment.

The Grand Café serves specialty coffees made from carefully selected beans and offer a variety of brewing methods, such as pour-over, French press, espresso, and cold brew, to cater to different preferences. We have employed highly skilled and knowledgeable baristas who are trained in various brewing techniques, latte art, and coffee tasting. The interior design of the Grand Café characterized by a stylish and sophisticated ambiance. The well-thought-out layout encourages relaxation and socialization. Attention to detail is paramount, with elements like mood lighting, tasteful artwork, and premium materials creating an inviting atmosphere.

To complement the coffee offerings, gourmet food items such as pastries, artisanal sandwiches, small plates, and desserts are served to enhance the coffee experience.

What's more we offer retail sections where customers can purchase coffee beans, homemade jams, chutneys, sweets.

Financial Perspective

Revenue Growth: The company experienced a significant revenue growth of 58%, reaching Rs 884 million compared to Rs 559 million in the previous year. This growth can be attributed to increased occupancy levels, supported by both domestic travel and the recovery of international tourist arrivals in the latter part of 2022.

Factors Driving Revenue Growth: The company offered special packages to attract tourists seeking affordable and value-for-money options, which contributed to the increase in occupancy levels. Domestic tourism also played

a role in improving occupancy levels, accounting for 70% of guest nights, although at a lower price point.

Gross Profit Percentage: Despite the challenging operating conditions, the company maintained a healthy gross profit percentage of 69%. This indicates effective management of cost of sales, which helped preserve profitability.

Total Overhead Costs: Overhead costs increased from Rs 374 million to Rs 628 million compared to the previous year. This increase was primarily due to import restrictions leading to product scarcity, resulting in higher prices for items. Additionally, higher foreign currency exchange rates and increased inflation in the country contributed to the rise in overhead costs.

Changes in Taxation: The company faced several adverse effects on profitability due to changes in taxation. The corporate income tax rate increased from 14% to 30% starting from October 2022. Also, this tax rate hike negatively affected for the differed tax expense also and company had to provide a higher differed tax liability in the statement of financial position. Further, the introduction of new social security contribution levy also negatively resulted for the bottom line. Value-added tax (VAT) also increased to 15% from 0% during the year. These tax changes impacted negatively on the company's profitability.

Financial Position: Company is continually maintaining their healthy working capital management strategies and the leverage position during the current year also. The net asset value of the company was marginally reduced with the differed tax impact on the revaluation reserve.

In summary, despite the challenging economic conditions, the company achieved impressive revenue growth by

increasing occupancy levels and attracting domestic and international tourists. However, overhead costs increased significantly due to import restrictions, higher prices, foreign currency rates, and inflation. Additionally, the company's profitability was affected by changes in corporate income tax, SSCL and VAT. However due to the healthy financial position and the increase of market interest rates, company managed to gain a higher interest income during the year resulting a higher net profit compared to previous year.

Guest Experience Perspective

During the year 2022/23, the hotel achieved a year-round occupancy rate of 25%, with a total of 13,929 guest arrivals. The majority of the guests were locals traveling and it was only during the latter part of the year that the foreign travel market started performing.

Several enhancements were done and initiatives taken to elevate the guest experience and create a positive first impression. One notable improvement was the introduction of digital welcome and departure letters. These personalized letters provided comprehensive information about the hotel and any ongoing promotions, ensuring guests felt well-informed and welcomed throughout their stay.

We also revamped the guest journey by incorporating new standards and value additions. The goal was to create a seamless and memorable experience for every guest, from check-in to check-out. This involved streamlining processes, improving efficiency, and enhancing the overall guest experience.

In collaboration with Border Lands Company, we introduced white water rafting as a new outdoor activity in our Grand Outdoors section. This addition provided an adventurous option for guests

Management Discussion and Analysis contd.

seeking an adrenaline-filled experience amidst the natural beauty of Nuwara Eliya. By offering unique and thrilling experiences, we aimed to exceed guest expectations and create memorable moments.

To enhance guest convenience, we implemented additional services such as express check-in, early check-in, and late checkout (subject to availability), as well as pre-registration facilities. These initiatives were designed to provide a hassle-free and flexible experience for our valued guests, accommodating their individual needs and preferences.

Maintaining a high level of service excellence was a priority for us, and as such, our front office staff underwent continuous training programs. These training sessions enabled our team to stay updated with the latest industry trends, enhance their skills, and deliver exceptional service consistently. By investing in our staff's development, we ensured that they were well equipped to meet the evolving needs and expectations of our guests.

Overall, the Front Office Department worked diligently in the year 2022/2023 to enhance the guest experience, provide exceptional customer service, and create a lasting positive impression. These initiatives, from digital welcome letters to new activities and improved services, were implemented with the aim of exceeding guest expectations and ensuring their satisfaction throughout their stay at our hotel.

Online Reputation Perspective

Looking back on our online reports for the year 2022/23, The Grand Hotel Nuwara Eliya achieved remarkable success and recognition. The Hotel received the prestigious 2022 Traveler's Choice Tripadvisor Award, reaffirming our commitment to exceptional hospitality.

Additionally, the Hotel's food outlets were honored with six prestigious awards, showcasing our dedication to providing outstanding culinary experiences and we have successfully maintained all the OTA review ratings above 8.0, reflecting our commitment to providing exceptional guest experiences.

Furthermore, we have recently updated all our online platforms with our new photo albums, ensuring that our potential guests have access to the most captivating visuals of our property.

Our social media presence played a vital role in our success. We maintained an active and engaging presence across all social media channels, with a special focus on TikTok. Our social media engagement surpassed our targets, indicating the strong connection we established with our online community. We utilized these platforms to share our activities, events, and promotions, effectively raising awareness about our hotel and its offerings.

To further enhance guest communication, we introduced our monthly newsletter. This initiative enabled us to keep our valued guests informed about the latest updates, special offers, and happenings at the hotel. Additionally, we have been consistently reaching out to our customer database through weekly text messages, ensuring they are informed about our newest offers and activities.

These efforts have contributed significantly to our operational success and strengthened our brand presence. We remain committed to delivering exceptional experiences and maintaining our strong position in the hospitality industry.

Accommodation Experience Perspective

In a measure to enhance the guest experience, 22 rooms were re-designed that provided a comfortable and welcoming environment. Attention to details such as furniture, lighting, color schemes, and room layout were recreated to offer a more relaxing and pleasant atmosphere, leading to higher guest satisfaction and positive reviews. Further, 20 rooms were fixed with door beadings in order to reduce noise level in the room creating a more comfortable stay. An attractive tastefully designed "Do Not Disturb" boards were done in brass to keep with the ambience of the hotel. Moving further to enhance the comfort of the guests in their accommodations, the Tea Trays in all the rooms were changed to leather trays while new crockery and was introduced for the tea/coffee making facility in the rooms.

Efforts to make the rooms more well-appointed the bedside table radio consoles changed into wall mounted consoles in 06 rooms which would be done to other rooms in the future too. Trendy hair dryers were replaced in 30 rooms along with jug kettles in our pursuit to provide an enhanced experience.

The Hotel conducted a Signage audit and thereafter standardized the signages. By standardizing all signage in the hotel, we created a cohesive and professional visual identity that improved the guest experience and facilitated navigation throughout the premises.

The proud legacy of the Grand Hotel has enormous untold stories that the present generation and future generations should read and cherish. As the first initiative 05 most significant "Untold Stories" were displayed in the respective areas for guests to read

In a step to practice sustainability, measures were taken to replace fresh flowers with fresh plants in all guest areas whereby we were able to create a longer lasting and sustainable greenery that adds a touch of nature to the hotel's ambiance. Plants also offered additional benefits, such as improved air quality and an eco-friendlier approach to decor.

As one enters the hotel lobby, a warm and inviting atmosphere would embrace the guests as the soft glow of flickering candlelight fills the air, casting dancing shadows across the room. The lighting is dimmed, with strategically placed candles on elegant candle holders, illuminating the area with a soft, golden glow. The flickering flames create a mesmerizing play of light and shadows, casting a warm and comforting aura.

Remember to prioritize safety when using open flames. Ensure that candles are placed securely and away from flammable materials. Consider using flameless LED candles as a safer alternative if necessary.

The Hotel in its endeavor to always create fun and excitement for their guests had an eventful Halloween Night in a mega scale and also brought in some new costumes for Christmas which had a positive impact on guests by fostering excitement, encouraging interaction, inspiring creativity, and enhancing the overall atmosphere of the event.

Dining Offering Perspective

In the year under review, the total contribution made from food and beverage to the total revenue stood at an average of 68%. Thus significant emphasis was placed towards the increase in this area of operation.

After the lock down and back in operation in full strength after nearly two years, the hotel focused and streamlined to upgrade the menus in all the Food and Beverage

Outlets resulting in improved customer experience, increased sales, and a more visually appealing presentation of our offerings.

With the Covid pandemic, almost everything becoming remote and digital, the Hotel too introduced interactive Digital Menus by replacing traditional paper menus where guests browsed through the menu on tablets or touchscreens at their table. This allowed for dynamic updates, vivid food images, detailed descriptions, and the ability to customize orders enhancing the guest experience to the next level.

Going more with the British tradition, the Hotel introduced a Sunday Carvery and the Chef's Block that was embraced by guests who sought variety and delicacy in the selection of food. Another remarkable addition was the Alinea Chicago Dessert, the first of a kind experience in Sri Lanka, allowing guests to savor a range of flavors and textures on a table tope which provided the opportunity to showcase the chef's creativity and skills.

Developed signature menus that represented the unique identity and style of the Grand Hotel taking into consideration the cooking tips from Umandawa. The guests were enthralled to savor the varied color hopppers to string hopppers, jak fruit kottu and juices made with Nil Katarolu and Ambrella to name a few which provide health benefits as well. An opportunity that was created to bring about a fusion of flavors, creating menus that embodied our hotels' brand as offering iconic dishes that guests can associate with Grand Hotel and giving them a memorable experience.

Further developing on the Health-Conscious Menus in order to cater to health-conscious guests who looked for nutritious and well-balanced options was well received.

Overall, with the re-designing of the menus, all outlet menus Included the calorie counts, vegan, vegetarian and non-vegetarian differentiations as well as whether it was gluten-free low in sugar, etc which has appealed to guests who prioritize healthy eating and made it more hassle free to the guests when orders are placed.

With heavy import restriction laid down by the government, curtailing and crippling many ingredients as well as food products which were product from overseas pushed the hotel towards experimenting and turning out products locally as well as introducing homemade products as an alternative to imported goods. This was a great way to minimize reliance on foreign products and support local industries. introducing homemade products required dedication, passion, and a commitment to quality and our culinary team painstakingly took up the challenge and have presented a range of items not substantiating the quality that are now laid in our buffets and ala carte offerings which were earlier sourced from overseas.

Moving to the Beverage offerings, the hotel introduced health and wellness drinks which include locally sourced fresh-pressed juices, smoothies, herbal infusions, and detox water options.

The Hotel developed its own signature cocktail menus to provide unique and memorable experiences for guests. These cocktails often reflected the hotel's brand identity, local ingredients, and cultural influences.

Environmentally conscious practices have become a significant consideration in the beverage industry and so at our hotel and have incorporated sustainable practices such as using locally sourced ingredients, biodegradable straws and cups, and promoting ethical sourcing of coffee and

Management Discussion and Analysis contd.

tea, using of preserved, dried fruits for garnishing etc.

Our Bar Manager and Mixologist talented to have interactive and DIY Stations at our Public Bar to allow guests to customize their drinks, he further had the ability to create some innovative masterpieces for key personalities based on the drinks of their preference.

Beverage-focused events, workshops, and tastings were organized to educate the team and even the guests about the origins, production methods, and flavor profiles of various drinks. These experiences allowed guests and the team to expand their knowledge and appreciation of beverages.

Sustainability Perspective

Today, many travelers are increasingly conscious of their environmental impact and prefer to stay in environmentally responsible accommodations. Taking conscious note in this context over the years, Grand Hotel has implemented sustainability practices which attract eco-conscious guests who prioritize hotels that demonstrate a commitment to sustainability. Being re-certified with the Travelife Gold for sustainable accommodation sector is a significant accomplishment. Travelife is a globally recognized institution, which strongly advocates on stringent Sustainability practices and by being recertified it paves the way to meeting the expectations of environmentally aware travelers, enhanced the hotels reputation, as well as increased guest satisfaction, and generated repeat business.

Sustainability practices often lead to cost savings in the long run and thus the Hotel further reinforced the implementation of energy-efficient lighting, heating, and sourcing of equipment that are energy efficient etc. has contributed towards the reduction of energy consumption although

it has not contributed towards lowering of utility bills due to the excessive price hike. Water-saving measures such as installing low-flow fixtures and implementing linen reuse programs also resulted in substantial water saving. Waste reduction and recycling initiatives were carried as usual that helped the hotel to reduce waste management costs and presently our land fill is less than 1%

Grand Hotel Nuwara Eliya was certified with ISO 14001:2015, without any Non-Conformity (NCR) not even a minor one which demonstrated the Hotel's commitment to environmental management and sustainability. By implementing an environmental management system, we have enhanced our environmental performance and contributed to the environmental pillar of sustainability. This certification helped us to achieve the intended outcomes of the environmental management system, providing value not only for the environment but also for the hotel itself and its interested parties and stakeholders. It's impressive that with this implementation it has resulted in financial benefits as well, showcasing the positive impact of sustainable operations.

Additionally, the Hotel was also recertified with ISO 22000. During the year, numerous trainings for food handlers were conducted to show the Hotel's commitment to food safety and the continuous improvement of food quality. By prioritizing these aspects, we ensured the well-being and satisfaction of our guests.

The Hotel also received a merit at the Presidential Environment Award 2021/2022, which further ratified the dedication to environmental excellence. It is a prestigious recognition and a testament to our efforts in creating a sustainable environment.

The Hotel played a significant role in the local community in which we operated by embracing sustainability practices. The hotel contributed to the well-being and development of its community by engaging in local sourcing of food and products, supporting local artisans, and collaborating with community organizations for environmental initiatives which fostered positive relationships and enhanced the hotel's reputation as a responsible and caring neighbor.

The sustainability practices adopted have had a positive impact on employee engagement and morale. It is evident that Employees often took pride in working for Grand Hotel which is recognized as an environmentally responsible organization. Staff are involved in the sustainability initiatives, including shramadana programs, and attended training on sustainable practices, and recognizing and rewarding eco-friendly behaviors can create a sense of purpose and pride among employees, leading to increased job satisfaction and loyalty.

Employee Satisfaction Perspective

At, the Grand Hotel Nuwara Eliya, employee satisfaction and retention are prioritized through various initiatives and benefits. In addition to fostering a good workplace culture, providing training and growth opportunities, and maintaining a pleasant work environment, the hotel's Learning & Development Arm plays a vital role in enhancing employee skills and career prospects. By creating a learning culture that is consistent and continuously evolving, the hotel ensures that employees at all levels have the necessary skills to perform confidently and independently.

The Learning & Development Arm conducts extensive training programs covering technical, customer care, soft skills development, cost management, sustainability, individual development, and more. These programs are primarily facilitated by internal resources,

supplemented by external trainers when required. The training initiatives help strengthen employees' workplace skills, identify areas for improvement, and foster a knowledgeable and capable workforce.

As of the end of the financial year, the total team strength of the hotel stood at 396 members, with a commendable increase in female staff, accounting for 17.17% of the total staff cadre. However, due to the economic crisis and inflation rate at a high level, the turnover was significant compared with the previous years. Nevertheless, the hotel remains committed to promoting and encouraging local talent, with 220 employees hired from nearby communities within a 30-kilometer radius which accounts for 55.55%. This commitment aligns with the hotel's principles and supports Sustainable Development Goals related to poverty alleviation and sustainable communities.

Overall, the Grand Hotel Nuwara Eliya's focus on employee development and engagement underscores its dedication to providing a fulfilling work experience, supporting local talent, and contributing to the sustainable development of the surrounding communities.

Corporate Social Responsibility Perspective

The Grand Hotel has demonstrated a strong commitment to corporate social responsibility (CSR), environmental conservation, and sustainability. Despite no significant changes in material concerns compared to the previous year, the hotel has made progress in terms of ethical principles and methodologies. By engaging with various associations, the hotel has expanded its impact and success within the ecosystem and communities where it operates, focusing on quality, value addition, and visible measures of impact.

One notable initiative undertaken by the hotel was centered around aiding towards better education for children. Recognizing the importance of investing in children for a brighter society, the hotel together with Asriel Holdings Pvt Ltd donated stationary for the entire year along with shoes to 50 children which was valued at Rs.105,000. The hotel was instrumental in organizing many Pizza and other delicacy evenings sponsored by guests for the children of Paynter Home. Another school which was a beneficiary of many stationary, meals and other requirements was the Uda Radella Tamil Vidyalaya.

By aligning CSR activities with the hotel's competencies and strategy, the hotel gains exposure to key stakeholders and impresses groups that can endorse its actions in the future.

Overall, the Grand Hotel has demonstrated a strong commitment to community stewardship, environmental conservation, and sustainability through its various initiatives, partnerships, and engagement with stakeholders.

Support Service Perspective

Mindfulness walking in the serenity of the garden listening to soothing music has been well received by the guests. Our Maintenance team was instrumental in creating a music system that was able to cover the entire garden including walkways. With landscape Integration and strategically placing the speakers throughout the garden ensured even sound distribution. Concealed speakers within the landscape by and integrating them into structures like pergolas and planter boxes helped to maintain the aesthetics of the garden.

With skilled expertise and resources, the Maintenance department carried out several tasks which included the fabrication of stainless-steel tables, cupboards, and racks for the Magnolia kitchen where the hotel ensured on the high-quality standards.

With the commissioning of the Sewage Treatment Plant, the treated water was tested and approved to be used for irrigation purpose by the government approved regulatory bodies and thus is used to water the entire flower garden consisting of more than 04 acres which has helped to conserve the MC supplied water.

Regular inspections and preventive maintenance were carried out in all the Guest rooms which enabled to identify issues early and avoid major repairs, ensuring a pleasant experience for guests and prolonging the lifespan of hotel room assets. So was the preventive maintenance applied to all the hotel equipment, boilers and the STP.

The installation of LP Gas Maximizer units in gas bank areas of hotel improved the safety, whilst it enhanced efficiency, ensured consistent gas supply, optimized appliance performance, aided in regulatory compliance, and supported the environmental sustainability. These benefits made it a worthwhile investment for the hotel.

Management Discussion and Analysis contd.

Achievement Perspective

Grand Hotel received the Travellers Choice Award for 2022 with a rating of 8.0. This award recognizes the hotel's excellence in providing a great experience for travelers.

In the April Blooms 2022 competition conducted by the Nuwara Eliya Municipal Council, the Grand Hotel achieved several accolades:

- Best Flower Garden Commercial Large - 1st Place.
- Best Fences and Hedges Commercial Large - 1st Place.
- Best Lawn Commercial Large - 1st Place.
- Best Collection of Potted Plants - Commercial Large - 1st Place.
- Flower Arrangements Commercial Large Category - 2nd Place.
- Flower Arrangements Commercial Small Category - 1st Place.
- Best Collection of Cut flowers Commercial Large - 1st Place.

In total, the hotel won 107 prizes in various categories during the competition, showcasing its exceptional commitment to floral and garden aesthetics.

The Grand Hotel received a merit at the National Presidential Environment Award 2021/22 organized by the Central Environment Authority. This recognition highlights the hotel's efforts and contributions to environmental sustainability and preservation.

Certifications

ISO 9001:2015 - Quality Management System: The Grand Hotel obtained accreditation for the ISO 9001:2015 Quality Management System. This certification signifies the hotel's dedication to consistently delivering products and services that meet customers' and

regulatory requirements. The certification was received in December 2021 following a rigorous audit and document verification process.

Grand Hotel was certified with the ISO 14001:2015 May 2022 without a single NCR due to the stringent environmental management systems we have adopted proving our conscious effort to mitigate negative impacts to the environment.

These achievements and certifications demonstrate the Grand Hotel's commitment to quality, customer satisfaction, environmental responsibility, and excellence in various aspects of its operations.

Future Perspectives

The Hotel would look more like technological integration as it is imperative that technology will continue to play a significant role in enhancing guest experiences.

With growing environmental consciousness, the hotel will further strengthen its priority for sustainability in their operations. Apart from already practicing initiatives, the hotel would look at encouraging guests also to participate in eco-friendly initiatives during their stay.

Customization will remain a focal point and the hotel will leverage guest data and preferences to offer tailored experiences, from personalized room amenities and curated local recommendations to customized dining options. Advanced guest profiling and data analytics will help the hotel to anticipate and fulfill individual needs and preferences.

To attract travelers seeking memorable experiences, we may need to offer unique and immersive activities. This could

involve collaborations with local artists, cultural immersion programs, hands-on workshops, or themed accommodations. The aim would be to provide guests with authentic and engaging experiences that go beyond traditional hospitality offerings.

Expansion of The MICE market by enhancing the space offerings, customization and flexibility with more advanced event management software, mobile apps, and digital signage systems to streamline event planning, registration, and communication while the hotel has earmarked to have a dedicated Event Planning Team to ensure seamless execution and customer satisfaction.

Our Material Sustainability Issues

Grand Hotel Nuwara Eliya sustainability materiality process helps us report on the issues that matter most to our business and stakeholders.

A sustainability issue is material to Grand Hotel if it meets two conditions. Firstly, if it is considered a principal risk or an element of a principal risk, which could impact our business or performance and secondly, if it is deemed to be important to our key stakeholders, including: guests, customers (including outside visitors for our food and beverage outlets), suppliers & business partners, planet & society (including citizens, NGOs, governments) and our employees.

We use our sustainability materiality assessment to identify priority sustainability issues across our value chain so that we are able to report on the issues of most interest to our stakeholders. We update our assessment periodically to make sure it reflects changes in our business and the external context.

