

resilient



Hayleys Leisure PLC | Annual Report 2021/22



# resilient

Today, we believe that we are geared to venture into the unknown with hopes for a positive future. Geared for quality through remarkable responsiveness and care, we offer an authentic experience that reflects the culture and natural beauty of our truly diverse island.

We believe that the passion and energy of our outstanding team will continue to drive us forward together. We pay tribute to the remarkable spirit of resilience that has enabled us to embrace challenges and changes, positioning us to face any eventuality as we welcome a future of endless possibilities.

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# Group Financial and Operational Highlights 2021/22

Earnings Highlights and Ratios		2022	2021	Change %
Revenue	Rs. 000	777,262	362,362	114
Results from operating activities	Rs. 000	(622,723)	(582,714)	(7)
Profit/(Loss) before tax	Rs. 000	(892,717)	(784,638)	(14)
Profit/(Loss) after tax	Rs. 000	(898,540)	(789,719)	(14)
Profit/(Loss) attributable to owners of the parent	Rs. 000	(826,368)	(723,771)	(14)
Gross profit/(loss) margin	%	17.33	(22.91)	176
Operating profit/(loss) margin	%	(80.12)	(160.81)	50
Net profit/(loss) margin	%	(115.60)	(217.94)	47
Earnings per share (basic)	Rs.	(7.65)	(6.70)	(14)
Return on Assets (ROA)	%	(15.88)	(14.39)	(10)
Return on Capital Employed (ROCE)	%	(12.65)	(11.84)	(7)
Interest cover	No: of Times	-	-	-

## Financial Position Highlights and Ratios

Total Assets	Rs. 000	5,659,464	5,489,824	3
Total Debts	Rs. 000	2,775,877	2,023,826	37
Equity attributable to equity holders of the parent	Rs. 000	2,198,160	2,874,212	(24)
Gearing	%	56.41	41.11	37
Debt/Equity	%	129.39	69.79	85
Equity Asset Ratio	%	37.91	52.82	(28)
Net Assets per share	Rs.	20.36	26.62	(24)
Current ratio	No: of Times	0.30	0.29	2
Quick asset ratio	No: of Times	0.26	0.26	-
No: of shares in issue	No:	107,989,958	107,989,958	-

## Market/Shareholders information

Market value per share	Rs.	16.10	17.80	(10)
Market Capitalisation	Rs. 000	1,738,638	1,922,221	(10)
Price earning ratio	No: of Times	(2.10)	(2.66)	21

## Others

Economic Value Generated	Rs. 000	160,139	(3,478)	4,706
Economic Value Distributed as follows;				
Government	Rs. 000	20,176	10,852	86
Employees	Rs. 000	496,335	371,608	34
Others	Rs. 000	(356,372)	(385,938)	(8)
Number of Employees		653	461	42
Economic Value added per employee	Rs. 000	245	(8)	3,351
Average revenue per employee	Rs. 000	1,190	786	51

# Chairman's Message

## Dear Shareholder

It is with pride that I present to you the Annual Report and the Audited Financial Statements of Hayleys Leisure PLC (formerly Amaya Leisure PLC) for the year ended 31st March 2022. The period under review ushered in new challenges to an already disruptive year which saw weak tourist numbers and an overall deterioration in the economy. Travel and tourism is a powerful tool to turnaround the fortunes of Sri Lanka's economy, however the appropriate conditions must be present for Sri Lanka's tourism industry to reach its true potential as the highest foreign exchange-earner for the country.

## Overview

Despite the volatile external environment, we forged ahead with plans for the renaming of the company from Amaya Leisure PLC to Hayleys Leisure PLC with effect from 30th June 2021, where the properties will retain the Amaya brand. This exercise has strengthened the brand even further and enabled us to achieve a satisfactory performance amidst challenging market conditions.

Our resort in the Maldives demonstrated a strong performance amidst resumption of global travel. Overall, the rebranding has proved timely and warranted to elevate the brand profile in the world tourism market. During the year under consideration, Hayleys Leisure PLC achieved revenue Rs. 777 Million as compared to Rs. 362 Million in the previous year.

