



GRAND HOTEL  
ESTABLISHED 1891

# The Nuwara Eliya Hotels Co. PLC

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Annual Report  
2023/2024

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# Financial Highlights

## Year at a Glance

Results of the year	Company			Group		
	2023/24	2022/23	% Change	2023/24	2022/23	% Change
Gross Revenue (Rs. '000)	1,965,776	884,496	122%	2,132,295	996,413	114%
Cost of Sales (Rs. '000)	(458,301)	(275,593)	69%	(484,837)	(297,495)	66%
Operating Profit before Interest & tax (Rs. '000)	664,271	(113,838)	-684%	694,788	(121,343)	-673%
Finance Income (Rs. '000)	280,795	245,990	14%	313,732	270,524	16%
Finance Expense (Rs. '000)	(967)	(1,721)	-44%	(1,358)	(2,410)	-44%
Profit / (Loss) before tax (Rs. '000)	826,970	130,431	534%	877,539	146,771	498%
Income tax expense (Rs. '000)	(246,005)	(64,044)	284%	(296,232)	(72,634)	308%
Profit / (Loss) after tax (Rs. '000)	580,965	66,386	775%	581,307	74,137	684%
Profit / (Loss) attributable to shareholders (Rs. '000)	580,965	66,386	775%	581,307	74,137	684%
Dividend paid (Rs. '000)	(80,002)	-	0%	(80,002)	-	0%
<b>Financial Position at the end of the year</b>						
Shareholder's funds (Stated Capital & Reserves) (Rs. '000)	5,039,521	4,463,718	13%	5,366,874	4,812,370	12%
Number of shares in issue	2,186,040	2,186,040	0%	2,186,040	2,186,040	0%
Total Assets (Rs. '000)	6,440,362	5,503,263	17%	6,913,265	5,942,679	16%
Total Debt (Rs. '000)	-	15,998	-100%	-	28,797	-100%
Cash & Cash Equivalents (Rs. '000)	31,577	(4,086)	-873%	54,805	12,238	348%
<b>Ratios</b>						
Return on shareholders' funds (%)	11.53	1.49	675%	10.83	1.54	603%
Return on total assets (%)	9.02	1.21	648%	8.41	1.25	574%
Year on year EPS Growth (%)	775	1,925	-60%	706	794	-11%
Interest Cover (Times)	687	(66)	-1139%	511	(50)	-1116%
Equity: Assets (%)	78	81	-4%	78	81	-4%
Current Ratio (Times)	4.86	8.83	-45%	5.09	8.45	-40%
Debt/Equity (Long Term Debt/ Shareholders Funds) (%)	-	0.36	-100%	-	0.60	-100%
Debt/Total Assets (Long Term Debt/ Total Assets) (%)	-	0.29	-100%	-	0.48	-100%
Dividend cover (Times)	(0.14)	-	-	(0.14)	-	-
Dividend yield (%)	2.12	-	-	2.12	-	-
Dividend pay-out ratio (%)	13.73	-	-	13.73	-	-
<b>Investors</b>						
Earnings per share (Rs.)	265.76	30.37	775%	265.92	33.00	706%
Dividend per share (Rs.)	36.50	-	-	36.50	-	-
Net assets per share (Rs.)	2,305	2,042	13%	2,364	2,108	12%
<b>Market Shareholder Information</b>						
Market price per share as at 31st March (Rs)	1,725	1,490	16%	1,725	1,490	16%
Market Capitalization (Rs. '000)	405,927	350,475	16%	405,927	350,475	16%
Price Earnings Ratio - Company (Times)	6	49	-87%	6	45	-86%

# Chairman's Message

In 2023, the Sri Lankan economy showed signs of rebound with a moderate contraction of 2.3 percent in comparison to a significant contraction of 7.3 percent observed in 2022. The gradual, yet steady rebound in 2023 was evident, particularly in the second half of the year, during which the Gross Domestic Product recorded positive growth rates. This was underpinned by renewed macroeconomic stability amidst softening inflation and easing of external sector pressures.

Despite the challenges that loomed at the beginning of the year, including an economic downturn, dollar deficits, and commodity price hikes, The Government of Sri Lanka commanded a resilient and a resourceful approach to managing the situation efficiently, swiftly putting the nation back on its feet. This positive turn of events ushered in a reinvigorated tourism sector with the improved airline connectivity and increased cruise calls, along with positive media coverage globally, promoting tourism interest towards Sri Lanka. In September 2023, a notable milestone was achieved as Sri Lanka welcomed its one millionth tourist arrival. In a noteworthy feat, December 2023 marked the highest tourist arrivals, propelling Sri Lanka's total visitors to 1.48 million visitors in 2023, nearly achieving the annual target.

It is with greatest pleasure that I note during the year under review, our teams have been able to capture much of this upside in national tourism platforms unto our fold. Our revenue has shown 535 % of during the financial period. This remarkable achievement is attributed to stringent cost control measures implemented by the management and increased occupancy resulting from effective marketing strategies.

I am much optimistic about the sector and its performance in 2024 and expect continued strong demand amidst a possibility of slightly increasing the price levels. People's needs to travel and meet for both leisure and business is significant and varied, and it is clear that they are prioritizing spending on experiences, travel, and entertainment. After two consecutive record years, we are commercially and financially stronger than ever and well-positioned for the future endeavors.

I am convinced that the ambitious positive initiatives we are driving in technology and commercial operations areas will result in a greater digital transformation over the next two to three years than what we have seen in the past two decades at Grand Hotel. We are now laying the foundation for the future with high ambitions for further improving the guest experiences and making work easier and more efficient for team members of the Grand Hotel.

We are planning a number of facility refurbishments and product refreshments over the next few years to ensure our product portfolio remains best in class and supports our desire to drive above-inflationary rate increases.

Given our improved liquidity position and an encouraging outlook, I have the pleasure in informing that the board approved and declared an interim dividend of Rs 36.50 per ordinary share (gross), enhancing shareholder value after a challenging period.

I extend my heartfelt gratitude to my fellow board members, the management team, and dedicated employees who have displayed continued commitment and

resilience during the foregone periods of much turbulence. To our shareholders, I offer my deepest thanks for your sustained trust and support as we navigate the complexities of the current landscape

To conclude, I would like to sincerely thank all of our other stakeholders and guests who choose to patronize us, while I look forward to a positive eventful 2024 and an exciting future for Grand Hotel Group.



**J.H.P. Ratnayake**

15th August 2024

# Deputy Chairman's Review

“We remain focused on our strategic objectives and are equipped to navigate future challenges with the collective resilience that defines The Nuwara Elya Hotels Company PLC Hotels.”

The past year has witnessed the ability of The Nuwara Elya Hotels Company PLC to recover and rebuild. As the direct pandemic-related impacts began to subside, the business responded dynamically, leading to a rebound in revenue. Encouragingly, we noticed a significant uplift in foreign tourists visiting Sri Lanka, accompanied by increased domestic business and leisure travel. Our occupancy rates have shown robust growth, surpassing even pre-pandemic levels, a testament to our ability to respond, adapt and thrive. However, we have to acknowledge the post-pandemic and ongoing challenges, that have resulted in certain drawbacks, but with the present gradual easing out of such challenges, we have been able to withstand and be resilient.

Significant business impediments propagated internally by load-shedding, infrastructure decay and rising operational costs and externally by geopolitical issues, such as the conflict in Ukraine, added layers of uncertainty to our supply chain. These factors led to increased costs and delayed some of our planned capital investments. To mitigate these risks, the group is proactively enhancing its operations.

## Sri Lanka Economy

The Sri Lankan economy entered a path towards recovery in 2023 following its deepest economic catastrophe encountered in the preceding year. The recovery was buttressed by rapid disinflation, improved external resilience, stronger fiscal balances, and preserved financial system stability. Prompt and coordinated implementation of a suite of policy measures by the Government and the Central Bank with the structural reform agenda alongside the Extended Fund Facility arrangement from the International Monetary Fund (IMF-EFF)

reinforced overall macroeconomic stability of Sri Lanka.

## Sri Lanka Tourism

Sri Lanka's tourism industry has achieved a robust revival in 2023, marking a significant milestone by registering the highest influx of visitors to Sri Lanka since 2019. With almost 1.5 million visitors, the country has made significant strides amid consecutive challenges during the past four years. The recovery of the tourism industry is a testament to the collective efforts of the Government and private sector champions. The upward trajectory in tourist arrivals and earnings signify a promising future for the industry and its integral role in the country's economic growth.

In the dynamic landscape of tourism, the year 2024 is poised to introduce a multitude of trends that will profoundly influence the way tourists engage with the world. From technological innovations to shifting consumer tastes, numerous trends are set to mold the industry in the upcoming year. As a popular tourism destination, Sri Lanka can strategically harness its resources to align with and cater to these evolving trends.

## Global Tourism

International Tourism in 2023 started off on a strong note with the Middle East recovering to its 2019 levels in the first quarter. International tourist arrivals reached 80% of pre-pandemic levels in the first quarter of 2023 (20% compared to the same quarter of 2019) boosted by strong results in Europe and the Middle East, compared to a 66% recovery level for the year 2022 overall.

International tourism grew by an overall 86% in the first quarter of 2023 compared to the same period last year, showing

continued strength at the start of the year. An estimated 235 million tourists travelled internationally in the first three months, more than double of those in the same period of 2022. The Middle East saw the strongest performance (+15%) and is the first world region to recover pre-pandemic numbers in a full quarter. Europe reached 90% of pre-pandemic levels in Q1 2023, supported by robust intra-regional demand.

## Financial Performance – Driven by the positives to a delight

Overall, the financial year under review marks a historical milestone for The Nuwara Elya Hotels Company PLC, characterized by a substantial revenue growth, enhanced profitability, improved occupancy rates, and increased earnings per share. These achievements underscore the company's resilience, strategic foresight, and operational excellence in navigating through challenges and capitalizing on opportunities in the hospitality industry.

The group revenue increased from Rs 883.3 million to Rs 1.9 billion, making an impressive growth of 122%. The profit after tax witnessed a substantial increase, reaching Rs 580.9 million compared to the previous year's Rs 66.385 million. This notable improvement in after-tax profits reflects the company's ability to generate sustainable earnings and create value for its stakeholders.

In addition to financial metrics, the company also experienced a substantial increase in occupancy rates, rising from 25% to 45%. This uptick in occupancy rates signifies increased demand for the company's services and reflects positively on its market positioning and customer satisfaction levels.

## Deputy Chairman's Review contd.

Driven by the above, the company's earnings per share (EPS) experienced a remarkable surge, escalating from Rs 30.57 to Rs 265.86. This significant enhancement in EPS underscores the company's ability to generate higher returns for its shareholders and reflects positively on its overall financial performance and growth prospects.

### Operational Highlights - Key Developments in the sector

Significant investments were made in infrastructure, including airport expansions, improved road networks, and upgraded tourist facilities, to cater to the growing number of visitors, while aggressive marketing campaigns, such as "So Sri Lanka," were launched to attract tourists from both traditional and emerging markets.

The government and private sector promoted sustainable tourism practices, including eco-tourism and community-based tourism, to ensure long-term industry viability.

However, Sri Lanka faced economic challenges, such as inflation and foreign exchange shortages, which impacted the tourism sector's performance. Managing the environmental impact of increased tourism activity and preserving natural resources remained a priority, but with a slow responsive rate.

### Grand Hotel - Forward-Thinking Strategy Drives Exceptional Performance

During the financial year 2023/24, Grand Hotel experienced a remarkable surge in revenue generation, attributed to strategic interventions and meticulous planning. The timely rate increases played a pivotal role, allowing the hotel to capitalize on peak demand periods without deterring guests. Alongside these rate adjustments, the hotel implemented stringent cost control measures, optimizing operational efficiency and reducing unnecessary expenditures.

These efforts were complemented by a keen focus on enhancing guest

experiences, which bolstered repeat business and positive word-of-mouth referrals. The management's proactive approach to market trends enabled the hotel to adjust its pricing strategy dynamically, maximizing profitability. Investments in staff training and development also contributed to higher service standards, fostering customer loyalty. Additionally, the hotel expanded its marketing initiatives, targeting new demographics and broadening its clientele.

The combination of these factors led to a significant increase in occupancy rates, further driving revenue growth. By carefully balancing cost management with strategic investments, Grand Hotel not only weathered economic uncertainties but also achieved substantial financial success. Overall, the year marked a period of robust performance and positioned the hotel for continued prosperity in the future.

### Cutting Edge Advancement in products and facilities:

#### "The library" – Sophistication mingled with craftsmanship

Grand Hotel being at the forefront of innovation, opened "The Library," Cocktail Lounge by Grand perched between the Public Bar and Wine Bar facing to the Piano Lounge. This latest gem, a haven for spirit enthusiasts boast of locally crafted drinks. Its refined ambiance, adorned with wood panels, brass accents, and plush leather chairs, invites guests of both business and leisure. With a collection of antique literary works, it offers an ideal setting for a leisurely evening for friendly groups. The cocktail menu, curated by expert mixologists, pays homage to renowned authors with concoctions like the Hemingway, Daiquiri and Shakespeare Slings. Alongside, a diverse food menu celebrating Sri Lankan flavors. A total sum of Rs.13,916,000 was expended for this project

#### "Grand Indian" – Rediscovering the Rich Tapestry of India

Due to high demand, the Grand Indian Restaurant underwent a significant

renovation program which increased the seating capacity 72 from the earlier capacity of 54. In addition, it elevated the ambiance to make it a more top-notch dining experience. With the addition of a menu featuring 25% Arabic dishes, it became even more sought after. A specialized Arabic Chef was employed to prepare the Arabic Dishes in an authentic manner. The culinary offerings at the Grand Indian coupled with the service reflected the grandeur of Indian traditions, inviting guests on a sensory journey through diverse regional flavors, aromatic spices, and time-honored cooking techniques. A sum of Rs.65,718,000 was spent on the refurbishment including new furniture and artifacts.

### Minimum Rate for City Hotels

The imposition of minimum room rates restricts hotel owners' flexibility in setting prices according to market demand, stifling healthy competition among various establishments. The tourism industry experiences fluctuations in demand that correspond to seasonal and weekly trends. Such demand patterns necessitate the ability for hotels to tailor their pricing strategies to capitalize on peaks and optimize profitability.

This minimum rate policy has adversely affected our Fair View Hotel, which is situated in Wellawatta, bordering the Colombo city limits. Notably, this minimum rate is not applicable to hotels located in Dehiwala and Mount Lavinia, another prominent tourist hub. Consequently, those hotels can market their properties below the enforced minimum rate, resulting in higher occupancy levels compared to our establishment.

The discrepancy in policy application thus creates an uneven playing field, disadvantaging hotels within Colombo's limits, including ours. To ensure fair competition and enable hotels to respond effectively to market demands, it is crucial to reconsider or abolish the minimum room rate policy. This would allow all hotels to compete on equal terms, fostering a healthier, more

dynamic tourism sector that benefits both businesses and tourists.

### Prioritizing Guest Satisfaction and Service Quality:

By prioritizing guest satisfaction and service quality, hotels build loyalty, generate positive word-of-mouth, and ultimately drive repeat business and revenue growth. This customer-centric approach is essential for long-term success in the competitive hospitality market. Therefore, in our hotels, we are closely monitoring quality service standards and protocols that are set up to ensure consistent delivery of high-quality service across all departments. This includes standards for cleanliness, responsiveness, professionalism, and attention to detail.

We further strive to offer a personalized service to personalize the guest experience by anticipating and catering to individual needs and preferences. This may include many soft approaches like remembering guest preferences for room amenities, dining options, and recreational activities, as well as offering tailored recommendations and services.

Our tremendous growth in occupancy rates, especially with a larger proportion of repeat guests stands ample testimony of success in these approaches, that has paid dividends as we are pleased to note.

### Employee Engagement and Development

By prioritizing employee engagement and development, we have created a positive work environment where employees feel motivated, valued, and empowered to deliver exceptional service to guests. This, in turn, leads to higher levels of guest satisfaction, employee retention, and ultimately, ensures the success of our hotels.

- **Training Programs:** Grand Hotel invests in comprehensive training programs to equip employees with the skills and knowledge needed to excel in their roles. This includes training

on customer service, communication skills, product knowledge, safety procedures, and specific job functions.

- **Recognition and Rewards:** Grand Hotel recognizes and reward employees for their hard work, dedication, and outstanding performance. This can take the form of Employee of the Month awards, bonuses, incentives for achieving performance targets, and public recognition ceremonies.
- **Feedback and Communication:** Effective communication channels are essential for fostering employee engagement and satisfaction. Hotels encourage open communication between management and staff, solicit feedback through employee surveys or suggestion boxes, and actively listen to employee concerns and suggestions for improvement.
- **Employee Well-being:** Hotels prioritize the well-being of their employees by offering benefits such as healthcare, retirement plans, paid time off, and employee assistance programs. They may also organize wellness initiatives, such as fitness classes, stress management workshops, or mental health support resources.
- **Diversity and Inclusion:** Hotels promote a culture of diversity and inclusion by valuing and respecting employees from all backgrounds. They implement policies and practices to ensure equal opportunities for advancement and create an inclusive work environment where all employees feel welcome and valued.
- **Leadership Development:** Hotels invest in developing the leadership skills of their managers and supervisors to effectively lead and inspire their teams. Leadership development programs may include training on coaching and mentoring, conflict resolution, performance management, and strategic decision-making.

### Looking ahead

While uncertainty persists due to the upcoming General elections or

Presidential elections and its potential impact on tourism, we are heartened by recent collaborations between the government and organized business, targeting energy, logistics, and corruption, which are crucial areas for economic recovery and stability. With the emergence of new demographics interested in tourism and domestic travel, we find ourselves well-positioned to cater to this market through our diversified brand offerings. Our agility in expanding services for the leisure sector, along with improvements aimed at our regular business and leisure travelers, suggest a promising outlook.

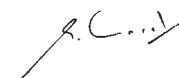
In conclusion, the group stands steadfast, navigating the ebb and flow of change. We remain focused on our strategic objectives and are equipped to navigate future challenges with the collective resilience that defines The Nuwara Eliya Hotels Company PLC. In the same vein, we will continue to provide a sanctuary for our guests amidst their daily struggles.

### Dividend declaration

Given our improved liquidity position and an encouraging outlook, the board approved and declared an interim dividend of Rs. 36.50 per share for the financial year ending 31st March 2024 (gross) enhancing shareholder value after a challenging period.

### Appreciation

I extend my heartfelt gratitude to my fellow board members, the management team, and dedicated employees who have displayed continued commitment and resilience. To our shareholders, I offer my deepest appreciation and thanks for your sustained trust and support as we navigate the complexities of the current landscape.



**Gerard G. Ondaatjie**  
Deputy Chairman

15th August 2024



# Management Discussion and Analysis

## Global Tourism Trends in 2023

The global tourism industry experienced a robust recovery in 2023 with international tourist arrivals seeing a substantial increase as many countries lifted the pandemic-related travel restrictions. The UNWTO estimated that global tourist arrivals reached approximately 960 million, around 66% of pre-pandemic levels (1.5 billion in 2019). 2023 saw a heightened focus on sustainability and responsible tourism. Travelers showed increased interest in eco-friendly destinations and sustainable practices, influencing destinations to adopt greener policies while pandemic accelerated digital adoption in the tourism sector saw a considerable rise. Contactless technologies, online bookings, virtual tours and digital health passes became commonplace, enhancing the overall travel experience. Despite the recovery, the tourism sector faced economic challenges, including inflation and varying recovery rates across regions. These factors influenced travel spending patterns, with many opting for budget-friendly travel options. Global tourism revenue was estimated to increase by 30% compared to 2022, reflecting the sector's strong rebound and Europe and Asia-Pacific led the recovery, with significant increases in both inbound and outbound travel.

## Performance of the Tourism Sector in Sri Lanka

Sri Lanka's tourism sector made a remarkable comeback in 2023, driven by strategic initiatives, marketing efforts, and a focus on sustainable tourism. Sri Lanka welcomed approximately 2 million tourists in 2023, a significant rise from around 720,000 in 2022 with arrivals peaked during the first and fourth quarters, coinciding with favorable weather conditions and major local festivals. The top source markets was India, the United Kingdom, Russia, and China. India remained the largest source

market, contributing significantly to the overall tourist numbers.

Tourism revenue in Sri Lanka was estimated at USD 3.6 billion in 2023, up from USD 1.2 billion in 2022 while the tourism sector directly and indirectly supported over 600,000 jobs, underscoring its critical role in the national economy.

## Key Developments

Significant investments were made in infrastructure, including airport expansions, improved road networks, and upgraded tourist facilities, to cater to the growing number of visitors, while aggressive marketing campaigns, such as "So Sri Lanka," were launched to attract tourists from both traditional and emerging markets.

The government and private sector promoted sustainable tourism practices, including eco-tourism and community-based tourism, to ensure long-term industry viability.

However, Sri Lanka faced economic challenges, such as inflation and foreign exchange shortages, which impacted the tourism sector's performance. Managing the environmental impact of increased tourism activity and preserving natural resources remained a priority.

## Grand Hotel - Forward-Thinking Drives Exceptional Performance

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These efforts were complemented by a keen focus on enhancing guest experiences, which bolstered repeat business and positive word-of-mouth referrals. The management's proactive approach to market trends enabled the hotel to adjust its pricing strategy dynamically, maximizing profitability. Investments in staff training and development also contributed to higher service standards, fostering customer loyalty. Additionally, the hotel expanded its marketing initiatives, targeting new demographics and broadening its clientele. The combination of these factors led to a significant increase in occupancy rates, further driving revenue growth. By carefully balancing cost management with strategic investments, Grand Hotel not only weathered economic uncertainties but also achieved substantial financial success. Overall, the year marked a period of robust performance and positioned the hotel for continued prosperity in the future.

## Cutting Edge Advancement

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### **“Grand Indian” – Rediscovering the Rich Tapestry of India**

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### **Financial Performance Perspective**

The Nuwara Eliya Hotels Company PLC demonstrated exceptional financial performance for the fiscal year ending March 31, 2024. This remarkable improvement is evident in various key financial metrics, reflecting the company's strategic initiatives and operational efficiencies.

#### **Implementation of New ERP Systems:**

The company successfully transitioned to new ERP systems, including the Sage Accounting package and a Material Control System. These implementations were aimed at improving the accuracy of accounting records and enhancing the control environment within the organization.

**CCTV System Installation:** We have successfully completed the installation of a new CCTV system across the company. This initiative is a part of our commitment to ensuring the safety and security of our employees, guests, and assets.

**HR System Upgrade:** We are currently in the process of implementing a new HR system. This upgrade is expected to streamline HR processes, improve data management, and enhance overall employee experience.

#### **Impact of Tax Rates on Cash Flow:**

While there were no major changes in tax rates during the year, the existing tax structure negatively impacted our cash flow. The company faced a VAT rate of 18%, SSCL of 2.5%, an income tax rate of 30%, along with other taxes such as TDL and Municipal Council taxes. These tax obligations have placed additional pressure on our cash flow management.

### **Financial metrics**

A notable achievement for the year was the significant increase in our occupancy rate, which saw a marked improvement over the previous year. This uptick is indicative of the recovery in the hospitality sector, the effectiveness of our marketing campaigns, and enhanced customer satisfaction. Our efforts to forge strong partnerships with travel agencies and online booking platforms have played a crucial role in attracting more guests.