In our most recent sustainability materiality assessment, we identified sustainability issues that are material to both our business and our stakeholders. We have aligned our sustainability materiality assessment with our process for identifying and assessing the principal risks we report in our Annual Report and Accounts. These are the most material sustainability issues to our business and performance at this time and could impact us in the short term or longer term.

Sustainable Sourcing Ensuring the social, environmental and economic sustainability of key agricultural raw ingredients and non-agricultural materials in our supply chain is important for a sustainable business. Due to economic crisis and the global situation, it is difficult to sustain the business with imported sources and actually we consider this as

very positive tend to move our sourcing towards the local sources. Locally our business is sustainable with the existing procurement policy. But maintain the quality aspects and continuous supply is the challenge with the local sourcing.

01. Environmental Issues - Reducing our greenhouse gas emissions and energy use, and mitigating the effects of long-term changes in the climate on our business and value chain. In 2022 we were able to certify as an organization which obtained ISO 14001:2015 Environmental Management System, that show how we can commit to the environment in related to minimize the impact through our operations. Legislations and regulations in related to environment are getting narrowed and of course those implementations and for the betterment of our planet and as a responsible hospitality partner in the country we are always there to act environmentally friendly.

02. Economic Issues - Sometimes unpredictable fluctuations of currency and lack of investment is leading to economic crisis and supply chains are unstable due to that. It will directly affect to our operation and better solution is sustained with local sourcing.

03. Technological Issues - As identified with previous year material sustainability assessment, Grand Hotel Nuwara Eliya has initiated the project to implement an online material control system among all departments which is operational managed by department of finance to mitigate such technological issues. Since we do have scattered outlet and with new development projects, we have increased the number of outlets to ten and maintaining and developing their infrastructure to the standard and with update is a realistic challenge.

04. People and Social Issues - Especially human rights, labor rights and health and safety aspects are very much important when we consider the social issues in related to sustainability. Identifying risks and hazards is done and maintaining our workplace and premises as a safe environment for everyone is a challenge especially with the heritage values and restrictions, we are not allowed to do some modifications to fulfil the requirements of some international and customer requirements in related to safety. Also, recruitment need to enhance from local community and up leveling of female count is a realistic challenge for the organization.

Board of Directors



J H P Ratnayeke - Chairman
Independent Non Executive Director

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

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



G G Ondaatjie - Deputy Chairman
Non Executive Director

Mr. Gerard Ondaatjie was appointed to the Board on 25th November 1996 and was appointed as Deputy Chairman on 02nd July 2018. He has over 25 years' experience in the tourism, financial services and trading sectors. He holds a BSc Degree in Accountancy from the Arizona State University, USA. He is presently the Managing Director of Mercantile Investments and Finance PLC, Chairman of several companies including Fair View Hotel (Pvt) Ltd and Mercantile Fortunes (Pvt) Ltd. 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



A M Ondaatjie
Non -Executive Director

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



T J Ondaatjie
Non - Executive Director

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



L N de S Wijeyeratne
Independent Non-Executive Director

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

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



M K K B Galagoda
Non Executive Director

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



Chevalier S K Abeyesundara KStG
Independent Non-Executive Director

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

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



G H R Fernando
Non Executive Director

Mr. Ravindra Fernando was appointed to the Board on 26th October 2022. He has over 34 years' of experience in the hotel industry. He is an Associate Member of the Association of Financial Accountants (AFA) UK and a Fellow Member of Accounting Technicians of Sri Lanka (FMAAT). A Member of Chartered Securities Institute (UK) (MCSI) Certified Business Accountant (CBA) (CA Sri Lanka). Associate Member of the Chartered Management Institute (CMI) UK. He also holds a Master of Business Administration (MBA) from the University of Lincoln UK and a Master of Applied Finance (M.Sc.) from the University of Sri Jayawardhanapura. He is presently a Director of Security Ceylon (Pvt) Ltd and Fair View Hotel (Pvt) Ltd.

Corporate Management

Suresh Abbas General Manager

Joined Date
1st August 2022

Qualifications
PDP Cornell University 2001/2005,

Experience
With 33+ years of experience in the hospitality industry across three continents, along with conceptual knowledge acquired from one of the prestigious Hospitality Universities in the world, Mr. Suresh Abbas is a skilled Hotel General Manager. He excels in leading high-performance teams, optimizing revenue, profitability, and productivity. With a proven track record of reducing costs and streamlining operations, he thrives in challenging situations and finds innovative solutions. His strategic mindset evaluates risks and opportunities, nurturing business growth. Through strong leadership, he motivates teams to perform their best, while his focus on revenue optimization and cost reduction showcases his business acumen and financial success.

Nazeem Mohamed Resident Manager

Joined Date
10th April 2004
Qualifications
MBA-Tourism and Hotel Management,
CBA, AMA

Experience
A seasoned professional with over 26 years of experience in audit, accounting, finance, hotel operations, and administration of which 24 years dedicated focus on the hospitality industry, he possesses deep expertise and a strong commitment to the sector. Mr. Mohamed's knowledge extends to hotel operations and administration, where he optimizes resources and strategically plans for

revenue management. His broad expertise and adaptability contribute towards the organization to maintain a well-rounded balance in audit, accounting, finance, hotel operations, and administration.

Chinthana Bandara Operations Manager

Joined Date
01st November 2015

Qualifications
CHSGA (Associate Member)

Experience
With over 16 years of successful track record in the hospitality industry has garnered extensive expertise in managing and overseeing the operations of renowned hotels around the world. He has spent the majority of his career working with leading hotels of the world, gaining valuable insights into the highest standards of service and quality. This exposure has equipped him with a comprehensive understanding of the industry's dynamics, enabling him to implement innovative strategies to enhance guest satisfaction and drive profitability.

Kumara Karunarathna Financial Controller

Joined Date
13th January 2023

Qualifications
FCA (SL), ACCA (UK), MBA (UK), BBA fin sp
(COL), SAT (SL)

Experience
With over 15 years of extensive financial experience across leisure, manufacturing, retail, trading and auditing sectors, Mr. Karunarathne began his career at Deloitte Touch Tohmatsu and had worked in diversified conglomerates including John keels holdings PLC. He transitioned to the leisure sector, assuming leadership

roles in financial management, reporting, and strategy. Alongside his corporate background, he possesses over 10 years of lecturing experience as a registered lecturer at CA Sri Lanka. His career exemplifies a diverse finance background and a passion for teaching, establishing him as a well-rounded industry professional.

Riyad Ameen Accountant

Joined Date
01st January 2018

Qualifications
CBA, MAAT

Experience
With more than 20 years financial experience working in audit firms, retail industries and leisure sector, Mr. Riyad has actively participated in audits across various industries, including healthcare, banking and finance, retail, and prestigious hotels in Sri Lanka and the Maldives. With this diverse skill set and depth of knowledge, he is well-equipped to navigate financial operations, provide insights, and contribute to the success of organization.

Corporate Governance

Corporate Governance signifies the way companies are directed and controlled. Good governance is an essential ingredient in corporate success and sustainable economic growth. The Nuwara Eliya Hotels Company PLC continues to be committed to conducting the Company's business ethically and in accordance with high standards of good corporate governance. Covid-19 pandemic, political instability, Economic downturn, foreign exchange, and limitation of basic necessities such as fuel and gas had a major impact for the tourism industry, and this has created a more urged importance of having a good corporate governance.

Along with the leadership and direction of the highest decision-making body, the Board; Company is equipped with a strong structure, processes and diligent practices of Corporate Governance which is imperative to stimulate organizational performance, inspire stakeholder confidence, and risk management thus, creating a stable and robust organizational environment. We intend to commit considerable resources for continuous improvement of our Corporate Governance systems, structures, functions and practices, recognizing our stewardship responsibilities towards the investors, employees, guests and the public at large; facilitating positive relationships between Company's management, its Board, its shareholders and other stakeholders by aligning the interests of different stakeholders, while concentrating on risk management in achievement of the organizational objectives.

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

- Role of the Board of Directors.
- Disclosure and transparency;
- Rights and engagement of the shareholders and other stakeholders.

- Objectives and principles of the Grand Hotel.
- Compliance with national and international laws and regulations.
- Culture.
- Control Environment and Risk Management.
- Integration of Corporate Governance practices with the business activities and strategy.

The Board is the central body of Corporate Governance within the Company and of the Company's Organizational Structure. The Board is appointed by shareholders to oversee the strategy, management and performance of the Company. The Company is compliant with the Code of Best Practices on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka, and the Securities and Exchange Commission of Sri Lanka, as well as the rules on Corporate Governance published by the Colombo Stock Exchange and Global Reporting Initiatives G4 guidelines. This report sets out the Company's Corporate Governance practices and processes for the financial year 2022/23 and the extent of compliance with same.

Governance Framework

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

Governance Structure

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

Assurance

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

Regulatory Framework

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

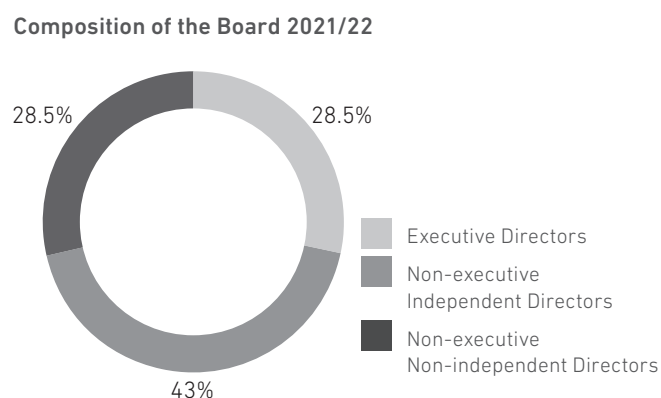
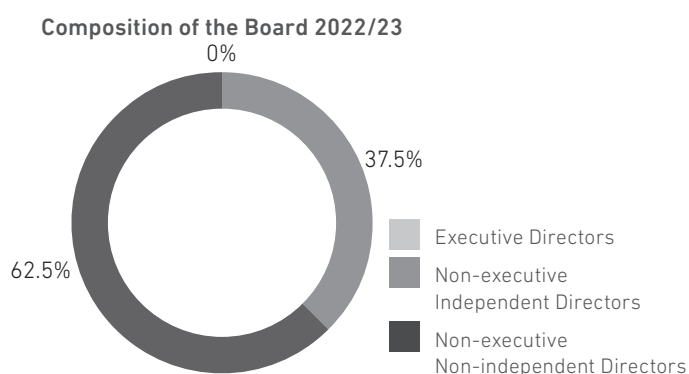
Corporate Governance contd.

Committees

Audit Committee	Remuneration Committee	Nomination Committee	Related Party Transactions Review Committee
<ul style="list-style-type: none"> Reviews and monitors full financial year and interim results; Monitors internal financial controls; Oversees external audit relationship; and Oversees risk management. 	<ul style="list-style-type: none"> Sets remuneration policy; Sets executive director remuneration and incentives; Approves annual performance objectives; and Approves granting of long-term incentives 	<ul style="list-style-type: none"> Reviews structure, size and composition of the board; Makes recommendations for appointments; and Succession planning. 	<ul style="list-style-type: none"> Review Related Party Transactions of the Company; Ensuring the compliance rules and other requirements with regard to the Related Party Transactions; Overseeing existing policies and making recommendations with regard to Related Party Transactions.

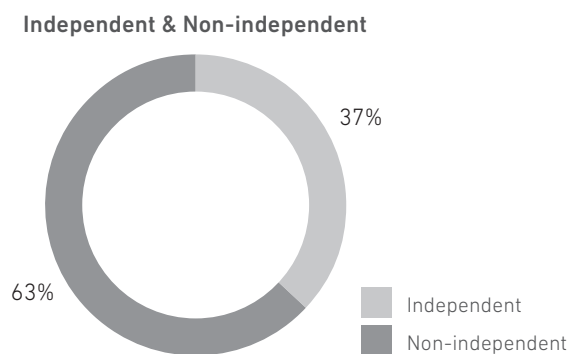
Corporate Governance at a Glance

Composition of the Board



Description	2022/23		2021/22	
Executive Directors	0	0.00%	2	28.50%
Non-executive Independent Directors	3	37.50%	3	43.00%
Non-executive Non-independent Directors	5	62.50%	2	28.50%

No. of Members	Executive	Non-Executive	Independent	Non-Independent	Gender Representation		Age Distribution			
					Male	Female	Below 50	51-60	61-70	Above 70
08	0	08	03	05	07	01	01	03	02	02

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Information	Section	Page Number
Name & Profile	Board of Directors	14-15
Expertise in functional areas	Board of Directors	14-15
Material Business Relationships	A.5.3, A.5.4 & A.5.5	21
Independence of Directors	A.1 & A.5	21
Other directorships	Board of Directors	14-15
Attendance at Board meetings	A.9	20
Sub -committees	Sub - committee Reports	29-38

Corporate Governance contd.

Directors Independence

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

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

Directors' Attendance

Attendance at Board Meetings					
Name of Director	19th May 2022	09th November 2022	8th Feb 2023	Meetings Attended	Percentage Attended
Ms. Angeline Ondaatjie	✓	-	-	1/3	33.33%
Mr. T.J. Ondaatjie	✓	✓	✓	3/3	100%
Mr. Gerard G. Ondaatjie	✓	✓	✓	3/3	100%
Mr. Manil Galagoda	✓	✓	✓	3/3	100%
Mr. J.H.P. Ratnayeke	✓	✓	✓	3/3	100%
Mr. L.N.de.S. Wijeyeratne	✓	-	-	1/3	33.33%
Mr. S.K. Abeyesundara	-	-	-	0/3	0%
Mr. G.H.R. Fernando	***	✓	✓	2/2	100%

*** Mr. G H R Fernando appointed on 26th October 2022

Compliance with CSE's New Listing Rules- Section 7.10, Rules on Corporate Governance

Corporate Governance Principal	Ref. to ICASL code	Ref. to SEC code	Compliance	Compliance Details
Directors (11 Principals)	A			
The Board	A.1	7.10.1(a) / 7.10.2(a)	Compliant	<p>The Nuwara Eliya Hotels Co. PLC is headed by an effective board, which is responsible for the Leadership, Stewardship and Governance of the Company. The Board of Directors comprises of,</p> <ul style="list-style-type: none"> • Three Non-Executive Independent Directors (NED/ID) • Five Non-Executive Non Independent Director (NED/NID)
Independence of Non-Executive Directors	A.5.3, A.5.4 & A.5.5	7.10.2(b) Available with Secretaries 7.10.3 (a),(b) & (c) 7.10.4 (a-h)	Compliant	The presence of Non-executive Independent Directors enables independent judgment. None of the Independent Directors have held executive responsibilities in their capacity as Independent Directors and have submitted a declaration confirming their Independence as at 31st March 2023 in accordance with section 07 of the CSE listing regulations on Corporate Governance. The biographical details of the Directors are set out on page 14 to 15 of this report.
Appointments to the Board	A.7	7.10.3 (d)	Compliant	The Nuwara Eliya Hotels Co. PLC has a formal and transparent procedure for the appointment of Directors to the Board.
Disclosure of information in respect of Directors	A.10	7.10.3.(a)	Compliant	Information in respect of the Independence of Directors is set out on page 19 of the Corporate Governance Report.
Remuneration Committee, its composition and access to professional advice on determining the remuneration of Executive Directors	B.1.1, B.1.2, B.1.3 & B.1.5	7.10.5, 7.10.5(a) & 7.10.5(b)	Compliant	<p>The Nuwara Eliya Hotels Co. PLC has established a formal and transparent procedure for determining the remuneration packages of the Directors, by delegating the responsibility and the authority to a sub-committee of the Board.</p> <p>The Remuneration Committee of the Company consists exclusively of Non-executive Directors as prescribed by the Code of Best Practice, out of which two Directors are Non-executive Independent Directors and a Non-executive Non-independent Director, namely:</p> <p>Mr. J.H.P.Ratnayake - (NED / ID) - Chairman Mr. L.N.D. S Wijeyeratne (NED / ID) Mr. Manil Galagoda (NED /NID)</p> <p>The Financial Controller assists the committee by providing the relevant information and participating in the analysis and deliberations, in addition to the consultations done by the remuneration committee from the Chairman and the Deputy Chairman, on proposals relating to the remuneration of Executive Directors. Further the remuneration committee is provided the access to professional advice on such proposal whenever it is necessary.</p> <p>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.</p>

Corporate Governance contd.

Corporate Governance Principal	Ref. to ICASL code	Ref. to SEC code	Compliance	Compliance Details
Disclosure of Remuneration	B.3	7.10.5(c)	Compliant	The aggregate remuneration paid to Directors is disclosed on page 68 under the note 09 as a part of the financial statements of this report.
Audit Committee	D.3	7.10.6		The Board has established a formal and transparent process of Financial Reporting, Internal Controls, Risk Management and maintaining a proper relationship with the Company's Auditors.
Composition and the Duties of the Audit Committee	D.3.1 & D.3.2	7.10.6(a) , 7.10.6(b) & 7.10.6(c)	Compliant	<p>The Audit Committee comprises exclusively of Non-executive Directors out of whom two are Independent Directors and a Non-independent Director (Engineer).</p> <p>The members of the Audit Committee are as follows:</p> <p>Mr. J.H.P.Ratnayeke -(NED / ID) Chairman</p> <p>Mr. L.N.D. S Wijeyeratne (NED / ID)</p> <p>Mr. M.K.K.K.B Galagoda – (NED/NID)</p> <p>As prescribed in the listing rules of the Colombo Stock Exchange one member of the Audit Committee is member of a professional accounting body. Mr. L.N.D. S Wijeyeratne is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka. The External and Internal Auditors, General Manager and the Financial Controller attend the Audit Committee meetings by invitation.</p> <p>The Audit committee focuses principally in assisting the Board to fulfill its duties by providing an independent and objective view of the financial reporting process, internal controls, risk review and the audit function. The Audit Committee is assisted by the Internal Audit. Internal Controls have been designed to ensure transparency and good governance within the Company. The committee is responsible for the consideration and recommendation of External Auditors. A report of the Audit Committee is given on pages 29 to 32.</p> <p>The Audit Committee met four (4) times during the year according to a predetermined agenda.</p>

Annual Report of the Board of Directors

The Directors have pleasure in submitting their report, together with the Audited Accounts for the financial year ended 31st March 2023.

Review of the year

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

Principal Activity

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

Corporate Governance

The Board of Directors of the Company is responsible for the governance of the company, which include setting out strategic aims, providing leadership and supervising the management. The corporate governance practices of the Company are given on pages 17 to 22.

Internal Controls

The Statement of Corporate Governance and the Statement of Directors Responsibilities on pages 17 to 22 and 28 respectively, give a detailed description of the Company's internal control system.

Risk Management

The Board has established and adhere to a comprehensive risk management framework. The categories of risks faced by the Group are identified, the significance they pose are evaluated and mitigating strategies are adopted. A detailed overview of this process is outlined in the Risk Management report on pages 39 to 42.

Customers

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

Suppliers

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

Employment Policy

The number of permanent and contract employees of the company as at 31st March 2023 are 396 (31st March 2022 – 369), the total remuneration paid during the year by the Company amounted to Rs. 201Mn. (2021/2022 – Rs. 166.8 Mn.) As a socially responsible "Equal Opportunity Employer", the Company's recruitment and employment policies are non-discriminatory. Our employment policies are reviewed periodically by the relevant committees and the Board of Directors.

Environment Policy

The Company is committed to environmental conservation and measures are taken in order to minimize any adverse impact resulting from its operations. An Environmental management system is in place to monitor and control any adverse environmental or social impacts. The Company's environmental and social practices are detailed on pages 06 to 12.

Compliance with laws and regulations

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

Statutory Payments

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

Turnover

The net revenue of the Company and the Group for the year was Rs. 884 Mn (2021/2022 Rs. 559 Mn) and Rs 996 Mn (2021/2022 Rs. 646 Mn) respectively and the Segmental Analysis of revenue is given in Note 06.1 to the Financial Statements.

Annual Report of the Board of Directors contd.

Results for the Year

	Company		Group	
	Millions		Millions	
	2022/23	2021/22	2022/23	2021/22
Profit/(Loss) Before Taxation	130	16	147	28
Taxation	(64)	(13)	(73)	(18)
Profit/(Loss) after tax	66	3	74	10
Balance brought forward from previous year	2,242	2,216	2,236	2,205
Actuarial Gain/(Loss) on defined benefit plan/obligation	6	0	6	0
Income tax rate change effect on retirement benefit obligation	1	-	1	-
Amount available for appropriation	2,315	2,219	2,315	2,213
Transferred to Retained Earnings	55	23	55	23
Dividends paid	-	-	-	-
Retained Profit for the year	2,370	2,242	2,370	2,236

Dividends

The Board of Directors has not declared a dividend for the year ended 31st March 2023.

Capital Expenditure

The total capital expenditure incurred on the acquisition of fixed assets during the year by the Company amounted to Rs. 60.8 Mn (2021/22 - Rs 26.5 Mn) and by Group amounted to Rs. 64.2 Mn (2021/22 - Rs. 27.3 Mn) details of which are given in Notes 14 to the Financial Statements.

Contingent Liabilities

The details of the contingent liabilities are disclosed in the Note 33.2 to the Financial Statements on page 92.

Property Plant & Equipment

The details of property, plant & equipment of the Company are shown in Note 14 to the Financial Statements.

Stated Capital

The Stated Capital of the Company as at 31st March 2023 is Rs. 335,209,740/- (2021/22 - Rs. 335,209,740/-) comprising of 2,186,040 ordinary shares and 5,800 participating cumulative preference shares.

Reserves

The total reserves of the Company as at 31st March 2023 stand at Rs. 1,760 Mn (2021/22 - Rs. 2,200 Mn), comprising Revaluation Reserves of Rs. 1,775 Mn and Other Reserves of Rs (15) Mn. The total reserves of the Group as at 31st March 2023 stand at Rs. 1,903 Mn (2021/22 - Rs. 2,343 Mn), comprising Revaluation Reserves of Rs. 1,919 Mn, and Other Reserves of Rs. (15) Mn

Donations

During the year donations of Rs. 105,000/- (2022- Rs. 125,000/-) were made to various charities by the Company and Rs. 105,000/- (2022 - Rs. 130,000/-) by the Group.