## Looking ahead

The 'new normal' of operating under health protocols will be around with us for some more time as evidenced by the fact that COVID-19 is still a cause for concern for many countries, albeit showing a weaker strain. I believe the local tourism industry has become quite adept at operating under the necessary health protocols which makes Sri Lanka an attractive and safe destination. Although the industry is ready, able and willing to embrace tourists in higher numbers, the news of Sri Lanka's economic crisis, which received worldwide coverage, will lead to cancellations of bookings in the first half of 2022/23. We remain hopeful that the economic woes will be

addressed swiftly to quell apprehensions amongst investors and tourists to deliver a strong winter season, November 2022 onwards. I have great confidence in Hayleys Leisure PLC's superior offering and expect it will be one of the first properties to which tourists will flock as the economy comes back on track.

## Acknowledgements

I take this opportunity to thank Mr. Rohan Karr, Managing Director, Hayleys Leisure Sector and my colleagues on the Board of Directors for their unstinted support during a challenging year. Our valued employees yet again rose to the challenge to make a strategic contribution to sustaining the Company as we look ahead to better times.



**A. M. Pandithage**  
Chairman

06th May 2022

# Managing Director's Review

Challenges abounded in the year under review, however, Hayleys Leisure PLC managed to create opportunities amidst adversity. The strategic rebranding of Amaya Leisure PLC transition as Hayleys Leisure PLC, supported by strong refurbishments and a general upgrading of the properties, helped position the Group in the pure luxury category. Our properties in Passikudah, Dambulla and Kandy sustained their status as market leaders. The rebranding also focused on accelerating the training and development of staff across Hayleys Leisure for an enhanced guest experience consisting of superior service levels and attention to detail. Prudent cost management measures further enabled the Group to manage external pressures.

The benefits of the repositioning have been apparent in strong patronage by guests, clearly reflecting a task well accomplished. Continuing the enhancement exercise, the Group expanded its portfolio of boutique hotels with 3 new properties, namely, Tri Koggala, Villa 700 and Villas Wadduwa. In addition, Amaya Kuda Rah in the Maldives recorded an excellent winter season.

The Group will continue to seek any lucrative investment opportunities as they arise and make strategic investments in properties that dovetail with the ethos of the brand and complement our existing portfolio. Overall, the properties in the Hayleys Leisure Group performed reasonably given the unfavourable environment that prevailed in 2021/22.

## Economic Outlook

Economy growth in Sri Lanka was weighed down by factors such as the debt overhang, large external financing requirements, energy shortages and high inflation. The pandemic's lingering impacts led to lockdowns during the period under review and tourism picked up only during the last quarter of the 2021/22 financial year. While the return of tourists to the island would have pointed to a recovery for the tourism sector in the months ahead, the depleted foreign exchange reserves and socioeconomic and political upheaval in the country will most likely derail those hopes. The implications of the Russian invasion of Ukraine is considered a negative impact as a sizeable proportion of the tourists traveling to Sri Lanka were from those countries. Unfortunately, the tourism sector continues to reel under the prolonged stagnancy over

the last three years which has already severely impacted the livelihoods of those engaged in the sector both directly and indirectly. Judging by the satisfactory performance of Hayleys Leisure PLC properties despite all these constraints, we remain hopeful about the prospects for the upcoming winter season.

## Acknowledgements

I am thankful to the Chairman and Directors on the Board for their support for my leadership. I also appreciate our loyal guests who continued to patronise our properties and would also like to thank our stakeholders for the trust they have placed in us. I am indeed fortunate to be working alongside a dynamic group of people. Through 2021/22 I have been supported ably once again by an excellent team that is truly committed to achieve the best outcome possible for the organisation and to prove our inherent resilience.



**Rohan Karr**  
Managing Director

06th May 2022

# Board of Directors

## **Mr. A. M. Pandithage**

### **Chairman**

Joined the Hayleys Group in 1969. Appointed to the Board of Hayleys PLC in 1998 and as the Chairman and Chief Executive of Hayleys PLC in July 2009.

Appointed to the Board of Hayleys Leisure PLC in 2011.

Fellow of the Chartered Institute of Logistics and Transport (UK). Serves as Honorary Consul of the United Mexican States (Mexico) to Sri Lanka. Council Member of the Employers' Federation of Ceylon. Member of the Advisory Council of the Ceylon Association of Shipping Agents (CASA).