In tandem with higher occupancy, our Average Room Rate (ARR) also saw substantial growth. The increase in ARR, both with and without board meals, highlights our successful pricing strategies and the added value we provide to our guests through upgraded facilities and exclusive service offerings. This ability to command higher rates while maintaining high occupancy levels underscores the strong market position we have built.

Our turnover for the year experienced a remarkable increase of approximately 122%, driven by the higher occupancy and ARR. We have diversified our revenue streams by venturing into event hosting and offering corporate packages, which significantly contributed to our overall

revenue growth. This diversification strategy has strengthened our market presence and showcase the effectiveness of our expansion efforts.

While there was an increase in the cost of sales, it was managed effectively within our operational strategies, ensuring that the overall gross profit (GP) margin improved from 69% to 77%. This balance between cost management and revenue growth highlights our operational efficiency and strategic focus on high-margin services.

The company's gross profit margin saw a significant boost, reflecting our ability to drive revenue growth while effectively managing costs. This improvement is a testament to our focus on enhancing operational efficiencies and offering high-value services. Additionally, higher other operating income, derived from better resource utilization and diversified income streams, has further strengthened our financial position.

Our general and administrative expenses increased due to inflationary pressures and expanded operational activities. However, these expenses were necessary to support our growth and ensure smooth operations. Our increased marketing expenses reflect an aggressive strategy to boost occupancy and ARR, and these investments have yielded positive results.

The turnaround in our profit from operations, transitioning from a minor loss in the previous year to a substantial profit, underscores the success of our revenue management, cost control, and strategic investments. Our net profit margin increased significantly, reflecting an improvement in operational efficiency and financial management.

Improved financial management and favorable market conditions contributed to better net finance income, further enhancing our financial stability. Net profit

## Management Discussion and Analysis contd.

for the year increased by approximately 776%, demonstrating the effectiveness of our strategies and operational execution.

The cost-to-income ratio, a critical measure of efficiency, was calculated to be approximately 44% for 2024. This ratio indicates that 44% of our income is being used to cover operating expenses, showcasing our ability to manage costs effectively while driving revenue growth.

### Key Financial Ratios:

- Current Ratio: Improved to 3.20 from 2.00, indicating better liquidity and short-term financial health.
- Quick Ratio: Improved to 2.85 from 1.65, reflecting a stronger ability to meet short-term liabilities without relying on inventory.
- Return on Equity (ROE): Increased significantly to 18% from 3%, showcasing enhanced profitability and efficient use of equity capital.
- Debt to Equity Ratio: Maintained at 0.45, indicating a balanced approach to leverage debt while ensuring financial stability.

In summary, the financial performance of The Nuwara Eliya Hotels Company PLC for the year ending March 31, 2024, demonstrates robust growth and improved profitability across various metrics. Our strategic initiatives, including enhanced marketing efforts, diversification of revenue streams, and operational efficiencies, have driven substantial gains in profitability. This financial analysis highlights our resilience and ability to capitalize on market opportunities, setting a solid foundation for continued success and growth in the future.

### Guest Experience Perspective

During the year 2023/24, the hotel achieved a year-round occupancy rate of 46.5%, welcoming a total of 56,480 guests. Notably, the paradigm of guest arrivals shifted from predominantly Sri Lankan to

predominantly foreign guests. Specifically, 31,059 foreign guests accounted for 55% of total arrivals, while 25,421 Sri Lankan guests made up 45%. This shift is a highly positive indicator that the foreign market has begun to perform well.

Accommodation revenue reached Rs. 723,583,217.63, with 26,217 room nights sold. To elevate the guest experience and create a positive first impression, several enhancements and initiatives were introduced. One significant improvement was the introduction of a personalized Guest Service Agent interaction. Each Guest Service Agent was responsible for a guest's experience from check-in to departure, ensuring a seamless and memorable stay. This initiative fostered a special bond with our repeat Sri Lankan clients, resulting in an increased number of guests booking repeat stays within the year.

Moreover, a new uniform was introduced to the entire team, aligning with British tradition. This change further contributed to creating a distinctive and cohesive image for our hotel.

In addition to these enhancements, we maintained a high level of service excellence through continuous training programs for our front office staff. These sessions kept our team updated on the latest industry trends, enhanced their skills, and enabled them to deliver exceptional service consistently. By investing in our staff's development, we ensured they were well-equipped to meet the evolving needs and expectations of our guests.

Overall, the Front Office Department worked diligently in the year 2023/24 to enhance the guest experience, provide exceptional customer service, and create a lasting positive impression. Initiatives such as personal Guests Service Agent interactions, the introduction of QR codes for facility information were implemented

with the aim of exceeding guest expectations and ensuring satisfaction throughout their stay at our hotel.

### Online Reputation perspective

Reflecting on our online performance for the year 2023/24, The Grand Hotel Nuwara Eliya achieved notable success and recognition. **The Grand Hotel Nuwara Eliya was honored with the TripAdvisor Travelers' Choice 2023 award.** It also received an 8.7 rating on Booking.com, an 8.9 rating on both Expedia and Agoda, and a 4.5 rating on Trip Advisor, indicating that our overall OTA performance in terms of experience, service, and quality met guest satisfaction. Furthermore, our hotel food outlets were honored with six prestigious awards, showcasing our dedication to providing outstanding culinary experiences. We have consistently maintained all OTA review ratings above 8.7, underscoring our commitment to delivering exceptional guest experiences.

Our social media presence played a vital role in our success. We maintained an active and engaging presence across all social media channel

The Grand Hotel Nuwara Eliya relaunched its website, featuring sleek new interfaces and enhanced engagement tools designed to improve visitor convenience and streamline the booking process. The revamped site offers an intuitive navigation system, ensuring guests can easily explore amenities, services, and local attractions. Interactive tools, including virtual tours and live chat support, provide a richer, more immersive experience. An optimized booking engine allows for seamless reservations, accommodating special requests and offering real-time availability. This digital transformation underscores the Grand Hotel's commitment to exceptional hospitality and modern convenience.

The ongoing monthly newsletter circulated online has significantly boosted

our revenue by highlighting various food and beverage promotions as well as accommodation offers. Additionally, we consistently engage our customer database with weekly text messages to keep them informed about our latest offers and activities. These efforts have greatly contributed to our operational success and reinforced our brand presence. We are dedicated to delivering exceptional experiences and maintaining our strong position in the hospitality industry.

### Food & Beverage Perspective

The Grand Hotel's food and beverage revenue soared to an impressive Rs. 1,170,019,773, marking a substantial increase from the previous year's revenue of Rs. 603,013,432. This remarkable achievement is attributed to the collective contribution of all outlets, with particular mention of the significant boost in beverage revenue owing to the successful launch of "The Library" Cocktail Lounge. The implementation of new menus at Grand Thai, Grand Indian, and Grand Café reflects the hotel's commitment to culinary excellence and customer satisfaction. Hosted 15 destinations and upmarket weddings underscored Grand Hotel's reputation as a premier venue for special occasions. This strategic focus on events has not only contributed to revenue growth but also solidified the hotel's position as a preferred choice for discerning clientele. The successful hosting of prestigious events such as the National Law Conference, HSBC Golf Tournament, and Dilmah School of Tea has led to a notable increase in revenue from Meetings, Incentives, Conferences, and Exhibitions (MICE) activities. The doubling of revenue in this segment reflects the hotel's capability to attract and manage high-profile events effectively.

The Hotel ventured into new outdoor catering events, such as catering at the Ambewela Milk Processing Factory,

Diyatalawa Defence Academy Passing Out Ceremony which demonstrated Grand Hotel's adaptability and willingness to explore new revenue streams. This expansion into off-site catering further enhances the hotel's brand presence and revenue potential.

Maintained the top six positions on Trip Advisor's ranking for "Restaurants in Nuwara Eliya" reaffirmed Grand Hotel's commitment to delivering exceptional dining experiences. This consistent recognition underscored the hotel's unwavering dedication to quality and customer satisfaction.

Apart from the investment in staff training the Department introduced a shadow training program for newly recruited staff that provided comprehensive support for professional growth and performance enhancement.

Introduced new offerings such as the Bento Box for Lunch, Royal High Tea, and unique beverage options like Gingerbread Latte and Pumpkin Latte showcases the Grand Hotel's creativity in catering to evolving consumer preferences. Furthermore, active participation in competitions such as the IDL Cocktail Competition reflects the hotel's pursuit of excellence and industry recognition. Further, we have completely revamped our flatbread pizza menu, now featuring two dessert pizza options while the breakfast menu has been enriched with more Sri Lankan dishes. Both breakfast and dinner menus now offer a greater variety of vegetarian and vegan options. Additionally, we have introduced an Asian and BBQ dinner buffet on Fridays and Saturdays, complete with a cold buffet sushi counter. After a thorough analysis conducted on the dishes served in the Magnolia All Day Dining, identified both popular and underperforming offerings. Based on this analysis, we have created a new Magnolia menu with optimized pricing and a more streamlined selection for greater efficiency.

In preparation for the high performing months and weekends, we upgraded the Grand Café snack menu, adding small savory items and sweet pastries. This upgrade also saw the introduction of a new homemade products such as sweet treats and bottled jams and chutneys. Embracing current trends, we have implemented new pastry display techniques using a recently acquired range of silicone pastry molds.

We have invested in numerous heavy-duty kitchen equipment, new crockery, and utensils for all kitchen outlets. This initiative also includes the introduction of improved hygiene practices with new storage containers, materials, and packaging solutions.

These strategic enhancements are aimed at improving our menu offerings, operational efficiency, and overall customer satisfaction.

### Accommodation Experience Perspective

In a competitive hospitality industry, prioritizing guest comfort through lavish accommodations and upscale amenities is essential for maintaining a stellar reputation and fostering guest loyalty which is strongly advocated by Grand Hotel. During the year, several initiatives were taken in order to upgrade the room comfort and maintenance which included changing of Mattress Protectors, which ensured cleanliness and hygiene for guests while the height of the mattresses increase for comfort. Introduced Leather Note Pad Holders which added a touch of luxury and sophistication to rooms while installation of grab bars in Showers contributed towards improved safety for guests, especially those with mobility issues. The Lighting Level Increase enhanced the visibility and ambiance in bathrooms for guest convenience.

As a strong advocate of Sustainability Practices, the hotel introduced the

## Management Discussion and Analysis contd.

Sustainable Dispenser System which reduced plastic waste from single-use toiletry bottles, aligning with eco-friendly initiatives. Adapting to modern electrical standards all plug bases in Rooms were changed for convenience. With the climatic change impact, the hotel equipped itself with a modern Pedestal Fans that provided additional cooling for guest comfort. Ensured efficient heating system for guest comfort with the installation of new room heaters. Furniture was relocated in certain rooms that enhanced the guest comfort and flow

An integral part of the hotel where guest relaxed and read books or listened to music were the Lounges which also underwent soft enhancements. 08 new Fire Places were activated in the Lounges with Electric heaters adding more warmth and ambiance. Installed Chandelier Lamp Shades that uplifted the aesthetic appeal and lighting quality.

Aesthetic Enhancements with replacement of Carpet Rugs in the Piano Lounge and Sofa re-upholstering improved the appearance and comfort of lounge seating whilst Candle Lanterns added a cozy and welcoming atmosphere to lobbies and corridors.

### Employee Engagement Perspective

Employee satisfaction was essential for maintaining a positive work culture at the Grand Hotel. Satisfied employees were more engaged, motivated, and committed, leading to enhanced productivity and service quality. A positive work culture promoted collaboration, innovation, and a sense of belonging, creating a harmonious and efficient workplace environment. The Learning and Development (L&D) initiatives at the Grand Hotel played a vital role in this context by providing employees with opportunities to acquire new skills and advance their careers. Continuous learning not only improved individual performance but also ensured the hotel remained competitive and

adaptable. By investing in L&D, the Grand Hotel demonstrated its commitment to employee growth, resulting in higher job satisfaction and loyalty.

The implementation of the Online Training Calendar System streamlined the process of staff nominations for training sessions, allowing departments to enter nominations directly, which significantly increased efficiency in scheduling and managing training sessions, ensuring better attendance and preparation.

Daily observation reports were circulated to all departments, highlighting defects and staff shortcomings, discussed during daily morning briefings. This initiative enabled prompt identification and resolution of issues, fostering a culture of continuous improvement. The daily circulation of service competencies, including standards from departmental SOPs, service standards, health & safety, and brand standards, raised staff awareness, instilled a sense of responsibility, and clarified roles and expectations for employees.

A comprehensive Butler Training Program was introduced to improve the quality of butler services, aligning them with the highest industry standards and guest expectations. A new program was developed focusing on enhancing Food & Beverage service standards, leading to improved service quality in F&B operations and higher customer satisfaction. Social skills programs focused on dining etiquette, personal hygiene, and grooming were implemented for all staff, enhancing professionalism and presentation, positively affecting guest perceptions and interactions.

A comprehensive Training Needs Analysis (TNA) was conducted to identify department-specific training needs, enabled more targeted and effective programs. Detailed summaries and analyses with statistics for all

training programs provided valuable insights into training effectiveness, facilitating continuous improvement in training delivery. An e-booklet for new executives was introduced to streamline the onboarding process, providing a comprehensive, easily accessible resource for new hires, improving their initial orientation experience. Skill training sessions conducted by external experts, such as the Management Science University Malaysia (MSU) and industry veterans, brought new perspectives and specialized knowledge, enhancing the overall skill set of staff. A new onboarding program, including a soft orientation and a two-day extensive orientation for newcomers, improved the onboarding experience, ensuring that new employees were well-prepared and integrated into the company culture. Enhancements to existing activities included refining and updating existing training programs based on feedback and industry standards, improving their effectiveness and relevance, resulting in better-skilled employees. Communication channels and reporting mechanisms were improved to ensure timely and accurate information dissemination, enhancing coordination and transparency across departments. Service competency standards were reviewed and updated to align with hotel standards and evolving industry practices, ensuring that staff competencies remained current and competitive, enhancing overall service quality. Whatsapp groups were created for departmental staff to share training materials online, improving accessibility and communication. The L&D department successfully implemented several new initiatives and made significant improvements to existing activities, resulting in increased efficiency and effectiveness. These efforts contributed to a more skilled, aware, and responsible workforce, ultimately enhancing the overall performance and service quality of the organization. The continued focus on training and development is expected

to yield further positive outcomes in the coming years.

As of the end of the financial year, the hotel's total team strength was 412 members. There was a commendable increase in female staff, who accounted for 17.23% of the total staff cadre. However, due to the economic crisis and high inflation rate, turnover was significant compared to previous years. Despite these challenges, the hotel remained committed to promoting and encouraging local talent. A total of 206 employees, or 50%, were hired from nearby communities within a 30-kilometer radius. This commitment aligned with the hotel's principles and supported Sustainable Development Goals related to poverty alleviation and sustainable communities. Empowerment in Action: Honoring 86 Remarkable Women at the Grand Hotel's International Women's Day Celebration with a day filled with activities, learning and refreshments.

### **Sustainability Perspective**

In recent years, travelers have become more environmentally conscious, favoring accommodations that prioritize sustainability. Grand Hotel has responded to this trend by implementing a range of sustainable practices, thereby attracting eco-conscious guests. Our re-certification with the Travelife Gold standard, a globally recognized endorsement for sustainable accommodations, marks a significant achievement. This re-certification reflects our adherence to stringent sustainability practices, meeting the expectations of environmentally aware travelers, enhancing our reputation, boosting guest satisfaction, and fostering repeat business.

Sustainability initiatives often lead to long-term cost savings. Grand Hotel has reinforced its commitment by implementing energy-efficient lighting, heating systems, and equipment. Dimming

the Lights, Brightening the Future was the theme adopted for Earth Hour as we took a stand for our planet against the tide of plastics. Let's illuminate our commitment to sustainability and pave the way for a greener, plastic-free tomorrow

While these measures have reduced energy consumption, utility costs have not decreased due to rising prices. Nevertheless, water-saving strategies, such as low-flow fixtures and linen reuse programs, have resulted in significant water conservation. Waste reduction and recycling efforts have also been effective, with our landfill contributions now less than 1%.

Grand Hotel also plays a significant role in the local community by embracing sustainability practices. We supported local sourcing of food and products, collaborated with local artisans, and engaged in community environmental initiatives, fostering positive relationships and enhancing our reputation as a responsible neighbor.

Our sustainability practices have positively impacted employee engagement and morale. Employees take pride in working for an environmentally responsible organization. Involvement in sustainability initiatives, such as shramadana programs and training on sustainable practices, creates a sense of purpose and pride among staff, leading to increased job satisfaction and loyalty.

In summary, Grand Hotel's commitment to sustainability not only aligns with current travel trends but also provides significant benefits to the environment, our guests, the local community, and our employees. Our sustainable practices are integral to our operations and contribute to our long-term success.

### **Corporate Social Responsibility Perspective**

The Grand Hotel has exhibited a robust dedication to corporate social

responsibility (CSR), environmental conservation, and sustainability. Through engagement with various associations, the hotel has broadened its impact and success within the ecosystems and communities it serves, with a focus on quality, value addition, and tangible measures of impact. The hotel together with the member Hotels of the Nuwara Eliya Hoteliers Association conducted several beautification projects at the Nanu Oya Railway station. Financial support was extended by Hatton National Bank and a major program conducted on 27th September to mark World Tourism Day.

By aligning CSR activities with its core competencies and strategy, the hotel has enhanced its visibility among key stakeholders and gained recognition from groups that can support its actions in the future.

### **World Environment Day - Tackling Plastic Pollution**

World Environment Day theme emphasized the urgent mission of combating plastic pollution through a powerful campaign. Believing in long-term solutions to mitigate the harmful effects of plastics, we launched an initiative with the Katumana Sri Seethawanaramaya temple to form a youth club named "Sustainable Squad," comprising children aged 13 to 17. These young members will participate in a continuous program on sustainability and personality development.

To mark Environment Day, we organized a cleaning program from Dharmapala Roundabout to Sampath Bank, covering several hotels along the route. This initiative aimed to remove plastics, polythene, and other debris from this popular walking path for visitors, emphasizing our commitment to environmental stewardship and investing in a greener future for the next generation.



## Management Discussion and Analysis contd.

### **International Children's Day - "Nurturing the Future Generation"**

International Children's Day is more than just a theme; it serves as a rallying cry, emphasizing our collective responsibility to envelop our children in love, care, and opportunities for growth. Together, we can create a brighter world where their dreams can flourish.

In a simple yet impactful act of kindness, generous donors and the dedicated staff of the Grand Hotel united to provide stationery, pencil cases, and shoes to underprivileged children. Our mission extends beyond this, as we add a touch of sweetness by presenting a cake to the young patients in the pediatric ward of the General Hospital in Nuwara Eliya. This small gesture, emanating from the depths of our hearts, exemplifies our unwavering commitment to nurturing and supporting these resilient youngsters.

### **"Turning Pages, Shaping Futures: Grand Hotel's Contribution to SOS Children's Village Nuwara Eliya on International Literacy Day"**

In a touching demonstration of support for education and literacy, the Grand Hotel celebrated World Literacy Day by donating reading books to SOS Children's Village Nuwara Eliya, courtesy of a generous benefactor from Singapore. This heartfelt initiative underscores the hotel's dedication to community engagement and highlights the transformative power of books in shaping young minds. Additionally, a mini quiz competition was organized for the children.

### **Empowering vision, securing health of our Elders**

Grand Hotel, Helpage Sri Lanka and Supreme TV united in Nuwara Eliya to give a healthier life for the elderly community. Together, we strived to build a brighter future for the aged who are vulnerable where 300 elders above the age of 55 were screened for cataracts as well as

primary and non-communicable diseases. Held during the month of October to coincide with the World Elders Day

### **A great place for education in hospitality.....**

Grand Hotel warmly opens its doors to the trainees of the hospitality industry to come and get exposure into the operations. One day training programmes were conducted around the year for Sri Lanka Air Force Ground Stewards' Advance Course trainees, Sri Lanka Maritime Academy, Sri Lanka Police ASP and above officers, Undergraduates of Uva Wellassa University. Students of Hotel Schools including Wayamba Hotel School, Kurunegala, Bandarawela as well as SLITHM Kandy students and G C EA/L Students studying Home Economics

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

### **Support Service Engagement**

The Engineering Department of the Grand Hotel undertook several significant projects which aimed at enhancing the guest experience, improving operational efficiency, and ensuring compliance with safety and hygiene standards. This report highlights the key accomplishments and upgrades made over the past period.

#### **1. Integration of Music Speaker Lines:**

Music speaker lines were integrated into the guest walking areas of the old wing to create a more pleasurable ambiance. This initiative has enhanced the overall guest experience by providing a soothing and enjoyable auditory environment as guests move through these areas.

#### **2. Fabrication of Mobile Cutlery**

**Cupboard:** A mobile cutlery cupboard was fabricated to improve the efficiency and convenience of kitchen operations. This mobile unit allows for better organization

and easier access to cutlery, thereby streamlining the workflow for kitchen staff.

**3. Kitchen Enhancements:** A new kitchen music stand and cupboard were fabricated, and all necessary wiring supplied and rearranged in the main kitchen area. This has improved the functionality and aesthetics of the kitchen, making it a more pleasant and efficient workspace.

A kitchen rack was fabricated as per the requirements of the hygiene department. This rack ensures that kitchen operations meet strict hygiene standards, thereby promoting food safety and cleanliness.

**4. Chemical Room Upgrades:** The location of the chemical room was changed, with modifications including a change in counter level, re-tiling, painting, and the fabrication of racks with wiring work. These changes have improved the organization and safety of chemical storage and handling.

**5. Safety Enhancements:** The panic bar in the old wing was fabricated and re-fixed, and the design of the emergency exit door was changed. These modifications have enhanced the safety and accessibility of emergency exits, ensuring that guests can evacuate quickly and safely in the event of an emergency.

Panic alarms were installed in the public differently-abled washroom and in the two guest rooms assigned for differently-abled guests. This addition improves the safety and peace of mind for guests with disabilities.

**6. Technological and Utility Upgrades:** 78 rooms were upgraded with the installation of 13 Amp plug bases and USB ports. These modern amenities cater to the needs of today's tech-savvy travelers, providing them with convenient charging options for their devices.

A meat smoker machine was fabricated for the kitchen, allowing for the in-house preparation of smoked meats, which adds a unique culinary offering to the hotel's menu.

Meat aging cabinets were fabricated with glass doors and precision temperature ( $-2^{\circ}$  /  $+5^{\circ}\text{C}$ ) and humidity control. These cabinets provide a cost-effective, in-house solution for aging meat, enhancing the hotel's culinary capabilities.

## 7. Laundry and Maintenance

**Improvements:** The steam line was repaired and its pressure recalculated for optimal laundry operations. This repair has resulted in significant savings in steam and fuel, improving the overall efficiency and sustainability of the hotel's laundry services.

An air compressor assembly was innovated and fabricated in-house. This innovation has likely resulted in cost savings and improved reliability for the hotel's maintenance operations.

## Achievement Perspective

The Grand Hotel has been honored with the Travellers' Choice Award for 2023, boasting a commendable rating of 8.0. This prestigious award highlights the hotel's exceptional ability to provide an outstanding experience for travelers.

In the April Blooms 2023 competition, organized by the Nuwara Eliya Municipal Council, the Grand Hotel earned several top 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

Overall, the hotel won a remarkable 107 prizes across various categories, showcasing its exceptional dedication to floral and garden aesthetics.

## Certifications

### ISO 9001:2015 - Quality Management

**System:** In December 2021, the Grand Hotel achieved ISO 9001:2015 certification, demonstrating its commitment to delivering products and services that meet customer and regulatory requirements through a rigorous audit and document verification process.