Events Occurring after the Reporting Date

No circumstances have arisen since the reporting date which would require adjustments to or disclosure in the Accounts, other than those disclosed in Notes to the Accounts Note 32 on page 93.

Changes in Accounting Policies

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

The significant accounting policies adopted in the preparation of these Financial Statements are given on pages 54 to 66.

Going Concern

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

Board of Directors

The Board of Directors of The Nuwara Eliya Hotels Co. PLC as at 31st March 2023 comprise of;

Name of Director	Executive/ Non-Executive	Independent/ Non-Independent	Year of appointment to the current position	Position / Status
J.H.P. Ratnayeke	Non - Executive Director	Independent	06th February 2019	Chairman of the Board / Non - Executive Director / Chairman Audit committee, Nominations Committee, RPT Review Committee & Remuneration Committee
Gerard G. Ondaatjie	Non - Executive Director	Non - Independent	02nd July 2018	Deputy Chairman of the Board / Non - Executive Director / Member Nomination Committee
Angeline Ondaatjie	Non - Executive Director	Non - Independent	17th Oct 2000	Non - Executive Director
T.J. Ondaatjie	Non - Executive Director	Non - Independent	17th Oct 2000	Non - Executive Director
L.N.D.S. Wijeyeratne	Non - Executive Director	Independent	22nd Jan 2009	Non - Executive Director / Member Audit committee, Nominations Committee, RPT Review Committee & Remuneration Committee
S.K. Abeyesundara	Non - Executive Director	Independent	8th Apr 2013	Non - Executive Director
M.K.K.K.B. Galagoda	Non - Executive Director	Non - Independent	8th Apr 2013	Non - Executive Director/ Member Audit committee, RPT Review Committee & Remuneration Committee
G H R Fernando	Non - Executive Director	Non - Independent	26th October 2022	Non - Executive Director

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

Name of Director	Directorship Status	No. of Meetings held in F/Y 2022/23	Meetings attended in F/Y 2021/22
J H P Ratnayeke	Independent Non - Executive Director	3/3	3/3
G G Ondaatjie	Non - Independent Non - Executive Director	3/3	3/3
A M Ondaatjie	Non - Independent Non - Executive Director	1/3	3/3
T J Ondaatjie	Non - Independent Non - Executive Director	3/3	3/3
L N de S Wijeyeratne	Independent Non - Executive Director	1/3	3/3
M K K K B Galagoda	Non - Independent Non - Executive Director	3/3	3/3
S K Abeyesundara	Independent Non - Executive Director	0/3	3/3
G H R Fernando	Non - Independent Non - Executive Director	2/2	N/A

In terms of article 88(i) of the Articles of Association, Mr. M.K.K.K.B Galagoda retires by rotation and being eligible, offer himself for re-election.

In terms of article 95 of the Article of association, Mr. G.H.R.Fernando retires and being eligible offers him self for re – election.

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

Annual Report of the Board of Directors contd.

Board Committees

The following members of the Board serve on the Audit Committee

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

The report of the audit committee is given on page 29 to 32 of this report.

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

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

The report of the Remuneration Committee is given on page 33 to 34 of this report.

The following members of the Board serve on the Nominations Committee

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

The report of the Nomination Committee is given on page 35 of this report.

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

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

The report of the Related Party Transactions Review Committee is given on page 36 to 38 of this report.

Directors Meetings

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

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

A - No. of Meetings

B - Attendance

Directors Interest Register

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

Directors Interest in Contracts

The Directors of the Company have made the general disclosures provided for in Section 192(2) of the Companies Act No.07 of 2007. The related party disclosures and the Directors of each of those related parties are given on page 90.

Directors' Remuneration

The aggregate emoluments paid to the Directors in respect of the Company and the Group for the financial year 2022/2023 amounted to Rs. 7,166,000 given in note 08 to the Financial Statements on page 67.

Directors Shareholdings

As at 31st March	2023 Shares	2022 Shares
Mr. G G Ondaatjie	238,088	238,088
Ms. A M Ondaatjie	219,737	219,737
Mr. T J Ondaatjie	219,737	219,737
Mr. J H P Ratnayeke	327	327
Mr. L N de S Wijeyeratne	-	-
Mr. M K K K B Galagoda	-	-
Mr. S K Abeyesundara	-	-
Mr. G.H.R.Fernando	-	-

Shareholders' Information

The distribution of shareholders is indicated on pages 99 to 100 in the Annual Report. There were 653 registered shareholders as at 31st March 2023.

Share Information

Information on share trading is given on page 99 of the Annual Report.

Public Holding

The number of ordinary shares held by the public as at 31st March 2023 was 235,316 shares (2022 – 235,316), which amounted to 10.76% (2022 – 10.76%) of the issued capital of the Company. The number of public shareholders was 640 as at 31st March 2023.

The Company complies with the Minimum Public Holding requirement under option 2 of 17.14.1 (i) (b)

Float adjusted market capitalization as at 31st March 2023– Rs. 350,474,676.96
Number of shares representing the Stated Capital is 2,186,040

Financial Statements

The Financial Statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) as issued by the Chartered Accountants of Sri Lanka (ICASL) and in compliance with the requirements of Companies Act No. 7 of 2007. The Financial Statements of the Company and the Group for the year ended 31st March 2023 signed by the Group Financial Controller, the Deputy Chairman and another Director of the Company are given on page 50 which form an integral part of the Annual report of the Board.

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the Company to reflect a true and fair view of the state of affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Companies Act No. 7 of 2007, the Sri Lanka Accounting Standards and the Listing Rules of the Colombo Stock Exchange. The statement of directors' responsibility for financial reporting is given on page 28 and forms an integral part of this report.

Auditors

The Financial Statements for the year ended 31st March 2023 have been audited by Messrs. Ernst & Young, Chartered Accountants.

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

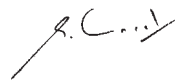
The amount payable to Auditors Messrs. Ernst & Young for the year ended 31st March 2023 is Rs. 677,000/= as Audit Fees and Cost of Non-Audit Services of Rs. 303,562 was also incurred by the Company.

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

Annual General Meeting

The Annual General Meeting will be held on 26th September 2023 at 11.00 a.m as a virtual meeting. Notice of the meeting relating to the 131st Annual General Meeting is given on page 102.

For and behalf of the Board



Gerard G. Ondaatjie
Deputy Chairman

(Sdg.)

Mercantile Investments and Finance PLC
Secretaries

Colombo.
25th August 2023



T.J. Ondaatjie
Director

Statement of Directors Responsibilities

Statement of the Directors' Responsibilities in Relation to the Financial Statements

The responsibilities of the Directors, in relation to the Financial Statements of the Company differ from the responsibilities of the Auditors, which are set out in the Independent Auditors' Report of the on pages 44 to 47.

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

The Directors consider that, in preparing these Financial Statements set out through pages 48 to 95 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. And the board further confirms that the company is in compliance with the rules pertaining to Related Party Transactions disclosures.

By order of the Board

(Sgd.)

Mercantile Investments & Finance PLC

Secretaries

Colombo.

25th August 2023

Audit Committee Report

Chairman

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

Dear shareholder,
I am pleased to present the Audit Committee Report for the year ended 31st March 2023. This report presents the roles and responsibilities of the Audit Committee and how the Audit Committee worked towards discharging its duties and responsibilities.

Members

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

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

Audit Committee Composition

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

Roles and Responsibilities

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

Purpose of the Committee

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

Duties of the Committee

- Monitoring the financial reporting process and compliance with Sri Lanka Accounting standards, information requirements as per Company's act and other financial reporting requirements and regulations.
- Monitoring the statutory audit of the Group's Financial Statements.
- Reviewing the Group's Financial Statements and the material financial reporting judgements contained therein.
- Monitoring the effectiveness of the Group's internal control and risk management systems.
- Reviewing and monitoring the independence of the External Auditors and their engagement for provision of additional services to the Group.
- Advising the Board on the appointment and removal of the external auditors and the remuneration and terms of engagement of the external auditors.

Non – Audit Services

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

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

a. Internal Controls and Risk Management

The Board has ultimate responsibility for ensuring that it has adequate systems of financial control. Systems of financial control can provide only reasonable and not absolute assurances against material misstatements or losses. The Board has adopted guidelines defining financial authorisation and setting procedures

for approving capital and investment expenditure. The Board also reviews and approves the annual strategic and financial plans. It subsequently reviews quarterly performance against targets set forth in these plans and budgets. A key focus of the financial management strategy is the protection of the Group's earnings stream and management of its cash flow.

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

b. Financial Reporting

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

Audit Committee Report contd.

c. Internal Audit

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

d. External Audit and Compliance

To ensure that the external auditors, Ernst and Young's independence is safe guarded, lead audit partner will be rotated every seven years. This is the Seventh year of the current lead audit partner. The

Committee reviews the independence and effectiveness of Ernst and Young on an on-going basis and receives reports from them on their independence annually.

In addition to the Company policies and procedures which aim to ensure the external auditor's independence and effectiveness, Ernst and Young also have their own protective policies and systems in place, which are explained in an Engagement Letter issued by Ernst and Young on an annual basis. For the year ended 31 March 2021, the Committee was satisfied with the independence, objectivity and effectiveness of the relationship with Ernst and Young as the external auditor.

Relationship with Ernst and Young as the external auditor.

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

CONCLUSION

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

Date	For the Quarter Ended	Key Issues Discussed	Key Role	Meeting Attendance
C19th May 2022	31st March 2022	<ul style="list-style-type: none"> Reviewed the internal audit report for the quarter ended 31st march 2022 Discussion of the internal audit scope for the financial year 2022/23 Reviewed the draft Audited Financial Statements and the auditors tabled b the audit results presentation. Significant issues were discussed. Financial Highlights, Outlet P&L and Farm P&L were tabled. The Interim Financial Statements were recommended for Board approval. Financial Highlights, KPI's, Outlet P&L and Farm P&L were tabled and reviewed. Statutory compliance report for the period was tabled. Capital Expenditure Budget/Actuals for 2022/23 was circulated. Asset Disposals for the quarter was circulated. Debtors aging and investments were reviewed deeply. 	c	3/3
		<ul style="list-style-type: none"> Proposed audit fees for the year was discussed by the committee Committee went through the letter of independence given by the auditors. The Audit Committee Report and the Corporate Governance Report for the Annual Report 2022 circulated among the committee members. 	d	
10th August 2022	30th June 2022	<ul style="list-style-type: none"> Reviewed the interim financial statements for the quarter ended. 	b	2/3

Date	For the Quarter Ended	Key Issues Discussed	Key Role	Meeting Attendance
		<ul style="list-style-type: none"> • Checked the details management accounts, financial highlights, KPI's, Outlet P&L and Farm P&L • Reviewed the internal audit report for the quarter ended • Capital expenditures and Disposals for the quarter was evaluated • Debtors aging were evaluated • FD investment and investment schedule were checked • Occupancies and bookings for the quarter was evaluated 	b c a a b b	
09th November 2022	30th September 2022	<ul style="list-style-type: none"> • Reviewed the interim financial statements for the quarter ended • Reviewed the detailed management accounts and financial highlights • Went through the KPI's, Outlet P&L, Farm P&L • Internal audit report for the quarter was tabled • Statutory compliance were reviewed. • Capital expenditures and Disposals were tabled • FD schedules and investment schedules were evaluated. • Occupancies and bookings were evaluated. 	b b b c a a b b	2/3
08th February 2023	31st December 2022	<ul style="list-style-type: none"> • Reviewed and made recommendations on the Interim Financial Statements for Board approval. • Financial Highlights, Outlet P&L and Farm P&L were tabled and reviewed. • Statutory compliance report for the period was tabled. • Capital Expenditure Budget/Actuals for 2022/23 was circulated. • Asset Disposals for the quarter was circulated. • Internal Audit Report for the period was submitted by the Internal Auditors and observations were discussed. • Committee went through the debtors aging analysis • Short term and long term investments, rates and risk of investments were analyzed • KPI's, occupancies and agent wise and nationality wise bookings were analyzed. 	b b a a a c a a	2/3

Audit Committee Report *contd.*

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

Listing Rule	Governance Principal	Description	Compliance	Compliance Details
a	Composition	The audit committee shall comprise; of a minimum of two independent non-executive directors or of Non - Executive Directors a majority of whom shall be independent, whichever shall be higher.	Complied	2/3 of the audit committee consists of independent Non - Executive Directors.
		In the situation where both parent and the subsidiary are listed entities the audit committee of the parent can function as the audit committee of the subsidiary, however if the parent is not a listed entity subsidiary should have a separate audit committee.	Complied	Parent Company (Grand Hotel) is a Listed Entity while Subsidiary (Fairview Hotel) is a Private Entity.
		One Non - Executive Director shall be appointed as Chairman of the committee by the board of directors.	Complied	Chairman of the Audit Committee is an independent Non - Executive Director.
		Unless otherwise determined by the audit committee, the Chief Executive Officer and the Chief Financial Officer of the Listed Entity shall attend Audit Committee meetings.	Complied	The General Manager and the Group Financial Controller attend the meeting by invitation.
		The Chairman or one member of the committee should be a Member of a recognized professional accounting body.	Complied	Chairman is an Attorney-at-Law and Mr. L.N.de Silva Wijeyeratne is a fellow member of the Institute of Chartered Accountants of Sri Lanka.
		Audit committee performing functions of Remuneration Committee and Related Party Transactions Review Committee	Complied	Two members (out of the three members) of the audit committee are independent directors including the chairman and Mr. L.N.de Silva Wijeyeratne is a fellow member of a recognized professional accounting body.
b	Functions	Roles and responsibilities of the Audit Committee	Complied	Refer the roles and responsibilities of the Audit Committee set in page 29
c	Disclosures in the Annual Report	Names of directors comprising the Audit Committee	Complied	Refer the Audit Committee Report in page 29
		Independence of the auditors	Complied	Refer the Audit Committee Report in page 29
		Audit Committee Report	Complied	Refer the Audit Committee Report in pages 29 to 32



J.H.P. Ratnayake

Chairman – Audit Committee

25th August 2023

Remuneration Committee Report

Chairman

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

Dear Shareholder,

I am pleased to present the Remuneration Committee Report for the year ended 31st March 2023. This report presents the roles and responsibilities of the Remuneration Committee and how the Remuneration Committee discharged its duties and responsibilities.

Members

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

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

Remuneration Committee Composition

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

Roles And Responsibilities

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

Purpose Of The Committee

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

Duties Of The Committee

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

The other objectives of the remuneration policy are to:

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

Remuneration Policy

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

Remuneration Of Non-Executive Directors

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

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

The Remuneration Committee is subject to the direction and control of the Board. In forming a view of the appropriate level of Board fees to be paid to Non-Executive Directors, the Committee may also elect to receive advice from independent remuneration consultants, if necessary. The Directors emoluments are disclosed on page 67.

Meeting Attendance

Name of Member	08th Feb 2023
Mr. J.H.P. Ratnayake	✓
Mr. L.N. de Silva Wijeyeratne	✗
Mr. M.K.K.K.B. Galagoda	✓

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.

Remuneration Committee Report contd.

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

Listing Rule	Governance Principal	Description	Compliance	Compliance Details
a	Composition	The remuneration committee shall comprise; of a minimum of two independent Non - Executive Directors or of Non - Executive Directors a majority of whom shall be independent, whichever shall be higher.	Complied	The committee consists of three Non - Executive Directors out of which two are independent Non - Executive Directors.
		In the situation where both parent and the subsidiary are listed entities the remuneration committee of the parent can function as the remuneration committee of the subsidiary, however if the parent is not a listed entity subsidiary should have a separate remuneration committee.	Complied	Parent Company (Grand Hotel) is a Listed Entity while Subsidiary (Fairview Hotel) is a Private Entity.
		One Non - Executive Director shall be appointed as Chairman of the committee by the board of directors.	Complied	Chairman of the Remuneration Committee is an independent Non - Executive Director.
b	Functions	Roles and responsibilities of the Remuneration Committee	Complied	Refer the roles and responsibilities of the Remuneration Committee set in page 33
c	Disclosures in the Annual Report	Names of directors comprising the remuneration Committee	Complied	Refer the Remuneration Committee Report in page 33
		Remuneration Policy	Complied	Refer the Remuneration Committee Report in page 33
		Aggregate Remuneration paid to executive and non-executive directors	Complied	Refer the Financial Statements Note 31.2 set in page 68



J.H.P. Ratnayake

Chairman -Remuneration Committee

25th August 2023

Nomination Committee Report

Chairman

Mr. J.H.P. Ratnayeke

Dear Shareholder,

I am pleased to present the Nomination Committee Report for the year ended 31st March 2023. This report presents the roles and responsibilities of the Nomination Committee and how the Nomination Committee discharged its duties and responsibilities.

Members

Mr. L.N.de Silva Wijeyeratne

Mr. Gerard G. Ondaatjie

Nomination Committee Composition

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

Roles

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

Purpose of the Committee

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

Scope and Objectives of the Committee

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

as well as making recommendations for the membership of the Board's main committees. It is also responsible for succession planning for the Group.

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

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

Key Roles and Responsibilities of the Committee

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

Meeting Attendance

Name of Member	08th Feb 2023
Mr. J.H.P. Ratnayeke	✓
Mr. L.N. de Silva Wijeyeratne	✗
Mr. Gerard G. Ondaatjie	✓

Conclusion

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



J.H.P. Ratnayeke

Chairman - Nomination Committee

25th August 2023

Related Party Transactions Review Committee Report

Chairman

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

Dear shareholder,

I am pleased to present the Related Party Transactions Review Committee Report for the year ended 31st March 2023. This report presents roles and responsibilities and how the Related Party Transactions Review Committee worked towards discharging its duties and responsibilities.

Members

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

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

Rpt Review Committee Composition

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

Roles and Responsibilities

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

Purpose of the Committee

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

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

Scope and Objectives of the Committee

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

- Review all proposed Related Party Transactions of the Company except those explicitly exempted by the code;
- Ensuring the compliance with listing rules and other requirements with regard to the Related Party Transactions;
- Overseeing existing policies and procedures and adopting new policies and procedures to review Related Party Transactions of the Company;
- Determination of the requirement of approval by the Board or Shareholders with regard to Related Party Transactions that are to be entered into by the Company;

Establishes guidelines for senior management to follow in its ongoing dealings with the relevant related party;

Make recommendations if there is any potential conflict in any Related Party Transaction.

Policies and Procedures

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

Meeting Attendance

Meeting	19th May 2022	10th Aug 2022	09th Nov 2022	08th Feb 2023
a	✓	✗	✓	✓
b	✓	✓	✗	✗
c	✓	✓	✓	✓

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

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

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

Conclusion

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

Compliance with CSE's New Listing Rules- Section 9.2 and 9.3, Rules on Related Party Transactions

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

Related Party Transactions Review Committee Report contd.

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

Listing Rule	Governance Principal	Description	Compliance	Compliance Details
9.3.2 (a)	Non-recurrent Related Party Transactions	Related Party Transactions exceeds 10% of the Equity or 5% of the Total Assets, whichever is lower, should be disclosed in the annual report.	N/A	During the year there were no non-recurrent Related Party Transactions which exceeds 10% of Equity or 5% of Assets.
9.3.2 (b)	Recurrent Related Party Transactions	Recurrent Related Party Transactions exceeding 10% of the gross revenue/income should be disclosed in the annual report.	N/A	During the year there were no recurrent Related Party Transactions which exceeds 10% of gross revenue/income.
9.3.2. (c)	Related Party Transactions Review Committee Report	<ul style="list-style-type: none"> Related Party Transactions Review Committee Report should contain; Names of Directors in the Committee A statement that committee has reviewed the Related Party Transactions and observations communicated to the Board. Policies and procedures adopted by the Committee for reviewing the Related Party Transactions. The number of times the Committee has met during the Financial Year 	Complied	Refer the Related Party Transactions Report set out in pages 36 to 38.
9.3.2. (d)	A declaration by the Board	Affirmative statement of the compliance with these Rules pertaining to Related Party Transactions by the Board of Directors.	Complied	Refer the Statement of Directors' Responsibility set out in page 28.

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

Name of the Related Party	Relationship	Nature of the Transaction	Aggregate value of the RPT	Aggregate value of the RPT as a % of the Net Revenue/Income	Terms and Conditions of the RPT
Security Ceylon (Private) Ltd.	Other related Company	Security services	14,627,042	1.66%	As per agreement
		Security staff meals	3,076,061	0.35%	As per agreement
Tangerine Beach Hotels PLC	Other related Company	Salaries to staff	630,179	0.07%	As per agreement
Tangerine Tours (Private) Ltd.	Other related Company	Salaries to staff	4,248,510	0.48%	As per agreement
		Revenue from operations	4,792,847	0.54%	As per contract
Mercantile Investments & Finance PLC	Other related Company	Repairs & services to fleet vehicles	2,894,552	0.33%	As per agreement
		Rent	1,579,500	0.18%	As per agreement
		Salaries to staff	587,000	0.07%	As per agreement
		Fixed deposit made	126,949,198	14.37%	Market terms
		Upliftment of fixed deposit	108,926,796	12.33%	Market terms
		Interest income	190,294,064	21.54%	Market terms
Royal Palms Beach Hotels PLC	Other related Company	Salaries to staff	5,661,657	0.64%	As per agreement
Mercantile Fortunes (Private) Ltd.	Other related Company	Flooring	1,048,718	0.12%	Market terms



J.H.P. Ratnayake

Chairman – RPT Review Committee

25th August 2023

Risk Management

The existing global economic conditions have the potential to influence the travel behaviors and spending patterns of tourists. If major source markets experience economic downturns or recessions, it can diminish the ability or willingness of tourists to travel, leading to a decline in visitor arrivals and expenditures. Additionally, Sri Lanka is susceptible to natural disasters like flooding and landslides, which can disrupt tourism activities and cause damage to infrastructure. Furthermore, political instability or conflicts can have a negative impact on the tourism industry by increasing the perceived risks associated with traveling to Sri Lanka. Climate change, which affects the entire planet, also affects Sri Lanka. Rising sea levels, more frequent storms, and unpredictable weather patterns could discourage tourists from visiting the country. Sri Lanka has encountered environmental challenges such as deforestation, pollution, and the degradation of natural habitats, which can diminish its appeal as an eco-tourism destination. Moreover, Sri Lanka faces strong competition from neighboring countries like Thailand, Malaysia, and Indonesia, which offer similar attractions and experiences. Overall, Sri Lanka's tourism industry needs to be flexible, adaptable, and resilient to effectively address the risks it faces.