Leadership Excellence Recognition by the Institute of Chartered Accountants of Sri Lanka. Recipient of the 'Best Shipping Personality' Award by the Institute of Chartered Shipbrokers. Honoured with a Lifetime Achievement Award by Seatrade - Sri Lanka Ports, Trade and Logistics (SLPTL) and the first-ever Sri Lanka Pinnacle Lifetime Award by the Chartered Institute of Logistics and Transport (CILT). Inducted as Legend of Logistics by the Sri Lanka Logistics and Freight Forwarding Association in recognition of services rendered to Sri Lanka's logistics industry.

## **Mr. R. J. Karunarajah (Rohan Karr)**

### **Managing Director**

Joined as Executive Director of the board of Hayleys PLC in June 2019. He also serves as Managing Director of the Hayleys Leisure sector which includes The Kingsbury PLC, Hayleys Leisure PLC and its subsidiaries Amaya Resorts & Spas. Mr. Karr holds a Masters in Hospitality and Business Studies from the UK and is a veteran in the hospitality industry with nearly 40 years' experience. He has held senior positions such as Executive Vice President / Sector Head / General Manager at leading hotels in both Sri Lanka and in UK. He has also served as Regional Director - Revenue Management of Marriott Hotels for Whitbread Hotel Company - UK, as General Manager of Bristol Marriott Hotel - UK and Marriott Marble Arch - London UK before his return to Sri Lanka. He was instrumental in revitalising standards for the entire domestic hospitality sector through his groundbreaking work as Executive Vice President of John Keells Holdings, overlooking the Cinnamon City Hotels and Resorts chain and as Head of Brand Development for Cinnamon.

## **Mr. Dhammika Perera**

Mr. Dhammika Perera is a quintessential strategist and a business leader with interests in a variety of key industries including manufacturing, banking and finance, leisure, plantations, and hydropower generation. He has over 30 years of experience in building formidable businesses through unmatched strategic foresight and extensive governance experience gained through membership of the Boards of quoted and unquoted companies.

Mr. Perera is the Chairman of Vallibel One PLC, Royal Ceramics Lanka PLC, Lanka Tiles PLC, Lanka Walltiles PLC, The Fortress Resort PLC, Vallibel Power Erathna PLC, Greener Water Ltd, Delmege Limited, and LB Microfinance Myanmar Company Limited. He is the Co Chairman of Hayleys PLC, The Kingsbury PLC and Singer (Sri Lanka) PLC. Executive Deputy Chairman of L B Finance PLC, Deputy Chairman of Horana Plantations PLC. He is also an Executive Director of Vallibel Finance PLC and serves on the Boards of Haycarb PLC, Hayleys Fabric PLC and Dipped Products PLC. He is also a Director of Dhammika and Priscilla Perera Foundation.

## **Mr. S. C. Ganegoda**

Mr. Ganegoda rejoined Hayleys in March 2007. Appointed to the Group Management Committee in July 2007. Appointed to the Board in September 2009. Fellow Member of CA Sri Lanka and Member of Institute of Certified Management Accountants of Australia. Holds an MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura. Worked for Hayleys Group between 1987 and 2002, ultimately as an Executive Director. Subsequently, held several senior management positions in large private sector entities in Sri Lanka and overseas. Has responsibility for the Strategic Business Development Unit, Group Information Technology of Hayleys PLC and appointed as the Deputy Chairman of Alumex PLC in October 2020. He serves on the Boards of Unisyst Engineering PLC, Dipped Products PLC, Haycarb PLC, Hayleys Fabric PLC, Hayleys Fibre PLC, Kelani Valley Plantations PLC, Regnis (Lanka) PLC, Singer (Sri Lanka) PLC, Singer Industries (Ceylon) PLC, The Kingsbury PLC and Horana Plantations PLC.



**Mr. S. H. Amarasekera**

Mr. Harsha Amarasekera, President's Counsel, was appointed to the Board of Hayleys Leisure PLC on 28th February 2005.