### ISO 14001:2015 - Environmental

**Management System:** The hotel also earned the ISO 14001:2015 certification, underscoring its commitment to effectively managing its environmental impact. This re-certification highlights our commitment to enhancing environmental performance and contributing to sustainability. The implementation of an environmental management system has provided value not only to the environment but also to the hotel and its stakeholders, showcasing the financial benefits of sustainable operations.

These awards and certifications underscore the Grand Hotel's dedication to quality, customer satisfaction, environmental responsibility, and excellence in all aspects of its operations.

## Future Perspective

As we navigate the dynamic hospitality landscape, it is imperative for Grand Hotel to adopt strategies that ensure we remain at the forefront of the industry. Our vision focuses on leveraging innovation, exceptional service, and strategic investments to create a distinct competitive edge.

## Innovation and Technology:

### Advanced Guest Experience:

**New Dining Experience –** The Grand Hotel will unveil three unique dining outlets, which is yet a top secret. Hinting on the possible offering is a lush, outdoor haven offering farm-to-table cuisine amidst vibrant flora; an elegant venue with panoramic ocean views and a menu of artisanal cocktails and gourmet tapas; and The Heritage Dining Room, a luxurious, classic space serving refined, multi-course meals inspired by traditional culinary artistry. Each venue is designed to provide a distinct, memorable dining experience, catering to diverse tastes and occasions. Together, they elevate the Grand Hotel into a culinary destination that delights and enchants every guest.

### New Accommodation Experience –

Unveiling of the Gregory Suite which pays homage to the renowned Sir William Gregory, a figure of historical significance. With opulent décor inspired by his era and a meticulous attention to detail, the suite exudes an air of sophistication and grandeur. Named in his honor, it serves as a luxurious retreat, embodying the timeless elegance associated with Sir William Gregory's legacy.

**Personalization through AI:** Utilization of artificial intelligence to offer personalized services and recommendations. By analyzing guest data, we could tailor experiences to individual preferences, enhancing satisfaction and loyalty.

### Augmented Reality (AR) and Virtual Reality (VR):

Implement AR and VR in marketing and guest services. Virtual tours of the hotel and immersive local experiences will attract tech-savvy travelers and differentiate us from competitors.



## Management Discussion and Analysis contd.

### **Service Excellence:**

#### **Training and Development:**

**Continuous Staff Training:** Implement ongoing training programs focusing on hospitality skills, cultural competence, and technological proficiency. Well-trained staff will deliver exceptional service, creating memorable guest experiences.

**Employee Engagement:** Foster a positive work environment with initiatives that boost morale and retention, ensuring consistent service quality and reducing turnover-related disruptions.

#### **Luxury and Exclusivity:**

**Unique Offerings:** Develop exclusive packages and services, such as personalized wellness programs, bespoke culinary experiences, and VIP access to local attractions. These high-value offerings will attract discerning guests and set us apart from competitors.

**Brand Partnerships:** Collaborate with luxury brands for co-branded experiences and products. This will enhance our brand prestige and attract a clientele seeking premium services.

### **Market Positioning and Marketing:**

#### **Digital Presence:**

**Content Marketing:** Strengthen our online presence with engaging content that highlights our unique selling points. Utilize social media, blogs, and influencer partnerships to reach a broader audience and build a strong online community.

**SEO and SEM Strategies:** Invest in search engine optimization (SEO) and search engine marketing (SEM) to increase visibility and attract potential guests actively searching for luxury accommodations.

### **Sustainability and CSR:**

**Green Initiatives:** Promote our commitment to sustainability through eco-friendly practices and certifications. This appeals to environmentally conscious travelers and enhances our brand reputation.

**Community Engagement:** Engage in corporate social responsibility (CSR) activities that support local communities. This builds goodwill and differentiates us as a socially responsible brand.

By embracing innovation, enhancing service quality, and strategically positioning our brand, Grand Hotel will secure a cutting-edge advantage in the competitive hospitality market. These initiatives are essential for attracting discerning guests, fostering loyalty, and ensuring sustainable growth. The management team is dedicated to driving these efforts, ensuring Grand Hotel remains a leader in the industry.

# Our Material Sustainability Issues

## Commitment to Sustainability and Quality Assurance

In the fiscal year 2023/2024, Grand Hotel reaffirmed its dedication to sustainability and quality through adherence to internationally recognized standards and active participation in various training and awareness programs. Our initiatives aimed to minimize environmental impact, ensure food safety, maintain high customer satisfaction, and promote a healthy lifestyle among our employees.

### ISO 14001: Environmental Management

- **Completed Second Surveillance Audit:** Validated our commitment to minimizing environmental impacts through sustainable practices, efficient resource management, and pollution prevention.

### Travel Life Gold Certification

- **Re-certification:** Highlighted our continuous commitment to sustainability in tourism, including energy efficiency, waste reduction, and local community support.

### ISO 22000: Food Safety Management

- **Completed First Surveillance Audit Post-Recertification:** Ensured our dedication to the highest standards of food safety, providing safe and hygienic dining experiences for our guests.

### ISO 9001: Quality Management Systems

- **Completed Second Surveillance Audit:** Reaffirmed our commitment to high customer satisfaction and service quality, consistently meeting customer expectations and regulatory requirements.

## Training and Awareness Programs

Grand Hotel invested in various programs to enhance employee well-being, service quality, and environmental consciousness:

- **Promoting Healthy Lifestyles:** Focused on physical and mental well-being.

- **Non-Communicable Diseases (NCDs) Awareness:** Educated staff on preventing and managing NCDs.
- **Food Handler Training Modules:** Ensured compliance with food safety standards.
- **Environmental Awareness:** Sessions on energy dependency, renewable energy, and plastic pollution.
- **Service Quality Improvements:** Training on service quality, grooming, and compliance.

## Celebrations of International Days

Grand Hotel celebrated several international days to align with sustainability goals and community engagement:

- **World Food Day:** Hosted the Grand Green Gourmet Challenge.
- **World Children's Day:** Organized a book donation event.
- **World Tourism Day:** Conducted a cleanup at Nanuoya Railway Station.
- **World Literacy Day:** Donated books and organized games at SOS Children's Village.
- **World Mother's Day:** Recognized the contributions of our staff who are mothers.
- **International Women's Day:** Promoted gender equality and empowerment.

## Statistical Analysis of Our Initiatives

### Environmental Impact Reduction

- **Energy Consumption:** Reduced significantly through energy-efficient practices and renewable energy adoption.
- **Plastic Usage:** Decreased by a notable percentage with initiatives to eliminate single-use plastics.

### Employee Health and Training

- **Health Programs Participation:** 65% employee engagement in health and wellness programs.
- **Training Effectiveness:** Post-training assessments showed an 80% improvement in knowledge and skills.

## Community Engagement

- **Book Donations:** Over 100 books donated, positively impacting local children's literacy and education.
- **Cleanup Events:** Involved 100 employees and community members, enhancing local environmental quality.

## Conclusion

Grand Hotel's commitment to sustainability in 2023/2024 is evident through rigorous adherence to ISO standards, comprehensive training programs, and active community engagement. We strive to reduce our environmental footprint, ensure food safety, and maintain high service quality, enhancing the guest experience and positively contributing to our community and environment.

# Board of Directors



**J H P Ratnayake – Chairman  
Independent Non-Executive Director**

Mr. Paul Ratnayake 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 Ratnayake 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. Mr. Ratnayake presently serves on the Boards of following companies

Name of Company	Position Held	Executive/Non Executive
PR Secretarial Services (Pvt) Ltd	Chairman	Non-Executive
PR Intellectual Property Services (Pvt) Ltd	Chairman	Non-Executive
PR Corporate Services (Pvt) Ltd	Chairman	Non-Executive
PR Business Services (Pvt) Ltd	Chairman	Non-Executive
Nature Holdings Ltd	Chairman	Non-Executive
Rose Hill Hotel (Pvt) Ltd	Chairman	Non-Executive
Allied Export and Import Agencies (Pvt) Ltd	Alternate Director	Non-Executive
Colombo Agencies Limited	Chairman	Non-Executive
Jims Farm (Private) Ltd	Alternate Director	Non-Executive
The Tea & Herb Company Ltd	Director	Non-Executive



**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 30 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 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. Mr. Gerard Ondaatjie presently serves on the Boards of following companies.

Name of the Company	Position held	Executive/Non Executive
Mercantile Investments and Finance PLC	Managing Director	Executive
Tangerine Beach Hotels PLC	Director	Non-Executive
Royal Palms Beach Hotels PLC	Director	Non-Executive
Nilaveli Beach Hotels (Pvt) Limited	Director	Non-Executive
Tangerine Tours (Pvt) Limited	Director	Non-Executive
Security Ceylon (Pvt) Limited	Chairman	Non-Executive
Mercantile Fortunes (Pvt) Limited	Chairman	Non-Executive
Global Films Limited	Chairman	Non-Executive
Mercantile Orient (Pvt) Limited	Chairman	Non-Executive
International Fortunes (Pvt) Limited	Chairman	Non-Executive
Fair View Hotel (Pvt) Limited	Chairman	Non-Executive
Niaveli Hotels (Pvt) Limited	Director	Non-Executive
Mercantile Fortunes Insurance Brokers (Pvt) Limited	Chairman	Non-Executive
Tangerine Vacations (Pvt) Ltd	Director	Non-Executive



**A M Ondaatjie**  
**Non -Executive Director**

Ms. Angeline Ondaatjie was appointed to the Board on 17th October 2000. She has over 30 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 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. Ms. Angeline Ondaatjie presently serves on the Boards of following companies.

Name of the Company	Position held	Executive/Non Executive
Mercantile Investments and Finance PLC	Director	Executive
Mercantile Fortunes (Pvt) Limited	Director	Non-Executive
Nilaveli Beach Hotels (Pvt) Limited	Director	Non-Executive
Tangerine Beach Hotels PLC	Chairperson	Non-Executive
Royal Palms Beach Hotels PLC	Chairperson	Non-Executive
Tangerine Tours (Pvt) Limited	Chairperson	Non-Executive
Security Ceylon (Pvt) Limited	Director	Non-Executive
Global Films Limited	Director	Non-Executive
International Fortunes (Pvt) Limited	Director	Non-Executive
Mercantile Orient (Pvt) Limited	Director	Non-Executive
Fair View Hotel (Pvt) Limited	Director	Non-Executive
Niaveli Hotels (Pvt) Limited	Director	Non-Executive
Mercantile Fortunes Insurance Brokers (Pvt) Ltd	Director	Non-Executive
The Light House Hotel PLC	Director	Non-Executive
Phoenix Industries Limited	Director	Non-Executive
Brushco (Pvt) Ltd	Director	Non-Executive
Tangerine Vacations (Pvt) Ltd	Chairperson	Non-Executive



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

Mr. Travice Ondaatjie was appointed to the Board on 17th October 2000. He has over 25 years' experience in the tourism and the financial services sectors. He holds a BSc Degree from the Arizona State University USA. Mr. Travice Ondaatjie presently serves on the Boards of following companies.

Name of the Company	Position held	Executive/Non Executive
Mercantile Investments and Finance PLC	Director	Executive
Tangerine Beach Hotels PLC	Director	Non-Executive
Royal Palms Beach Hotels PLC	Director	Non-Executive
Nilaveli Beach Hotels (Pvt) Limited	Chairman	Non-Executive
Tangerine Tours (Pvt) Limited	Director	Non-Executive
Security Ceylon (Pvt) Limited	Director	Non-Executive
Mercantile Fortunes (Pvt) Ltd	Director	Non-Executive
Global Films Limited	Director	Non-Executive
Mercantile Orient (Pvt) Limited	Director	Non-Executive
International Fortunes (Pvt) Limited	Director	Non-Executive
Fair View Hotel (Pvt) Limited	Director	Non-Executive
Niaveli Hotels (Pvt) Limited	Chairman	Non-Executive
Mercantile Fortunes Insurance Brokers (Pvt)Ltd	Director	Non-Executive
Tangerine Vacations (Pvt) Ltd	Director	Non-Executive

## Board of Directors contd.



### **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 presently serves on the Boards of the following companies

Name of Company	Position Held	Executive/Non Executive
Royal Ceramic PLC	Director	Non-Executive
Aitken Spence Plantation Management PLC	Director	Non-Executive
The Fortress Resorts PLC	Director	Non-Executive



### **M K 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 has over 30 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. Mr. Galagoda presently serves on the Boards of the following companies

Name of Company	Position Held	Executive/Non Executive
Nilaveli Beach Hotels (Pvt) Ltd	Director	Non-Executive
Fair View Hotel (Pvt) Ltd	Director	Non-Executive



**Chevalier S K Abeyesundara KStG**  
**Independent Non-Executive Director**

Surendra Kumar Abeyesundara, also known as Sahran Abeyesundara, joined the Board on April 8, 2013. He is a distinguished interior designer with extensive experience both in Sri Lanka and internationally. He co-founded Taru, an event management and interior design company in Sri Lanka. Currently residing in the United Kingdom, he is the founder of Design Guru London, an events and interior design company.

Sahran is actively involved in UK local government. He was elected as a local Councilor in the town of Haslemere and has previously served as Town Mayor. He also served on the Executive Committee of the Haslemere and District Chamber of Trade & Commerce. In recognition of his community service, he was knighted by the Order of St. George. Additionally, he is a Director of Fair View Hotel (Pvt) Ltd.

Name of Company	Position Held	Executive/Non Executive
Fair View Hotel (Pvt) Ltd	Director	Non-Executive



**G H R Fernando**  
**Non Executive Director**

Mr. Ravindra Fernando was appointed to the Board on 26th October 2022. He has over 35 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. Mr. Fernando presently serves on the Boards of the following companies

Name of Company	Position held	Executive/Non Executive
Security Ceylon (Pvt) Ltd	Director	Executive
Fair View Hotel (Pvt) Ltd	Director	Executive

# Corporate Management

**Suresh Abbas**  
General Manager

**Joined Date**  
1st August 2022

**Qualifications**  
PDP Cornell University 2001/2005/2024,

**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 auditing, 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 auditing, accounting, finance, hotel operations and administration.

**Kumara Karunaratna**  
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. Karunaratne 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.



# Corporate Governance

## Introduction

Corporate Governance underpins the mechanisms by which organizations are directed and controlled. At Nuwara Eliya Hotels Company PLC, we believe that robust governance is pivotal not only to our corporate success but also to sustainable economic development. This year, amidst a backdrop of ongoing global economic challenges, we have remained steadfast in our commitment to ethical business practices and high standards of corporate governance.

The tourism industry continues to navigate through a complex landscape marked by economic fluctuations, foreign exchange volatility, and global uncertainties. These challenges underscore the importance of sound corporate governance, which is crucial for managing risks and securing stable growth. Under the guidance of our Board—the highest decision-making body—we maintain a strong governance structure that fosters organizational performance, builds stakeholder trust, and enhances risk management capabilities.

As we move forward, our focus remains on the continuous enhancement of our Corporate Governance framework. We are dedicated to allocating substantial resources to refine our governance structures, processes, and practices. Our goal is to uphold our responsibilities towards our investors, employees, guests, and the wider public, fostering positive interactions among management, the Board, shareholders, and other stakeholders. This commitment is aimed at aligning the interests of all parties and focusing on effective risk management to achieve our strategic objectives.

## Key Features of the Nuwara Eliya Hotels Company PLC's Corporate Governance Policy

The Grand Hotel is committed to the highest standards of corporate governance, which are integral to

our business integrity and sustained performance. The following features underpin our governance framework:

- **Role of the Board of Directors:** Our Board governs the strategic direction and overall management efficiency, ensuring accountability to our shareholders.
- **Disclosure and Transparency:** We adhere to rigorous disclosure practices and transparency in communications, maintaining trust and clarity for all stakeholders.
- **Shareholder and Stakeholder Engagement:** We actively engage with our shareholders and stakeholders, respecting their rights and fostering constructive relationships.
- **Corporate Objectives and Principles:** The Nuwara Eliya Hotels Company PLC operates with a clear set of objectives aimed at maximizing organizational performance and shareholder value.
- **Legal and Regulatory Compliance:** We ensure full compliance with both national and international laws and regulations, upholding our legal and ethical standards.
- **Organizational Culture:** Our culture promotes ethical behavior, responsibility, and integrity across all levels of the organization.
- **Control Environment and Risk Management:** Robust risk management and control environments are in place to mitigate risks and capitalize on opportunities.
- **Integration of Governance Practices:** Corporate governance practices are seamlessly integrated with our business activities and strategic objectives, enhancing corporate accountability and performance.

## Governance Leadership

The Board serves as the nucleus of our Corporate Governance framework, appointed by shareholders to oversee the company's strategy, management, and performance. The Nuwara Eliya

Hotels Company PLC adheres strictly to the Code of Best Practices on Corporate Governance as issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka and ensures compliance with the requirement of the revised Section 9 of the Listing Rules of the Colombo Stock Exchange. This report outlines our governance practices and processes for the financial year ending 31st March 2024 and details our compliance with these guidelines.

## Governance Framework

### Corporate Governance Framework of The Nuwara Eliya Hotels Co. PLC

The Nuwara Eliya Hotels Co. PLC is dedicated to upholding the highest standards of corporate governance characterized by fairness, transparency, and accountability. Our comprehensive governance framework is strategically designed to align with the Code of Best Practices and Rules on Corporate Governance. It structures the operational and oversight roles within the company through a well-defined system of board and management committees.

- **Board and Management Committees:** Our framework clearly defines the roles and responsibilities of various committees, including their structure and functions. This ensures effective management oversight and strategic guidance across all levels of the organization.
- **Audit Assurance and Certification Processes:** We employ rigorous audit and assurance procedures to maintain and enhance trust and integrity in our financial reporting and internal controls. These processes are critical for certifying our adherence to both statutory and ethical standards.
- **Communication and Regulatory Framework:** The framework facilitates open and continuous communication between the board, committees, external auditors, and shareholders.

## Corporate Governance contd.

This is supported by a robust regulatory framework that ensures all communications are conducted in compliance with legal and regulatory requirements, fostering a transparent corporate environment.

This governance structure not only supports our commitment to corporate ethics and compliance but also enhances shareholder value by fostering a corporate culture that prioritizes thorough oversight and transparent management practices.

### Code of Best practices on Corporate Governance and Compliance with New CSE Rulings Issued by SEC

In December 2023, CA Sri Lanka issued an updated Code of Best Practice on Corporate Governance (2023) effective from 1 April 2024. The updated Code has been reviewed and will be adopted to the extent of business exigency and as required by the Company and the Hotels Group. Key updates include: (Listing rules on corporate governance were amended in September 2023 effective from October 2023 and certain Rules within with compliance dates ranging from October 2023 to January 2025)

#### 1. Policies

Establishment and maintenance of various policies including those on-board matters, risk management, and whistleblowing, with disclosures on the company's website and annual report will be done. (Fully compliance will be done from 2024/25)

#### 2. Board Committees

Establishment of Nominations (Governance committee will be implemented), Remuneration, Audit, and Related Party Transactions Review Committees with specific composition and disclosure requirements.

#### 3. Board Composition

Company has 8 directors and Minimum number of five directors

with at least one-third being independent. Directors' independence criteria have been updated.

#### 4. Fit and Proper Criteria

New criteria for evaluating the fitness and propriety of directors and CEOs, with annual confirmations required (fully compliance will be done from October 2024)

#### 5. Chairperson and CEO

The chairperson is a non-executive director, and if the roles of chairperson and CEO are not combined, a senior independent director has appointed.

#### 6. Disclosures

Enhanced disclosure requirements in the annual report regarding directors, board committees, and related party transactions.

#### 7. Related Party Transactions

Specific procedures and shareholder approvals required for significant related party transactions.

#### 8. Enforcement

New procedures for non-compliance with corporate governance requirements, including market announcements and potential listing consequences.

These updates ensure compliance with the highest standards of corporate governance and enhance transparency and accountability within the organization.

### Governance Structure

- **Core Components:** This segment of our framework aligns directly with the Code of Best Practice. It encompasses all governance-related initiatives, systems, and processes integral to the group's operations, ensuring effective execution and adherence to the highest standards of corporate governance.
- **Regulatory Framework:** Outlines the regulatory structure that governs

the group's operations. It focuses on compliance with the latest governance-related laws, regulations, and best practices, including the recent updates from the CSE and SEC. This section ensures that all governance activities are within the legal framework and adhere to the newly revised criteria for governance as stipulated.

- **Assurance:** Acts as the supervisory component of our Corporate Governance Framework, ensuring compliance across the board with laws, regulations, and best practices. It validates the integrity of governance processes and ensures that our practices meet the newly defined standards, particularly concerning transparency and accountability.
- **Enhanced Disclosure and Accountability:** Enhanced disclosure requirements under the new rules are detailed here, emphasizing transparency in the operations of the board and management. This includes disclosures on the fit and proper criteria for board members and CEOs as well as the definitions and assessments of director independence.
- **Operational Committees:** Newly established or redefined under the latest guidelines, these committees oversee nominations and governance structures, ensuring alignment with the best practices and regulatory requirements.
- **Audit Committee:** Reviews and monitors full financial year and interim results; monitors internal financial controls; oversees external audit relationship; and oversees risk management.
- **Remuneration Committee:** Sets remuneration policy; approves annual performance objectives; and approves granting of long-term incentives.

- **Nomination Committee:** Reviews structure, size, and composition of the board; makes recommendations for appointments; and succession planning.
- **Related Party Transactions Review Committee:** Reviews Related Party Transactions of the Company; ensuring compliance rules and other requirements with regard to the Related Party Transactions; overseeing existing policies and making recommendations with regard to Related Party Transactions.

Standard / Principle / Code	Adherence
The Companies Act No.7 of 2007 (Companies Act)	Mandatory provisions - Fully Compliant
Listing Rules of the Colombo Stock Exchange (CSE), including circulars	Fully Compliant
Securities and Exchange Commission of Sri Lanka (SEC) Act No. 19 of 2021, including rules, regulations, directives and circulars	Fully Compliant
Code of Best Practices on Related Party Transactions (2013) advocated by the SEC	Fully Compliant
Code of Best Practice on Corporate Governance (2013) jointly issued by the SEC and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)	Fully Compliant
Code of Best Practice on Corporate Governance (2017) issued by CA Sri Lanka	Voluntary provisions - Fully Compliant
International Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC)	Fully Compliant
Global Reporting Initiative Standards	Fully Compliant
Articles of Association	Fully Compliant
Internal Policies	(Fully compliance will be done from 2024/25)
Internal mechanisms	Fully Compliant

Note: \*In December 2023, CA Sri Lanka issued an updated Code of Best Practice on Corporate Governance (2023), effective from 1 April 2024. The updated Code has been reviewed and will be adopted to the extent of business exigency and as required by the Company and the Hotels Group.