Managing risks is an ongoing process that involves implementing structures and tools to consistently identify, manage, and mitigate risks. In the current volatile and complex operating environment, having sound risk management practices enables the Group to anticipate and strategically respond to risks, facilitating informed decision-making. Over the decades of its operations, the Grand Hotel has developed a robust risk management system, which has contributed to its resilience in the face of these impacts.

Risk Management Framework

The Grand Hotel adopts a holistic approach to recognizing and handling risks, integrating its risk management function with its sustainability management framework and Corporate Social Responsibility (CSR) functions. The risk management framework at the Grand Hotel consists of five stages: identifying risks, ranking and assessing them, formulating a response, implementing the response, and monitoring the outcomes. We continuously enhance our integrated risk management framework and the accuracy of the risk information generated, while ensuring a straightforward and effective approach. Managing risks is crucial for achieving our goals, enhancing shareholder value, and prioritizing the interests of our stakeholders. We implement this framework as a group-wide risk management process.

Risk	Description	Impact	Likelihood
Macro-economic instability	<p>The Grand Hotel can experience various detrimental consequences due to macro-economic instability. Below are some key impacts to consider:</p> <ol style="list-style-type: none"> 01. Decline in tourist arrivals: When macro-economic instability occurs, potential travelers often opt to avoid destinations facing economic uncertainty. This can lead to a decrease in tourist arrivals, resulting in lower occupancy rates for hotels, reduced bookings for tour operators, and decreased revenue for local businesses. 02. Decreased foreign exchange earnings: Tourism serves as a significant source of foreign exchange earnings for Sri Lanka. However, during periods of macro-economic instability, tourists' spending tends to decline, leading to a reduction in foreign exchange inflows. 03. Impact on investment and infrastructure development: A stable macro-economic environment attracts investments in tourism-related infrastructure such as hotels, resorts, transportation, and recreational facilities. However, in the presence of instability, investors may hesitate to commit their capital, resulting in a slowdown in infrastructure development required to accommodate the growing demand from tourists. 04. Employment and livelihood challenges: The tourism industry is a major employer in Sri Lanka, offering direct and indirect employment opportunities to a significant number of people. Macro-economic instability can prompt tourism businesses to downsize or shut down, leading to unemployment and loss of income for individuals and communities dependent on the industry. 	High	High

Risk Management contd.

Risk	Description	Impact	Likelihood
	<p>05. Negative perception and reputation: Instability and uncertainty can tarnish the reputation and image of a destination. Negative media coverage associated with macro-economic instability can discourage potential tourists and impact the perception of Sri Lanka as a safe and desirable travel destination. Rebuilding trust and restoring confidence may require considerable time and effort.</p> <p>To mitigate these adverse effects on the tourism industry, it is crucial for the government and relevant stakeholders to effectively manage macro-economic stability. Implementing sound policies, promoting diversification, and enhancing resilience can help minimize the impact and ensure sustainable long-term growth.</p>		
Employee Risk	<p>Retaining skilled talent holds immense significance for the Grand Hotel, as it plays a pivotal role in the advancement and prosperity of the company. Here are some favorable outcomes associated with retaining skilled talent:</p> <p>01. Heightened Service Quality: Skilled professionals make valuable contributions towards enhancing the quality of services in the tourism industry. Their proficiency, knowledge, and experience empower them to deliver exceptional service to tourists, thereby enriching the overall visitor experience. Consequently, this leads to positive reviews, recurring visits, and recommendations, thereby further bolstering the industry's reputation.</p> <p>02. Enhanced Customer Satisfaction: Skilled talent comprehends the needs and expectations of tourists, enabling them to offer personalized assistance and cater to individual preferences. By consistently meeting and surpassing customer expectations, they contribute to elevated levels of customer satisfaction, resulting in positive word-of-mouth promotion and an increase in the number of visitors.</p> <p>To ensure the retention of skilled talent, the company employs various strategies such as providing continuous training and opportunities for professional development, offering competitive compensation packages, fostering a positive work environment, and establishing clear career progression pathways. By valuing and nurturing skilled professionals, the Grand Hotel can reap the benefits of their expertise, ultimately elevating the tourism industry of the country.</p>	High	Probable
Liquidity and Financial stability	<p>Company liquidity and financial stability play a crucial role in determining the success of a business. Liquidity refers to a company's ability to meet its financial obligations and maintain positive cash flow, while financial stability encompasses its long-term viability and resilience in the face of economic downturns.</p> <p>In the context of the Sri Lankan tourism industry, companies that possess high levels of liquidity and financial stability offer reassurance to both tourists and investors. These companies are better prepared to handle unexpected events and fluctuations in the market, ensuring the uninterrupted provision of quality services and experiences to customers.</p>	High	Virtually Certain

Risk	Description	Impact	Likelihood
	<p>Moreover, robust financial health enables companies to invest in vital areas such as infrastructure development, marketing initiatives, and employee training. Such investments enhance customer experiences and contribute to the overall success of the business. Positive word-of-mouth and online reviews generated as a result can attract a larger number of tourists to the country.</p> <p>Conversely, companies with low levels of liquidity and financial stability may encounter difficulties during economic challenges, leading to reduced services, job cuts, and decreased revenue. This can harm the reputation of the company, resulting in diminished interest and bookings from potential tourists.</p> <p>Nevertheless, it is worth noting that despite the significant impact faced by the industry, the mentioned company has managed to maintain a strong cash position and effectively manage its working capital and gearing. This demonstrates the company's resilience and financial prudence, contributing to its ability to weather the adverse effects experienced by the industry.</p>		
Interest Rate risks	<p>The Grand Hotel could face various repercussions due to interest rate risk:</p> <p>01. Escalation of borrowing expenses: A surge in interest rates can result in heightened costs for borrowing funds within the tourism industry. This situation can impede the growth and expansion of businesses, hindering overall progress.</p> <p>02. Influence on foreign exchange rates: Alterations in interest rates can also impact the value of a country's currency, thereby affecting tourism demand. Should interest rates rise, leading to a stronger Sri Lankan rupee compared to other currencies, it may render Sri Lanka a pricier destination for tourists. Consequently, this could potentially reduce the demand for tourism.</p> <p>03. Impacted credit accessibility: Higher interest rates can result in stricter credit conditions, making it more challenging for small tourism enterprises to obtain financing. This difficulty in accessing funds may limit their capacity to invest in crucial areas such as marketing, infrastructure, and other initiatives aimed at attracting tourists and supporting the industry.</p> <p>Overall, interest rate risk can present significant obstacles for the grand hotel. These challenges manifest through increased borrowing costs, fluctuations in foreign exchange rates, and restricted credit availability. Consequently, these factors may potentially diminish the demand for tourism in the country.</p>	High	High

Risk Management contd.

Risk	Description	Impact	Likelihood
Credit Risk	<p>The Company faces the potential danger of being unable to recover payments from its debtors, leading to financial losses and problems with working capital. The economic downturn in the country, compounded by the global pandemic, has resulted in a significant decline in revenues and income not only for hotels but also for travel agents and tour operators. Consequently, there exists a risk of encountering difficulties in recovering funds from our debtors.</p> <p>To mitigate this risk, the Company actively conducts regular reviews of its trade debtor balances and holds frequent review meetings. Transactions with hotels are primarily conducted on a cash basis, and credit is only extended to established and reputable travel agents and tour operators. Additionally, credit control checks are performed on parties involved in significant contracts, and these contracts are continuously audited and monitored. Despite the challenging circumstances, the Company has managed to collect the majority of its outstanding debts and ensure proper administration of the collections during this period.</p>	Moderate	Possible
Tax, Legal & Regulatory Risk	The hotel industry is facing a significant risk due to recent alterations in taxes and regulatory requirements, as well as the potential future consequences resulting from IMF conditions.	High	High
Exchange Rate risk	The depreciation of the Rupee is anticipated to elevate the foundation of operating costs and introduce variations in conversion disparities. As a consequence, this could lead to potential gains or losses in future exchanges, the outcome of which is uncertain.	High	Low

Cyber-security and Data Protection at Grand Hotel

The vulnerability of cyber security can result in various consequences for the Grand Hotel.

Eroded consumer confidence: If the Grand Hotel and the tourism industry are perceived to have inadequate cyber security measures, potential tourists may lack trust in conducting online transactions or sharing personal information. This can lead to a decline in bookings and revenue for hotels, airlines, and travel agencies.

Incidents of data breaches and financial losses: Cyber-attacks can lead to breaches where customer information, such as credit card or passport details, can be stolen. As a result, both tourists and businesses may suffer financial

losses, and the reputation of the Sri Lankan tourism industry can be damaged.

Disrupted operations: Cyber-attacks can disrupt the normal operations of tourism businesses, causing flight cancellations, hotel closures, or compromised booking systems. This can inconvenience tourists and generate negative reviews, which can impact Sri Lanka's overall image as a desirable tourist destination.

Reputation damage: If the Sri Lankan tourism industry becomes known for frequent cyber security incidents, it can harm the country's reputation as a safe and trustworthy destination. This may discourage potential tourists from choosing Sri Lanka, leading to a decrease in visitor numbers and tourism revenue.

Increased expenses: Strengthening cyber security measures often requires significant investments in technology, training, and infrastructure. These additional costs can impact the profitability of tourism businesses and ultimately result in higher prices for tourists.

To mitigate the consequences of cyber security vulnerabilities, the grand hotel should prioritize certain measures, including regular security audits, staff training, encryption of customer data, and adoption of internationally recognized security standards. Collaborative efforts between tourism stakeholders, government entities, and cyber security experts can also play a crucial role in establishing a safe and secure digital environment for the Grand Hotel.

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Independent Auditor's Report



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

OPINION

We have audited the financial statements of The Nuwara Eliya Hotels Company PLC ("the Company") and the consolidated financial statements of the Company and its subsidiary ("the Group"), which comprise the statement of financial position as at 31 March 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2023, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

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

Principals: T P M Ruberu FCMA FCCA MBA (USJ-SL), G B Goudian ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shakthivel B.Com (Sp)

A member firm of Ernst & Young Global Limited



KEY AUDIT MATTERS COMMON TO BOTH GROUP AND COMPANY

Key audit matter	How our audit addressed the key audit matter
<p>Investments in short term deposits</p> <p>The Group invested an amount of Rs. 1,256,345,676/- (2022 – Rs.1,144,512,800/-) in short term deposits of related party registered finance company from which it earned interest income of Rs. 190,294,064/- (2022 – Rs. 61,907,100/-) for the year as disclosed in Note 19.3 and 31.1.</p> <p>We selected Investments in short term deposits with a related party registered finance company as a key audit matter due to;</p> <p>The materiality of the short-term deposits which represents 21% of total assets.</p> <p>Inherent risk associated with related party transactions and disclosures.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Evaluated the appropriateness of management's process for identifying and recording related party transactions. • Inspected fixed deposit certificates and confirmations to understand the nature, terms and conditions of the transactions. • Evaluated the appropriateness of calculation of provisions for impairment. • Performed analytical review procedures to evaluate the reasonableness of interest income. • Assessed the adequacy of the related disclosures given in Note 19.3 and 31.1 to the financial statements
<p>Revenue from contracts with customers</p> <p>The Group derives its revenue of Rs. 995,526,540/- (2022- Rs. 645,546,523/-) by providing food, beverage, and other hospitality industry related services as disclosed in Notes 2.4 (d) and 5 to the financial statements. Revenue was a key audit matter due to:</p> <p>The materiality of reported revenues coupled with the significant increase (54%) in revenue recorded by the group during the year.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Tested the design and operating effectiveness of critical controls over revenue recognition. • Performed appropriate analytical procedures to understand and assess the reasonableness of reported revenues. • Performed test of details throughout the audit period by vouching a sample of invoices and other supporting documents. • We also assessed adequacy of disclosures made in relation to the recognition of revenue in Notes 2.4 (d) and 5 to the financial statement.

OTHER INFORMATION INCLUDED IN THE 2023 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.

Independent Auditor's Report contd.



RESPONSIBILITIES OF THE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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

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

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

Report on other legal and regulatory requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 7752.

A handwritten signature in black ink, appearing to read 'Sri Lanka', is written over a circular stamp or seal.

25th August 2023
Colombo

Statement of Profit or Loss

Year ended 31 March 2023

	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Revenue from contracts with customers	5	995,526,540	645,546,523	883,608,071	559,329,812
Cost of sales		(292,632,204)	(160,157,349)	(271,273,446)	(147,480,603)
Gross profit		702,894,336	485,389,174	612,334,625	411,849,209
Other operating income	6	11,507,243	9,878,848	11,436,436	8,455,894
Administrative expenses		(345,688,386)	(260,294,178)	(308,215,145)	(230,813,543)
Selling and distribution expenses		(85,062,749)	(33,119,294)	(70,846,813)	(23,662,841)
Other operating expenses		(280,835,628)	(139,922,794)	(249,110,318)	(119,363,527)
Results from operating activities		2,814,816	61,931,756	(4,401,215)	46,465,192
Depreciation and amortization		(124,158,005)	(120,288,799)	(109,437,136)	(106,852,592)
Earnings before interest and tax		(121,343,189)	(58,357,043)	(113,838,351)	(60,387,400)
Finance expenses	7	(2,409,662)	(1,857,740)	(1,721,091)	(1,111,910)
Finance income	8	270,524,002	88,154,849	245,989,970	77,583,085
Profit before tax	9	146,771,151	27,940,066	130,430,528	16,083,775
Income tax expenses	10	(72,633,653)	(18,212,305)	(64,044,346)	(12,798,366)
Profit for the year		74,137,498	9,727,761	66,386,182	3,285,409
Profit attributable to :					
Equity holders of the parent company		72,135,022	8,063,444	66,386,181	3,285,409
Non-controlling interests	18.2.1	2,002,475	1,664,317	-	-
		74,137,498	9,727,761	66,386,181	3,285,409
Basic/diluted earnings per share	11	33.00	3.69	30.37	1.50
Dividend per share	12	-	-	-	-

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 54 to 95 form an integral part of these financial statements.

Statement of Total Comprehensive Income

Year ended 31 March 2023

	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Profit for the year		74,137,498	9,727,761	66,386,181	3,285,409
Other comprehensive income/(loss)					
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods					
Gain on equity instruments designated at fair value through other comprehensive income	25	20,969,390	928,573	20,969,390	928,573
Actuarial gain/ (loss) on retirement benefit obligation	28	5,772,964	(116,060)	5,514,573	225,154
Income tax effect on actuarial gain/ (loss) on retirement benefit obligation		(1,680,211)	(12,382)	(1,654,372)	(31,522)
Deferred tax impact on actuarial gain/ (loss) on retirement benefit obligation on income tax rate changes		980,317	-	980,317	-
		5,073,069	(128,442)	4,840,518	193,632
Revaluation of land and buildings	24	-	430,462,378	-	351,363,981
Income tax effect on revaluation of land and buildings		-	(57,100,797)	-	(49,190,957)
Deferred tax impact on revaluation of land and building on income tax rate changes		(405,810,870)	-	(405,810,870)	-
		(405,810,870)	373,361,581	(405,810,870)	302,173,024
Total other comprehensive income items not to be reclassified to profit or loss in subsequent periods:		(379,768,411)	374,161,712	(380,000,962)	303,295,230
Other comprehensive income/ (loss) for the year, net of tax		(379,768,411)	374,161,712	(380,000,962)	303,295,230
Total comprehensive income/(loss) for the year		(305,630,913)	383,889,473	(313,614,781)	306,580,639
Total comprehensive income/(loss) attributable to:					
Equity holders of the parent		(307,693,466)	363,917,509	(313,614,781)	306,580,639
Non-controlling interests		2,062,553	19,971,964	-	-
		(305,630,913)	383,889,473	(313,614,781)	306,580,639

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 54 to 95 form an integral part of these financial statements.

Statement of Financial Position

As at 31 March 2023

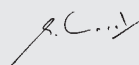
	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
ASSETS					
Non-current assets					
Property, plant and equipment	14	3,889,813,173	3,948,681,347	3,209,097,030	3,256,760,861
Right-of-use assets	15	335,000	1,340,000	-	-
Intangible assets	16	10,840,836	12,943,107	10,415,448	12,348,327
Biological assets	17	2,964,165	1,787,717	2,964,165	1,787,717
Investment in subsidiary	18	-	-	444,996,000	444,996,000
Other non-current financial assets	19	255,182,080	234,212,690	255,182,080	234,212,690
		4,159,135,253	4,198,964,861	3,922,654,723	3,950,105,595
Current assets					
Inventories	20	65,646,378	60,160,194	59,324,623	55,573,342
Trade and other receivables	21	27,290,442	38,949,126	25,653,104	36,448,908
Prepayments		34,946,505	7,048,758	33,432,333	5,093,728
Other current financial assets	19	1,617,636,461	1,427,721,813	1,440,497,682	1,270,473,631
Cash and cash equivalents	22	38,023,902	63,980,301	21,700,235	51,548,059
		1,783,543,688	1,597,860,192	1,580,607,977	1,419,137,668
Total assets		5,942,678,941	5,796,825,053	5,503,262,700	5,369,243,263
EQUITY AND LIABILITIES					
Equity					
Stated capital	23	335,209,740	335,209,740	335,209,740	335,209,740
Revaluation reserve	24	1,919,046,450	2,380,136,695	1,775,422,555	2,236,512,800
Fair value reserve of financial assets at FVOCI	25	(15,182,964)	(36,152,354)	(15,182,964)	(36,152,354)
Retained earnings		2,368,502,097	2,236,074,706	2,368,269,103	2,241,763,028
Equity attributable to owners of the company		4,607,575,322	4,915,268,787	4,463,718,434	4,777,333,214
Non-controlling interests	18.2	204,794,783	202,732,231	-	-
Total equity		4,812,370,106	5,118,001,018	4,463,718,434	4,777,333,214
Non-current liabilities					
Interest Bearing Loans and Borrowings	26	-	14,393,919	-	7,993,999
Deferred tax liability	27	887,337,887	431,887,170	832,124,900	383,726,284
Retirement benefit obligations	28	31,788,243	34,602,471	28,339,849	31,406,956
		919,126,130	480,883,560	860,464,749	423,127,239
Current liabilities					
Interest Bearing Loans and Borrowings	26	54,583,063	52,502,179	41,784,263	41,853,162
Trade and other payables	29	129,114,693	113,162,469	111,279,499	98,215,967
Contract liabilities	30	22,090,971	25,224,007	20,430,712	22,445,688
Income tax liabilities		5,393,979	7,051,820	5,585,043	6,267,993
		211,182,705	197,940,475	179,079,517	168,782,810
Total liabilities		1,130,308,835	678,824,035	1,039,544,266	591,910,049
Total equity and liabilities		5,942,678,941	5,796,825,053	5,503,262,700	5,369,243,263

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



J.P.K. Karunaratna
Financial Controller

The board of directors is responsible for these financial statements.



G.G. Ondaatjie
Deputy Chairman



T.J. Ondaatjie
Director

The accounting policies and notes as set out in pages 54 to 95 form an integral part of these financial statements.

Statement of Changes in Equity - Group

Year ended 31 March 2023

	Attributable to equity holders of the parent					Non controlling interest	Total
	Stated capital (Note 23)	Revaluation reserve (Note 24)	Fair value reserve of financial assets at FVOCI (Note 25)	Retained earnings	Total		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1 April 2021	335,209,740	2,047,943,823	(37,080,927)	2,205,278,642	4,551,351,278	182,760,267	4,734,111,545
Profit for the year	-	-	-	8,063,444	8,063,444	1,664,317	9,727,761
Other comprehensive income/ (loss)							
Net gain on equity instruments designated at fair value through other comprehensive income	-	-	928,573	-	928,573	-	928,573
Actuarial loss on retirement benefit obligation	-	-	-	(27,911)	(27,911)	(88,149)	(116,060)
Income tax effect on actuarial loss	-	-	-	(17,326)	(17,326)	4,945	(12,382)
Revaluation of lands and buildings		410,028,098			410,028,098	20,434,280	430,462,378
Income tax effect on revaluation of land and buildings (Note 24)		(55,057,369)			(55,057,369)	(2,043,428)	(57,100,797)
Total comprehensive income for the year net of tax	-	354,970,729	928,573	8,018,207	363,917,509	19,971,964	383,889,473
Transferred to retained earnings	-	(22,777,857)	-	22,777,857	-	-	-
	-	(22,777,857)	-	22,777,857	-	-	-
Balance as at 31 March 2022	<u>335,209,740</u>	<u>2,380,136,695</u>	<u>(36,152,354)</u>	<u>2,236,074,706</u>	<u>4,915,268,787</u>	<u>202,732,231</u>	<u>5,118,001,018</u>
Balance as at 1 April 2022	335,209,740	2,380,136,695	(36,152,354)	2,236,074,706	4,915,268,787	202,732,231	5,118,001,018
Profit for the year	-	-	-	72,135,022	72,135,022	2,002,475	74,137,498
Other comprehensive income / (loss)							
Net gain on equity instruments designated at fair value through other comprehensive income	-	-	20,969,390	-	20,969,390	-	20,969,390
Actuarial loss on retirement benefit obligation	-	-	-	5,706,211	5,706,211	66,753	5,772,964
Income tax effect on actuarial loss	-	-	-	(1,673,536)	(1,673,536)	(6,675)	(1,680,211)
Deferred tax impact on actuarial gain/ (loss) on retirement benefit obligation on income tax rate changes	-	-	-	980,317	980,317	-	980,317
Deferred tax impact on revaluation of land and building on income tax rate changes	-	(405,810,870)	-	-	(405,810,870)	-	(405,810,870)
Total comprehensive income for the year net of tax	-	(405,810,870)	20,969,390	77,148,015	(307,693,465)	2,062,553	(305,630,912)
Transferred to retained earnings	-	(55,279,375)	-	55,279,375	-	-	-
	-	(55,279,375)	-	55,279,375	-	-	-
Balance as at 31 March 2023	<u>335,209,740</u>	<u>1,919,046,450</u>	<u>(15,182,964)</u>	<u>2,368,502,096</u>	<u>4,607,575,322</u>	<u>204,794,783</u>	<u>4,812,370,106</u>

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

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 54 to 95 form an integral part of these financial statements.