He is a leading luminary in the legal profession in Sri Lanka having a wide practice in the Original Courts as well as in the Appellate Courts. His fields of expertise include Commercial Law, Business Law, Securities Law, Banking Law and Intellectual Property Law.

He also serves on the boards of several listed companies in the Colombo Stock Exchange including Sampath Bank PLC, CIC Holdings PLC and Swisstek (Ceylon) PLC where he serves as Chairman. He is the Deputy Chairman of Vallibel Power Erathna PLC and is an independent non executive director of Vallibel One PLC, Expolanka Holdings PLC, Royal Ceramics PLC, Chevron Lubricants Lanka PLC and Ambeon Capital PLC. He is also the Chairman of CIC Agri Businesses (Private) Ltd and Swisstek Aluminium Limited.

**Ms. R. N. Ponnambalam**

Ms. Ponnambalam has held several senior management positions in large private sector entities.

Ms. Ponnambalam has served as a Director of McLaren's Holdings Limited & GAC Shipping Limited. She currently serves as Director of Hayleys Leisure PLC, Macbertan Holdings (Pvt) Ltd, Mcbolon Polymer(Pvt) Ltd, and Pidilite Lanka (Pvt) Ltd.

Ms. Ponnambalam is presently the Managing Director of Macbertan (Pvt)Ltd. She has also been in roles of international and local business development and negotiation.

Ms. Ponnambalam was appointed as a Founder Member of the Commonwealth Business Women's Leadership Group (Sri Lanka) on 13th November 2013. She also currently serves as 1st Vice Chairperson of the Women's Chamber of Industry & Commerce.

**Mr. S. J. Wijesinghe**

He currently serves as a Non-Executive Director on the Boards of Hayleys Aviation & Projects (Private) Limited, Unisyst Engineering PLC, The Kingsbury PLC, S&T Interiors (Private) Limited, Summer Seasons Limited and Greener Water (Private) Limited.

Mr. Wijesinghe formerly served as a Non-Executive Director on the Board of Sri Lankan Airlines Limited, as well as on the Board of Sri Lankan Catering Limited. Prior to joining Hayleys, Mr. Wijesinghe held several senior positions at Sri Lankan Airlines, including management positions in Europe, the Middle East, the Far East, as well as in the Head Office in Colombo, Sri Lanka. During his tenure at the airline, Mr. Wijesinghe was a member of its Group Senior Management Team. He also served as a Committee Member on the Pacific Asia Travel Association's (PATA) Education Authority. Overall, Mr. Wijesinghe holds over 35 years of experience in the aviation industry.

Mr. Wijesinghe holds an MBA from the University of Leicester (UK) and is a Member of the Chartered Institute of Marketing (UK).

Additionally, Mr. Wijesinghe has served as the Chairman of Litro Gas Lanka Limited. He also has in excess of 5 years of senior management experience in the hospitality industry.

## Board of Directors

### **Ms. W. D. De Costa**

Ms. Warini de Costa was appointed as a Non-Executive Director and as the Chairman of the Board Audit Committee of Hayleys Leisure PLC in July 2014. She counts over 30 years of experience in finance & management, 21 years of which have been with Glaxo Wellcome Ceylon where she served as a Board Director, Company Secretary and CFO. She also served as the Director of Finance of Cinnamon Grand and Cinnamon Lakeside hotels.

Presently she serves as a Non-Executive Director at Janashakthi Insurance PLC where she chairs the Board Audit Committee.

Ms. de Costa is a Fellow of the Institute of Chartered Accountants of Sri Lanka & the Institute of Certified Management Accountants of Sri Lanka and holds an MBA from the Postgraduate Institute of Management University of Sri Jayewardenepura.

### **Mr. D. T. R. de Silva**

Mr. Ranil De Silva served as the Jt. Managing Director of Aitken Spence Hotel Management (Pvt) Ltd and as the Managing Director of Hemas Hotel Sector and has wide experience locally and overseas in diverse industries. Mr. De Silva is a Fellow Member of the Chartered Institute of the Management Accountants UK, an Associate Member of the CA Sri Lanka and a Member of the Chartered Institute of Marketing UK. He is also an Independent non-executive Director of Singer Finance PLC, The Autodrome PLC and Central Industries PLC.