## COMMITTEES

COMMITTEE	RESPONSIBILITIES
Audit Committee	<ul style="list-style-type: none"> <li>• Oversee the Entity's compliance with financial reporting requirements, information requirements under these Rules, the Companies Act, and the SEC Act, and other relevant financial reporting-related regulations and requirements.</li> <li>• Review the quarterly results and year-end financial statements of the Entity prior to tabling for the approval of the Board of Directors.</li> <li>• Oversee the internal and external audit processes, including the appointment, re-appointment, and removal of external auditors.</li> <li>• Monitor internal financial controls and risk management systems.</li> <li>• Establish and maintain a process for the periodic evaluation of the performance of the Board of Directors and the CEO. (fully comply from year 2024/2025)</li> <li>• Ensure the independence of auditors and review non-audit services provided by the external auditor.</li> </ul>
Remuneration Committee	<ul style="list-style-type: none"> <li>• Recommend the remuneration payable to the Executive Directors of the Listed Entity to the Board for final determination.</li> <li>• Set remuneration policy for Directors, ensuring a formal and transparent procedure for developing policy on Executive Directors' remuneration and fixing remuneration packages.</li> <li>• Approve annual performance objectives and the granting of long-term incentives.</li> <li>• Engage external consultants to assess the relevance of remuneration levels applicable to Directors.</li> </ul>

## Corporate Governance contd.

COMMITTEE	RESPONSIBILITIES
Nomination Committee	<ul style="list-style-type: none"> <li>Review and recommend the structure, size, and composition of the Board and Board Committees.</li> <li>Evaluate and recommend the appointment of Directors to the Board of Directors and Board Committees.</li> <li>Establish and maintain a formal and transparent procedure for the selection and appointment of Directors.</li> <li>Develop and implement a policy on Board diversity, including experience, skills, age, gender, and industry requirements.</li> <li>Develop succession plans for the Board of Directors and Key Management Personnel.</li> <li>Ensure Directors are fit and proper persons as per the Fit and Proper Assessment Criteria.</li> <li>Oversee compliance with corporate governance requirements and policies.</li> </ul>
Related Party Transactions Review Committee	<ul style="list-style-type: none"> <li>Review Related Party Transactions (RPT) of the Company to ensure compliance with relevant rules and regulations.</li> <li>Monitor and ensure that all RPT are conducted in the best interest of the Company and its shareholders.</li> <li>Review and recommend policies and procedures for RPT to the Board.</li> <li>Ensure the Entity's compliance with the SEC Act, Listing Rules of the Exchange, and other applicable laws regarding RPT.</li> </ul>

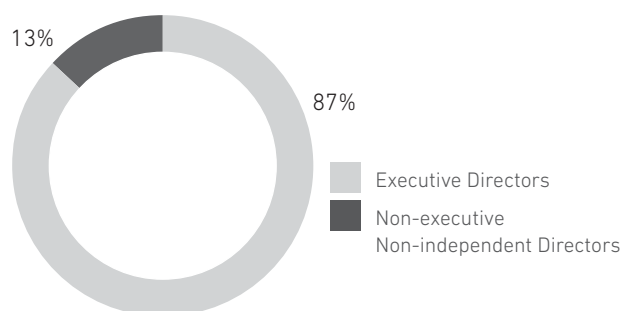
### Corporate Governance at a Glance

#### Composition of the Board

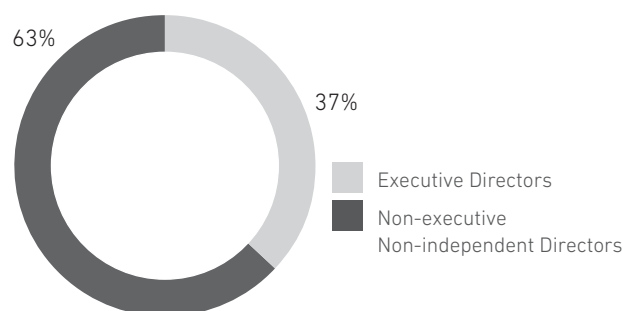
Rule: 9.8.1 and 9.8.2

Requirement: Minimum five directors, at least one-third should be independent.

#### Gender Representation 2023/24



#### Composition of the Board 2023/24



Description	2023/24		2022/23	
Executive Directors	0	0.00%	0	0%
Non-executive Independent Directors	3	37.50%	3	37.50%
Non-executive Non-independent Directors	5	62.50%	5	62.50%

#### Board Diversity

Rule: 9.2

Requirement: Policy on board diversity including experience, skills, age, gender, and industry requirements.

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

**Rule: 9.10.4**

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Information	Section	Page Number
Name & Profile	Rule 9.10.4(a)	16-19
Expertise in functional areas	Rule 9.10.4(b)	16-19
Material Business Relationships	Rule 9.10.4(c)	21-30
Independence of Directors	Rule 9.8.5, Rule 9.10.4(d)	27
Other directorships	Rule 9.10.4(e)	27
Attendance at Board meetings	Rule 9.10.4(f)	20
Sub-committees	Rule 9.10.4(g), Sub-committee Reports	37-48
Audit Committee Report	Rule 9.13.5	37-41
Risk Management and Internal Control	Rule 9.13.5(b)	49
Compliance with Financial Reporting	Rule 9.13.5(d)	37-41
Determination of Auditor Independence	Rule 9.13.5(i)	37-41
Related Party Transactions	Rule 9.14.8	96
Director's Material Interests	Rule 9.16(i)	21-30
Review of Internal Controls	Rule 9.16(ii)	37-41
Compliance with Laws and Regulations	Rule 9.16(iii)	37-41
Non-compliance with Laws or Regulations	Rule 9.16(iv)	37-41

## Corporate Governance contd.

### Directors independence

**Rule:** 9.8.4 and 9.10.4(d)

**Requirement:** The presence of non-executive independent directors who enable independent judgment. Directors must submit an annual declaration confirming their independence, and the board must assess and confirm their independence based on the criteria set forth in the CSE listing rules.

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

- Significant Shareholding (Shareholding carrying not less than 10% of the voting rights of the Company.)
- Management (Persons having authority and responsibility for key management decisions of the entity.)
- Material Business Relationship (Relationships that result in income/non-cash benefits equivalent to 20% of director's annual income.)
- Employee of the Company (Currently employed by the listed entity or has been employed during the period of three (3) years immediately preceding appointment as Director.)
- Family Member Director (Close family member or any person who is financially dependent on such director, or who is a director and/or CEO in the Listed Entity.)
- Nine years of continuous Service. (Any director serving an aggregate period of nine (9) years on the Board of the Listed Entity from the date of the first appointment - Independent till January 2025)
- Age Restriction. (A director shall not be considered independent if he/she is 70 years of age or above - - Directors Age 70 years and over nine years of service can be independent till 01st January 2025.)
- Employment in Other Companies (Employed in another company where a majority of the directors of the listed entity are employed or are directors, or where such company has a significant shareholding or material business relationship with the listed entity.)
- Directorship in Other Companies (Being a director in another company where a majority of the directors of the listed entity are employed or are directors, or where such company has a significant shareholding or material business relationship with the listed entity.)
- Acting in Concert (Acting in concert with another person to influence or control the listed entity.)
- Business Connection (Having a business connection resulting in transaction value equivalent to ten percent (10%) of the turnover of that company or business.)

**Directors' Attendance****Rule:** 9.10.4(f)**Requirement:** Disclosure of directors' attendance at board meetings.**Attendance at Board Meetings**

Name of Director	16th August 2023	Meetings Attended	Percentage Attended
Ms. Angeline Ondaatjie	✓	1/1	100%
Mr. T.J. Ondaatjie	✓	1/1	100%
Mr. Gerard G. Ondaatjie	✓	1/1	100%
Mr. Manil Galagoda	✓	1/1	100%
Mr. J.H.P. Ratnayeke	-	0/1	0%
Mr. L.N.de.S. Wijeyeratne	✓	1/1	100%
Mr. S.K. Abeyesundara	-	0/1	0%
Mr. G.H.R. Fernando	✓	1/1	100%

**Compliance with CSE's Listing Rules**

Corporate Governance Principal	Ref. to ICASL code	Ref. to SEC code / Listing Rules	Compliance	Compliance Details
Directors	A			
The Board	A.1	7.10.1(a) / 7.10.2(a) 9.1.1, 9.8.1, 9.8.2	Compliant	The Nuwara Eliya Hotels Co. PLC is headed by an effective board, which is responsible for the Leadership, Stewardship and Governance of the Company. The chairperson of the board is not chairperson of other committees. The Board of Directors comprises of, <ul style="list-style-type: none"> <li>• Three Non-Executive Independent Directors (NED/ID)</li> <li>• Five Non-Executive Non-Independent Director (NED/NID)</li> </ul>
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) 9.8.3, 9.8.4, 9.8.5, 9.11	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 2024 in accordance with section 09.8 of the CSE listing regulations on Corporate Governance. The biographical details of the Directors are set out on page 16 to 19 of this report.
Appointments to the Board	A.7	7.10.3 (d) / 9.11.2, 9.11.3, 9.11.4	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) / 9.10.2, 9.10.3, 9.10.4.	Compliant	Information in respect of the Independence of Directors is set out on pages 25 of the Corporate Governance Report.



## Corporate Governance contd.

Corporate Governance Principal	Ref. to ICASL code	Ref. to SEC code / Listing Rules	Compliance	Compliance Details
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) / 9.12,	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>
Disclosure of Remuneration	B.3	7.10.5(c)	Compliant	The aggregate remuneration paid to Directors is disclosed on page 76 under the note 09 as a part of the financial statements of this report.
Related Party Transactions:	D.4	2.6 (d) / 9.14	Compliant	The Related Party Transactions Review Committee oversees all related party transactions to ensure they are conducted at arm's length and in the best interest of the company and its shareholders. During the year, the committee reviewed and approved all significant related party transactions, ensuring compliance with the SEC Act, Listing Rules of the CSE, and other applicable laws. Detailed records of these transactions and the committee's reviews are maintained.
Audit Committee	D.3	7.10.6 / 9.13	Compliant	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.

Corporate Governance Principal	Ref. to ICASL code	Ref. to SEC code / Listing Rules	Compliance	Compliance Details
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) 9.13	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:            Mr. J.H.P.Ratnayeke -(NED / ID) Chairman            Mr. L.N.D. S Wijeyeratne (NED / ID)            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 37-41.</p> <p>The Audit Committee met four (4) times during the year according to a predetermined agenda.</p>
Corporate Governance Policies	Various	Various / 9.2	will comply from 01.10.2024	The Nuwara Eliya Hotels Co. PLC is in the process of establishing these policies and will implement all the required policies with effect from 1 October 2024:
Chairperson and CEO	A.2	7.10.4(b), 9.6	Compliant	The Chairperson of the Nuwara Eliya Hotels Co. PLC is a Non-Executive Director, complying with the rule that the Chairperson and CEO positions are not held by the same individual.
Independence of Directors:	A.5.5	2.3 (a) / 7.10.4	Compliant	The independence of directors is assessed annually based on the criteria set forth by the CSE listing rules and the Code of Best Practices on Corporate Governance. Each independent director has provided a declaration of independence, which has been reviewed and confirmed by the Board. These criteria include the absence of any significant business or other relationships that could materially interfere with the director's independent judgment. Detailed assessments of director independence are included in the annual report.

## Corporate Governance contd.

Corporate Governance Principal	Ref. to ICASL code	Ref. to SEC code / Listing Rules	Compliance	Compliance Details
Fit and Proper Criteria for Directors and CEOs	A.3,	7.10.4(c), / 9.7	Compliant	The Nuwara Eliya Hotels Co. PLC ensures that its Directors meet the 'fit and proper' criteria, which includes assessments of honesty, integrity, competence, capability, and financial soundness. Annual declarations are obtained from each Director confirming their compliance with these criteria.
General Meetings and Shareholder Relations	E.2,	7.10.8(a)-(c), / 9.4	Compliant	The Nuwara Eliya Hotels Co. PLC adheres to principles of democracy in meeting procedures and maintains records of resolutions and votes. The company has a policy on effective communication and relations with shareholders and investors.
Disclosures in Annual Report on policies	Various	Various / 9.2.3, 9.7.5, 9.8.5, 9.10.4, 01.10.2024 9.11.6, 9.12.8, 9.13.5	will comply from	The Nuwara Eliya hotels company PLC will comply with this from 01 October 2024.
Details on Non-Compliance:	A.1.3	2.4 (b) / 9.13.4 (iv) (b)	Compliant	During the financial year ending 31st March 2024, there were no significant instances of non-compliance with the corporate governance requirements. In any minor cases of non-compliance, appropriate remedial actions were promptly taken to ensure adherence to the regulations. The Audit Committee closely monitored these actions and reported them to the Board.

# 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 2024.

## Review of the Year

The Chairman's Review on pages 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 21-30.

## Internal Controls

The Statement of Corporate Governance and the Statement of Directors Responsibilities on pages 21 to 30 and 36 respectively, give a detailed description of the Company's internal control system.

## Risk Management

The Board has established and adhered to a comprehensive risk management framework. The categories of risks faced by the Group are identified, and 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 49 to 50.

## 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 endeavors to transact business with reputed organizations capable of 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 2024 are 407 (31st March 2023 – 396), the total remuneration paid during the year by the Company amounted to Rs. 243Mn. (2022/2023 – Rs. 201Mn.) 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 6 to 14.

## 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. 1,965 Mn (2022/2023 Rs. 884 Mn) and Rs 2,132 Mn (2022/2023 Rs. 996 Mn) respectively and the Segmental Analysis of revenue is given in Note 05.1 to the Financial Statements.

# Annual Report of the Board of Directors contd.

## Results for the Year

	Company Millions		Group Millions	
	2023/24	2022/23	2023/24	2022/23
Profit/(Loss) Before Taxation	826.9	130.4	877.5	146.7
Taxation	(246)	(64)	(296.2)	(72.6)
Profit/(Loss) after tax	580.9	66.4	581.3	74.1
Balance brought forward from previous year	2,368.2	2242.1	2,368.5	2236
Actuarial Gain/(Loss) on defined benefit plan/obligation	(8.3)	5.5	(8.7)	5.7
Income tax rate change effect on retirement benefit obligation	2.5	(1.6)	2.5	(1.6)
Amount available for appropriation	2,943.3	2,315.4	2,943.7	2315.1
Transferred to Retained Earnings	44.9	55	44.9	55
Dividends paid	(80)	-	(80)	-
Retained Profit for the year	2,908.3	2370.4	2,908.6	2370.1

## Dividends

The board of directors has declared an interim dividend of Rs. 36.50 per share. The interim dividend would be the final dividend for the year ended 31st March 2024.

## Capital Expenditure

The total capital expenditure incurred on the acquisition of fixed assets during the year by the Company amounted to Rs. 126.7Mn (2022/23 - Rs 60.8 Mn) and by Group amounted to Rs. 128.9 Mn (2022/23 - Rs. 64.19Mn) details of which are given in Note 14 to the Financial Statements.

## Contingent Liabilities

The details of the contingent liabilities are disclosed in the Note 33.2 to the Financial Statements on page 98.

## 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 2024 is Rs. 335,209,740/- (2022/23 - 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 2024 stand at Rs. 4,704.3Mn (2022/23 - Rs. 4,128.5 Mn), comprising Revaluation Reserves of Rs. 1,730 Mn/-, Retained earnings 2,908Mn and Other Reserves of Rs 65Mn. The total reserves of the Group as at 31st March 2024 stand at Rs. 4,832.2Mn (2022/23 - Rs. 4,272 Mn), comprising Revaluation Reserves of Rs. 1,858Mn, Retained earnings 2,908Mn and Other Reserves of Rs. 65Mn

## Donations

During the year donations of Rs. 183,000/- (2023- Rs. 105,000/-) were made to various charities by the Company and Rs. 183,000/- (2023 - Rs. 105,000/-) 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 98.

## 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 62 to 74.

## 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 2024 comprise of;

Name of Director	Executive/ non-executive	Independent/ non-independent	Year of appointment to the current position	Position / Status
J.H.P. Ratnayake	Non-executive Director	Independent	06th February 2019	Chairman of the Board / Non-Executive Director / Chairman Audit committee, Nominations Committee, RPT Review Committee & Remuneration Committee
Gerard G. Ondaatjie	Non executive Director	Non Independent	02nd July 2018	Deputy Chairman of the Board / Non-executive Director /Member Nomination Committee
Angeline Ondaatjie	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 2023/24	Meetings attended in F/Y 2022/23
J H P Ratnayake	Independent Non Executive Director	0/1	3/3
G G Ondaatjie	Non Independent Non Executive Director	1/1	3/3
A M Ondaatjie	Non Independent Non Executive Director	1/1	1/3
T J Ondaatjie	Non Independent Non Executive Director	1/1	3/3
L N de S Wijeyeratne	Independent Non Executive Director	1/1	1/3
M K K K B Galagoda	Non Independent Non Executive Director	1/1	3/3
S K Abeyesundara	Independent Non Executive Director	0/1	0/3
G H R Fernando	Non independent Non Executive Director	1/1	2/2

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

\*Special notice has been given of the intention to propose ordinary resolutions as set out in the notice of meeting to re-elect Mr. J.H.P. Ratnayake as a Director 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 37-41 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 42-43 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 44-45 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 46-48 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	1	-	4	3	1	1	1	1	4	3
Gerard G. Ondaatjie	1	1	-	-	-	-	1	-	-	-
Angeline Ondaatjie	1	1	-	-	-	-	-	-	-	-
T.J. Ondaatjie	1	1	-	-	-	-	-	-	-	-
L.N.D.S. Wijeyeratne	1	1	4	4	1	1	1	1	4	4
S.K. Abeysundara	1	-	-	-	-	-	-	-	-	-
M.K.K.K.B. Galagoda	1	1	4	4	1	1	-	-	4	4
G H R Fernando	1	1	-	-	-	-	-	-	-	-

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 31.

### Directors' Remuneration

The aggregate emoluments paid to the Directors in respect of the Company and the Group for the financial year 2023/2024 amounted to Rs. 6,970,084 given in note 09 to the Financial Statements on page 76.



## Directors Shareholdings

As at 31st March	2024 Shares	2023 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 Ratnayake	327	327
Mr. L N de S Wijeyeratne	-	-
Mr. M K K B Galagoda	-	-
Mr. S K Abeyesundara	-	-
Mr. G.H.R.Fernando	-	-

## Shareholders' Information

The distribution of shareholders is indicated on pages 105 to 106 in the Annual Report. There were 658 registered shareholders as at 31st March 2024.

## Share Information

Information on share trading is given on page 105 of the Annual Report.

## Public Holding

The number of ordinary shares held by the public as at 31st March 2024 was 235,316 shares (2023 – 235,316), which amounted to 10.76% (2023 – 10.76%) of the issued capital of the Company. The number of public shareholders was 646 as at 31st March 2024.

The Company complies with the Minimum Public Holding requirement under option 2 of 17.13.1 (i) (b) Float adjusted market capitalization as at 31st March 2024– Rs. 405,927,297.83 Number of shares representing the Stated Capital is 2,186,040

## Financial Statements

The Financial Statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) as issued by the Chartered Accountants of Sri Lanka (CASL) and in compliance with

the requirements of Companies Act No. 7 of 2007. The Financial Statements of the Company and the Group for the year ended 31st March 2024 signed by the Financial Controller, the Deputy Chairman and another Director of the Company are given on page 58 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 36 and forms an integral part of this report.

## Auditors

The Financial Statements for the year ended 31st March 2024 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.

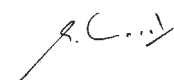
The amount payable to Auditors Messrs. Ernst & Young for the year ended 31st March 2024 is Rs. 765,000/= as Audit Fees and Cost of Non-Audit Services of Rs. 76,628 was also incurred by the Company.

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 30th September 2024 at 11.00 a.m as a virtual meeting. Notice of the meeting relating to the 132nd Annual General Meeting is given on page 108.

## For and behalf of the Board



**Gerard G. Ondaatjie**  
Deputy Chairman



**T.J. Ondaatjie**  
Director

(Sdg.)

**Mercantile Investments and Finance PLC**  
Secretaries

Colombo.  
15th August 2024

# 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 differs from the responsibilities of the Auditors are set out in the Independent Auditors' Report on pages 52-55.

As per the provisions of the Companies Act No. 7 of 2007 and the updated listing rulings, 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 56-101 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, including adherence to the new listing rules effective from [effective date of new rulings].

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 of the financial position of the Company and to ensure that the Financial Statements presented comply with the Companies Act No. 7 of 2007 and the new listing rules.

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. This includes compliance with the enhanced internal control measures mandated by the new listing rules.

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. The Board further confirms that the Company is in compliance with the rules pertaining to Related Party Transactions disclosures, as per the new listing requirements.

## Enhanced Disclosures

The Directors confirm compliance with all enhanced disclosure requirements introduced by the new listing rules, ensuring transparency and accountability in all financial and operational aspects.

## Corporate Governance

The Company adheres to the updated corporate governance codes and guidelines, maintaining high standards of governance practices.

## Risk Management

The Directors have established and maintained updated risk management protocols, assessing and mitigating risks in accordance with the new listing rules.

## Sustainability and ESG Reporting

The Directors affirm compliance with new sustainability and ESG reporting requirements, providing detailed disclosures on the Company's environmental, social, and governance practices.

By order of the Board

(Sgd.)

**Mercantile Investments & Finance PLC**

Secretaries

Colombo.

15th August 2024

# 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 2024. 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

The composition of the committee complies with the new CSE listing rules, ensuring that the majority of the members are independent non-executive directors. The Chairperson of the Audit Committee is an independent non-executive director and a member of a recognized professional accounting body.

## 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 Financial Controller, the Company Secretary, the Internal Audit Team and the External Auditors regularly throughout the year.

## Duties of the Committee

- Monitoring the Financial Reporting Process: Ensuring compliance with Sri Lanka Accounting standards, the Companies Act, and other financial reporting requirements and regulations.
- Monitoring the Statutory Audit: Overseeing the statutory audit of the Group's Financial Statements.
- Reviewing the Financial Statements: Assessing the material financial reporting judgments contained therein.
- Monitoring the Effectiveness of Internal Controls and Risk Management Systems: Reviewing and ensuring these systems are adequate.
- Reviewing and Monitoring Auditor Independence: Ensuring the independence of the External Auditors and overseeing their engagement for additional services.
- Advising the Board: Providing recommendations on the appointment and removal of the external auditors and determining their remuneration and terms of engagement.

## 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 authorization 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.

The Audit Committee reviewed the reports submitted by the management and the Internal Auditors on a quarterly basis regarding 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.

## 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

## Audit Committee Report contd.

draft annual and interim reports before recommending their publication to the Board. The Audit Committee discusses with the Financial Controller, 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.

### 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 have 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 findings, 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 safeguarded, the lead audit partner will be rotated every seven years. This is the first year of the current lead audit partner. The Committee reviews the independence and effectiveness of Ernst and Young on an ongoing 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 2024, the Committee was satisfied with the independence, objectivity, and effectiveness of the relationship with Ernst and Young as the external auditor.

### Disclosures in the Annual Report

- The names of the Chairperson and members of the Audit Committee, and the nature of directorships held by such members.
- The status of risk management and internal control of the Listed Entity.
- An opinion on the compliance with financial reporting requirements, the Companies Act, and the SEC Act.
- A statement confirming that written assurance was obtained from the external auditors approved by the SEC, confirming their independence.
- A statement confirming that the Audit Committee has made a determination of the independence of auditors and the basis of such determination.