Statement of Changes in Equity - Company

Year ended 31 March 2023

	Stated capital (Note 23)	Revaluation reserve (Note 24)	Fair value reserve of financial assets at FVOCI (Note 25)	Retained earnings	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1 April 2021	335,209,740	1,957,117,633	(37,080,927)	2,215,506,130	4,470,752,576
Profit for the year	-	-	-	3,285,409	3,285,409
Other comprehensive income /(loss)					
Net gain on equity instruments designated at fair value through other comprehensive income	-	-	928,573	-	928,573
Actuarial gain/ (loss) on retirement benefit obligation	-	-	-	225,154	225,154
Income tax effect on actuarial loss	-	-	-	(31,522)	(31,522)
Revaluation of lands and buildings	-	351,363,981	-	-	351,363,981
Income tax effect on revaluation of land and buildings (Note 24)	-	(49,190,957)	-	-	(49,190,957)
Total comprehensive income/(loss) for the year net of tax	-	302,173,024	928,573	3,479,041	306,580,638
Transferred to retained earnings	-	(22,777,857)	-	22,777,857	-
	-	(22,777,857)	-	22,777,857	-
Balance as at 31 March 2022	<u>335,209,740</u>	<u>2,236,512,800</u>	<u>(36,152,354)</u>	<u>2,241,763,028</u>	<u>4,777,333,214</u>
Balance as at 1 April 2022	335,209,740	2,236,512,800	(36,152,354)	2,241,763,028	4,777,333,214
Profit for the year	-	-	-	66,386,181	66,386,181
Other comprehensive income /(loss)					
Net gain on equity instruments designated at fair value through other comprehensive income	-	-	20,969,390	-	20,969,390
Actuarial gain/ (loss) on retirement benefit obligation	-	-	-	5,514,573	5,514,573
Income tax effect on actuarial loss	-	-	-	(1,654,372)	(1,654,372)
Deferred tax impact on actuarial gain/ (loss) on retirement benefit obligation on income tax rate changes	-	-	-	980,317	980,317
Deferred tax impact on revaluation of land and building on income tax rate changes	-	(405,810,870)	-	-	(405,810,870)
Total comprehensive income for the year net of tax	-	(405,810,870)	20,969,390	71,226,699	(313,614,781)
Transferred to retained earnings	-	(55,279,375)	-	55,279,375	-
	-	(55,279,375)	-	55,279,375	-
Balance as at 31 March 2023	<u>335,209,740</u>	<u>1,775,422,555</u>	<u>(15,182,964)</u>	<u>2,368,269,103</u>	<u>4,463,718,434</u>

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

Cash Flow Statement

Year ended 31 March 2023

	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Cash flows from/(used in) operating activities					
Profit before tax		146,771,151	27,940,066	130,430,528	16,083,775
Adjustments for:					
Depreciation of property, plant and equipment	14	122,882,865	118,900,568	108,331,388	105,633,764
Depreciation of right-of-use assets		1,005,000	1,005,000	-	-
Amortization of intangible asset	16	2,102,271	2,119,272	1,932,879	1,949,880
Provision for impairment		483,318	447,620	483,318	447,620
Provision for retirement benefit obligation		8,928,861	5,862,305	7,870,090	5,130,411
Interest expenses	7	993,429	287,279	927,810	242,230
Interest income	8	(267,190,370)	(87,465,336)	(242,656,338)	(76,893,572)
Dividend income	6	(3,551,826)	(1,960,098)	(3,551,826)	(1,960,098)
Fair value gain on of biological assets	17	(2,680,219)	(1,772,970)	(2,680,219)	(1,772,970)
Gain on equity investments fair value through profit or loss		(3,333,631)	(689,513)	(3,333,631)	(689,513)
Profit from disposal of property, plant and equipment		(717,564)	(739,802)	(717,564)	(739,802)
Write back of unclaimed dividends		(630,836)	(535,269)	(630,836)	(535,269)
Operating profit/ (loss) before working capital changes		5,062,448	63,399,122	(3,594,402)	46,896,456
Decrease / (increase) in inventories		(5,486,184)	(28,621,679)	(3,751,281)	(26,860,242)
Decrease / (increase) in trade, other receivables and prepayments		(16,025,820)	(26,929,648)	(17,329,558)	(26,756,125)
Increase/ (decrease) in trade and other payables		16,583,061	47,546,301	13,694,371	43,256,316
Increase/ (decrease) in contract liabilities		(3,133,036)	498,735	(2,014,976)	(502,809)
Cash generated from/ (used in) operations		(2,999,531)	55,892,831	(12,995,846)	36,033,596
Income tax paid		(25,351,543)	(25,721,856)	(22,813,606)	(22,407,796)
Interest paid		(993,429)	(287,279)	(927,810)	(242,230)
Gratuity paid		(5,970,125)	(4,271,340)	(5,422,625)	(4,203,484)
Net cash from/ (used in) operating activities		(35,314,628)	25,612,356	(42,159,887)	9,180,086
Cash flows from/ (used in) investing activities					
Acquisition of property, plant and equipment	14	(64,192,052)	(27,292,978)	(60,844,919)	(26,457,723)
Proceeds from disposal of property, plant and equipment		894,926	755,007	894,926	755,006
Interest received		122,801,387	97,385,229	113,952,640	86,033,227
Dividend received		3,551,826	1,960,098	3,551,826	1,960,098
Investment in fixed deposits		(277,605,002)	(367,480,361)	(273,399,690)	(353,575,121)
Upliftment of fixed deposits		234,716,407	291,987,526	234,716,407	291,987,526
Addition of biological assets	17	(282,000)	(31,100)	(282,000)	(31,100)
Sale of biological assets	17	1,785,771	2,532,370	1,785,771	2,532,370
Net cash from/ (used in) investing activities		21,671,264	(184,209)	20,374,961	3,204,283
Cash flows from/ (used in) financing activities					
Repayments of bank loans		(7,203,000)	(9,000,201)	(4,002,000)	(5,000,001)
Net cash used in financing activities		(7,203,000)	(9,000,201)	(4,002,000)	(5,000,001)
Net increase / (decrease) in cash & cash equivalents		(20,846,364)	16,427,946	(25,786,926)	7,384,368
Cash and cash equivalents at the beginning of the year		33,084,002	16,656,056	21,700,897	14,316,529
Cash and cash equivalents at the end of the year	22	12,237,638	33,084,002	(4,086,029)	21,700,897

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 54 to 95 form an integral part of these financial statements.

Accounting Policies

1. CORPORATE INFORMATION

The consolidated financial statements of the Nuwara Eliya Hotels Co. PLC and its subsidiary (collectively, the Group) and the separate financial statements of the Company for the year ended 31 March 2023 were authorized for issue in accordance with a resolution of the directors on 16 August 2023. The Nuwara Eliya Hotels Co. PLC (the Company or the parent) is a public limited company incorporated and domiciled in Sri Lanka and whose shares are listed on Colombo Stock Exchange and publicly traded.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Company and the Group comprise the statement of financial position as at 31 March 2023 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

The financial statements of the Company and the Consolidated Financial Statements of the Group have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), and in compliance with the

requirements of Companies Act No. 7 of 2007.

The consolidated financial statements have been prepared on a historical cost basis, except for Land and Buildings, financial instruments fair value through profit or loss, equity instruments designated at fair value through OCI and biological assets.

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

Comparative Information

The consolidated financial statements provide comparative information in respect of the previous year.

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

2.1.1 Going Concern

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

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 31 March 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

- Power over the investee. (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)

- Exposure, or rights, to receive variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

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

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

2.3 Subsidiary

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

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

Subsidiary	2023	2022
Fair View Hotel (Pvt) Ltd	74%	74%

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

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

2.4 Summary of significant accounting policies

a) Business combinations and goodwill

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

incurred and included in administrative expenses.

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

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration

classified as an asset or liability that is a financial instrument and within the scope of SLFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognized in the statement of profit or loss in accordance with SLFRS 9. Other contingent consideration that is not within the scope of SLFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at

the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

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

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

b) Current versus non-current classification

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

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

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

Accounting Policies contd.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period;

Or

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

The Group classifies all other liabilities as non-current.

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

c) Fair value measurement

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

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

- In the principal market for the asset or liability;

Or

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

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

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

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

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

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

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

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

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

External valuers are involved for valuation of land, buildings and biological assets

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

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

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

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

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

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

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

d) Revenue recognition

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

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

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

Room revenue

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

Contract balances associated with room revenue

Contract assets

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

Contract assets are subject to impairment assessment.

Contract liabilities

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

Food and beverage revenue

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

Interest income

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

Dividend income

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

Rental income, other income and gains

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

Gains and losses on disposal of assets

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

e) Taxation

Current income tax

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

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

Deferred taxation

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

Accounting Policies contd.

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

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future;

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable

profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

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

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

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Sales tax

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

except:

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

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

f) Foreign currencies

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

g) Transactions and balances

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

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

h) Cash dividend

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

i) Property, plant and equipment

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

When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and

equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

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

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

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

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

included in the statement of profit or loss when the asset is derecognized.

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

Useful lives as follows;

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

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

Capital work-in-progress

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

j) Leases

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

Accounting Policies contd.

Group as a lessee

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

i) Right-of-use assets

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

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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

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

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

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

k) Borrowing costs

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

l) Intangible assets

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

capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

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

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Research and development costs

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

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability and intention to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset;
- The ability to measure reliably the expenditure during development.

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

m) Financial instruments – initial recognition and subsequent measurement

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

i. Financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price as disclosed in section revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely

payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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

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

Subsequent measurement

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

- Financial assets at amortised cost. (debt instruments)
- Financial assets 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 Group classifies its financial assets as at amortised cost only if both of the following criteria are met and is not designated as at FVTPL:

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

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

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

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

Financial assets at fair value through OCI comprise:

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

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

Accounting Policies contd.

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

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

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

Financial assets at fair value through profit or loss

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

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

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

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

Derecognition

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

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

Or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset,

or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

Impairment of financial assets

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

- Trade receivables and disclosures for significant assumptions Note 21

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the

contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

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

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair

value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

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

Subsequent measurement

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

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

Financial liabilities at fair value through profit or loss

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

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iii) Offsetting of financial instruments

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

n) Inventories

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

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

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

o) Biological Assets

Biological Assets are measured at Fair Value less costs to sell, with any change therein recognized in profit or loss. Costs

to sell include all costs that would be necessary to sell the assets, including transportation costs. The fair value of livestock held for sale is based on the market price of livestock of similar age based on the market value circular issued by the National Livestock Development Board on weight, breed and genetic make-up.

p) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are

taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Accounting Policies contd.

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

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

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

q) Cash and short-term deposits

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

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

r) Provisions

General

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

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

s) Employee Benefits

Defined Contribution Plans

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

Defined Benefit Plans

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

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

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in note 29. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

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

Short-term Benefits

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

I. Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

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

The Group carries its land and buildings including swimming pool and farm structures at fair value, with changes

in fair value being recognised in the statement of OCI.

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

The lands were valued by reference to transactions involving properties of a similar nature, location and condition. The Group engaged an independent valuation specialist to assess fair values as at 31 March 2023.

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

A. Retirement Benefit Obligation

The cost of retirement benefit obligation and the present value of the retirement benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-

term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

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

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

B. Provision for expected credit losses of trade receivables

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

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

4. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance

Accounting Policies contd.

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

SLFRS 17 Insurance Contracts

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

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

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2025, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17.

Definition of Accounting Estimates - Amendments to LKAS 8

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to LKAS 12

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Also, under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

Disclosure of Accounting Policies - Amendments to LKAS 1 and IFRS Practice Statement 2

Amendments to LKAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

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

Amendments to LKAS 1 Presentation of Financial Statements 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
- Disclosures

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

Notes to the Financial Statements

Year ended 31 March 2023

5 REVENUE FROM CONTRACT WITH CUSTOMERS

		Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Revenue from contracts with customers	(Note 5.1)	995,526,540	645,546,523	883,608,071	559,329,812
		995,526,540	645,546,523	883,608,071	559,329,812

5.1 Revenue from contracts with customers

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

Over period of stay

Room revenue	312,724,527	193,746,439	248,839,548	144,037,465
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At a point in time

Food revenue	546,909,169	372,696,777	502,697,731	339,298,103
Beverage revenue	103,322,206	64,571,426	100,313,880	61,927,506
Spa income	15,712,980	7,295,980	15,712,980	7,295,980
Laundry income	9,171,046	3,657,886	8,357,899	3,194,672
Gift shop sales	7,039,103	3,016,313	7,039,103	3,016,313
Telephone income	579	1,929	-	-
Billiard income	646,930	559,773	646,930	559,773
	995,526,540	645,546,523	883,608,071	559,329,812

Contract liabilities and its movement are disclosed in Note 30 to the financial statements and there are no contract assets.

6 OTHER OPERATING INCOME

Dividend income	3,551,826	1,960,098	3,551,826	1,960,098
Rental income	1,639,937	1,570,000	1,639,937	1,570,000
Excursion income	1,534,359	848,732	1,534,359	848,732
Profit on sale of property, plant and equipment	717,564	739,802	717,564	739,802
Sundry income	1,637,158	4,891,442	1,566,351	3,468,488
Net profit/ (loss) on farm	2,426,399	(131,226)	2,426,399	(131,226)
	11,507,243	9,878,848	11,436,436	8,455,894

7 FINANCE EXPENSES

Interest on bank overdrafts and bank charges	993,429	287,279	927,810	242,230
Interest on bank loan	1,416,233	1,570,461	793,281	869,680
	2,409,662	1,857,740	1,721,091	1,111,910

8 FINANCE INCOME

Interest income on short term deposits	267,190,370	87,465,336	242,656,338	76,893,572
Net change in fair value of financial assets	3,333,631	689,513	3,333,631	689,513
	270,524,001	88,154,849	245,989,969	77,583,085

(Note 19.2)

Notes to the Financial Statements contd.

Year ended 31 March 2023

9 PROFIT BEFORE TAX

Profit before tax is stated after charging all the expenses including the followings:

	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Included in cost of sales				
Materials and consumables	292,632,204	160,157,349	271,273,446	147,480,603
Included in administration expenses				
Auditors' remuneration				
- Statutory audit fee	845,000	764,833	677,000	615,000
- Internal audit fee	484,000	440,000	484,000	440,000
Costs of defined employee benefits				
- Defined benefit plan costs	8,928,861	5,862,305	7,870,090	5,130,411
- Defined contribution plan cost - EPF and ETF	26,821,295	22,091,246	26,821,295	22,091,246
- Other staff cost	230,354,863	191,135,968	201,004,883	166,791,584
Donations	105,000	130,000	105,000	125,000
Directors' emoluments	7,166,000	6,696,400	7,166,000	6,696,400
Included in other operating expenses				
Depreciation of property, plant and equipment	122,882,865	118,900,568	108,331,388	105,633,764
Depreciation of right-of-use assets	1,005,000	1,005,000	-	-
Amortization of intangible assets	2,102,270	2,119,272	1,932,878	1,949,880
Included in Selling and marketing expenses				
Advertisement charges	2,382,796	2,248,551	2,301,586	1,504,071
Credit card commission	19,777,426	10,310,094	18,163,701	9,332,834

10 TAX EXPENSE/ (REVERSAL)

The major components of income tax expenses for the year ended 31st March are as follows :

Current income tax

Current income tax charge	(Note 10.1)	23,693,700	21,359,258	22,130,655	18,831,257
		23,693,700	21,359,258	22,130,655	18,831,257

Deferred tax expense

Deferred tax charge/ (reversal)	(Note 27)	48,939,953	(3,146,953)	41,913,691	(6,032,891)
		48,939,953	(3,146,953)	41,913,691	(6,032,891)

Income tax expense/(reversal) reported in the statement of profit or loss

		72,633,652	18,212,305	64,044,346	12,798,366
Effective tax rate		49%	65%	49%	80%

10.1 Taxable profit from the business is as follows;

	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Investment income	268,642,536	89,023,075	244,296,275	78,121,493
Total taxable income	268,642,536	89,023,075	244,296,275	78,121,493
Current income tax charge for the year is made up of the following:				
- Income tax on other income 24%	23,693,700	21,359,258	22,130,655	18,831,257
- Income tax on other income 30%	-	-	-	-
Current income tax charge for the year	23,693,700	21,359,258	22,130,655	18,831,257

**The taxable income from promotion of tourism business is taxed at the rate of 14% and the taxable income other than tourism business is taxed at the rate of 24% for first 6 months and at the rate of 30% for the second 6 months for both business income and investment income

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

Profit before income tax expenses	146,771,151	27,940,066	130,430,528	16,083,775
Tax at statutory income tax rate	40,763,220	3,437,358	39,129,158	2,251,728
Effect of tax rate changes of other income	(11,249,300)	9,326,404	(14,657,777)	7,846,357
Tax effect on non deductible expenses	5,136,002	7,299,677	5,136,002	4,551,414
Tax effect on deductions claimed	(39,660,520)	(276,189)	(47,506,114)	(276,189)
Tax effect on exempt amounts	(3,479,131)	(779,957)	(3,460,363)	(779,957)
Tax effect on non-taxable income	(2,208,675)	(448,320)	(2,208,675)	(448,320)
Deferred tax effect on carried forward business losses	1,502,014	(346,668)	5,782,072	(346,668)
Deferred tax due to tax rate change on the temporary differences of previous years	81,830,042	-	81,830,042	-
Tax expense	72,633,653	18,212,305	64,044,346	12,798,366

Income tax rates - The Nuwara Eliya Hotels Co. PLC**Hotel operations**

The profits and income of the Company arising on provision of tourism related services is liable for taxation at the rate of 30% (2022 : 14%) in terms of Revenue Act No. 24 of 2017 and amendments thereto.

Other income and gains

Income from other sources are taxed at the rate of 24% for first 6 months and at the rate of 30% for the second 6 months (2022-24%).

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

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

Notes to the Financial Statements contd.

Year ended 31 March 2023

Other income and gains

Income from other sources are taxed at the rate of 24% for first 6 months and at the rate of 30% for the second 6 months (2022-24%).

Income tax and Deferred tax have been provided as per the new rates legislated as per the Inland Revenue (Amendment) Act No 45 of 2022. The deferred tax charge on the statement of profit and loss includes Rs.81.8 Mn for the Group relating to the tax rate change on the temporary differences of previous years. The deferred tax charge on the Other Comprehensive Income statement includes Rs.404.8 Mn for the Group relating to the tax rate change on the temporary differences of previous years.

11 BASIC/DILUTED EARNINGS PER SHARE

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

	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Amount used as the numerator				
Profit attributable to ordinary equity holders of the parent	72,135,022	8,063,444	66,386,182	3,285,409
Less : Preference dividend paid	-	-	-	-
Profit Attributable to ordinary shareholders	72,135,022	8,063,444	66,386,182	3,285,409
Amount used as the denominator				
Weighted average number of ordinary shares	2,186,040	2,186,040	2,186,040	2,186,040
Basic/diluted earnings per share	33.00	3.69	30.37	1.50

12 DIVIDEND PER SHARE

Dividend declared and paid during the year				
Final dividend	-	-	-	-
Average number of ordinary shares	2,186,040	2,186,040	2,186,040	2,186,040
Dividend per share	-	-	-	-

13 FAIR VALUE MEASUREMENT - GROUP

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

Fair value measurement hierarchy for assets as at 31 March 2023 and 2022:

	Total	Fair value measurement using		
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value:				
As at 31 March 2023				
Non financial assets				
Land (Note 14.1)	2,146,612,500	-	-	2,146,612,500
Buildings, swimming pool and farm structure (Note 14.1)	1,614,748,152	-	-	1,614,748,152
Biological assets (Note 17)	2,964,165	-	-	2,964,165
Non financial assets as at 31 March 2023	3,764,324,817	-	-	3,764,324,817

13 FAIR VALUE MEASUREMENT - GROUP (CONTD.)

		Fair value measurement using		
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value:	Total			
Financial assets				
Financial assets at fair value through OCI (Note 19.1)				
Quoted equity shares	255,182,080	255,182,080	-	-
Equity instruments designated at fair value through profit or loss (Note 19.2)				
Quoted equity shares	35,307,391	35,307,391	-	-
Total financial assets as at 31 March 2023	290,489,471	290,489,471	-	-
As at 31 March 2022				
Non financial assets				
Land (Note 14.1)	2,146,612,500	-	-	2,146,612,500
Buildings, swimming pool and farm structure (Note 14.1)	1,612,808,402	-	-	1,612,808,402
Biological assets (Note 17)	1,787,717	-	-	1,787,717
Non financial assets as at 31 March 2022	3,761,208,619	-	-	3,761,208,619
Financial assets				
Financial assets at fair value through OCI (Note 19.1)				
Quoted equity shares	234,212,690	234,212,690	-	-
Equity instruments designated at fair value through profit or loss (Note 19.2)				
Quoted equity shares	31,973,759	31,973,759	-	-
Total financial assets as at 31 March 2022	266,186,449	266,186,449	-	-

There were no transfers between Level 1 and Level 2 during year ended 31 March 2023 and 2022.