### **Ms. A.A.K. Amarasinghe**

#### **Alternate Director to Mr. Dhammika Perera**

Appointed as Alternate Director to Mr. Dhammika Perera on the 2017. Ms. Amarasinghe currently serves as Group Director, International Business Development & CSR at Vallibel One PLC.

Prior to joining Vallibel One, Ms. Amarasinghe served as an intern at Strategic Policy Division at Department of Community Safety in Queensland, Australia.

Ms. Amarasinghe earned a bachelor's degree in International Studies from University of Queensland in Brisbane, Australia and a specialisation in French Studies at University of Lausanne, Switzerland.

In addition, she holds a certificate in Management Acceleration from INSEAD Business School in Fontainebleau, France and a certificate in Hotel Revenue Management from Cornell University, USA.

# Corporate Governance

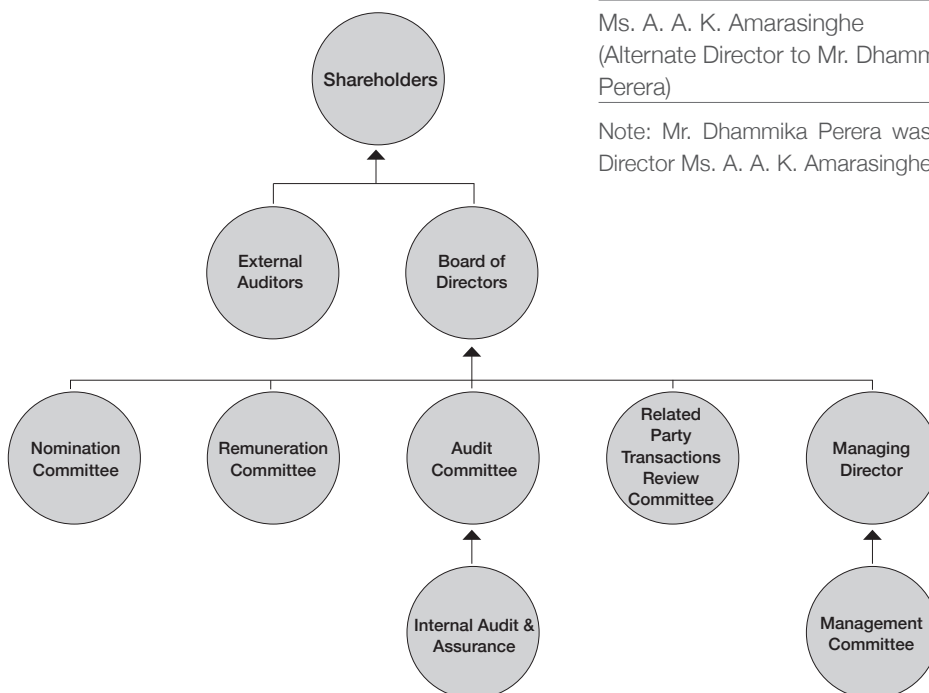
- Companies Act No. 07 of 2007.
- The Listing Rules of the Colombo Stock Exchange (CSE).
- The recommendations of the Code of Best Practice on Governance issued by the Institute of Chartered Accountants of Sri Lanka to the extent that they are practicable.

Hayleys Leisure PLC, through a process of continuous review, is committed to maintaining the highest standards of business integrity, ethical values and professionalism in all of its activities and relationships, nurturing the trust placed in it by all its stakeholders by greater value creation, year-on-year.

This philosophy has been ingrained at all levels in the Hotels of the Group through a strong set of corporate values and a code of conduct which staff at all levels and the Board of Directors are required to follow in the performance of their official duties and in circumstances that are publicly profiled. These values are reinforced through the Group's recognition schemes which insist, as a minimum, that all nominees have modelled the values.

## Code of Conduct

- Allegiance to the Company and the Group
- Compliance with rules and regulations applicable in the territories in which the Group operates
- Conduct of business in an ethical manner at all times and in keeping with acceptable business practices
- Exercise of professionalism and integrity in all business and 'public' personal transactions



The Group believes that the core values that underlie its corporate activities are the main source of its competitive advantage which is rewarded by the trust placed in it by stakeholders.