### Meeting Attendance

Name of the member	18th May 2023	16th Aug 2023	09th Nov 2023	13th Feb2024
Mr. J.H.P. Rathnayake	✓	✗	✓	✓
Mr. L.N.De Silva Wijeyeratne	✓	✓	✓	✓
Mr. M.K.K.K.B. Galagoda	✓	✓	✓	✓

### 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
18th May 2023	31st March 2023	Reviewed the internal audit report for the quarter ended 31st march 2023	c	3/3
		Discussion of the internal audit scope for the financial year 2023/24	c	
		Reviewed the draft Audited Financial Statements and the auditors tabled the audit results presentation. Significant issues were discussed.	b	
		Financial Highlights, Outlet P&L and Farm P&L were tabled.	b	
		The Interim Financial Statements were recommended for Board approval.	b	
		Financial Highlights, KPI's, Outlet P&L and Farm P&L were tabled and reviewed.	b	
		Statutory compliance report for the period was tabled.	a	
		Capital Expenditure Budget/Actuals for 2023/24 was circulated.	a	
		Asset Disposals for the quarter was circulated.	a	
		Debtors aging and investments were reviewed deeply.	b	
		Proposed audit fees for the year was discussed by the committee	d	
		Committee went through the letter of independence given by the auditors.	d	
		The Audit Committee Report and the Corporate Governance Report for the Annual Report 2023 circulated among the committee members.	d	
16th August 2023	30th June 2023	Reviewed the interim financial statements for the quarter ended.	b	2/3
		Checked the details management accounts, financial highlights, KPI's, Outlet P&L and Farm P&L	b	
		Reviewed the internal audit report for the quarter ended	c	
		Capital expenditures and Disposals for the quarter was evaluated	a	
		Debtors aging were evaluated	a	
		FD investment and investment schedule were checked	b	
09th November 2023	30th September 2023	Occupancies and bookings for the quarter was evaluated	b	3/3
		Reviewed the interim financial statements for the quarter ended	b	
		Reviewed the detailed management accounts and financial highlights	b	
		Went through the KPI's, Outlet P&L, Farm P&L	b	
		Internal audit report for the quarter was tabled	c	
		Statutory compliance were reviewed.	a	
		Capital expenditures and Disposals were tabled	a	
13th February 2024	31st December 2023	FD schedules and investment schedules were evaluated.	b	3/3
		Occupancies and bookings were evaluated.	b	
		Reviewed and made recommendations on the Interim Financial Statements for Board approval.	b	
		Financial Highlights, Outlet P&L and Farm P&L were tabled and reviewed.	b	
		Statutory compliance report for the period was tabled.	a	
		Capital Expenditure Budget/Actuals for 2023/24 was circulated.	a	
		Asset Disposals for the quarter was circulated.	a	
		Internal Audit Report for the period was submitted by the Internal Auditors and observations were discussed.	c	
		Committee went through the debtors aging analysis	a	
		Short term and long term investments, rates and risk of investments were analyzed	a	
		KPI's, occupancies and agent wise and nationality wise bookings were analyzed.		

## Audit Committee Report contd.

### Compliance with CSE's 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 a minimum of three directors, out of which a minimum of two or a majority, whichever is higher, shall be independent directors.	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.
		Independent 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 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.
		Composition of 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 37-41.
		Roles and responsibilities of the Audit Committee include overseeing financial reporting, internal controls, risk management, and auditor independence.	Complied	Refer to the roles and responsibilities of the Audit Committee set on page 37-41.
		The audit committee should meet as often as required, but at least quarterly.	Complied	The Audit Committee meets quarterly and more frequently as necessary.
		The audit committee must ensure the financial records are properly maintained and financial statements give a true and fair view of the Entity's operations and finances.	Complied	Review Financial statements by the audit committee
		Review and monitor the effectiveness of the internal audit function, including ensuring proper resources are available.	Complied	The Audit Committee reviews the internal audit reports and management's response to findings.

Listing Rule	Governance Principal	Description	Compliance	Compliance Details
		Develop and implement a policy on the engagement of the external auditor to supply non-audit services.	Complied	Non-audit services provided by Ernst and Young are governed by the Nuwara Eliya Hotels Audit and Non-Audit Services Pre-Approval Policy.
c	Disclosures in the Annual Report	Names of directors comprising the Audit Committee	Complied	Refer the Audit Committee Report in page 37.
		Independence of the auditors	Complied	Refer the Audit Committee Report in page 37.
		Audit Committee Report detailing compliance with the requirements.	Complied	Refer the Audit Committee Report in pages 37-41.
		Status of risk management and internal control of the Listed Entity and the Group (where applicable).	Complied	Refer to the Audit Committee Report in page 37.
		Statement confirming that written assurance was obtained from the external auditors approved by the SEC, confirming their independence.	Complied	Refer to the Audit Committee Report in page 37.
		Statement confirming that the Audit Committee has made a determination of the independence of auditors and the basis of such determination.	Complied	Refer to the Audit Committee Report in page 37.


**J.H.P. Ratnayake***Chairman – Audit Committee*

15th August 2024



# Remuneration Committee Report

## Chairman

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

Dear Shareholder,  
I am pleased to present the Remuneration Committee Report for the year ended 31st March 2024. 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 75.

## Meeting Attendance

Name of Member	13th Feb 2024
Mr. J.H.P.Ratnayeke	✓
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.

**Compliance with CSE's Listing Rules- Section 9.12, Rules on Remuneration Committee**

Listing Rule	Governance Principal	Description	Compliance	Compliance Details
9.12.6	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.
9.12.7	Functions	Roles and responsibilities of the Remuneration Committee	Complied	Refer the roles and responsibilities of the Remuneration Committee set in page 42.
9.12.8	Disclosures in the Annual Report	Names of directors comprising the remuneration Committee	Complied	Refer the Remuneration Committee Report in page 42.
		Remuneration Policy	Complied	Refer the Remuneration Committee Report in page 42.
		Aggregate Remuneration paid to executive and non-executive directors	Complied	Refer the Financial Statements Note 31.2 set in page 98.


**J.H.P. Ratnayeke***Chairman -Remuneration Committee*

15th August 2024

# 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 2024. 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	13th 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.

**COMPLIANCE WITH CSE'S LISTING RULES - SECTION 9.11 RULES ON NOMINATION COMMITTEE**

Listing Rule	Governance Principle	Description	Compliance	Compliance Details
a	Composition	The nomination committee shall comprise a minimum of two independent non-executive directors or of non-executive directors a majority of whom shall be independent, whichever is higher.	Complied	The committee consists of three non-executive directors out of which two are independent non-executive directors.
		One non-executive director shall be appointed as Chairman of the committee by the board of directors.	Complied	Chairman of the Nomination Committee is an independent non-executive director.
b	Functions	Roles and responsibilities of the Nomination Committee	Complied	Refer to the roles and responsibilities of the Nomination Committee set in this report.
c	Disclosures in the Annual Report	Names of directors comprising the nomination committee	Complied	Refer to the Nomination Committee Report in this document.
		Nomination Policy	Complied	Refer to the Nomination Committee Report in this document.


**J.H.P.Ratnayake***Chairman - Nomination Committee*

15th August 2024

# 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 2024. 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

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	18th May 2023	16th Aug 2023	09th Nov 2023	13th Feb 2024
a	✓	✗	✓	✓
b	✓	✓	✓	✓
c	✓	✓	✓	✓

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

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

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

## Roles and Responsibilities

The RPTRC is responsible for:

- Reviewing all proposed RPTs.
- Ensuring compliance with LKAS 24, CSE listing rules, and other regulatory requirements.
- Adhering to the CSE's New Listing Rules - Sections 9.2 and 9.3 on RPTs.

## 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 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 9.14.8 – Disclosures in Annual Report

Listing Rule	Governance Principal	Description	Compliance	Compliance Details
9.14.8 (1)	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.
9.14.8 (2)	Recurrent Related Party Transactions	Recurrent Related Party Transactions exceeding 10% of the gross revenue/income should be disclosed in the annual report.	N/A	RPT Transaction details has disclosed in note 31 in the audited accounts.
9.14.8 (1)	Related Party Transactions Review Committee Report	Related Party Transactions Review Committee Report should contain; <ul style="list-style-type: none"> <li>Names of Directors in the Committee</li> <li>A statement that committee has reviewed the Related Party Transactions and observations communicated to the Board.</li> <li>Policies and procedures adopted by the Committee for reviewing the Related Party Transactions.</li> <li>The number of times the Committee has met during the Financial Year</li> </ul>	Complied	Refer the Related Party Transactions Report set out in pages 46-48.
9.14.8 (4)	A declaration by the Board	Affirmative statement of the compliance with these Rules pertaining to Related Party Transactions by the Board of Directors.	Complied	Refer the Statement of Directors' Responsibility set out in pages 36.

### Compliance with the Listing Rules of the Colombo Stock Exchange – Section 9.14.8 (2) – 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	19,534,446	0.99%	As per agreement
		Security staff meals	3,147,804	0.16%	As per agreement
Tangerine Beach Hotels PLC	Other related Company	Salaries to staff	560,871	0.03%	As per agreement
Tangerine Tours (Private) Ltd.	Other related Company	Salaries to staff	5,119,583	0.26%	As per agreement
		Administration fee	-	0%	-
		Revenue from operations	15,175,751	0.77%	As per contract
Mercantile Investments & Finance PLC	Other related Company	Repairs & services to fleet vehicles	6,107,131	0.31%	As per agreement
		Rent	2,974,578	0.15%	As per agreement
		Salaries to staff	785,002	0.04%	As per agreement
		Fixed deposit made	585,801,742	29.8%	Market terms
		Upliftment of fixed deposit	41,890,262	2.13%	Market terms
		Interest income	219,568,990	11.17%	Market terms
Royal Palms Beach Hotels PLC	Other related Company	Salaries to staff	5,449,107	0.28%	As per agreement
Mercantile Fortunes (Private) Ltd.	Other related Company	Flooring	377,366	0.02%	Market terms



**J.H.P. Ratnayake**

Chairman – RPT Review Committee

15th August 2024



# Risk Management

Risk management is a core concept in the Group's governance model. Our risk management culture comprises a set of values intrinsic to all our operations and business activities, which are shared and lived by all our employees. We firmly believe that a robust risk management culture brings significant benefits to any business organization, not only in financial terms but also in areas relating to the long-term sustainability of our business. Our risk management framework promotes accountability, helps prevent irregularities, and contributes to strengthening the company's due diligence procedures, among other benefits. Through effective risk management strategies and responses, we aim to build resilience and achieve our strategic objectives.

## Risk Management Framework

Our risk management framework integrates with our sustainability management framework and Corporate Social Responsibility (CSR) functions. It consists of five stages: identifying risks, ranking and assessing them, formulating responses, implementing responses, and monitoring outcomes. This approach allows us to anticipate and respond strategically to risks, facilitating informed decision-making across the organization.

## Key Risks and Mitigation Strategies

Risk	Description	Impact	Likelihood	Mitigation Strategies
Macro-economic Instability	Global and local economic conditions impacting tourism industry	Decline in tourist arrivals, decreased foreign exchange earnings, reduced investment, employment challenges, reputation issues	High	Diversification of target markets, strengthening domestic tourism, flexible pricing strategies, enhancing online marketing
Natural Disasters	Prone to floods and landslides disrupting tourism activities and damaging infrastructure	Operational disruptions, infrastructure damage, safety concerns for tourists	Moderate	Developing disaster recovery plans, investing in resilient infrastructure, staff training on emergency response, collaboration with local authorities
Political Instability and Security Risks	Political instability and conflicts affecting tourist confidence	Decreased tourist confidence, potential travel advisories	Moderate	Strong relationships with government and security agencies, transparent communication with tourists, robust security protocols
Climate Change	Long-term risks such as rising sea levels, frequent storms, and unpredictable weather	Deterioration of natural attractions, increased operational costs	High	Investing in sustainable tourism practices, enhancing eco-friendly initiatives, collaboration with environmental organizations
Employee Risk	Retaining skilled talent critical for service quality and customer satisfaction	High employee turnover, decreased service quality, reduced customer satisfaction	Probable	Competitive compensation packages, continuous training and professional development, positive work environment with career progression paths
Liquidity and Financial Stability	Maintaining liquidity and financial stability for operational success	Difficulty in meeting financial obligations, reduced ability to invest in growth opportunities	Virtually Certain	Strong cash position, effective working capital management, diversifying revenue streams
Interest Rate Risks	Fluctuations in interest rates affecting borrowing costs and foreign exchange rates	Increased borrowing costs, impact on currency value affecting tourism demand	High	Hedging interest rate risks, balanced mix of fixed and variable rate borrowings, regular review and adjustment of financing strategy

## Risk Management contd.

Risk	Description	Impact	Likelihood	Mitigation Strategies
Credit Risk	Risk of non-recovery of payments from debtors due to economic downturns	Financial losses, working capital issues	Possible	Regular review of trade debtor balances, extending credit to reputable partners, robust credit control checks
Tax, Legal, and Regulatory Risk	Changes in tax and regulatory requirements impacting operations	Increased compliance costs, potential legal challenges	High	Staying updated with regulatory changes, engaging with legal experts for compliance, advocating for favorable regulatory changes through industry associations
Exchange Rate Risk	Depreciation of the Rupee increasing operating costs and creating conversion disparities	Potential gains or losses in future exchanges	Moderate	Hedging against currency risks, pricing strategies to offset currency fluctuations, regular monitoring of exchange rate movements
Cyber-security and Data Protection	Cyber-security vulnerabilities leading to data breaches and operational disruptions	Loss of consumer confidence, financial losses due to data breaches, disrupted operations	Moderate	Regular security audits and staff training, encryption of customer data, adopting internationally recognized security standards, collaborating with cyber-security experts

### Conclusion

The Nuwara Eliya Hotels Company PLC is committed to maintaining robust risk management practices to ensure the sustainability and resilience of our operations. By proactively identifying and addressing risks, we aim to safeguard our stakeholders' interests and achieve our strategic objectives.

# Financial Reports

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# Independent Auditor's Report



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## INDEPENDENT AUDITOR'S REPORT

### 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 2024, 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 material accounting policy information.

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 2024, and their financial performance and their 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 for Professional Accountants issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### KEY AUDIT MATTERS

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

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

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 FCA FCMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajeewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA, B Vasanthan 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), W D P L Perera ACA

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**KEY AUDIT MATTERS COMMON TO BOTH GROUP AND COMPANY**

Key audit matter	How our audit addressed the key audit matter
<p><b>Investments in short term deposits</b></p> <p>The Group invested an amount of Rs. 1,760,611,990/- (2023 – Rs. 1,256,345,676/-) in short term deposits of related party registered finance company from which it earned interest income of Rs. 251,809,450/- (2023 – Rs. 190,294,064/-) for the year as disclosed in Note 19.3 and 31.1.</p> <p>Investments in short term deposits with a related party registered finance company was a key audit matter due to;</p> <ul style="list-style-type: none"> <li>• The materiality of the short-term deposits which represents 25% of total assets. 78% of total investments is concentrated in such short-term deposits.</li> <li>• Involvement of related party transactions and disclosures.</li> </ul>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• Evaluated the appropriateness of management's process for identifying and recording related party transactions.</li> <li>• Inspected fixed deposit certificates and confirmations to understand the nature, terms and conditions of the transactions.</li> <li>• Evaluated the appropriateness of calculation of provisions for impairment. Our procedures included reference to credit ratings of the respective finance companies in which the short-term deposits are maintained.</li> <li>• Performed analytical review procedures to evaluate the reasonableness of interest income.</li> <li>• Assessed the adequacy of the related disclosures given in Note 19.3 and 31.1 to the financial statements.</li> </ul>
<p><b>Revenue from contracts with customers</b></p> <p>The Group derives its revenue of Rs. 2,132,294,753/- (2023- Rs. 996,413,390/-) 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> <ul style="list-style-type: none"> <li>• The materiality of reported revenues coupled with the significant increase (114%) in revenue recorded by the group during the year.</li> </ul>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• Evaluated the design and tested the operating effectiveness of key controls over revenue recognition.</li> <li>• Performed appropriate analytical procedures to understand and assess the reasonableness of reported revenues.</li> <li>• Tested the appropriateness of revenue recognized during the year and particularly towards year end, by testing revenue transactions to sale invoices and other supporting documents.</li> <li>• 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.</li> </ul>

**OTHER INFORMATION INCLUDED IN THE 2024 ANNUAL REPORT OF THE COMPANY**

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

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

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

**RESPONSIBILITIES OF THE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE**

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

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

# Independent Auditor's Report contd.



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 relevant ethical requirements 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, actions taken to eliminate threats or safeguards applied.

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.



15 August 2024  
Colombo



# Statement of Profit or Loss

Year ended 31 March 2024

	Note	Group		Company	
		2024	2023	2024	2023
		Rs.	Rs.	Rs.	Rs.
<b>Revenue from contracts with customers</b>	5	2,132,294,753	996,413,390	1,965,775,812	884,495,500
Cost of sales		(484,836,659)	(297,495,257)	(458,301,452)	(275,592,676)
<b>Gross profit</b>		1,647,458,094	698,918,133	1,507,474,360	608,902,824
Other operating income	6	21,948,183	10,620,393	21,899,244	10,549,007
Administrative expenses		(407,840,947)	(345,688,386)	(365,538,157)	(308,215,145)
Selling and distribution expenses		(192,006,795)	(95,171,373)	(171,389,834)	(79,832,487)
Other operating expenses		(374,770,938)	(265,863,951)	(328,174,385)	(235,805,414)
<b>Results from operating activities</b>		694,787,597	2,814,816	664,271,228	(4,401,215)
Depreciation and amortization		(129,622,562)	(124,158,005)	(117,129,715)	(109,437,136)
<b>Earnings before interest and tax</b>		565,165,035	(121,343,189)	547,141,513	(113,838,351)
Finance expenses	7	(1,358,382)	(2,409,662)	(966,541)	(1,721,091)
Finance income	8	313,732,186	270,524,002	280,794,848	245,989,970
<b>Profit before tax</b>	9	877,538,839	146,771,151	826,969,820	130,430,528
Income tax expenses	10	(296,231,914)	(72,633,653)	(246,004,969)	(64,044,346)
<b>Profit for the year</b>		581,306,925	74,137,498	580,964,851	66,386,182
<b>Profit attributable to :</b>					
Equity holders of the parent company		581,218,554	72,135,022	580,964,851	66,386,182
Non-controlling interests	18.2.1	88,371	2,002,475	-	-
		581,306,925	74,137,498	580,964,851	66,386,182
<b>Basic/diluted earnings per share</b>	11	265.78	33.00	265.66	30.37
<b>Dividend per share</b>	12	36.50	-	36.50	-

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 62 to 101 form an integral part of these financial statements.

# Statement of Total Comprehensive Income

Year ended 31 March 2024

	Note	Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Profit for the year		581,306,925	74,137,498	580,964,851	66,386,182
<b>Other comprehensive income/(loss)</b>					
<b>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods</b>					
Gain on equity instruments designated at fair value through other comprehensive income	25	80,705,588	20,969,390	80,705,588	20,969,390
Actuarial gain/ (loss) on retirement benefit obligation	28	(8,708,884)	5,772,964	(8,379,450)	5,514,573
Income tax effect on actuarial gain/ (loss) on retirement benefit obligation		2,579,722	(1,680,211)	2,513,835	(1,654,372)
Deferred tax impact on actuarial gain/ (loss) on retirement benefit obligation on income tax rate changes		-	980,317	-	980,317
		(6,129,162)	5,073,069	(5,865,615)	4,840,518
Revaluation of land and buildings	24	-	-	-	-
Income tax effect on revaluation of land and buildings		-	-	-	-
Deferred tax impact on revaluation of land and building on income tax rate changes		(21,377,759)	(405,810,870)	-	(405,810,870)
		(21,377,759)	(405,810,870)	-	(405,810,870)
<b>Total other comprehensive income items not to be reclassified to profit or loss in subsequent periods:</b>		53,198,667	(379,768,411)	74,839,973	(380,000,962)
<b>Other comprehensive income/ (loss) for the year, net of tax</b>		53,198,667	(379,768,411)	74,839,973	(380,000,962)
<b>Total comprehensive income/(loss) for the year</b>		634,505,591	(305,630,913)	655,804,824	(313,614,781)
<b>Total comprehensive income/(loss) attributable to:</b>					
Equity holders of the parent		640,008,035	(307,693,466)	655,804,824	(313,614,781)
Non-controlling interests		(5,502,444)	2,062,553	-	-
		634,505,591	(305,630,913)	655,804,824	(313,614,781)

Figures in brackets indicate deductions.


The accounting policies and notes as set out in pages 62 to 101 form an integral part of these financial statements.

# Statement of Financial Position

As at 31 March 2024

	Note	Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
ASSETS					
Non-current assets					
Property, plant and equipment	14	3,890,811,615	3,889,813,173	3,220,308,634	3,209,097,030
Right-of-use assets	15	5,200,000	335,000	-	-
Intangible assets	16	21,090,408	10,840,836	20,834,412	10,415,448
Biological assets	17	4,660,464	2,964,165	4,660,464	2,964,165
Investment in subsidiary	18	-	-	444,996,000	444,996,000
Other non-current financial assets	19	335,887,668	255,182,080	335,887,668	255,182,080
		4,257,650,155	4,159,135,253	4,026,687,178	3,922,654,723
Current assets					
Inventories	20	66,410,319	65,646,378	60,352,580	59,324,623
Trade and other receivables	21	154,086,963	27,290,442	150,855,786	25,653,104
Prepayments		47,156,649	34,946,505	44,892,369	33,432,333
Other current financial assets	19	2,308,595,319	1,617,636,461	2,101,436,326	1,440,497,682
Cash and cash equivalents	22	79,365,656	38,023,902	56,137,919	21,700,235
		2,655,614,906	1,783,543,688	2,413,674,980	1,580,607,977
Total assets		6,913,265,061	5,942,678,941	6,440,362,158	5,503,262,700
EQUITY AND LIABILITIES					
Equity					
Stated capital	23	335,209,740	335,209,740	335,209,740	335,209,740
Revaluation reserve	24	1,858,196,581	1,919,046,450	1,730,427,714	1,775,422,555
Fair value reserve of financial assets at FVOCI	25	65,522,624	(15,182,964)	65,522,624	(15,182,964)
Retained earnings		2,908,652,254	2,368,502,097	2,908,361,020	2,368,269,103
Equity attributable to owners of the company		5,167,581,199	4,607,575,322	5,039,521,098	4,463,718,434
Non-controlling interests	18.2	199,292,339	204,794,783	-	-
Total equity		5,366,873,538	4,812,370,106	5,039,521,098	4,463,718,434
Non-current liabilities					
Deferred tax liability	27	977,291,862	887,337,887	860,287,095	832,124,900
Retirement benefit obligations	28	47,379,515	31,788,243	43,772,974	28,339,849
		1,024,671,377	919,126,130	904,060,069	860,464,749
Current liabilities					
Interest bearing loans and borrowings	26	24,560,483	54,583,063	24,560,483	41,784,263
Trade and other payables	29	262,361,752	129,114,693	242,105,042	111,279,499
Contract liabilities	30	41,236,251	22,090,971	40,731,949	20,430,712
Income tax liabilities		193,561,660	5,393,979	189,383,517	5,585,043
		521,720,146	211,182,705	496,780,991	179,079,517
Total liabilities		1,546,391,523	1,130,308,835	1,400,841,060	1,039,544,266
Total equity and liabilities		6,913,265,061	5,942,678,941	6,440,362,158	5,503,262,700

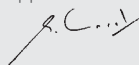
It is certified that the financial statements have been prepared in compliance with the requirements of the Companies Act No. 7 of 2007.



**J P K Karunaratna**  
Financial Controller

The board of directors is responsible for these financial statements.

Approved and signed for and on behalf of the Board Approved and signed for and on behalf of the board;



**G.G. Ondaatje**  
Deputy Chairman



**T.J. Ondaatje**  
Director

The accounting policies and notes as set out in pages 62 to 101 form an integral part of these financial statements.