13.1 Fair value of financial assets and liabilities by class**Group/Company**

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

	2023		2022	
	Carrying amount Rs.	Fair value Rs.	Carrying amount Rs.	Fair value Rs.
Financial assets				
Financial assets at fair value through OCI	255,182,080	255,182,080	234,212,690	234,212,690
Equity instruments designated at fair value through profit or loss	35,307,391	35,307,391	31,973,759	31,973,759
Total	290,489,471	290,489,471	266,186,449	266,186,449

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

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

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Year ended 31 March 2023

Financial liabilities

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

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

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

13.2 FAIR VALUE MEASUREMENT - COMPANY

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

Fair value measurement hierarchy for assets as at 31 March 2023 and 2022:

	Total	Fair value measurement using		
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value:				
As at 31 March 2023				
Non financial assets				
Land (Note 14.2)	1,971,312,500	-	-	1,971,312,500
Buildings, swimming pool and farm structure (Note 14.2)	1,134,828,150	-	-	1,134,828,150
Biological assets (Note 17)	2,964,165	-	-	2,964,165
Total non financial assets as at 31 March 2023	3,109,104,815	-	-	3,109,104,815
Financial assets				
Financial assets at fair value through OCI (Note 19.1)				
Quoted equity shares	255,182,080	255,182,080	-	-
Equity instruments designated at fair value through profit or loss (Note 19.2)				
Quoted equity shares	35,307,391	35,307,391	-	-
Total financial assets as at 31 March 2023	290,489,471	290,489,471	-	-
As at 31 March 2022				
Non financial assets				
Land (Note 14.2)	1,971,312,500	-	-	1,971,312,500
Buildings, swimming pool and farm structure (Note 14.2)	1,132,888,400	-	-	1,132,888,400
Biological assets (Note 17)	1,787,717	-	-	1,787,717
Total non financial assets as at 31 March 2022	3,105,988,617	-	-	3,105,988,617
Financial assets				
Financial assets at fair value through OCI (Note 19.1)				
Quoted equity shares	234,212,690	234,212,690	-	-
Equity instruments designated at fair value through profit or loss (Note 19.2)				
Quoted equity shares	31,973,759	31,973,759	-	-
Total financial assets as at 31 March 2022	266,186,449	266,186,449	-	-

There were no transfers between Level 1 and Level 2 during year ended 31 March 2023 and 2022.

14 PROPERTY, PLANT AND EQUIPMENT**14.1 Group**

	Balance as at 01.04.2022 Rs.	Additions Rs.	Transfers/ disposals Rs.	Balance as at 31.03.2023 Rs.
Gross carrying amounts At cost or valuation				
Freehold land	2,146,612,500	-	-	2,146,612,500
Buildings	1,497,387,162	1,939,750	-	1,499,326,912
Swimming pool complex	110,000,000	-	-	110,000,000
Farm structure	5,421,240	-	-	5,421,240
Plant and machinery	230,567,231	6,982,426	(510,300)	237,039,356
Motor vehicles	64,457,333	6,850,000	-	71,307,333
Furniture and fittings	92,618,768	3,708,630	-	96,327,397
Fixtures	8,914,776	-	-	8,914,776
Office equipment	30,394,360	1,048,443	(44,750)	31,398,053
Electrical equipment	43,998,603	8,894,403	-	52,893,007
Soft Furniture	61,218,874	1,121,231	-	62,340,105
Crockery, cutlery and glassware	23,226,067	5,022,923	(681,926)	27,567,064
Total value of depreciable assets	<u>4,314,816,915</u>	<u>35,567,805</u>	<u>(1,236,976)</u>	<u>4,349,147,744</u>
In the course of construction				
Capital work-in-progress	7,289,022	35,564,377	(6,940,130)	35,913,269
Total gross carrying amount	<u>4,322,105,936</u>	<u>71,132,182</u>	<u>(8,177,106)</u>	<u>4,385,061,013</u>

Depreciation	Balance as at 01.04.2022 Rs.	Charge for the Year Rs.	Transfers/ Disposals Rs.	Balance as at 31.03.2023 Rs.
At cost or valuation				
Buildings	-	67,991,609	-	67,991,609
Swimming pool complex	-	6,482,194	-	6,482,194
Farm Structure	-	827,126	-	827,126
Plant and machinery	119,408,923	22,008,257	(332,938)	141,084,242
Motor vehicles	57,034,271	4,479,552	-	61,513,823
Furniture and fittings	76,486,959	7,839,663	-	84,326,622
Fixtures	3,355,797	445,522	-	3,801,319
Office equipment	16,713,685	2,557,871	(44,750)	19,226,806
Electrical equipment	27,724,712	4,237,311	-	31,962,023
Soft furniture	53,628,063	2,860,521	-	56,488,584
Crockery, cutlery and glassware	19,072,179	3,153,239	(681,926)	21,543,492
Total depreciation	<u>373,424,589</u>	<u>122,882,865</u>	<u>(1,059,614)</u>	<u>495,247,840</u>

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Year ended 31 March 2023

14.1 Group (Contd.)

Net book value At cost or valuation	2023 Rs.	2022 Rs.
Freehold land	2,146,612,500	2,146,612,500
Buildings	1,431,335,303	1,497,387,162
Swimming pool	103,517,806	110,000,000
Farm structure	4,594,114	5,421,240
Plant and machinery	95,955,115	111,158,308
Motor vehicles	9,793,510	7,423,062
Furniture and fittings	12,000,775	16,131,808
Fixtures	5,113,457	5,558,979
Office equipment	12,171,247	13,680,675
Electrical equipment	20,930,983	16,273,891
Soft furniture	5,851,521	7,590,811
Crockery, cutlery and glassware	6,023,573	4,153,889
Total value of depreciable assets	3,853,899,904	3,941,392,326
In the course of construction		
Capital work-in-progress	35,913,269	7,289,022
Carrying value	3,889,813,173	3,948,681,347

14.1.1 During the financial year, the Group acquired Property, Plant and Equipment to the aggregate value of Rs.64,192,052/- (2022 - Rs.27,292,978/-) including cost incurred on capital work in progress of which Rs. 35,564,377/- (2022 - Rs. 20,517,896/-). Cash payments amounted to Rs. 64,192,052/- (2022 - Rs. 27,292,978/-) were made during the year for purchase of Property, Plant and Equipment.

14.2 Company

Year ended 31 March 2023	Balance as at 01.04.2022 Rs.	Additions Rs.	Transfers/ disposals Rs.	Balance as at 31.03.2023 Rs.
Gross carrying amounts At cost or valuation				
Freehold land	1,971,312,500	-	-	1,971,312,500
Buildings	1,017,467,160	1,939,750	-	1,019,406,910
Swimming pool complex	110,000,000	-	-	110,000,000
Farm structure	5,421,240	-	-	5,421,240
Plant and machinery	194,971,223	6,089,486	(510,300)	200,550,409
Motor vehicles	59,582,333	6,850,000	-	66,432,333
Furniture and fittings	46,482,787	3,528,575	-	50,011,362
Fixtures	8,914,776	-	-	8,914,776
Office equipment	25,608,200	240,303	(44,750)	25,803,753
Electrical equipment	25,267,026	8,271,116	-	33,538,142
Soft furniture	41,817,913	1,058,425	-	42,876,338
Crockery, cutlery and glassware	19,665,246	4,243,017	(681,926)	23,226,337
Total value of depreciable assets	3,526,510,404	32,220,672	(1,236,976)	3,557,494,100
In the course of construction				
Capital work-in-progress	7,289,022	35,564,377	(6,940,130)	35,913,269
Total gross carrying amount	3,533,799,426	67,785,049	(8,177,106)	3,593,407,369

14.2 Company (Contd.)

Depreciation	Balance as at 01.04.2022 Rs.	Charge for the year Rs.	Transfers/ disposals Rs.	Balance as at 31.03.2023 Rs.
At cost or valuation				
Building	-	60,299,950	-	60,299,950
Swimming pool complex	-	6,482,194	-	6,482,194
Farm structure	-	827,126	-	827,126
Plant and machinery	107,770,695	20,191,638	(332,938)	127,629,395
Motor vehicles	52,159,272	4,479,552	-	56,638,824
Furniture and fittings	32,163,387	6,024,254	-	38,187,641
Fixtures	3,355,797	445,522	-	3,801,318
Office equipment	13,719,629	2,039,427	(44,750)	15,714,306
Electrical equipment	16,631,547	2,345,976	-	18,977,523
Soft furniture	35,432,754	2,263,397	-	37,696,151
Crockery, cutlery and glassware	15,805,486	2,932,352	(681,926)	18,055,912
Total depreciation	277,038,565	108,331,388	(1,059,614)	384,310,339

Net book value	2023 Rs.	2022 Rs.
At cost or valuation		
Freehold land	1,971,312,500	1,971,312,500
Buildings	959,106,960	1,017,467,160
Swimming pool	103,517,806	110,000,000
Farm structure	4,594,114	5,421,240
Plant and machinery	72,921,015	87,200,528
Motor vehicles	9,793,509	7,423,061
Furniture and fittings	11,823,722	14,319,401
Fixtures	5,113,458	5,558,980
Office equipment	10,089,447	11,888,571
Electrical equipment	14,560,619	8,635,480
Soft furniture	5,180,187	6,385,159
Crockery, cutlery and glassware	5,170,425	3,859,760
	3,173,183,761	3,249,471,839
In the course of construction		
Capital work-in-progress	35,913,269	7,289,022
Carrying value	3,209,097,030	3,256,760,861

14.2.1 During the financial year, the company acquired property, plant and equipment to the aggregate value of Rs 60,844,919/- (2022 - 26,457,723/-) including cost incurred on capital work in progress of which Rs. 35,564,377/- (2022 - Rs. 20,517,896/-). Cash payments amounted to Rs. 60,844,919/- (2022 - Rs. 26,457,723/-) were made during the year for purchase of property, plant and equipment.

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

Freehold land and buildings including swimming pool and farm structure of the Group were revalued by Mr. P.P.T. Mohideen (RICS), a professional valuer considering the existing use as the highest and best use and considering the nature, location and condition of the properties. Effective date of the valuations of the Company and subsidiary were 31 March 2022. Note 2.3 (c) to the financial statements describes the valuation process of the Group. Management has determined that the carrying value of the assets approximate the fair value as at 31 March 2023.

Notes to the Financial Statements contd.

Year ended 31 March 2023

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

	Carrying Value	Fair Value
Company		
Land	1,971,312,500	1,971,312,500
Buildings, swimming pool and farm structure	1,067,218,879	1,067,218,879
Group		
Land	2,146,612,500	2,146,612,500
Buildings, swimming pool and farm structure	1,539,447,222	1,539,447,222

Valuation technique, inputs and relationship with fair value

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

Significant unobservable valuation input:	Range
---	-------

The Nuwara Eliya Hotels Co. PLC

Nature of the property - 4 star Tourist hotel

Location - Nuwara Eliya

Price per perch

Rs. 32,500/- - Rs.1,300,000/-

Price per sq.ft

Rs. 3,000/- - Rs.12,500/-

Fair View Hotel (Pvt) Ltd

Nature of the property - Tourist boutique hotel

Location - Colombo 06

Price per perch

Rs. 10,000,000/-

Price per sq.ft

Rs.19,500/-

Significant increases/(decreases) in estimated price per square meter and price per perch in isolation would result in a significantly higher/ (lower) fair value on a linear basis.

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

	2023			2022		
	Cost Rs.	Accumulated Depreciation Rs.	Carrying value Rs.	Cost Rs.	Accumulated Depreciation Rs.	Carrying value Rs.
Group						
Freehold land	66,563,275	-	66,563,275	66,563,275	-	66,563,275
Buildings	682,279,923	77,363,743	604,916,180	680,340,173	70,421,503	609,918,670
Total	748,843,198	77,363,743	671,479,455	746,903,448	70,421,503	676,481,945
Company						
Freehold land	773,000	-	773,000	773,000	-	773,000
Buildings	263,736,882	22,676,141	241,060,741	261,797,132	20,004,744	241,792,388
Total	264,509,882	22,676,141	241,833,741	262,570,132	20,004,744	242,565,388

15 RIGHT OF USE ASSETS

	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Leasehold lands	335,000	1,340,000	-	-
	335,000	1,340,000	-	-

15.1 Nature of the leasehold properties and cash outflows

	Purpose	Lease Term
Leasehold lands	Staff Quarters	2018-2023

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

	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
As at 1 April	1,340,000	2,345,000	-	-
Depreciation expenses	(1,005,000)	(1,005,000)	-	-
As at 31 March	335,000	1,340,000	-	-

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

Depreciation expense of right-of-use assets	1,005,000	1,005,000	-	-
Total amount recognized in profit or loss	1,005,000	1,005,000	-	-

15.4 Future lease commitments

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

16 INTANGIBLE ASSETS

	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Cost				
Opening balance	22,765,577	22,765,577	21,071,614	21,071,614
Additions	-	-	-	-
Closing balance	22,765,577	22,765,577	21,071,614	21,071,614
Accumulated amortization				
Opening balance	9,822,470	7,703,198	8,723,287	6,773,407
Amortizations	2,102,271	2,119,272	1,932,879	1,949,880
Closing balance	11,924,741	9,822,470	10,656,166	8,723,287
Carrying Value	10,840,836	12,943,107	10,415,448	12,348,327

Notes to the Financial Statements contd.

Year ended 31 March 2023

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

17 BIOLOGICAL ASSETS

	Group/Company	
	2023 Rs.	2022 Rs.
Carrying value at the beginning of the year	1,787,717	2,516,017
Additions during the year	282,000	31,100
Decrease due to sales	(1,785,771)	(2,532,370)
Gain from changes in weight and value	2,680,219	1,772,970
At the end of the year	2,964,165	1,787,717

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

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

- | | |
|---------------|--|
| a - Weight | c - Age |
| b - Pregnancy | d - Rates as per 01/2018 NLDB Circular |

17.1 Fair Value Hierarchy

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

Valuation techniques and significant unobservable inputs

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

Sensitivity analysis

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

18 INVESTMENT IN SUBSIDIARIES

	Company	
	2023 Rs.	2022 Rs.
Fair View Hotel (Private) Limited	444,996,000	444,996,000
	444,996,000	444,996,000

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

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

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

18.2 Non-controlling interest (NCI) in subsidiary

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

	2023	2022
NCI percentage (%)	26%	26%

18.2.1 Summarized statement of profit or loss and other comprehensive income

	2023 Rs.	2022 Rs.
Revenue	111,918,469	86,216,711
Cost of sales	(21,358,758)	(12,676,758)
Gross profit	90,559,711	73,539,953
Other income	70,807	1,422,954
Operating expenses	(98,135,356)	(72,932,552)
Finance income	24,534,032	10,571,764
Finance costs	(688,571)	(745,830)
Profit before tax	16,340,623	11,856,289
Income tax expense	(8,589,305)	(5,413,940)
Profit for the year	7,751,318	6,442,350
Other comprehensive income	232,551	70,866,483
Total comprehensive income	7,983,869	77,308,833
Profit attributable to NCI	2,002,475	1,664,317

18.2.2 Summarized statement of financial position

Non-current assets	681,844,682	693,855,266
Current assets	204,075,257	178,749,672
Total assets	885,919,939	872,604,938
Non-current liabilities	56,816,776	57,756,321
Current liabilities	36,032,297	29,160,988
Equity	793,070,866	785,687,628
Total equity and liabilities	885,919,939	872,604,937
Total equity attributable to:		
Equity holders of parent	588,276,083	582,955,397
Non-controlling interest	204,794,783	202,732,231
	793,070,866	785,687,628

18.2.3 Summarized cash flow information

Cash flows from operating activities	6,852,121	16,432,271
Cash flows from investing activities	1,296,306	(3,388,492)
Cash flows from finance activities	(3,207,867)	(4,000,200)
Net increase in cash and cash equivalents	4,940,560	9,043,579

Notes to the Financial Statements contd.

Year ended 31 March 2023

19 OTHER FINANCIAL ASSETS

		Group		Company	
		2023	2022	2023	2022
		Rs.	Rs.	Rs.	Rs.
Financial assets at fair value through OCI					
Listed equity investments	(Note 19.1)	255,182,080	234,212,690	255,182,080	234,212,690
Equity instruments designated at fair value through profit or loss					
Listed equity investments	(Note 19.2)	35,307,390	31,973,759	35,307,390	31,973,759
Total financial assets at fair value		290,489,470	266,186,449	290,489,470	266,186,449
Debt instruments at amortized cost					
Trade and other receivables	(Note 21)	27,290,442	38,949,126	25,653,104	36,448,908
Investments in fixed deposits	(Note 19.3)	1,582,329,071	1,395,748,054	1,405,190,292	1,238,499,872
Total financial assets at amortized cost		1,609,619,513	1,434,697,180	1,430,843,396	1,274,948,780
Total financial assets		1,900,108,983	1,700,883,629	1,721,332,866	1,541,135,229
Total non-current financial assets		255,182,080	234,212,690	255,182,080	234,212,690
Total other current financial assets		1,617,636,461	1,427,721,813	1,440,497,682	1,270,473,631

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

This include investments in equity shares of listed companies. The Group holds non-controlling interests in these companies. These to be strategic in nature investments were irrevocably designated at fair value through OCI as the Group considers these investments. The fair value of these investments is determined by reference to published price quotations in the Colombo stock exchange as at 31 March 2023. Note 13.1 provides further details of comparison of carrying values and fair values of equity investments.

19.1 Financial assets at fair value through OCI

		Group/Company	
		2023	2022
		Rs.	Rs.
Investment in quoted shares	(Note 19.1.1)	255,182,080	234,212,690
		<u>255,182,080</u>	<u>234,212,690</u>

19.1.1 Investment in quoted shares

	No. of Shares		2023		2022	
	2023	2022	Cost Rs.	Market Value Rs.	Cost Rs.	Market Value Rs.
Group/Company						
Royal Palm Beach Hotels PLC	2,750,000	2,750,000	28,895,047	72,325,000	28,895,047	44,825,000
John Keells Holding PLC	1,306,122	1,306,122	241,469,995	182,857,080	241,469,995	189,387,690
			270,365,042	255,182,080	270,365,042	234,212,690
Fair value adjustment of investments			(15,182,962)	-	(36,152,352)	-
Carrying value of investments in quoted equity securities			255,182,080	255,182,080	234,212,690	234,212,690

19.2 Equity instruments designated at fair value through profit or loss

Quoted shares	2023		2022	
	No. of shares	Fair value Rs.	No. of shares	Fair value Rs.
Group/Company				
The Light House Hotel PLC	520,123	14,199,358	520,123	14,303,383
Overseas Realty (Ceylon) PLC	750,750	11,561,550	750,750	11,711,700
John Keells Hotels PLC	500,000	9,450,000	500,000	5,850,000
Ceylon Investment PLC	1,719	57,587	1,719	63,775
Ceylon Guardian Investment Trust PLC	572	38,896	572	44,902
		<u>35,307,390</u>		<u>31,973,759</u>

19.3 Investments in fixed deposits

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

	Credit Rating	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Mercantile Investment and Finance PLC	BBB-	1,256,345,676	1,144,512,800	1,087,331,979	987,264,618
Commercial Bank of Ceylon PLC	AA-	-	131,594,859	-	131,594,859
LB Finance PLC	A-	122,604,618	100,929,122	122,604,618	100,929,122
Hatton National Bank PLC	AA-	53,017,229	20,241,111	44,892,147	20,241,111
Bank of Ceylon	A	152,587,945	-	152,587,945	-
		<u>1,584,555,469</u>	<u>1,397,277,891</u>	<u>1,407,416,690</u>	<u>1,240,029,709</u>
Provision for impairment	(Note 19.4)	(2,226,398)	(1,529,837)	(2,226,398)	(1,529,837)
		<u>1,582,329,071</u>	<u>1,395,748,054</u>	<u>1,405,190,292</u>	<u>1,238,499,872</u>

19.4 Provision for impairment - fixed deposits

The impairment provision of Rs. 2,226,398/- (2022-Rs. 1,529,837/-) is recognized based on the expected credit loss (ECL) calculation considering the credit ratings of the financial institutions.

Notes to the Financial Statements contd.

Year ended 31 March 2023

20 INVENTORIES

	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Food and beverages	32,447,283	35,875,262	31,419,745	35,089,439
Consumables, books and general	31,202,203	21,933,707	25,907,986	18,132,678
Grand boutique	1,996,892	2,351,225	1,996,892	2,351,225
	<u>65,646,378</u>	<u>60,160,194</u>	<u>59,324,623</u>	<u>55,573,342</u>

21 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Trade receivables	20,705,861	16,417,547	20,156,637	16,099,219
Other receivables	6,599,855	22,760,096	5,511,741	20,578,206
	27,305,716	39,177,643	25,668,378	36,677,425
Allowance for expected credit losses (Note 21.1)	(15,274)	(228,517)	(15,274)	(228,517)
	<u>27,290,442</u>	<u>38,949,126</u>	<u>25,653,104</u>	<u>36,448,908</u>

21.1 Allowance for expected credit losses

Balance as at the beginning of period	(228,517)	(378,852)	(228,517)	(378,852)
Changes in impairment for the period	213,243	150,335	213,243	150,335
Balance as at end of the period	<u>(15,274)</u>	<u>(228,517)</u>	<u>(15,274)</u>	<u>(228,517)</u>

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

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

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

	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Neither past due nor impaired	16,710,701	14,288,781	16,161,477	13,970,452
Past due but not impaired				
31-60 days	3,761,075	1,671,148	3,761,075	1,671,148
61-90 days	225,958	253,662	225,958	253,662
> 90 days	8,127	203,956	8,127	203,956
Gross carrying value	20,705,861	16,417,547	20,156,637	16,099,219
Provision for impairment	(15,274)	(228,517)	(15,274)	(228,517)
Total	<u>20,690,587</u>	<u>16,189,030</u>	<u>20,141,363</u>	<u>15,870,702</u>

22 CASH AND CASH EQUIVALENTS

Favorable cash & bank balances

Cash in hand	2,153,500	1,403,500	1,843,500	1,193,500
Cash at bank	35,870,402	62,576,801	19,856,735	50,354,559
	<u>38,023,902</u>	<u>63,980,301</u>	<u>21,700,235</u>	<u>51,548,059</u>

Unfavorable cash and bank balances

Bank Overdraft	<u>(25,786,264)</u>	<u>(30,896,299)</u>	<u>(25,786,264)</u>	<u>(29,847,162)</u>
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Total cash and cash equivalents for the purpose of cash flow statement

	<u>12,237,638</u>	<u>33,084,002</u>	<u>(4,086,029)</u>	<u>21,700,897</u>
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The identified impairment loss on Cash and cash equivalents was immaterial.