15th August 2024  
Colombo

# Statement of Changes in Equity - Group

Year ended 31 March 2024

Group	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.
<b>Balance as at 1 April 2022</b>	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
<b>Other comprehensive income/ (loss)</b>							
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 (Note 24)		(405,810,870)	-	-	(405,810,870)	-	(405,810,870)
<b>Total comprehensive income for the year net of tax</b>	-	(405,810,870)	20,969,390	77,148,015	(307,693,466)	2,062,553	(305,630,912)
Transferred to retained earnings	-	(55,279,375)	-	55,279,375	-	-	-
	-	(55,279,375)	-	55,279,375	-	-	-
<b>Balance as at 31 March 2023</b>	335,209,740	1,919,046,450	(15,182,964)	2,368,502,097	4,607,575,322	204,794,783	4,812,370,106
<b>Balance as at 1 April 2023</b>	335,209,740	1,919,046,450	(15,182,964)	2,368,502,097	4,607,575,322	204,794,783	4,812,370,106
Profit for the year	-	-	-	581,218,554	581,218,554	88,371	581,306,925
<b>Other comprehensive income / (loss)</b>							
Net gain on equity instruments designated at fair value through other comprehensive income	-	-	80,705,588	-	80,705,588	-	80,705,588
Actuarial gain on retirement benefit obligation	-	-	-	(8,623,778)	(8,623,778)	(85,106)	(8,708,884)
Income tax effect on on actuarial gain/ (loss)	-	-	-	2,562,701	2,562,701	17,021	2,579,722
Deferred tax impact on revaluation of land and building on income tax rate changes (Note 24)	-	(15,855,029)	-	-	(15,855,029)	(5,522,730)	(21,377,759)
<b>Total comprehensive income for the year net of tax</b>	-	(15,855,029)	80,705,588	575,157,476	640,008,036	(5,502,444)	634,505,591
Transferred to retained earnings	-	(44,994,841)	-	44,994,841	-	-	-
<b>Transactions with owners in their capacity as owners:</b>							
Dividends - Preference shares	-	-	-	(211,700)	(211,700)	-	(211,700)
- Ordinary shares	-	-	-	(79,790,460)	(79,790,460)	-	(79,790,460)
	-	(44,994,841)	-	(35,007,319)	(80,002,160)	-	(80,002,160)
<b>Balance as at 31 March 2024</b>	335,209,740	1,858,196,581	65,522,624	2,908,652,254	5,167,581,198	199,292,339	5,366,873,537

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 62 to 101 form an integral part of these financial statements.

# Statement of Changes in Equity - Company

Year ended 31 March 2024

Company	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.
<b>Balance as at 1 April 2022</b>	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
<b>Other comprehensive income /(loss)</b>					
Net gain on equity instruments designated at fair value through other comprehensive income	-	-	20,969,390	-	20,969,390
Actuarial gain on retirement benefit obligation	-	-	-	5,514,573	5,514,573
Income tax effect on actuarial gain	-	-	-	(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 (Note 24)	-	(405,810,870)	-	-	(405,810,870)
<b>Total comprehensive income/(loss) for the year net of tax</b>	-	(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	-
<b>Balance as at 31 March 2023</b>	335,209,740	1,775,422,555	(15,182,964)	2,368,269,103	4,463,718,434
<b>Balance as at 1 April 2023</b>	335,209,740	1,775,422,555	(15,182,964)	2,368,269,103	4,463,718,434
Profit for the year	-	-	-	580,964,851	580,964,851
<b>Other comprehensive income /(loss)</b>					
Net gain on equity instruments designated at fair value through other comprehensive income	-	-	80,705,588	-	80,705,588
Actuarial gain on retirement benefit obligation	-	-	-	(8,379,450)	(8,379,450)
Income tax effect on on actuarial gain/ (loss)	-	-	-	2,513,835	2,513,835
<b>Total comprehensive income for the year net of tax</b>	-	-	80,705,588	575,099,236	655,804,824
Transferred to retained earnings	-	(44,994,841)	-	44,994,841	-
<b>Transactions with owners in their capacity as owners:</b>					
Dividends - Preference shares	-	-	-	(211,700)	(211,700)
- Ordinary shares	-	-	-	(79,790,460)	(79,790,460)
	-	(44,994,841)	-	(35,007,319)	(80,002,160)
<b>Balance as at 31 March 2024</b>	335,209,740	1,730,427,714	65,522,624	2,908,361,020	5,039,521,098

# Cash Flow Statement

Year ended 31 March 2024

	Note	Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
<b>Cash flows from/(used in) operating activities</b>					
Profit before tax		877,538,839	146,771,151	826,969,820	130,430,528
<b>Adjustments for:</b>					
Depreciation of property, plant and equipment	14	127,868,174	122,882,865	115,544,718	108,331,388
Depreciation of right-of-use assets		1,135,000	1,005,000	-	-
Amortization of intangible asset	16	2,581,520	2,102,271	2,412,128	1,932,879
Provision for impairment		(391,171)	483,318	(391,171)	483,318
Provision for retirement benefit obligation		11,098,687	8,928,861	9,849,537	7,870,090
Interest expenses	7	734,840	993,429	966,541	1,721,091
Interest income	8	(307,131,891)	(267,190,370)	(274,194,553)	(242,656,338)
Dividend income	6	(2,759,076)	(3,551,826)	(2,759,076)	(3,551,826)
Fair value gain on of biological assets	17	(4,827,212)	(2,680,219)	(4,827,212)	(2,680,219)
Gain on equity investments fair value through profit or loss		(6,600,295)	(3,333,631)	(6,600,295)	(3,333,631)
Net foreign exchange differences		11,139,898	624,466	9,686,493	624,466
Profit from disposal of property, plant and equipment		(2,221,382)	(717,564)	(2,221,382)	(717,564)
Write back of unclaimed dividends		(558,935)	(630,836)	(558,935)	(630,836)
Write off of inventory		2,896,350	-	2,896,350	-
<b>Operating profit/ (loss) before working capital changes</b>		710,503,346	5,686,914	676,772,963	(2,176,655)
Decrease / (increase) in inventories		(3,660,291)	(5,486,184)	(3,924,307)	(3,751,281)
Decrease / (increase) in trade, other receivables and prepayments		(139,563,480)	(16,025,820)	(137,219,532)	(17,329,558)
Increase/ (decrease) in trade and other payables		122,121,295	16,583,061	119,699,779	13,694,371
Increase/ (decrease) in contract liabilities		19,145,280	(3,133,036)	20,301,237	(2,014,976)
<b>Cash generated from/ (used in) operations</b>		708,546,150	(2,375,065)	675,630,140	(11,578,099)
Income tax paid		(36,480,711)	(25,351,543)	(31,102,880)	(22,813,606)
Interest paid		(734,840)	(993,429)	(966,541)	(1,721,091)
Gratuity paid		(4,216,300)	(5,970,125)	(2,795,862)	(5,422,625)
<b>Net cash from/ (used in) operating activities</b>		667,114,299	(34,690,162)	640,764,857	(41,535,421)
<b>Cash flows from/ (used in) investing activities</b>					
Acquisition of property, plant and equipment	14	(128,925,996)	(64,192,052)	(126,756,322)	(60,844,919)
Proceeds from disposal of property, plant and equipment		2,280,762	894,926	2,221,382	894,926
Acquisition of intangible assets	16	(12,831,092)	-	(12,831,092)	-
Payment made for right of use asset		(6,000,000)	-	-	-
Interest received		406,950,695	122,801,387	363,626,581	113,952,640
Dividend received		2,759,076	3,551,826	2,759,076	3,551,826
Investment in fixed deposits		(835,056,690)	(277,605,002)	(794,201,152)	(273,399,690)
Upliftment of fixed deposits		41,890,262	234,716,407	41,890,262	234,716,407
Addition of biological assets	17	(112,541)	(282,000)	(112,541)	(282,000)
Sale of biological assets	17	3,243,454	1,785,771	3,243,454	1,785,771
<b>Net cash from/ (used in) investing activities</b>		(525,802,071)	21,671,264	(520,160,352)	20,374,961
<b>Cash flows from/ (used in) financing activities</b>					
Dividend paid		(68,317,461)	-	(68,317,461)	-
Repayments of bank loans		(28,796,799)	(7,203,000)	(15,997,999)	(4,002,000)
<b>Net cash used in financing activities</b>		(97,114,260)	(7,203,000)	(84,315,460)	(4,002,000)
<b>Net increase / (decrease) in cash &amp; cash equivalents</b>		44,197,969	(20,221,898)	36,289,045	(25,162,460)
<b>Net foreign exchange difference</b>		(1,630,438)	(624,466)	(625,580)	(624,466)
<b>Cash and cash equivalents at the beginning of the year</b>		12,237,638	33,084,002	(4,086,029)	21,700,897
<b>Cash and cash equivalents at the end of the year</b>	22	54,805,173	12,237,638	31,577,436	(4,086,029)

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 62 to 101 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 2024 were authorized for issue in accordance with a resolution of the directors on 15th August 2024. 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 (Hotel) is 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 2024 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 2024. 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, noncontrolling 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	2024	2023
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 are 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.
- 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.

## Accounting Policies contd.

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.

## Accounting Policies *contd.*

### **Deferred taxation**

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

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

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

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

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

foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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

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

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle

the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### **Sales tax**

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

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

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

### **f) Foreign currencies**

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

### **g) Transactions and balances**

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

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

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

## Accounting Policies contd.

asset for a period of time in exchange for consideration.

### **Group as a lessee**

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

#### **i) Right-of-use assets**

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

#### **ii) Lease liabilities**

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index 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 28. 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 2024.

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 longterm 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.

## Accounting Policies contd.

### 4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued up to the date of issuance of the Group financial statements but are not effective for the current annual reporting period, are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. The amendments are not expected to have a material impact on the Group's financial statement.

Classification of Liabilities as Current or Non-current - Amendment to LKAS 1  
Amendments to LKAS 1 relate to classification of liabilities with covenants as current or non-current. The amendments clarify that if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants only at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. The requirements apply only to liabilities arising from loan arrangements.

The amendments are effective for annual periods beginning on or after 1 January 2024.

#### Disclosures: Supplier Finance Arrangements - Amendments to LKAS 7 and SLFRS 7

The amendments clarify the characteristics of supplier finance arrangements and require an entity to provide information about the impact of supplier finance arrangements on liabilities and cash flows, including terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those arrangements.

The amendments are effective for annual periods beginning on or after 1 January 2024.

#### Lease Liability in a Sale and Leaseback - Amendment to SLFRS 16

The amendments to SLFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. A seller-lessee applies the amendment retrospectively in accordance with LKAS 8 to sale and leaseback transactions entered into after the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2024.

#### 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. 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 2026, 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.

#### International Tax Reform—Pillar Two Model Rule - Amendments to LKAS 12

The amendments to LKAS 12 introduce a mandatory exception in LKAS 12 from recognising and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. An entity is required to disclose that it has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments are effective for annual periods beginning on or after 1 January 2024.

# Notes to the Financial Statements

Year ended 31 March 2024

## 5 REVENUE FROM CONTRACT WITH CUSTOMERS

		Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Revenue from contracts with customers	(Note 5.1)	2,132,294,753	996,413,390	1,965,775,812	884,495,500
		<u>2,132,294,753</u>	<u>996,413,390</u>	<u>1,965,775,812</u>	<u>884,495,500</u>

### 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	836,198,962	312,724,527	721,812,415	248,839,548
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#### At a point in time

Food revenue	1,012,727,058	546,909,169	965,502,506	502,697,731
Beverage revenue	217,854,242	103,322,206	213,994,193	100,313,880
Spa income	26,058,099	15,712,980	26,058,099	15,712,980
Laundry income	15,463,981	9,171,046	14,416,188	8,357,899
Gift shop sales	20,260,224	7,039,103	20,260,224	7,039,103
Excursion Income	3,732,187	1,534,359	3,732,187	1,534,359
	<u>2,132,294,753</u>	<u>996,413,390</u>	<u>1,965,775,812</u>	<u>884,495,500</u>

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	2,759,076	3,551,826	2,759,076	3,551,826
Rental income	1,860,000	1,639,937	1,860,000	1,639,937
Billiard income	1,736,263	646,930	1,736,263	646,930
Profit on sale of property, plant and equipment	2,221,382	717,564	2,221,382	717,564
Sundry income	4,090,852	1,280,352	4,048,366	1,226,515
Net profit on farm	7,232,509	2,426,399	7,232,509	2,426,399
Vehicle Hire Income	2,048,101	357,385	2,041,648	339,836
	<u>21,948,183</u>	<u>10,620,393</u>	<u>21,899,244</u>	<u>10,549,007</u>

## 7 FINANCE EXPENSES

Interest on bank overdrafts and bank charges	734,840	993,429	620,160	927,810
Interest on bank loan	623,542	1,416,233	346,381	793,281
	<u>1,358,382</u>	<u>2,409,662</u>	<u>966,541</u>	<u>1,721,091</u>

## 8 FINANCE INCOME

Interest income on short term deposits	307,131,891	267,190,370	274,194,553	242,656,338
Net change in fair value of financial assets	6,600,295	3,333,631	6,600,295	3,333,631
	<u>313,732,186</u>	<u>270,524,002</u>	<u>280,794,848</u>	<u>245,989,970</u>

(Note 19.2)

# Notes to the Financial Statements contd.

Year ended 31 March 2024

## 9 PROFIT BEFORE TAX

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

	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
<b>Included in cost of sales</b>				
Materials and consumables	484,836,659	292,632,204	458,301,452	271,273,446
<b>Included in administration expenses</b>				
Auditors' remuneration				
- Statutory audit fee	953,435	845,000	765,000	677,000
- Internal audit fee	484,000	484,000	484,000	484,000
Costs of defined employee benefits				
- Defined benefit plan costs	10,993,073	8,928,861	9,743,923	7,870,090
- Defined contribution plan cost - EPF and ETF	31,392,124	26,821,295	31,392,124	26,821,295
- Other staff cost	276,209,774	230,354,863	243,044,715	201,004,883
Donations	183,000	105,000	183,000	105,000
Directors' emoluments	6,970,084	7,166,000	6,970,084	7,166,000
<b>Included in other operating expenses</b>				
Depreciation of property, plant and equipment	127,868,174	122,882,865	115,544,718	108,331,388
Depreciation of right-of-use assets	1,135,000	1,005,000	-	-
Amortization of intangible assets	2,581,520	2,102,270	2,412,128	1,932,878
<b>Included in Selling and marketing expenses</b>				
Advertisement charges	2,153,505	2,382,796	1,770,984	2,301,586
Credit card commission	38,908,363	19,777,426	35,965,614	18,163,701

## 10 TAX EXPENSE/ (REVERSAL)

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

		Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
<b>Current income tax</b>					
Current income tax charge	(Note 10.1)	224,879,185	23,693,700	215,132,147	22,130,655
Adjustments in respect of current income tax of previous year		196,792	-	196,792	-
		225,075,977	23,693,700	215,328,939	22,130,655
<b>Deferred tax expense</b>					
Deferred tax charge/ (reversal)	(Note 27)	71,155,938	48,939,953	30,676,030	41,913,691
		71,155,938	48,939,953	30,676,030	41,913,691
<b>Income tax expense/(reversal) reported in the statement of profit or loss</b>		296,231,914	72,633,653	246,004,969	64,044,346
Effective tax rate		34%	49%	30%	49%

**10.1 Taxable profit from the business is as follows;**

	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Taxable income from hotel operations	445,399,174	-	445,399,174	-
Investment income	304,198,108	268,642,536	271,707,983	244,296,275
Total taxable income	749,597,282	268,642,536	717,107,157	244,296,275
Current income tax charge for the year is made up of the following:				
- Income tax on business profit 30%	133,619,752	-	133,619,752	-
- Income tax on other income 24%	-	23,693,700	-	22,130,655
- Income tax on investment income 30%	91,259,432	-	81,512,395	-
<b>Current income tax charge for the year</b>	<b>224,879,185</b>	<b>23,693,700</b>	<b>215,132,147</b>	<b>22,130,655</b>

**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	877,538,839	146,771,151	826,969,820	130,430,528
Tax at statutory income tax rate	258,204,750	40,763,220	248,090,946	39,129,158
Effect of tax rate changes of other income	3,249,013	(11,249,300)	-	(14,657,777)
Adjustments in respect of current income tax of previous year	196,792	-	196,792	-
Tax effect on non deductible expenses	31,946,529	5,136,002	15,043,363	5,136,002
Tax effect on deductions claimed	(6,391,140)	(39,660,520)	(6,391,140)	(47,506,114)
Tax effect on exempt amounts	(4,599,019)	(3,479,131)	(4,509,577)	(3,460,363)
Tax effect on non-taxable income	(6,394,041)	(2,208,675)	(6,394,041)	(2,208,675)
Deferred tax effect on carried forward business losses/ losses claimed	(31,374)	1,502,014	(31,374)	5,782,072
Deferred tax due to tax rate change on the temporary differences of previous years	20,050,405	81,830,042	-	81,830,042
Tax expense	296,231,914	72,633,653	246,004,969	64,044,346

**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% (2023 : 14% for first 6 months and 30% for the second 6 months) 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 30%. (2023-24% for first 6 months and 30% for the second 6 months).

**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 20%.



# Notes to the Financial Statements contd.

Year ended 31 March 2024

## Other income and gains

Income from other sources are taxed at the rate of 30%. (2023-24% for first 6 months and 30% for the second 6 months).

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.

## 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	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
<b>Amount used as the numerator</b>				
Profit attributable to ordinary equity holders of the parent	581,218,554	72,135,022	580,964,851	66,386,182
Less : Preference dividend paid	(211,700)	-	(211,700)	-
Profit Attributable to ordinary shareholders	581,006,854	72,135,022	580,753,151	66,386,182
<b>Amount used as the denominator</b>				
Weighted average number of ordinary shares	2,186,040	2,186,040	2,186,040	2,186,040
Basic/diluted earnings per share	265.78	33.00	265.66	30.37

## 12 DIVIDEND PER SHARE

Dividend declared and paid during the year				
Final dividend	79,790,460	-	79,790,460	-
Average number of ordinary shares	2,186,040	2,186,040	2,186,040	2,186,040
Dividend per share	37	-	37	-

## 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 2024 and 2023:

		Fair value measurement using		
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Assets measured at fair value:</b>	<b>Total</b>			

### As at 31 March 2024

#### Non financial assets

Land (Note 14.1)	31 March 2022	2,146,612,500	-	-	2,146,612,500
Buildings, swimming pool and farm structure (Note 14.1)	31 March 2022	1,712,418,259	-	-	1,712,418,259
Biological assets (Note 17)	31 March 2024	4,660,464	-	-	4,660,464
<b>Total financial assets as at 31 March 2024</b>		<b>3,863,691,223</b>	<b>-</b>	<b>-</b>	<b>3,863,691,223</b>



**13 FAIR VALUE MEASUREMENT - GROUP (CONTD.)**

		Fair value measurement using			
		Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Assets measured at fair value:</b>					
<b>Financial assets</b>					
<b>Financial assets at fair value through OCI</b>					
Quoted equity shares (Note 19.1)	31 March 2024	335,887,668	335,887,668	-	-
<b>Equity instruments designated at fair value through profit or loss</b>					
Quoted equity shares (Note 19.2)	31 March 2024	41,907,686	41,907,686	-	-
<b>Total financial assets as at 31 March 2024</b>		<b>377,795,354</b>	<b>377,795,354</b>	<b>-</b>	<b>-</b>
<b>As at 31 March 2023</b>					
<b>Non financial assets</b>					
Land (Note 14.1)	31 March 2022	2,146,612,500	-	-	2,146,612,500
Buildings, swimming pool and farm structure (Note 14.1)	31 March 2022	1,614,748,152	-	-	1,614,748,152
Biological assets (Note 17)	31 March 2023	2,964,165	-	-	2,964,165
<b>Non financial assets as at 31 March 2023</b>		<b>3,764,324,817</b>	<b>-</b>	<b>-</b>	<b>3,764,324,817</b>
<b>Financial assets</b>					
<b>Financial assets at fair value through OCI</b>					
Quoted equity shares (Note 19.1)	31 March 2023	255,182,080	255,182,080	-	-
<b>Equity instruments designated at fair value through profit or loss</b>					
Quoted equity shares (Note 19.2)	31 March 2023	35,307,390	35,307,390	-	-
<b>Non financial assets as at 31 March 2023</b>		<b>290,489,470</b>	<b>290,489,470</b>	<b>-</b>	<b>-</b>

There were no transfers between Level 1 and Level 2 during year ended 31 March 2024 and 2023.

# Notes to the Financial Statements contd.

Year ended 31 March 2024

## 14 PROPERTY, PLANT AND EQUIPMENT

### 14.1 Group

#### Gross carrying amounts

	Balance as at 01.04.2023	Additions	Transfers/ disposals	Balance as at 31.03.2024
At cost or valuation	Rs.	Rs.	Rs.	Rs.
Freehold land	2,146,612,500	-	-	2,146,612,500
Buildings	1,499,326,912	97,670,107	-	1,596,997,019
Swimming pool complex	110,000,000	-	-	110,000,000
Farm structure	5,421,240	-	-	5,421,240
Plant and machinery	237,039,356	7,302,962	-	244,342,318
Motor vehicles	71,307,333	620,297	-	71,927,630
Furniture and fittings	96,327,397	17,309,974	-	113,637,371
Fixtures	8,914,776	971,984	-	9,886,760
Office equipment	31,398,053	4,548,111	-	35,946,164
Electrical equipment	52,893,007	5,904,863	-	58,797,870
Soft Furniture	62,340,105	4,864,095	-	67,204,200
Crockery, cutlery and glassware	27,567,064	21,303,801	(1,830,206)	47,040,659
<b>Total value of depreciable assets</b>	<b>4,349,147,744</b>	<b>160,496,193</b>	<b>(1,830,206)</b>	<b>4,507,813,731</b>
<b>In the course of construction</b>				
Capital work-in-progress	35,913,269	66,440,647	(98,010,844)	4,343,072
<b>Total gross carrying amount</b>	<b>4,385,061,013</b>	<b>226,936,840</b>	<b>(99,841,050)</b>	<b>4,512,156,803</b>

Depreciation	Balance as at 01.04.2023	Charge for the Year	Transfers/ Disposals	Balance as at 31.03.2024
At cost or valuation	Rs.	Rs.	Rs.	Rs.
Buildings	67,991,609	69,360,464	-	137,352,074
Swimming pool complex	6,482,194	6,482,330	-	12,964,524
Farm Structure	827,126	827,123	-	1,654,249
Plant and machinery	141,084,242	22,021,903	-	163,106,144
Motor vehicles	61,513,823	3,239,532	-	64,753,355
Furniture and fittings	84,326,622	8,251,658	-	92,578,280
Fixtures	3,801,319	432,589	-	4,233,908
Office equipment	19,226,806	2,829,480	-	22,056,286
Electrical equipment	31,962,023	3,073,874	-	35,035,897
Soft furniture	56,488,584	3,945,180	-	60,433,763
Crockery, cutlery and glassware	21,543,492	7,404,041	(1,770,826)	27,176,707
<b>Total depreciation</b>	<b>495,247,840</b>	<b>127,868,174</b>	<b>(1,770,826)</b>	<b>621,345,188</b>

**14.1 Group (Contd.)**

<b>Net book value</b>	<b>2024</b>	<b>2023</b>
<b>At cost or valuation</b>	<b>Rs.</b>	<b>Rs.</b>
Freehold land	2,146,612,500	2,146,612,500
Buildings	1,459,644,945	1,431,335,303
Swimming pool	97,035,476	103,517,806
Farm structure	3,766,991	4,594,114
Plant and machinery	81,236,174	95,955,115
Motor vehicles	7,174,275	9,793,510
Furniture and fittings	21,059,091	12,000,775
Fixtures	5,652,852	5,113,457
Office equipment	13,889,878	12,171,247
Electrical equipment	23,761,973	20,930,983
Soft furniture	6,770,437	5,851,521
Crockery, cutlery and glassware	19,863,953	6,023,573
<b>Total value of depreciable assets</b>	<b>3,886,468,543</b>	<b>3,853,899,904</b>
<b>In the course of construction</b>		
Capital work-in-progress	4,343,072	35,913,269
<b>Carrying value</b>	<b>3,890,811,615</b>	<b>3,889,813,173</b>

14.1.1 During the financial year, the Group acquired Property, Plant and Equipment to the aggregate value of Rs.128,925,996/- (2023 - 64,192,052/-) including cost incurred on capital work in progress of which Rs. 66,440,647/- (2023 - Rs. 35,564,377/-). Cash payments amounted to Rs. 128,925,996/- (2023 - Rs. 64,192,052/-) were made during the year for purchase of Property, Plant and Equipment.