Bank overdrafts

Interest rate is AWPLR + 2.5 Per annum.

At 31 March 2023, the Group had available Rs. 75,000,000/- (2022: 75,000,000/-) of undrawn bank overdraft/borrowing facilities.

23 STATED CAPITAL

		Group/Company		Group/Company	
		Number of shares		Number of shares	
		2023	2022	2023	2022
				Rs.	Rs.
Ordinary shares		2,186,040	2,186,040	335,151,740	335,151,740
7% Participating cumulative preference shares	(Note 23.1)	5,800	5,800	58,000	58,000
		<u>2,191,840</u>	<u>2,191,840</u>	<u>335,209,740</u>	<u>335,209,740</u>

23.1 7% Cumulative participating preference shares

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

Notes to the Financial Statements contd.

Year ended 31 March 2023

24 REVALUATION RESERVE

Nature and purpose of the reserve

Revaluation reserve is used to record increments and decrements on the revaluation of lands and buildings of the Group. In the event of a sale or disposal of an asset, any balance in the reserve in relation to the asset is transferred to retained earnings, see accounting policy note 2.4 (i) for details.

	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Opening balance	2,380,136,695	2,047,943,823	2,236,512,800	1,957,117,633
Transferred to retained earnings (additional depreciation on revaluation)	(55,279,375)	(22,777,857)	(55,279,375)	(22,777,857)
Surplus on Revaluation	-	430,462,378	-	351,363,981
Income tax effect on revaluation of land and buildings	(405,810,870)	(57,100,797)	(405,810,870)	(49,190,957)
Transfers to non controlling interests*	-	(18,390,852)	-	-
	<u>1,919,046,449</u>	<u>2,380,136,695</u>	<u>1,775,422,555</u>	<u>2,236,512,800</u>

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

25 FAIR VALUE RESERVE OF FINANCIAL ASSETS AT FVOCI

Nature and purpose of the reserve

Changes in the fair value arising on translation of quoted equity investments that are classified as financial assets at fair value through OCI, are recognized in other comprehensive income and accumulated in a separate reserve within equity. This amount can not be reclassified to profit or loss when the associated assets are sold. Refer accounting policy note 2.4 (m) for details.

	Group/Company FVTOCI Reserve	
	2023 Rs.	2022 Rs.
As at 1st April	(36,152,354)	(37,080,927)
Change in fair value	<u>20,969,390</u>	<u>928,573</u>
As at 31st March	<u>(15,182,964)</u>	<u>(36,152,354)</u>

Refer Note 19.1.1 for further details of the FVOCI financial assets.

26 OTHER FINANCIAL LIABILITIES

26.1 Interest Bearing Loans and Borrowings - Group

		2023 Amount Repayable Within 1 Year Rs.	2023 Amount Repayable After 1 Year Rs.	2023 Total Rs.	2022 Amount Repayable Within 1 Year Rs.	2022 Amount Repayable After 1 Year Rs.	2022 Total Rs.
Bank Loans		28,796,799	-	28,796,799	21,605,880	14,393,919	35,999,799
Bank Overdrafts	(Note 22)	25,786,264	-	25,786,264	30,896,299	-	30,896,299
		54,583,063	-	54,583,063	52,502,179	14,393,919	66,896,098

26.2 Interest Bearing Loans and Borrowings - Company

Bank Loans		15,997,999	-	15,997,999	12,006,000	7,993,999	19,999,999
Bank Overdrafts	(Note 22)	25,786,264	-	25,786,264	29,847,162	-	29,847,162
		41,784,263	-	41,784,263	41,853,162	7,993,999	49,847,161

26.3 Bank Loans

	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<i>Commercial Bank of Ceylon PLC - Working capital loans</i>				
As at 01 April	35,999,799	45,000,000	19,999,999	25,000,000
Interest accrued	1,416,233	1,570,461	793,281	869,680
Gross payments	(8,619,233)	(10,570,662)	(4,795,281)	(5,869,681)
Closing balance	28,796,799	35,999,799	15,997,999	19,999,999
Current	28,796,799	21,605,880	15,997,999	12,006,000
Non-Current	-	14,393,919	-	7,993,999
	28,796,799	35,999,799	15,997,999	19,999,999

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

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

Terms and Conditions

Purpose - Working Capital Requirements

Repayment Period - 42 Months (Including 24 Months grace period)

Ramaining installments - 12 Months

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

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

Notes to the Financial Statements contd.

Year ended 31 March 2023

27 DEFERRED TAX LIABILITY

	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Opening balance	431,887,170	377,920,945	383,726,284	340,536,696
Charge/ (reversal) through statement of profit or loss	48,939,953	(3,146,953)	41,913,691	(6,032,891)
Charge on actuarial gain/(loss) through OCI	699,894	12,382	674,054	31,522
Income tax effect on revaluation of land and buildings	405,810,870	57,100,797	405,810,870	49,190,957
Closing balance	887,337,887	431,887,170	832,124,900	383,726,284

27.1 Deferred tax - Group

	Statement of financial position		Statement of profit or loss	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Deferred tax liability				
Capital allowances for tax purpose	201,413,023	133,957,416	67,455,607	(2,729,413)
Deferred tax effect on revaluation of buildings	138,227,943	47,703,393	-	-
Deferred tax effect on revaluation of land	602,112,823	286,826,503	-	-
	941,753,789	468,487,312	67,455,607	(2,729,413)
Deferred tax assets				
Retirement benefit obligation - recognized through statement of profit or loss	(8,491,527)	(3,661,364)	(4,830,162)	9,011
Retirement benefit obligation - recognized through other comprehensive Income	(355,268)	(1,055,161)	-	-
Deferred tax effect on impairment provisions	(4,582)	(31,992)	27,410	31,992
Deferred tax effect on unutilized taxable losses	(45,564,527)	(31,851,625)	(13,712,902)	(394,559)
	(54,415,902)	(36,600,143)	(18,515,654)	(353,556)
Deferred taxation charge/(reversal)			48,939,953	(3,146,953)
Net deferred tax liability	887,337,887	431,887,169	-	-

27.2 Deferred Tax - Company

	Statement of financial position		Statement of profit or loss	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Deferred tax liability				
Capital allowances for tax purpose	167,232,956	106,854,737	60,378,218	(5,540,555)
Deferred tax effect on revaluation of buildings	127,801,157	37,276,607	-	-
Deferred tax effect on revaluation of land	591,161,850	275,875,530	-	-
	<u>886,195,963</u>	<u>420,006,875</u>	<u>60,378,218</u>	<u>(5,540,555)</u>
Deferred tax assets				
Retirement benefit obligation - recognized through statement of profit or loss	(8,148,868)	(3,369,833)	(4,779,035)	(129,770)
Retirement benefit obligation - recognized through other comprehensive income	353,087	(1,027,141)	-	-
Deferred tax effect on impairment provisions	(4,582)	(31,992)	27,410	31,992
Deferred tax effect on unutilized taxable losses	(45,564,527)	(31,851,625)	(13,712,902)	(394,559)
	<u>(54,071,063)</u>	<u>(36,280,591)</u>	<u>(18,464,527)</u>	<u>(492,337)</u>
Deferred taxation charge/(reversal)			41,913,691	(6,032,891)
Net deferred tax liability	<u>832,124,900</u>	<u>383,726,284</u>		

28 RETIREMENT BENEFIT OBLIGATIONS

	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Opening balance	34,602,471	32,895,446	31,406,956	30,705,183
Interest cost	4,844,346	2,302,681	4,396,974	2,149,363
Past Service Cost	-	(849,083)	-	(837,974)
Current service cost	4,084,515	4,408,707	3,473,117	3,819,022
Actuarial loss/ (gain)	(5,772,964)	116,060	(5,514,573)	(225,154)
Payments during the year	(5,970,125)	(4,271,340)	(5,422,625)	(4,203,484)
Closing balance	<u>31,788,243</u>	<u>34,602,471</u>	<u>28,339,849</u>	<u>31,406,956</u>

Notes to the Financial Statements contd.

Year ended 31 March 2023

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

	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Amount recognized in profit or loss				
Interest cost	4,844,346	2,302,681	4,396,974	2,149,363
Past Service Cost	-	(849,083)	-	(837,974)
Current service cost	4,084,515	4,408,707	3,473,117	3,819,022
	8,928,861	5,862,305	7,870,090	5,130,411
Amount recognized in other comprehensive income/(loss)				
Actuarial loss/(gain) for the year	(5,772,964)	116,060	(5,514,573)	(225,154)
	(5,772,964)	116,060	(5,514,573)	(225,154)

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

		2023	2022
(1) Rate of discount		19.5%	14%
(2) Salary increment		15%	11%
(3) Staff turnover rates	Age	Rates	
	18-34	0.38	0.35
	35-49	0.24	0.23
	>50	0.09	0.06
(4) Staff retirement age		60 Years	55 Years

28.2 A quantitative sensitivity analysis for significant assumptions as at 31st march 2023 and 2022 are shown below:

	Expected future salaries		Discount rate	
	1% increase	1% decrease	1% increase	1% decrease
Group				
2023				
Change in present value of defined benefit obligation	1,042,201	(984,865)	(974,752)	1,044,171
2022				
Change in present value of defined benefit obligation	1,587,915	(1,484,371)	(1,372,146)	1,488,398
Company				
2023				
Change in present value of defined benefit obligation	974,098	(919,669)	(905,221)	970,636
2022				
Change in present value of defined benefit obligation	1,502,475	(1,403,309)	(1,288,178)	1,398,607

28.3 The expected maturity analysis of defined benefit obligation as at 31st March 2023 and 31st March 2022 are as follows:

	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Less the 1 year	8,554,324	6,299,728	8,554,324	6,299,728
Between 1-5 years	15,434,128	17,145,066	11,985,734	13,949,550
Over 5 years	7,799,791	11,157,678	7,799,791	11,157,678
	<u>31,788,243</u>	<u>34,602,471</u>	<u>28,339,849</u>	<u>31,406,956</u>
The average duration of the defined benefit plan obligation at the end of the year			3.9 Years	4.84 Years

29 TRADE AND OTHER PAYABLES

Trade payables		63,740,377	57,017,016	56,904,117	51,923,310
Amounts due to related companies	(Note 29.1)	2,880,026	1,221,010	2,512,718	1,004,336
Accrued expenses		62,494,289	54,924,443	51,862,664	45,288,321
		<u>129,114,692</u>	<u>113,162,469</u>	<u>111,279,499</u>	<u>98,215,967</u>

Terms and conditions of the above financial liabilities:

- Trade payables and accrued expenses are non-interest bearing and are normally settled on 60-120 day terms
- For terms and conditions with related parties, refer to Note 29.1

For explanations on the Group's liquidity risk management processes, refer to Note 34

29.1 Amounts due to related companies

		Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Nilaveli Beach Hotel (Pvt) Ltd.	Other related company	31,683	21,850	-	-
Tangerine Beach Hotels PLC	Other related company	33,470	84,070	33,470	84,070
Royal Palm Beach Hotels PLC	Other related company	344,252	287,408	344,252	287,408
Tangerine Tours (Pvt) Ltd.	Other related company	936,515	134,225	960,335	158,045
Mercantile Investments & Finance PLC	Other related company	239,785	46,232	243,125	49,572
Security Ceylon (Pvt) Ltd.	Other related company	1,294,321	647,225	931,536	425,242
		<u>2,880,026</u>	<u>1,221,010</u>	<u>2,512,718</u>	<u>1,004,336</u>

30 CONTRACT LIABILITIES

Advance received for future bookings	22,090,971	25,224,007	20,430,712	22,445,688
	<u>22,090,971</u>	<u>25,224,007</u>	<u>20,430,712</u>	<u>22,445,688</u>
Opening balance	25,224,007	24,725,272	22,445,688	22,948,497
Advance received during the year	18,719,300	12,043,443	18,719,300	9,791,899
Setoff against the receivables	(21,852,336)	(11,544,708)	(20,734,276)	(10,294,708)
Closing balance	<u>22,090,971</u>	<u>25,224,007</u>	<u>20,430,712</u>	<u>22,445,688</u>

Notes to the Financial Statements contd.

Year ended 31 March 2023

31 RELATED PARTY DISCLOSURES

31.1 Transactions with related parties

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

Figures in brackets indicates payables

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

	Transaction Value			Balance as at 31 March		
	2023 Rs.	Aggregate Value of the RPT as a % of the Net Revenue/ Income	2022 Rs.	Aggregate Value of the RPT as a % of the Net Revenue/ Income	2023 Rs.	2022 Rs.
	-		-		-	-
	(14,627,042)	1.66%	(10,058,047)	1.80%	(931,536)	(425,242)
	3,076,061	0.35%	1,526,037	0.27%		
	11,044,686		8,776,943			
	(630,179)	0.07%	(307,050)	0.05%	(33,470)	(84,070)
	680,778		248,568			
	(4,248,510)	0.48%	(2,083,300)	0.37%	(960,335)	(158,045)
	3,446,219		2,102,868			
	4,792,847	0.54%	4,369,190	0.78%		
	(2,894,552)	0.33%	(1,301,549)	0.23%	(243,125)	(49,572)
	(1,579,500)	0.18%	(1,560,000)	0.28%		
	(587,000)	0.07%	(605,485)	0.11%		
	4,867,500		3,464,346			
	(126,949,198)	14.37%	(230,599,228)	41.23%	1,087,331,979	987,264,618
	108,926,796	12.33%	37,638,561	6.73%		
	190,294,064	21.54%	61,907,100	11.07%		
	(5,661,657)	0.64%	(3,634,562)	0.65%	(344,252)	(287,408)
	5,604,813		3,347,155			
	(1,048,718)	0.12%	(331,600)	0.06%	-	-
	1,048,718		331,600			

Notes to the Financial Statements contd.

Year ended 31 March 2023

31.2 Transactions with key management personnel

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

	2023 Rs.	2022 Rs.
Short-term employee benefits	7,166,000	6,696,400
	7,166,000	6,696,400

32 EVENTS OCCURRING AFTER THE REPORTING DATE

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

33 COMMITMENTS AND CONTINGENCIES

33.1 Lease commitments

The Group has lease contracts for land. Undiscounted future lease payments are disclosed in Note 15.4.

33.2 Contingent Liabilities

There were no contingent liabilities as at the reporting date.

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

Market risk

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

The sensitivity analyses in the following sections relate to the position as at 31 March 2023 and 2022.

Interest rate risk

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

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

Foreign currency risk

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

Foreign currency sensitivity

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

	Change in USD rate	Effect on profit/ loss before tax
2023	+ 5%	627,544
	- 5%	(627,544)
2022	+ 5%	560,376
	- 5%	(560,376)

Equity price risk

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

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

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

At the reporting date, the Group's exposure to equity securities at fair value was Rs. 290,489,470/- (2022 - Rs. 266,186,449/-). The changes in fair values of the equity investments held are strongly positively correlated with changes of the market prices.

Credit risk

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

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

	2023 Rs.	2022 Rs.
Trade and other receivables	27,290,442	38,949,126
Other current financial assets	1,617,636,461	1,427,721,813
Non-current financial assets	255,182,080	234,212,690
Cash and short term deposits	38,023,902	63,980,301
	<u>1,938,132,885</u>	<u>1,764,863,930</u>

Notes to the Financial Statements contd.

Year ended 31 March 2023

Trade and other receivables

The maximum exposure to the credit risk of the trade and other receivables in the statement of financial position as at 31 March 2023 and 2022 is the carrying amounts as disclosed in Note 21.

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

	2023 Rs.	2022 Rs.
Individual debtors	-	-
Corporate debtors	20,705,861	16,417,547
	<u>20,705,861</u>	<u>16,417,547</u>

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

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

Trade and other receivables

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

31 March 2023	Trade receivables						Total
	Days past due						
	0–30 days	31–60 days	61–90 days	91–120 days	121–150 days	>151 days	
Expected credit loss rate	0.0%	0.2%	0.9%	3.4%	11.3%	45.0%	
Estimated total gross carrying amount at default	16,710,701	3,761,075	225,958	-	8,127	-	20,705,861
Expected credit loss	5,827	6,601	1,932	-	915	-	15,274

Financial instruments and cash deposits

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

Liquidity risk

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

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

Year ended 31 March 2023	On demand Rs.	Less than 3 months Rs.	3 to 12 months Rs.	1 to 3 years	Total Rs.
Trade and other payables	-	126,234,666	-	-	126,234,666
Amounts due to related companies	-	-	2,880,026	-	2,880,026
Income tax liabilities	-	5,393,979	-	-	5,393,979
Interest bearing loans and borrowings	25,786,264	9,598,933	19,197,866	-	54,583,063
	<u>25,786,264</u>	<u>141,227,578</u>	<u>22,077,892</u>	<u>-</u>	<u>189,091,734</u>
Year ended 31 March 2022					
Trade and other payables	-	111,941,459	-	-	111,941,459
Amounts due to related companies	-	-	1,221,010	-	1,221,010
Income tax liabilities	-	7,051,820	-	-	7,051,820
Interest bearing loans and borrowings	30,896,299	7,201,960	14,403,920	14,393,919	66,896,098
	<u>30,896,299</u>	<u>126,195,239</u>	<u>15,624,930</u>	<u>14,393,919</u>	<u>187,110,387</u>

Capital Management

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

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

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

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

	2023 Rs.	2022 Rs.
Interest-bearing loans and borrowings other than convertible preference shares (Note 26)	54,583,063	66,896,098
Trade and other payables (Note 29)	129,114,692	113,162,469
Less-		
Cash and bank balances (Note 22)	(38,023,902)	(63,980,301)
Net debt	<u>145,673,853</u>	<u>116,078,266</u>
Equity as shown in the statement of financial position	<u>4,812,370,106</u>	<u>5,118,001,018</u>
Total equity and net debt	<u>4,958,043,959</u>	<u>5,234,079,284</u>
Gearing ratio	3%	2%

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2023 and 2022.

Decade at a Glance

GROUP										
Year ended 31st March	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Trading Results										
Gross Turnover (Rs.' 000)	995,527	645,547	254,955	732,612	1,104,375	1,033,721	1,114,871	1,042,749	837,811	829,894
Profit / (Loss) before Tax (Rs.' 000)	146,771	27,940	(143,372)	99,248	357,126	363,692	398,905	350,971	306,866	347,754
Provision for Tax(Rs.' 000)	(72,634)	(18,212)	3,263	(24,171)	(51,903)	(77,275)	(61,186)	(66,127)	(37,090)	(54,546)
Profit / (Loss) after Tax (Rs.' 000)	74,137	9,728	(140,109)	75,077	305,223	286,417	337,719	284,844	269,776	293,208
Preference Dividend (Rs.' 000)	-	-	-	(93)	(174)	(174)	(174)	(174)	(131)	(131)
Ordinary Dividend (Rs.' 000)	-	-	-	(34,977)	(65,581)	(65,581)	(60,116)	(60,116)	(45,087)	(45,087)
Retained Profit / (Loss) (Rs.' 000)	74,137	9,728	(140,109)	40,007	239,468	220,662	277,429	224,554	224,559	247,991
Balance Sheet										
Share Capital (Rs.' 000)	335,210	335,210	335,210	335,210	335,210	335,210	80,172	80,172	80,172	80,172
Reserves (Rs.' 000)	4,272,366	4,580,059	4,216,142	4,305,036	4,327,591	3,364,148	3,583,070	3,318,104	2,822,244	2,622,612
Non Controlling interest (Rs.' 000)	204,795	202,732	182,760	191,508	189,534	154,034	149,841	151,944	138,860	138,965
Shareholders' Funds(Rs.' 000)	4,812,370	5,118,001	4,734,112	4,831,754	4,852,335	3,853,392	3,813,083	3,550,220	3,041,277	2,841,750
Non Current Assets (Rs.' 000)	4,159,135	4,198,965	3,863,049	3,906,484	4,022,109	3,139,772	3,107,602	3,031,602	2,657,516	2,351,220
Current Assets (Rs.' 000)	1,783,544	1,597,860	1,441,512	1,481,070	1,440,563	1,207,264	991,988	794,949	552,443	677,672
Current Liabilities (Rs.' 000)	(211,183)	(197,940)	(144,634)	(116,292)	(171,515)	(174,866)	(183,718)	(177,143)	(92,593)	(109,885)
Net Current Assets (Rs.' 000)	1,572,361	1,399,920	1,296,878	1,364,778	1,269,048	1,032,398	808,270	617,806	459,850	567,787
Non Current Liabilities (Rs.' 000)	919,126	(480,884)	(425,815)	(439,508)	(438,823)	(318,778)	(102,789)	(99,188)	(76,090)	(77,258)
Net Assets (Rs.' 000)	4,812,370	5,118,001	4,734,112	4,831,754	4,852,334	3,853,392	3,813,083	3,550,220	3,041,277	2,841,750

Real Estate Portfolio

Company and Location	Buildings (in Sq. Ft.)		No. of Buildings		Land in Acres		Net Book Value	
					Freehold Property		Rs.'000	Rs.'000
	2022/23	2021/22			2022/23	2021/22	2022/23	2021/22
Nuwara Eliya Hotels Co PLC Nuwara Eliya	195,346	195,346	19	19	19.10	19.10	3,038,531	3,104,201
Fair View Hotel (Pvt) Ltd. Wellawatte	23,310	23,310	1	1	0.11	0.11	647,528	655,200
Total	218,656	218,656	20	20	19.21	19.21	3,686,059	3,759,401

Value Added Statement

Year ended 31st March	2022/23 Rs.' 000	%	2021/22 Rs.' 000	%
Value Added				
Income earned by providing hotel services	995,527		645,547	
Cost of services	(292,632)		(160,157)	
Value added by hotel services	702,894		485,389	
Other operating income	11,507		9,879	
Total Value Added	714,402	100	495,268	100
To Employees				
Salaries, wages & other benefits	313,576	44	238,379	47
To Providers of Capital				
Dividends to shareholders	-	-	-	-
To Government as taxes	143,805	20	31,112	6
To Expansion & Growth				
Retained Income	134,139	19	106,876	22
Depreciation	122,883	17	118,901	24
	257,022	36	225,777	46
	714,402	100	495,268	100
Value added per Revenue (Rs)	0.72		0.77	
Value added per Employment cost (Rs)	2.28		2.09	
Value added per Ordinary Share (Rs)	326.80		228.06	

Shareholders Information

Distributions to shareholders

No. of shares held	As at 31st March 2023				As at 31st March 2022			
	No. of shareholders	%	Shareholding	%	No. of shareholders	%	Shareholding	%
1 - 1,000	615	94.18	37,351	1.71	596	93.86	36,483	1.67
1,001 - 10,000	24	3.68	66,629	3.05	25	3.94	68,673	3.14
10,001 - 100,000	8	1.23	239,810	10.97	8	1.26	238,634	10.92
100,001 - 1,000,000	6	0.92	1,842,250	84.27	6	0.94	1,842,250	84.27
Over 1,000,000	0	-	-	-	-	-	-	-
	653	100	2,186,040	100	635	100	2,186,040	100

Composition of Shareholders

Category	As at 31st March 2023		As at 31st March 2022	
	Shareholding	%	Shareholding	%
Resident	2,145,680	98.15	2,145,646	98.15
Non-Resident	40,360	1.85	40,394	1.85
Total	2,186,040	100	2,186,040	100.00
Individuals	863,803	39.51	862,975	39.48
Corporate	1,322,237	60.49	1,323,065	60.52
Total	2,186,040	100	2,186,040	100

Public Holding

	31-Mar-23	%	31-Mar-22	%
No. of Ordinary shares held	235,316	10.76%	235,316	10.76

Share Information

	2022/23	Period	2021/22	Period
Highest Price (Rs.)	1,845.00	Q/E Sept 2022	1,680.50	Q/E Mar 2022
Lowest Price (Rs.)	1,000.00	Q/E June 2022	970.25	Q/E June 2021
As at period end (Rs.)	1,490.00	31-Mar-23	1,100.00	31-Mar-22

Trading Statistics

	2022/23	2021/22
No. Transactions	1,074	1,063
No. of shares traded	13,509	44,543
Share Turnover (Rs.)	17,711,036	51,466,674.00
Market Capitalisation (Rs.)	3,257,199,600	3,257,199,600
Average daily turnover (Rs.)	104,183	214,444
Float adjusted market capitalization (Rs.)	350,474,677	258,739,694

Shareholders Information contd.