**14.2 Company****Gross carrying amounts****At cost or valuation**

	<b>Balance as at 01.04.2023 Rs.</b>	<b>Additions Rs.</b>	<b>Transfers/ disposals Rs.</b>	<b>Balance as at 31.03.2024 Rs.</b>
Freehold land	1,971,312,500	-	-	1,971,312,500
Buildings	1,019,406,910	96,328,424	-	1,115,735,334
Swimming pool complex	110,000,000	-	-	110,000,000
Farm structure	5,421,240	-	-	5,421,240
Plant and machinery	200,550,409	7,072,156	-	207,622,565
Motor vehicles	66,432,333	620,297	-	67,052,630
Furniture and fittings	50,011,362	17,276,224	-	67,287,586
Fixtures	8,914,776	971,984	-	9,886,760
Office equipment	25,803,753	4,423,037	-	30,226,790
Electrical equipment	33,538,142	5,720,266	-	39,258,408
Soft furniture	42,876,338	4,610,331	-	47,486,669
Crockery, cutlery and glassware	23,226,337	21,303,801	(1,770,826)	42,759,312
<b>Total value of depreciable assets</b>	<b>3,557,494,100</b>	<b>158,326,519</b>	<b>(1,770,826)</b>	<b>3,714,049,793</b>
<b>In the course of construction</b>				
Capital work-in-progress	35,913,269	66,440,647	(98,010,844)	4,343,072
<b>Total gross carrying amount</b>	<b>3,593,407,369</b>	<b>224,767,166</b>	<b>(99,781,670)</b>	<b>3,718,392,864</b>

# Notes to the Financial Statements contd.

Year ended 31 March 2024

## 14.2 Company (Contd.)

Depreciation	Balance as at 01.04.2023	Charge for the year	Transfers/ disposals	Balance as at 31.03.2024
At cost or valuation	Rs.	Rs.	Rs.	Rs.
Building	60,299,950	61,668,804	-	121,968,755
Swimming pool complex	6,482,194	6,482,330	-	12,964,524
Farm structure	827,126	827,123	-	1,654,249
Plant and machinery	127,629,395	20,265,029	-	147,894,423
Motor vehicles	56,638,824	3,239,532	-	59,878,356
Furniture and fittings	38,187,641	8,040,855	-	46,228,496
Fixtures	3,801,318	432,589	-	4,233,908
Office equipment	15,714,306	2,265,652	-	17,979,958
Electrical equipment	18,977,523	3,024,850	-	22,002,373
Soft furniture	37,696,151	3,020,080	-	40,716,230
Crockery, cutlery and glassware	18,055,912	6,277,874	(1,770,826)	22,562,960
<b>Total depreciation</b>	<b>384,310,339</b>	<b>115,544,718</b>	<b>(1,770,826)</b>	<b>498,084,231</b>

Net book value	2024	2023
At cost or valuation	Rs.	Rs.
Freehold land	1,971,312,500	1,971,312,500
Buildings	993,766,579	959,106,960
Swimming pool	97,035,476	103,517,806
Farm structure	3,766,991	4,594,114
Plant and machinery	59,728,141	72,921,015
Motor vehicles	7,174,275	9,793,509
Furniture and fittings	21,059,090	11,823,722
Fixtures	5,652,852	5,113,458
Office equipment	12,246,832	10,089,447
Electrical equipment	17,256,036	14,560,619
Soft furniture	6,770,438	5,180,187
Crockery, cutlery and glassware	20,196,352	5,170,425
	<b>3,215,965,562</b>	<b>3,173,183,761</b>
<b>In the course of construction</b>		
Capital work-in-progress	4,343,072	35,913,269
<b>Carrying value</b>	<b>3,220,308,634</b>	<b>3,209,097,030</b>

**14.2.1** During the financial year, the company acquired property, plant and equipment to the aggregate value of Rs 126,756,322/- (2023 - 60,844,919/-) including cost incurred on capital work in progress of which Rs. 66,440,647/- (2023 - 35,564,377/-). Cash payments amounted to Rs. 126,756,322/- (2023 - Rs. 60,844,919/-) 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 2024.

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
<b>Company</b>		
Land	1,971,312,500	1,971,312,500
Buildings, swimming pool and farm structure	1,094,569,046	1,094,569,046
<b>Group</b>		
Land	2,146,612,500	2,146,612,500
Buildings, swimming pool and farm structure	1,560,447,412	1,560,447,412

#### 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:

	2024			2023		
	Cost Rs.	Accumulated Depreciation Rs.	Carrying value Rs.	Cost Rs.	Accumulated Depreciation Rs.	Carrying value Rs.
<b>Group</b>						
Freehold land	66,563,275	-	66,563,275	66,563,275	-	66,563,275
Buildings	779,950,030	85,713,299	694,236,731	682,279,923	77,363,743	604,916,180
Total	<b>846,513,305</b>	<b>85,713,299</b>	<b>760,800,006</b>	<b>748,843,198</b>	<b>77,363,743</b>	<b>671,479,455</b>
<b>Company</b>						
Freehold land	773,000	-	773,000	773,000	-	773,000
Buildings	360,065,306	26,620,685	333,444,620	263,736,882	22,676,141	241,060,741
Total	<b>360,838,306</b>	<b>26,620,685</b>	<b>334,217,620</b>	<b>264,509,882</b>	<b>22,676,141</b>	<b>241,833,741</b>

# Notes to the Financial Statements contd.

Year ended 31 March 2024

## 15 RIGHT OF USE ASSETS

	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Leasehold lands	5,200,000	335,000	-	-
	5,200,000	335,000	-	-

### 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	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
As at 1 April	335,000	1,340,000	-	-
Additions	6,000,000	-	-	-
Depreciation expenses	(1,135,000)	(1,005,000)	-	-
As at 31 March	5,200,000	335,000	-	-

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

	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Depreciation expense of right-of-use assets	1,135,000	1,005,000	-	-
Total amount recognized in profit or loss	1,135,000	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	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
<b>Cost</b>				
Opening balance	22,765,577	22,765,577	21,071,614	21,071,614
Additions	12,831,092	-	12,831,092	-
Closing balance	35,596,669	22,765,577	33,902,706	21,071,614
<b>Accumulated amortization</b>				
Opening balance	11,924,741	9,822,470	10,656,166	8,723,287
Amortizations	2,581,520	2,102,271	2,412,128	1,932,879
Closing balance	14,506,261	11,924,741	13,068,294	10,656,166
<b>Carrying Value</b>				
	21,090,408	10,840,836	20,834,412	10,415,448

**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	
	2024 Rs.	2023 Rs.
Carrying value at the beginning of the year	2,964,165	1,787,717
Additions during the year	112,541	282,000
Decrease due to sales	(3,243,454)	(1,785,771)
Gain from changes in weight and value	4,827,212	2,680,219
At the end of the year	4,660,464	2,964,165

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 06/2023 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	
		2024 Rs.	2023 Rs.
Fair View Hotel (Private) Limited	(Note 18.1)	444,996,000	444,996,000
		444,996,000	444,996,000
<b>18.1 Investment in subsidiary- Fair View Hotel (Private) Limited</b>			
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.

# Notes to the Financial Statements contd.

Year ended 31 March 2024

## 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.

	2024	2023
NCI percentage (%)	26%	26%

### 18.2.1 Summarized statement of profit or loss and other comprehensive income

	2024 Rs.	2023 Rs.
Revenue	166,518,941	111,918,469
Cost of sales	(26,535,207)	(21,358,758)
Gross profit	139,983,734	90,559,711
Other income	48,939	70,807
Operating expenses	(122,009,152)	(98,135,356)
Finance income	32,937,338	24,534,032
Finance costs	(391,841)	(688,571)
Profit before tax	50,569,018	16,340,623
Income tax expense	(50,226,945)	(8,589,305)
Profit for the year	342,073	7,751,318
Other comprehensive income	(21,641,306)	232,551
Total comprehensive income	(21,299,233)	7,983,869
Profit attributable to NCI	88,371	2,002,475

### 18.2.2 Summarized statement of financial position

Non-current assets	675,958,976	681,844,682
Current assets	241,967,099	204,075,257
<b>Total assets</b>	<b>917,926,075</b>	<b>885,919,939</b>
Non-current liabilities	120,504,735	56,816,776
Current liabilities	21,551,216	36,032,297
Equity	775,870,124	793,070,866
<b>Total equity and liabilities</b>	<b>917,926,074</b>	<b>885,919,939</b>
<b>Total equity attributable to:</b>		
Equity holders of parent	576,577,784	588,276,083
Non-controlling interest	199,292,339	204,794,783
	<b>775,870,124</b>	<b>793,070,866</b>

### 18.2.3 Summarized cash flow information

	2024 Rs.	2023 Rs.
Cash flows from operating activities	24,896,046	6,852,121
Cash flows from/ (used in) investing activities	(5,193,176)	1,296,306
Cash flows used in finance activities	(12,798,800)	(3,207,867)
Net increase in cash and cash equivalents	6,904,071	4,940,560



## 19 OTHER FINANCIAL ASSETS

		Group		Company	
		2024	2023	2024	2023
Financial assets at fair value through OCI		Rs.	Rs.	Rs.	Rs.
Listed equity investments	(Note 19.1)	335,887,668	255,182,080	335,887,668	255,182,080
Equity instruments designated at fair value through profit or loss					
Listed equity investments	(Note 19.2)	41,907,686	35,307,390	41,907,686	35,307,390
Total financial assets at fair value		377,795,354	290,489,470	377,795,354	290,489,470
Debt instruments at amortized cost					
Trade and other receivables	(Note 21)	154,086,963	27,290,442	150,855,786	25,653,104
Investments in fixed deposits	(Note 19.3)	2,266,687,634	1,582,329,071	2,059,528,640	1,405,190,292
Total financial assets at amortized cost		2,420,774,597	1,609,619,513	2,210,384,426	1,430,843,396
Total financial assets		2,798,569,950	1,900,108,983	2,588,179,780	1,721,332,866
Total non-current financial assets		335,887,668	255,182,080	335,887,668	255,182,080
Total other current financial assets		2,308,595,319	1,617,636,461	2,101,436,326	1,440,497,682

### 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 2024. 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	
		2024 Rs.	2023 Rs.
Investment in quoted shares	(Note 19.1.1)	335,887,668	255,182,080
		<b>335,887,668</b>	<b>255,182,080</b>

#### 19.1.1 Investment in quoted shares

	No. of Shares		2024		2023	
	2024	2023	Cost Rs.	Market Value Rs.	Cost Rs.	Market Value Rs.
<b>Group/Company</b>						
Royal Palm Beach Hotels PLC	2,750,000	2,750,000	28,895,047	82,500,000	28,895,047	72,325,000
John Keells Holding PLC	1,306,122	1,306,122	241,469,995	253,387,668	241,469,995	182,857,080
			270,365,042	335,887,668	270,365,042	255,182,080
Fair value adjustment of investments			65,522,626	-	(15,182,962)	-
<b>Carrying value of investments in quoted equity securities</b>			<b>335,887,668</b>	<b>335,887,668</b>	<b>255,182,080</b>	<b>255,182,080</b>

# Notes to the Financial Statements contd.

Year ended 31 March 2024

## 19.2 Equity instruments designated at fair value through profit or loss

Investment in quoted shares	2024		2023	
	No. of shares	Fair value Rs.	No. of shares	Fair value Rs.
<b>Group/Company</b>				
The Light House Hotel PLC	520,123	19,712,662	520,123	14,199,358
Overseas Realty (Ceylon) PLC	750,750	12,762,750	750,750	11,561,550
John Keells Hotels PLC	500,000	9,300,000	500,000	9,450,000
Ceylon Investment PLC	1,719	81,309	1,719	57,587
Ceylon Guardian Investment Trust PLC	572	50,965	572	38,896
		41,907,686		35,307,390

## 19.3 Investments in fixed deposits

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

	Credit Rating	Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Mercantile Investment and Finance PLC	BBB-	1,760,611,990	1,256,345,676	1,560,067,980	1,087,331,979
Bank of Ceylon	A	172,923,102	152,587,945	172,923,102	152,587,945
LB Finance PLC	BBB+	140,885,753	122,604,618	140,885,753	122,604,618
Sampath Bank PLC	A	122,949,677	-	122,949,677	-
Hatton National Bank PLC	A	71,023,111	53,017,229	64,408,127	44,892,147
		2,268,393,633	1,584,555,469	2,061,234,639	1,407,416,690
Provision for impairment	(Note 19.4)	(1,705,999)	(2,226,398)	(1,705,999)	(2,226,398)
		2,266,687,634	1,582,329,071	2,059,528,640	1,405,190,292

## 19.4 Provision for impairment - fixed deposits

The impairment provision of Rs. 1,705,999/- (2023-Rs. 2,226,398/-) is recognized based on the expected credit loss (ECL) calculation considering the credit ratings of the financial institutions.

## 20 INVENTORIES

	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Food and beverages	35,438,526	32,447,283	34,185,458	31,419,745
Consumables, books and general	28,446,952	31,202,203	23,642,281	25,907,986
Grand boutique	2,524,841	1,996,892	2,524,841	1,996,892
	66,410,319	65,646,378	60,352,580	59,324,623

## 21 TRADE AND OTHER RECEIVABLES

Trade receivables		127,118,955	20,705,861	126,884,163	20,156,637
Other receivables		26,819,631	6,599,855	23,823,246	5,511,741
Amounts due from related parties	(Note 21.1)	292,879	-	292,879	-
		154,231,465	27,305,716	151,000,288	25,668,378
Allowance for expected credit losses	(Note 21.2)	(144,502)	(15,274)	(144,502)	(15,274)
		154,086,963	27,290,442	150,855,786	25,653,104

**21.1 Amounts due from related companies**

Entity	Relationship	Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Mercantile Fortunes (Private) Ltd	Other related company	292,879	-	292,879	-
		292,879	-	292,879	-

**21.2 Allowance for expected credit losses**

Balance as at the beginning of period	(15,274)	(228,517)	(15,274)	(228,517)
Changes in impairment for the period	(129,228)	213,243	(129,228)	213,243
Balance as at end of the period	(144,502)	(15,274)	(144,502)	(15,274)

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, 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	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Neither past due nor impaired	84,119,733	16,710,701	83,884,941	16,161,477
Past due but not impaired				
31-60 days	20,901,014	3,761,075	20,901,014	3,761,075
61-90 days	17,904,622	225,958	17,904,622	225,958
> 90 days	4,193,586	8,127	4,193,586	8,127
Gross carrying value	127,118,955	20,705,861	126,884,163	20,156,637
Provision for impairment	(144,502)	(15,274)	(144,502)	(15,274)
Total	126,974,453	20,690,587	126,739,661	20,141,363

**22 CASH AND CASH EQUIVALENTS**

	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
<b>Favorable cash &amp; bank balances</b>				
Cash in hand	1,795,724	2,153,500	1,485,724	1,843,500
Cash at bank	77,569,932	35,870,402	54,652,195	19,856,735
	79,365,656	38,023,902	56,137,919	21,700,235
<b>Unfavorable cash and bank balances</b>				
Bank Overdraft	(24,560,483)	(25,786,264)	(24,560,483)	(25,786,264)
<b>Total cash and cash equivalents for the purpose of cash flow statement</b>	<b>54,805,173</b>	<b>12,237,638</b>	<b>31,577,436</b>	<b>(4,086,029)</b>

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

**Bank overdrafts**

Interest rate is AWPLR + 2.5 Per annum.

At 31 March 2024, the Group had available Rs. 75,000,000/- (2023: 75,000,000/-) of undrawn bank overdraft/borrowing facilities.

# Notes to the Financial Statements contd.

Year ended 31 March 2024

## 23 STATED CAPITAL

	Group/Company Number of shares		Group/Company	
	2024	2023	2024 Rs.	2023 Rs.
Ordinary shares	2,186,040	2,186,040	335,093,740	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>335,151,740</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 passu* in the division of any then remaining balance.

## 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	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Opening balance	1,919,046,450	2,380,136,695	1,775,422,555	2,236,512,800
Transferred to retained earnings (additional depreciation on revaluation)	(44,994,841)	(55,279,375)	(44,994,841)	(55,279,375)
Income tax effect on revaluation of land and buildings	(15,855,029)	(405,810,870)	-	(405,810,870)
Transfers to non controlling interests*	-	-	-	-
	<u>1,858,196,581</u>	<u>1,919,046,450</u>	<u>1,730,427,714</u>	<u>1,775,422,555</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	
	2024 Rs.	2023 Rs.
As at 1st April	(15,182,964)	(36,152,354)
Change in fair value	80,705,588	20,969,390
As at 31st March	<u>65,522,624</u>	<u>(15,182,964)</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

	2024 Amount Repayable Within 1 Year Rs.	2024 Amount Repayable After 1 Year Rs.	2024 Total Rs.	2023 Amount Repayable Within 1 Year Rs.	2023 Amount Repayable After 1 Year Rs.	2023 Total Rs.
Bank Loans	-	-	-	28,796,799	-	28,796,799
Bank Overdrafts (Note 22)	24,560,483	-	24,560,483	25,786,264	-	25,786,264
	24,560,483	-	24,560,483	54,583,063	-	54,583,063

### 26.2 Interest Bearing Loans and Borrowings - Company

	2024 Amount Repayable Within 1 Year Rs.	2024 Amount Repayable After 1 Year Rs.	2024 Total Rs.	2023 Amount Repayable Within 1 Year Rs.	2023 Amount Repayable After 1 Year Rs.	2023 Total Rs.
Bank Loans	-	-	-	15,997,999	-	15,997,999
Bank Overdrafts (Note 22)	24,560,483	-	24,560,483	25,786,264	-	25,786,264
	24,560,483	-	24,560,483	41,784,263	-	41,784,263

### 26.3 Bank Loans

#### Commercial Bank of Ceylon PLC - Working capital loans

	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
As at 01 April	28,796,799	35,999,799	15,997,999	19,999,999
Accrued Interest	623,542	1,416,233	346,381	793,281
Gross payments	(29,420,341)	(8,619,233)	(16,344,380)	(4,795,281)
Closing balance	-	28,796,799	-	15,997,999
Current	-	28,796,799	-	15,997,999
Non-Current	-	-	-	-
	-	28,796,799	-	15,997,999

#### 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)

Remaining 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 2024

## 27 DEFERRED TAX LIABILITY

	Group		Company	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Opening balance	887,337,887	431,887,170	832,124,900	383,726,284
Charge through statement of profit or loss	71,155,938	48,939,953	30,676,030	41,913,691
Charge on actuarial gain/(loss) through OCI	(2,579,722)	699,894	(2,513,835)	674,054
Income tax effect on revaluation of land and buildings	21,377,759	405,810,870	-	405,810,870
Closing balance	977,291,862	887,337,887	860,287,095	832,124,900

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

### 27.1 Deferred tax - Group

	Statement of financial position		Statement of profit or loss	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
<b>Deferred tax liability</b>				
Capital allowances for tax purpose	229,469,886	201,413,023	28,056,863	67,455,607
Deferred tax effect on revaluation of buildings	148,654,729	138,227,943	-	-
Deferred tax effect on revaluation of land	613,063,796	602,112,823	-	-
	991,188,411	941,753,789	28,056,863	67,455,607
<b>Deferred tax assets</b>				
Retirement benefit obligation - recognized through statement of profit or loss	(10,918,211)	(8,491,527)	(2,426,685)	(4,830,162)
Retirement benefit obligation - recognized through other comprehensive Income	(2,934,989)	(355,268)	-	-
Deferred tax effect on impairment provisions	(43,351)	(4,582)	(38,768)	27,410
Deferred tax effect on unutilized taxable losses	-	(45,564,527)	45,564,527	(13,712,902)
	(13,896,551)	(54,415,902)	43,099,074	(18,515,654)
Deferred taxation charge			71,155,938	48,939,953
Net deferred tax liability	977,291,860	887,337,887	-	-

### 27.2 Deferred tax - Company

<b>Deferred tax liability</b>				
Capital allowances for tax purpose	154,499,329	167,232,956	(12,733,626)	60,378,218
Deferred tax effect on revaluation of buildings	127,801,157	127,801,157	-	-
Deferred tax effect on revaluation of land	591,161,850	591,161,850	-	-
	873,462,336	886,195,963	(12,733,626)	60,378,218
<b>Deferred tax assets</b>				
Retirement benefit obligation - recognized through statement of profit or loss	(10,264,971)	(8,148,868)	(2,116,102)	(4,779,035)
Retirement benefit obligation - recognized through other comprehensive income	(2,866,922)	(353,087)	-	-
Deferred tax effect on impairment provisions	(43,351)	(4,582)	(38,768)	27,410
Deferred tax effect on unutilized taxable losses	-	(45,564,527)	45,564,527	(13,712,902)
	(13,175,242)	(54,071,063)	43,409,656	(18,464,527)
Deferred taxation charge			30,676,030	41,913,691
Net deferred tax liability	860,287,095	832,124,900	-	-

**28 RETIREMENT BENEFIT OBLIGATIONS**

	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Opening balance	31,788,243	34,602,471	28,339,849	31,406,956
Interest cost	6,215,950	4,844,346	5,526,271	4,396,974
Current service cost	4,882,738	4,084,515	4,323,266	3,473,117
Actuarial loss/ (gain)	8,708,884	(5,772,964)	8,379,450	(5,514,573)
Payments during the year	(4,216,300)	(5,970,125)	(2,795,862)	(5,422,625)
Closing balance	47,379,515	31,788,243	43,772,974	28,339,849

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

**Amount recognized in profit or loss**

Interest cost	6,215,950	4,844,346	5,526,271	4,396,974
Current service cost	4,882,738	4,084,515	4,323,266	3,473,117
	11,098,688	8,928,861	9,849,537	7,870,090

**Amount recognized in other comprehensive income/(loss)**

Actuarial loss/(gain) for the year	8,708,884	(5,772,964)	8,379,450	(5,514,573)
	8,708,884	(5,772,964)	8,379,450	(5,514,573)

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;

		2024	2023
(1) Rate of discount		12%	19.5%
(2) Salary increment		10%	15%
(3) Staff turnover rates	Age	Rates	
	18-34	0.42	0.38
	35-49	0.22	0.24
	>50	0.08	0.09
(4) Staff retirement age		60 Years	60 Years

**28.2** A quantitative sensitivity analysis for significant assumptions as at 31st march 2024 and 2023 are shown below:

	Expected future salaries		Discount rate	
	1% increase	1% decrease	1% increase	1% decrease
<b>Group</b>				
<b>2024</b>				
Change in present value of defined benefit obligation	2,194,083	(2,057,125)	(1,835,599)	1,988,048
<b>2023</b>				
Change in present value of defined benefit obligation	1,042,201	(984,865)	(974,752)	1,044,171

# Notes to the Financial Statements contd.

Year ended 31 March 2024

## 28.2 A quantitative sensitivity analysis for significant assumptions as at 31st march 2024 and 2023 (Contd.):

	Expected future salaries		Discount rate	
	1% increase	1% decrease	1% increase	1% decrease
<b>Company</b>				
<b>2024</b>				
Change in present value of defined benefit obligation	2,068,943	(1,939,052)	(1,732,931)	1,877,355
<b>2023</b>				
Change in present value of defined benefit obligation	974,098	(919,669)	(905,221)	970,636

## 28.3 The expected maturity analysis of defined benefit obligation as at 31st March 2024 and 31st March 2023 are as follows:

	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Less the 1 year	11,176,235	8,554,324	11,176,235	8,554,324
Between 1-5 years	20,863,869	15,434,128	17,257,328	11,985,734
Over 5 years	15,339,411	7,799,791	15,339,411	7,799,791
	47,379,515	31,788,243	43,772,974	28,339,849
The average duration of the defined benefit plan obligation at the end of the year			4.6 Years	3.9 Years

## 29 TRADE AND OTHER PAYABLES

Trade payables	92,136,041	63,740,377	84,971,267	56,904,117
Amounts due to related companies (Note 29.1)	3,530,008	2,880,026	3,280,198	2,512,718
Accrued expenses	166,695,703	62,494,289	153,853,577	51,862,664
	262,361,752	129,114,692	242,105,042	111,279,499

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**

	Relationship	Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Nilaveli Beach Hotel (Pvt) Ltd	Other related company	21,850	31,683	-	-
Tangerine Beach Hotels PLC	Other related company	71,756	33,470	71,756	33,470
Royal Palm Beach Hotels PLC	Other related company	107,154	344,252	107,154	344,252
Tangerine Tours (Pvt) Ltd	Other related company	168,152	936,515	191,972	960,335
Mercantile Investments & Finance PLC	Other related company	1,286,856	239,785	1,290,196	243,125
Security Ceylon (Pvt) Ltd	Other related company	1,874,240	1,294,321	1,619,120	931,536
		<u>3,530,008</u>	<u>2,880,026</u>	<u>3,280,198</u>	<u>2,512,718</u>

**30 CONTRACT LIABILITIES**

	Relationship	Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Advance received for future bookings		41,236,251	22,090,971	40,731,949	20,430,712
		<u>41,236,251</u>	<u>22,090,971</u>	<u>40,731,949</u>	<u>20,430,712</u>
Opening balance		22,090,971	25,224,007	20,430,712	22,445,688
Advance received during the year		99,280,062	18,719,300	99,280,062	18,719,300
Setoff against the receivables		(80,134,782)	(21,852,336)	(78,978,825)	(20,734,276)
Closing balance		<u>41,236,251</u>	<u>22,090,971</u>	<u>40,731,949</u>	<u>20,430,712</u>

# Notes to the Financial Statements contd.

Year ended 31 March 2024

## 31 RELATED PARTY DISCLOSURES

### 31.1 Transactions with related parties

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

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 on arm's length basis with respective parties.