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

Ratios (company)	2022/23	2021/22
Earnings per Share (Rs.)	30.37	1.50
Price Earnings Ratio (Times)	49.06	993.33
Net Assets per share as at 31st March (Rs.)	2,042.00	2,185.00
Dividend per share (Rs.)	-	-
Dividend yield (%)	-	-

Directors' Shareholding

	As at 31st March 2023		As at 31st March 2022	
	Shareholding	%	Shareholding	%
Mr. J.H.P. Ratnayake	327	0.01	327	0.01
Mr.G.G. Ondaatjie	238,088	10.89	238,088	10.89
Ms. A.M. Ondaatjie	219,737	10.05	219,737	10.05
Mr.T.J. Ondaatjie	219,737	10.05	219,737	10.05
Mr. L.N. de Silva Wijeyeratne	-	-	-	-
Mr. M.K.K.K.B. Galagoda	-	-	-	-
Mr. S.K. Abeyesundara	-	-	-	-
Mr. G.H.R. Fernando	-	-	-	-
	677,889	31.01	677,889	31.01

Twenty Largest Shareholding

	As at 31st March 2023	
	Shareholding	%
Mercantile Investments and Finance PLC	571,068	26.12%
Nilaveli Beach Hotels (Pvt) Ltd	443,390	20.28%
G G Ondaatjie	238,088	10.89%
A M Ondaatjie	219,737	10.05%
T J Ondaatjie	219,737	10.05%
Tangerine Tours (Pvt) Ltd	150,230	6.87%
Security Ceylon (Pvt) Ltd	66,372	3.04%
Mercantile Fortunes (Pvt) Ltd	40,816	1.87%
The Ceylon Investors (Pvt) Ltd	28,101	1.29%
D Grimshaw	27,797	1.27%
C G Senanayake	24,789	1.13%
S R S de Saram	20,000	0.91%
J A de Silva & Co. Ltd	17,178	0.79%
G A G Punchihewa	12,860	0.59%
J R de Silva	8,510	0.39%
D P Navaratnam	7,138	0.33%
A D Dadabhoy	5,646	0.26%
F A A Mack	4,446	0.20%
S Abishek	4,254	0.19%
M P D Cooray	4,182	0.19%

Glossary of Financial Terms

ACCOUNTING POLICIES

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

ACCRUAL BASIS

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

AMORTISATION

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

CAPITAL EMPLOYED

Shareholders' Funds plus non-current liabilities

CONTINGENT LIABILITIES

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

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

CURRENT RATIO

Current Assets divided by Current Liabilities.

CAPITAL RESERVES

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

CAPITAL EXPENDITURE

The total additions to Property, Plant and Equipment.

CASH EQUIVALENTS

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

CORPORATE GOVERNANCE

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

DEBT/EQUITY RATIO

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

DIVIDEND PAYOUT RATIO

Ordinary dividend per share divided by earnings per share.

DIVIDEND YIELD RATIO

Ordinary dividend per share divided by market value per share

EARNINGS PER SHARE (EPS)

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

EPS GROWTH

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

EQUITY

Total shareholders' funds.

FAIR VALUE

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

FAIR VALUE THROUGH PROFIT OF LOSS

A financial asset/liability, acquired/incurred principally for the purpose of selling or repurchasing it in the near term part, of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking, or a derivative. (except for a derivative that is a financial guarantee contract).

INTEREST COVER

Profit before Interest and Tax over Finance Expenses.

IMPAIRMENT

This occurs when the recoverable amount of an asset is less than its carrying amount.

MARKET VALUE PER SHARE

The price at which an Ordinary Share can be purchased in the stock market.

MARKET CAPITALISATION

Number of ordinary shares in issue multiplied by the market price per share.

NET ASSETS

Total Assets less total Liabilities.

NET ASSETS PER SHARE

Total Assets less total Liabilities divided by the number of Ordinary Shares in issue at the end of the period.

PRICE EARNINGS RATIO

Market price per share divided by Earnings per Share.

RELATED PARTIES

Parties where one party has the ability to control the other party or exercise significance influence over the other party in making financial or operational decisions, directly or indirectly.

RETURN ON EQUITY

Profit attributable to shareholders as a percentage of Average Shareholders' Funds.

SHAREHOLDERS' FUNDS

Total of issued and fully paid share capital, capital reserves and revenue reserves.

TOTAL DEBT

Long term loans plus short term loans and overdrafts.

TOTAL VALUE ADDED

The difference between net revenue (including other income) and expenses, cost of materials and services purchased from external sources.

Notice of Meeting

NOTICE IS HEREBY GIVEN that the 131st Annual General Meeting of The Nuwara Eliya Hotels Company PLC will be held as a virtual meeting on 26th September 2023 at 11.00 a.m. assembled at 236, Galle Road, Colombo 3 to transact the following business.

1. To receive and adopt the Report of the Directors and the Statement of Accounts for the year ended 31st March 2023, with the Report of the Auditors thereon.
2. To elect Mr. M K K K B Galagoda who retires in terms of Article 88(i) of the Articles of Association as a Director of the Company.
3. To elect Mr. G H R Fernando who retires in terms of Article 95 of the Articles of Association as a Director of the Company.
4. To elect Mr. J H P Ratnayake, in terms of Section 211 of the Companies Act No.07 of 2007. The Company has received special notice of intention to pass the following 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 to Mr. James Henry Paul Ratnayake who is 73 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

5. To elect Mr. L N de S Wijeyeratne in terms of Section 211 of the Companies Act No.07 of 2007. The Company has received special notice of intention to pass the following 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 to Mr. Lalit Nihal de Silva Wijeyeratne who is 73 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.

6. 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.
7. To authorize the Directors to determine payments for charitable and other purposes for year 2023/24.
8. To consider and if thought fit passing the following resolution as a special resolution.

That the Articles of Association of the Company to be amended in the following manner,

To delete Article 59 and substitute same with the following,

- 59.1. A quorum for a meeting of shareholders is present if the shareholders or their proxies are present who are between them able to exercise a majority of the votes to be cast on the business to be transacted by the meeting
- 59.2. A meeting of shareholders may be held either by a number of shareholders who constitute a quorum, being assembled together at the place, date and time appointed for the meeting; or by means of audio, or audio and visual communication by which all shareholders participating and constituting a quorum, can simultaneously hear each other (and speak – when required) throughout the meeting.

By Order of the Board,
For The Nuwara Eliya Hotels Company PLC
Mercantile Investments and Finance PLC
Secretaries

Colombo
25th August 2023

Notes: A member entitled to attend and vote at the meeting is entitled to appoint a proxy (whether a purpose and Shareholders who are unable to attend the meeting in person are requested to kindly complete and return such form of proxy in due time, in accordance with the instructions noted on the form of proxy.

For information on how to participate by virtual means in the above meeting please refer the supplementary notice to shareholders.

Supplementary Notice to Shareholders

THE NUWARA ELIYA HOTELS COMPANY PLC**131st ANNUAL GENERAL MEETING**

Dear Shareholder,

The Board of Directors of the Company, having taken into consideration the guidelines issued by Colombo Stock Exchange ("CSE") on holding virtual shareholder meetings through audio/visual means, have decided to hold the Annual General Meeting ("AGM") of the Company as a virtual meeting through audio/visual means using an online platform on 26th September 2023 as per the Notice of Meeting of the AGM.

Please note the following procedure to be adopted in terms of same.

1. Notice of Meeting, Form of Proxy and Form of Registration are enclosed herewith.
2. The AGM will be held in compliance with the principals set out in the Guidelines issued by CSE for hosting of virtual Annual General Meeting.
3. Only the key officials who are essential for the administration of the formalities of the meeting will be physically present at the venue. All shareholders will participate via online meeting platform.
4. Shareholders who wish to participate in AGM through audio visual means should forward the duly perfected Registration Form (Annexure 1) to Mercantile Investments and Finance PLC, Secretaries, 236, Galle Road, Colombo 3 or by email to mercantile@mi.com.lk at least 48 hours before the time fixed for the meeting.
5. Adequate arrangements will be made for Shareholders who wish to participate in the AGM via the online meeting platform with log in information being forwarded to shareholders in advance of the meeting upon verification of registration details. Only Shareholders or their duly appointed proxyholders are requested to log in to the virtual meeting platform. It is recommended that Shareholders/Proxy Holders join the AGM at least 15 minutes before the start of the AGM. The digital Platform will be active 30 minutes before the start of the AGM. The Company will not be responsible or liable for misuse and/or unauthorized use of the login information.
6. Shareholders will be given the opportunity to raise any questions or comments on the matters listed on the Agenda for the meeting or forward the questions in advance to the email mercantile@mi.com.lk
7. Voting on items listed on the Agenda will be registered using an online platform. Shareholders/Proxyholders will be briefed on the procedure for voting prior to the commencement of the AGM.

In the event the Company is required to take any further action in relation to the Meeting and/or other communications, guidelines, directives or orders issued by the Government of Sri Lanka, Notice of such action shall be given by way of an announcement to the Colombo Stock Exchange and/or publication on the Company website www.thegrandhotelnuwaraeliya.com

The Board wishes to thank the Shareholders of the Company for their corporation and support to ensure a smooth and uninterrupted process at the Annual General Meeting of the Company and look forward to their virtual attendance.

BY ORDER OF THE BOARD
FOR THE NUWARA ELIYA HOTELS COMPANY PLC
MERCANTILE INVESTMENTS AND FINANCE PLC
Secretaries

25th August 2023
Colombo

Notes

Form of Request

FOR A PRINTED COPY OF THE ANNUAL REPORT 2022/23 OF THE NUWARA ELIYA HOTELS CO.PLC

☐ I would like to receive the printed version of the Annual Report 2022/23 of The Nuwara Eliya Hotels Co.PLC

SHAREHOLDERS DETAILS	
Full name of Shareholder	
Shareholder's NIC/Passport/ Company Registration No.	
Contact Number	
Signature	Date

Notes:

- 1) Please complete the Form of Request by filling in legibly the required information /Date and signing in the space provided.
- 2) In the event the shareholder is a Company, the Form of Request should be signed under its Common Seal or by a duly authorised officer of the Company in accordance with its Article of Association.
- 3) Please forward the completed Form of Request to the Secretaries in one of the following methods-
 By post / Delivered by Hand- Secretaries
 The Nuwara Eliya Hotels Co.PLC
 236, Galle Road, Colombo 03
 By Fax - 0112434524 By email – mercantile@mi.com.lk

Registration Form

ANNEXURE 1

THE NUWARA ELIYA HOTELS COMPANY PLC 131ST ANNUAL GENERAL MEETING

To: Mercantile Investments and Finance PLC
Secretaries
The Nuwara Eliya Hotels Company PLC
236, Galle Road,
Colombo 3

Full Name of Shareholder

Address of Shareholder

.....

Shareholder's NIC No/Passport No/Co. Reg No

Membership No/ CDS Account No

Shareholder's Contact Nos. Residence Mobile

Shareholder's e-mail address (Please type clearly, mandatory)

If Proxy is appointed

Full Name of Proxy

Proxy Holder's NIC No/Passport No.

Telephone No. Residence Mobile

e-mail Address (Please type clearly, mandatory)

.....
Shareholder's Signature/Date

.....
1st Joint holder's Signature/date

.....
2nd Joint holder's Signature/date

Notes: Instructions as to completion are noted on the reverse hereof.

Registration Form - Contd.

INSTRUCTIONS AS TO COMPLETION

1. Shareholders are advised to complete the form legibly in order to facilitate their participation through the online platform
2. The "Web Link" for participation at the AGM through the online platform will be forwarded to the Shareholder's above noted email address.
3. In the case of a Company/Corporation, the registration form must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association.
4. If the registration form is signed by an Attorney, the relative Power of Attorney should also accompany the proxy form for registration, if such Power of Attorney has not already been registered with the Company.
5. The completed registration form should be deposited at the Secretaries office at No.236, Galle Road, Colombo 3 or emailed to mercantile@mi.com.lk 48 hours before the time appointed for the meeting.

Form of Proxy

I/We.....
 of
 being a member/members of THE NUWARA ELIYA HOTELS COMPANY PLC, do hereby appoint;
 of or failing him/her

Mr. J H P Ratnayake	or failing him
Mr. G G Ondaatjie	or failing him
Ms. A M Ondaatjie	or failing her
Mr. T J Ondaatjie	or failing him
Mr. L N de Silva Wijeyeratne	or failing him
Mr. S K Abeyesundara	or failing him
Mr. M K K B Galagoda	or failing him
Mr. G H R Fernando	of Colombo

as my/our proxy to represent me/us and to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 26th September 2023 at 11.00 a.m. as a virtual meeting assembled at 236, Galle Road, Colombo 03 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 2023, with the Report of the Auditors there on.	<input type="checkbox"/>	<input type="checkbox"/>
2) To elect Mr M K K B Galagoda retiring in terms of Article 88(i) of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3) To elect Mr G H R Fernando retiring in terms of Article 95 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4) To re-elect Mr. J H P Ratnayake retiring in terms of Section 211 of the Companies Act No.07 of 2007	<input type="checkbox"/>	<input type="checkbox"/>
5) To re-elect Mr. L N de S Wijeyeratne retiring in terms of Section 211 of the Companies Act No.07 of 2007	<input type="checkbox"/>	<input type="checkbox"/>
6) To re-appoint Messrs. Ernst & Young, who are deemed to be re-appointed as Auditors of the Company in terms of Section 158 of the Companies Act No.7 of 2007 and to authorize Directors to determine their remuneration	<input type="checkbox"/>	<input type="checkbox"/>
7) To authorize the Directors to determine payments for charitable and other purposes for the year 2023/24	<input type="checkbox"/>	<input type="checkbox"/>
8) To pass the special resolution as set out in the Notice of Meeting	<input type="checkbox"/>	<input type="checkbox"/>

As witness my/our hand thisday of2023

.....
 Signature of Shareholder/s

Note: Please delete the inappropriate words.

(Instructions as to completion are noted on the reverse hereof)

Form of Proxy - Contd.

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the form of proxy, after filling legibly your full name and address and by signing in the space provided and please fill in the date of signature
2. Please indicate with an "X" in the boxes provided how your Proxy is to vote on each resolution. If no indication is given, the Proxy in his discretion will vote as he thinks fit.
3. If the proxy form is signed by an Attorney, the relative Power of Attorney should also accompany the proxy form for registration, if such Power of Attorney has not already been registered with the Company.
4. In the case of a Company/Corporation, the proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association.
5. The completed form of proxy should be deposited at the Registered Office of the Company at No.236, Galle Road, Colombo 3, 48 hours before the time appointed for the meeting.

Corporate Information

NAME OF THE COMPANY

The Nuwara Eliya Hotels Co. PLC

COMPANY REGISTRATION NO.

PQ 101

STATUS & LEGAL FORM

Public quoted company with limited liability Incorporated in Sri Lanka.

TAX PAYER IDENTIFICATION NUMBER

204000492

VAT REGISTRATION NO.

204000492 7000

SECRETARIES

Mercantile Investments & Finance PLC

COMMUNICATION REGISTERED OFFICE

236, Galle Road, Colombo 03, Sri Lanka
P.O. Box 195, Colombo Tel: 2343720-7
Fax: 2434524, 2448279
E-mail: tangerine@mi.com.lk
Website: www.thegrandhotelnuwaraeliya.com

HOTEL

Grand Hotel Road, Nuwara Eliya.
Tel: 052-2222881-7
Fax: 052-2222264/5
E-mail: admin@grandhotel.lk Website :
www.thegrandhotelnuwaraeliya.com

BANKERS

- Hatton National Bank
- Commercial Bank of Ceylon PLC
- Nations Trust Bank
- Sampath Bank

BOARD OF DIRECTORS

- J.H.P. Ratnayeke - Chairman
- Gerard G. Ondaatjie - Deputy Chairman
- A.M. Ondaatjie
- T.J. Ondaatjie
- L.N.D.S. Wijeyeratne
- M.K.K.K.B. Galagoda
- S.K. Abeysundara
- G.H.R. Fernando

CORPORATE MANAGEMENT

- Suresh Abbas - General Manager
- Nazeem Mohamed - Resident Manager
- R.M.C.K. Bandara - Operations Manager
- Kumara Karunarathna - Financial controller

AUDIT COMMITTEE

- Chairman - J.H.P. Ratnayeke
- L.N.D.S. Wijeyeratne
- M.K.K.K.B. Galagoda

NOMINATION COMMITTEE

- Chairman - J.H.P. Ratnayeke
- L.N.D.S. Wijeyeratne
- Gerard G. Ondaatjie

RELATED PARTY TRANSACTION REVIEW COMMITTEE

- Chairman - J.H.P. Ratnayeke
- L.N.D.S. Wijeyeratne
- M.K.K.K.B. Galagoda

INTERNAL AUDITORS

BDO Partners Chartered Accountants

EXTERNAL AUDITORS

Ernst & Young Chartered Accountants

MANAGEMENT TEAM

- Suresh Abbas - General Manager
- Nazeem Mohamed - Resident Manager
- R M C K Bandara - Hotel Operations Mgr
- JPK Karunarathna - Finance Controller
- D N Karunasena - Asst. Group Engineer
- W M A Lowe - Executive Chef
- K G S K Udagama - QA/Accommodation Mgr
- KDW Lakmali - HR Manageress
- Shenali r Liyanage - L & D Mgr
- E A P Jayantha - Chief Engineer
- K C Perera - F & B Service Mgr
- D M Jayalath - Farm Manager
- Harinee P De Costa - Bus. Content Writer / PA
- Hashitha Eranda - Sust. & Compliance Ex
- M T Theeban - Accounts Executive
- S D Ranasinghe - Credit Executive
- R Muralitharan - Ast. Act/ Cost Contr.
- R A P Rathnayaka - Snr. IT Executive
- Ravindra Herath - Stores Executive

- M A M Riyad - Accountant
- M H Shakir - Asst. F & Be Mgr
- S Lamahewa - Restaurant Manager
- P T S Dias - Management Trainee
- T Selvapushparaj - Management Trainee
- N M Chaminda - Management Trainee
- PB S S D Dissanayaka - Snr. Restaurant Manager
- D A Ranasinghe - Social Media & Lobby Mgrs
- K M D Dhammika - Snr. Asst. FOM
- D L S M Perera - Asst. FOM
- S S Ranjindrajith - Ex. Naturalist
- W P H K Wijesiri - Housekeeping Executive
- B K S P Rodrigo - Laundry Executive
- P T Prakashan - Head Butler
- Viraj Jayarathna - Chef De cuisine/ Ex. Pastry Chef
- L G C K Udayasiri - Snr. Sous Chef
- Rajpal Rawat - Sous Chef
- H P Sanjeewa - Sous Chef
- AC Aththanayaka - Chef De Cuisine
- Roy Pradeepkumar - Maintenance Executive
- O J Joachim - Restaurant Manager
- R Suriya Bandara - Bar Manager/ Mixologist
- S M M Shuaib - IT Manager
- M S A Azees - Purchasing Manager
- W H Perera - Purchasing Executive
- Yohan Thilina - Asst. Accountant



GRAND HOTEL
ESTABLISHED 1891

www.tangerinehotels.com