Transaction Value				Balance as at 31 March	
	Aggregate Value of the RPT as a % of the Net Revenue/ Income		Aggregate Value of the RPT as a % of the Net Revenue/ ncome		
2024 Rs.		2023 Rs.		2024 Rs.	2023 Rs.
-		-		-	-
(19,534,446)	0.99%	(14,627,042)	1.65%	(1,619,120)	(931,536)
3,147,804	0.16%	3,076,061	0.35%		
15,699,059		11,044,686			
(2,068,749)	-0.11%	-	0%		
(560,871)	0.03%	(630,179)	0.07%	(71,756)	(33,470)
522,584		680,778			
(5,119,583)	0.26%	(4,248,510)	0.48%	(191,972)	(960,335)
5,887,946		3,446,219			
15,175,751	0.77%	4,792,847	0.54%		
(4,682,519)	-0.24%	-	0%		
(6,107,131)	0.31%	(2,894,552)	0.33%	(1,290,196)	(243,125)
(2,974,578)	0.15%	(1,579,500)	0.18%		
(785,002)	0.04%	(587,000)	0.07%		
(1,892,934)	0.10%				
(203,642)	0.01%				
10,916,215		4,867,500			
(585,801,742)	29.80%	(126,949,198)	14.35%	1,560,067,980	1,087,331,979
41,890,262	2.13%	108,926,796	12.32%		
219,568,990	11.17%	190,294,064	21.51%		
(17,031,178)	-0.87%	-	0%		
(5,449,107)	0.28%	(5,661,657)	0.64%	(107,154)	(344,252)
5,686,205		5,604,813			
(377,366)	0.02%	(1,048,718)	0.12%	292,879	-
670,246		1,048,718			
(22,317)	-0.00%	-	0%		
(13,820,023)	0.70%	-	0%	-	-

# Notes to the Financial Statements contd.

Year ended 31 March 2024

## 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.

	2024 Rs.	2023 Rs.
Short-term employee benefits	6,970,084	7,166,000
	6,970,084	7,166,000

## 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 2024 and 2023.

**Interest rate risk**

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

**Foreign currency risk**

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

**Foreign currency sensitivity**

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

	Change in USD rate	Effect on profit/ loss before tax
<b>2024</b>	+ 5%	8,522,925
	- 5%	(8,522,925)
<b>2023</b>	+ 5%	1,683,447
	- 5%	(1,683,447)

**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. 377,795,354/- ( 2023 - Rs. 290,489,471/-). 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:

	2024 Rs.	2023 Rs.
Trade and other receivables	154,086,963	27,290,442
Other current financial assets	2,308,595,319	1,617,636,461
Non-current financial assets	335,887,668	255,182,080
Cash and short term deposits	79,365,656	38,023,902
	<u>2,877,935,606</u>	<u>1,938,132,885</u>

# Notes to the Financial Statements contd.

Year ended 31 March 2024

## 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 2024 and 2023 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:

	2024 Rs.	2023 Rs.
Individual debtors	-	-
Corporate debtors	127,118,955	20,705,861
	127,118,955	20,705,861

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:

	Trade receivables Days past due						Total
	0-30 days	31-60 days	61-90 days	91-120 days	121-150 days	>151 days	
<b>31 March 2024</b>							
Expected credit loss rate	0.0%	0.0%	0.2%	0.8%	3.7%	45.0%	
Estimated total gross carrying amount at default	83,884,941	20,901,014	17,904,622	2,506,742	1,669,355	17,488	126,884,163
Expected credit loss	7,933	8,241	39,455	19,684	61,320	7,870	144,502
<b>31 March 2023</b>							
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:

	On demand Rs.	Less than 3 months Rs.	3 to 12 months Rs.	1 to 3 years	Total Rs.
<b>Year ended 31 March 2024</b>					
Trade and other payables	-	258,831,744	-	-	258,831,744
Amounts due to related companies	-	-	3,530,008	-	3,530,008
Income tax liabilities	-	193,561,660	-	-	193,561,660
Interest bearing loans and borrowings	24,560,483	-	-	-	24,560,483
	<u>24,560,483</u>	<u>452,393,404</u>	<u>3,530,008</u>	<u>-</u>	<u>480,483,895</u>
<b>Year ended 31 March 2023</b>					
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>

### 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.

	2024 Rs.	2023 Rs.
Interest-bearing loans and borrowings other than convertible preference shares (Note 26)	24,560,483	54,583,063
Trade and other payables (Note 29)	262,361,752	129,114,693
Less-		
Cash and bank balances (Note 22)	(79,365,656)	(38,023,902)
Net debt	<u>207,556,579</u>	<u>145,673,854</u>
Equity as shown in the statement of financial position	<u>5,366,873,538</u>	<u>4,812,370,106</u>
Total equity and net debt	<u>5,574,430,117</u>	<u>4,958,043,960</u>
Gearing ratio	4%	3%

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2024 and 2023.

# Decade at a Glance

GROUP										
Year ended 31st March	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>Trading Results</b>										
Gross Turnover (Rs.' 000)	2,132,294	996,413	645,547	254,955	732,612	1,104,375	1,033,721	1,114,871	1,042,749	837,811
Profit / (Loss) before Tax (Rs.' 000)	877,538	146,771	27,940	(143,372)	99,248	357,126	363,692	398,905	350,971	306,866
Provision for Tax (Rs.' 000)	(296,231)	(72,634)	18,212	3,263	(24,171)	(51,903)	(77,275)	(61,186)	(66,127)	(37,090)
Profit / (Loss) after Tax (Rs.' 000)	581,306	74,137	9,728	(140,109)	75,077	305,223	286,417	337,719	284,844	269,776
Preference Dividend (Rs.' 000)	(211)	-	-	-	(93)	(174)	(174)	(174)	(174)	(131)
Ordinary Dividend (Rs.' 000)	(79,790)	-	-	-	(34,977)	(65,581)	(65,581)	(60,116)	(60,116)	(45,087)
Retained Profit / (Loss) (Rs.' 000)	581,306	74,137	9,728	(140,109)	40,007	239,468	220,662	277,429	224,554	224,559
<b>Balance Sheet</b>										
Share Capital (Rs.' 000)	335,210	335,210	335,210	335,210	335,210	335,210	335,210	80,172	80,172	80,172
Reserves (Rs.' 000)	4,832,372	4,272,365	4,580,059	4,216,142	4,305,036	4,327,591	3,364,148	3,583,070	3,318,104	2,822,244
Non Controlling interest (Rs.' 000)	199,292	204,795	202,732	182,760	191,508	189,534	154,034	149,841	151,944	138,860
<b>Shareholders' Funds</b> (Rs.' 000)	5,366,873	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
Non Current Assets (Rs.' 000)	4,257,650	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
Current Assets (Rs.' 000)	2,655,614	1,783,544	1,597,860	1,441,512	1,481,070	1,440,563	1,207,264	991,988	794,949	552,443
Current Liabilities (Rs.' 000)	(521,720)	(211,183)	(197,940)	(144,634)	(116,292)	(171,515)	(174,866)	(183,718)	(177,143)	(92,593)
Net Current Assets (Rs.' 000)	2,133,894	1,572,361	1,399,920	1,296,878	1,364,778	1,269,048	1,032,398	808,270	617,806	459,850
Non Current Liabilities (Rs.' 000)	(1,024,671)	(919,126)	(480,884)	(425,815)	(439,508)	(438,823)	(318,778)	(102,789)	(99,188)	(76,090)
<b>Net Assets</b> (Rs.' 000)	5,366,873	4,814,413	5,118,001	4,734,112	4,831,754	4,852,334	3,853,392	3,813,083	3,550,220	3,041,277



# Real Estate Portfolio

Company and Location	Buildings (in Sq. Ft.)		No. of Buildings		Land in Acres		Net Book Value	
					Freehold Propoerty		Rs.'000	Rs.'000
	2023/24	2022/23			2023/24	2022/23	2023/24	2022/23
Nuwara Eliya Hotels Co PLC Nuwara Eliya	195,346	195,346	19	19	19.10	19.10	3,065,881	3,038,531
Fair View Hotel (Pvt) Ltd. Wellawatte	23,310	23,310	1	1	0.11	0.11	641,178	647,528
Total	218,656	218,656	20	20	19.21	19.21	3,707,059	3,686,059

# Statement of Value Added

Year ended 31st March	2023/24		2022/23	
	Rs.' 000	%	Rs.' 000	%
<b>Value Added</b>				
Income earned by providing hotel services	2,132,294		996,413	
Cost of services	(484,836)		(297,495)	
Value added by hotel services	1,647,458		702,894	
Other operating income	21,948		10,620	
Total Value Added	1,669,406	100	709,538	100
<b>To Employees</b>				
Salaries, wages & other benefits	372,532	22	313,576	44
<b>To Providers of Capital</b>				
Dividends to shareholders	80,000	5	-	-
<b>To Government as taxes</b>	593,264	36	143,805	20
<b>To Expansion &amp; Growth</b>				
Retained Income	573,988	34	134,965	19
Depreciation	129,622	8	122,056	17
	703,610	40	257,021	36
	1,749,406	103	714,402	100
	(80,000)		(0)	
Value added per Revenue (Rs)	0.78		0.72	
Value added per Employment cost (Rs)	4.48		2.28	
Value added per Ordinary Share (Rs)	763.67		326.80	

# Shareholders Information

## Disrtibutions to Shareholders

No. of shares held	As at 31st March 2024				As at 31st March 2023			
	No. of shareholders	% Shareholding		%	No. of shareholders	% Shareholding		%
1 - 1,000	621	94.38	38,230	1.75	615	94.18	37,351	1.71
1,001 - 10,000	23	3.50	62,870	2.88	24	3.68	66,629	3.05
10,001 - 100,000	8	1.22	242,690	11.10	8	1.23	239,810	10.97
100,001 - 1,000,000	6	0.91	1,842,250	84.27	6	0.92	1,842,250	84.27
Over 1,000,000	0	-	-	-	-	-	-	-
	658	100	2,186,040	100	653	100	2,186,040	100

## Composition of Shareholders

Category	As at 31st March 2024		As at 31st March 2023	
	Shareholding	%	Shareholding	%
Resident	2,145,479	98.14	2,145,680	98.15
Non-Resident	40,561	1.86	40,360	1.85
Total	2,186,040	100	2,186,040	100.00
Individuals	863,105	39.48	863,803	39.51
Corporate	1,322,935	60.52	1,322,237	60.49
Total	2,186,040	100	2,186,040	100

## Public Holding

	31-Mar-24	%	31-Mar-23	%
No. of Ordinary shares held	235,316	10.76%	235,316	10.76

## Share Information

	2023/24	Period	2022/23	Period
Highest Price (Rs.)	1,998.75	Q/E March 2024	1,845.00	Q/E Sept 2022
Lowest Price (Rs.)	1,250.00	Q/E June 2023	1,000.00	Q/E June 2022
As at period end (Rs.)	1,725.75	31-Mar-24	1,490.00	31-Mar-23

## Trading Statistics

	2023/24	2022/23
No. Transactions	546	1,074
No. of shares traded	9,766	13,509
Share Turnover (Rs.)	15,814,499	17,711,036.00
Market Capitalisation (Rs.)	3,772,558,530	3,257,199,600
Average daily turnover (Rs.)		104,183
Float adjusted market capitalization (Rs.)	405,927,298	350,474,677

## Shareholders Information contd.

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

Ratios (company)	2023/24	2022/23
Earnings per Share (Rs.)	265.76	30.37
Price Earnings Ration (Times)	6.49	49.06
Net Assets per share as at 31st March (Rs.)	2,305.00	2,042.00
Dividend per share (Rs.)	36.50	-
Dividend yield (%)	2.12	-

Directors' Shareholding	As at 31st March 2024		As at 31st March 2023	
	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 2024	
	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	28,825	1.32%
D Grimshaw	27,797	1.27%
C G Senanayake	24,789	1.13%
S R S de Saram	24,053	1.10%
J A de Silva & Co. Ltd	17,178	0.79%
G A G Punchihewa	12,860	0.59%
D P Navarathnam	8,141	0.37%
A D Dadabhoy	5,646	0.26%
J R de Silva	5,481	0.25%
M P D Cooray	4,636	0.21%
S Abishek	4,254	0.19%
V B Navaratne	2,947	0.13%

# 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 132nd Annual General Meeting of The Nuwara Eliya Hotels Company PLC will be held **as a virtual meeting** on 30th September 2024 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 2024, with the Report of the Auditors thereon.
2. To elect Mr. S K Abeyesundara who retires in terms of Article 88(i) of the Articles of Association as a Director of the Company.
3. To elect Mr. J H P Ratnayake, in terms of Section 211 of the Companies Act No.07 of 2007. The Company has received special notice of intention to pass the following 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 74 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

4. To re-appoint Messrs. Ernst & Young who are deemed to be re-appointed as Auditors of the Company in terms of Section 158 of the Companies Act No.7 of 2007 and to authorize the Directors to determine their remuneration.
5. To authorize the Directors to determine payments for charitable and other purposes for year 2024/25.
6. To consider and if thought fit to pass the following resolution as a Special Resolution

**IT IS HEREBY RESOLVED** as a Special Resolution that the Articles of Association of The Company be amended as follows:

- (1) By the deletion of Article 1 in its entirety and substituting in its place the following:

"1. The Model Articles contained in the First Schedule of the Companies Act No.7 of 2007 (The Act) shall apply to THE NUWARA ELIYA HOTELS COMPANY PLC (The Company), except to the extent that they are excluded, modified, or inconsistent with specific articles provided hereafter."

- (2) By the deletion of Article 80 in its entirety and substituting in its place the following;

"80. The number of Directors shall not be less than five (05) nor more than fifteen (15)"

- (3) By the deletion of Article 87 in its entirety and substituting in its place the following;

"87. The office of a Director shall be vacated when any one of the following events first occur;

- i. The Director is disqualified in terms of Section 202 of the Act
- ii. The Director resigns by giving notice in writing sent to the Office
- iii. The Director is removed by an Ordinary Resolution of the shareholders
- iv. The Director ceases to hold office in terms of Section 207 of the Act"

- (4) By the deletion of Article 110 in its entirety and substituting in its place the following;

"110. The quorum necessary for the transaction of the business of The Directors shall be the majority of The Board for the time being including the Chairman or the Deputy Chairman"

- (5) By the deletion of Article 118 in its entirety and substituting in its place the following;

"118. A resolution in writing, signed by a majority of The Directors for the time being, including the Chairman or the Deputy Chairman, shall be as valid and effectual as if it had been passed at a meeting of The Board. Such resolution may be signed in several counterparts and may be evidenced by telex, email, or any other expedient means of communication acceptable to The Board"

- (6) By the deletion of Articles 121, 122, 123, 124 and 125 in their entirety and substituting in their place the following;

"121. Any Director other than an executive Director may on the recommendation of the Nominations and Governance Committee of The Company, and subject to the approval of The Board, appoint another person as an Alternate Director under exceptional circumstances until the occurrence of a specified event or for a specific period of time.

**122.** The appointment of an Alternate Director is subject to the following;

- i. The person appointed shall not be an executive of The Company.
- ii. If the appointing Director is an Independent Director, the Alternate Director so appointed must satisfy the criteria of Independence stipulated in The Listing Rules.

- 123.** An Alternate Director shall;
- (a) be entitled to receive notice of all meetings of the Directors and exercise all the powers of a Director in the absence of the Director appointing such Alternate Director.
  - (b) be counted as a Director of the Board in determining the quorum of the Company in the absence of the Director appointing such Alternate Director.
- 124.** An Alternate Director shall cease to be so if;
- (a) appointed for the occurrence of a specified event on the occurrence of such event or the expiry of one (01) year from the date of appointment, whichever occurs first;
  - (b) appointed for a period of time, upon the expiry of such period of time or the expiry of one (01) year from the date of appointment, whichever occurs first;
  - (c) The Director appointing such Alternate Director ceases to be a Director;
  - (d) The Director appointing such Alternate Director revokes such appointment in writing to the Office;
  - (e) The Board resolves to revoke the appointment of such Alternate Director.
- 125.** Upon the appointment, removal, or cessation of an Alternate Director, The Company shall make an immediate market announcement to the Colombo Stock Exchange in accordance with the Listing Rules"

By Order of the Board,  
 For The Nuwara Eliya Hotels Company PLC  
 Mercantile Investments and Finance PLC  
 Secretaries

Colombo

15th August 2024

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****132ND 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 30th September 2024 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](mailto: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](mailto: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](http://www.thegrandhotelnuwaraeliya.com)

The Board wishes to thank the Shareholders of the Company for their corporation and support to ensure a smooth and uninterrupted process at the Annual General Meeting of the Company and look forward to their virtual attendance.

BY ORDER OF THE BOARD

THE NUWARA ELIYA HOTELS COMPANY PLC

**MERCANTILE INVESTMENTS AND FINANCE PLC**

*Secretaries*

15th August 2024

Colombo



# Form of Request

## FOR A PRINTED COPY OF THE ANNUAL REPORT 2023/24 OF THE NUWARA ELIYA HOTELS CO.PLC

☐ I would like to receive the printed version of the Annual Report 2023/24 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

## Notes

# Registration Form

ANNEXURE 1

**THE NUWARA ELIYA HOTELS COMPANY PLC**  
132ND 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 ..... No. of Shares held .....

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](mailto: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 Abeysundara	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 held on 30th September 2024 at 11.00 a.m. as a virtual meeting assembled at 236, Galle Road, Colombo 3 and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

	FOR	AGAINST	WITHHOLD
1) To receive and adopt the Report of Directors and the Statement of Accounts for the year ended 31st March 2024, with the Report of the Auditors there on.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2) To elect Mr S K Abeysundara retiring in terms of Article 88(i) of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3) 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"/>	<input type="checkbox"/>
4) To re-appoint Messrs. Ernst & Young, who are deemed to be re-appointed as Auditors of the Company in terms of Section 158 of the Companies Act No.7 of 2007 and to authorize Directors to determine their Remuneration.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5) To authorize the Directors to determine payments for charitable and other purposes for the year 2024/25	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6) To pass the special resolution as set out in the Notice of Meeting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

As witness my/our hand this .....day of .....2024

.....  
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. Abeyesundara
- G.H.R.Fernando

## CORPORATE MANAGEMENT

- Suresh Abbas - General Manager
- Nazeem Mohamed - Resident 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
- RGJPK Karunarathna - Financial Controller
- D N Karunasena - Asst. Group Engineer
- W M A Lowe - Executive Chef
- K G S K Udagama - Acco. & QS Manager
- Rasika Weerakondarachchi - AM - HR
- Shenali Liyanage - L & D Manager
- J P De Silva - Chief Engineer
- K C Perera - F & B Service Manager
- Y K M Lakshan - Farm Manager
- P Harinee De Costa - PA /Bus. Content Writer
- A G R M S D Ranasinghe - Credit Executive
- G K C Bandara - Accounts Executive
- S M M Shuaib - IT Manager
- R Muralitharan - Asst. Acct/ Cost Contr.
- H M R B Herath - Stores Executive
- Dinesh Dammika - Senior AFOM
- W H Perera - Purchasing Executive
- M H Shakir - Asst. F&B Manager

- L C S Lamahewa - Restaurant Manager
- H P S Dharmasena - Sous Chef
- N M Chaminda - Management Trainee
- P B S S D Dissanayaka - Snr. Restaurant Manager
- T Selvapushparaj - Management Trainee
- S Anbalagan - Garden Manager
- P T Prakashan - Head Butler
- Jayamuni Jayasiri - Chief Steward
- Rajpal Rawat - Sous Chef
- H P Sanjeewa - Sous Chef
- M Abubakar - Snr. Sous Chef
- Viraj Jayarathna - Chef De Cuisine/ Ex. Pastry Chef
- L G C K Udayasiri - Snr. Sous Chef
- R Suriya Bandara - Bar Manager/ Mixologist
- M S A Azees - Purchasing Executive
- AC Aththanayaka - Chef De Cuisine / Garage Mgr
- Roy Pradeepkumar - Maintenance Executive
- D P N S Embuldeniya - Collection Executive
- K Kankanamge - Executive Cashier



GRAND HOTEL  
ESTABLISHED 1891

[www.tangerinehotels.com](http://www.tangerinehotels.com)