The Chairman of the Board affirms that there has not been any material violation of any of the provisions of the code of conduct. In instances where violations did take place, they were investigated and handled through well established procedures.

## Board Meetings and Attendance

The Board of Hayleys Leisure PLC met once every quarter. The Directors' attendance during the financial year is shown in the table below.

Name of Director	Meetings Attended
Mr. A. M. Pandithage	4/4
Mr. C. J. Wickramasinghe resigned w.e.f. 2nd August 2021	1/1
Mr. R. J. Karunaratjah	4/4
Mr. Dhammika Perera	Please refer the note below
Mr. S. Senaratne resigned w.e.f. 1st February 2022	4/4
Mr. S. H. Amarasekera	2/4
Ms. R. N. Ponnambalam	4/4
Mr. S. J. Wijesinghe	4/4
Mr. D. T. R. de Silva appointed w.e.f 1st September 2021	2/2
Ms. W. D. De Costa	4/4
Mr. S. C. Ganegoda	4/4
Ms. A. A. K. Amarasinghe (Alternate Director to Mr. Dhammika Perera)	4 / 4

Note: Mr. Dhammika Perera was represented by his Alternate Director Ms. A. A. K. Amarasinghe in 04 Board Meetings

# Corporate Governance

## SECTION 1: CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

Code of Best Practice Issued by the Institute of Chartered Accountants of Sri Lanka (CASL)

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2021/22	
A. DIRECTORS				
A.1 THE BOARD				
<p>The Company is headed by an effective Board of Directors with local and international experience. The Board of Directors of the Company consists of professionals in the fields of Accounting, Management, Law, Economics, Marketing and Business Leaders. All Directors possess the skills and experience and knowledge complemented with a high sense of integrity and independent judgment. The Board gives leadership in setting the strategic direction and establishing a sound control framework for the successful functioning of the Company. The Board's composition reflects a sound balance of independence and anchors Shareholder commitment. Profiles of Directors are given on pages 06 to 08.</p>				
1.	Board Meetings	A.1.1	Compliant	The Board usually meets at quarterly intervals, but also meets more frequently when needed. The Board met four (04) times during the year under review. Scheduled Board meetings were arranged well in advance, and all Directors were expected to attend each meeting. Any instances of non-attendance of Board meetings were generally related to prior business, personal commitments or illness. The attendance at Board meetings held is set out on page 09.
2.	Board Responsibilities	A.1.2	Compliant	The Board is responsible to the Shareholders for creating and delivering long-term sustainable Shareholder value through the business. The Board ensures the formulation and implementation of a sound business strategy. The Board has put in place a Corporate Management team with the required skills, experience and knowledge necessary to implement the business strategy of the Company. The Board also ensures effective systems are in place to secure integrity of information, internal controls and risk management. The Board ensures that the Company's values and standards are set with an emphasis on adopting appropriate accounting policies and fostering compliance with financial regulation.
3.	Compliance with Laws and access to independent professional advice	A.1.3	Compliant	The Board collectively, and Directors individually must act in accordance with the laws as applicable to the Company. The Company had complied with all applicable laws and regulations during the year. A procedure has been put in place for Directors to seek independent professional advice in furtherance of their duties, at the Company's expense. This will be coordinated through the Company or the Board Secretary when requested.
4.	Company Board	A.1.4	Compliant	All Directors have access to the advice and services of the Company Secretary as required. The Company Secretary keeps the Board informed of new laws and revisions, and regulations and requirements coming into effect which are relevant to them as individual Directors and collectively to the Board.
5.	Independent judgment	A.1.5	Compliant	All Directors exercise independent judgment in decisions made by the Board on issues of strategy, performance, resource allocation and the conduct of business.
6.	Dedication of adequate time and effort by the Board and Board Committees	A.1.6	Compliant	All Directors of the Company dedicate adequate time and effort to fulfil their duties as Directors of the Company (both before and after the Board Meetings), in order to ensure that the duties and responsibilities owed to the Company are satisfactorily discharged.

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2021/22	
<b>A.2 CHAIRMAN AND CHIEF EXECUTIVE OFFICER (CEO)</b>				
<p>There should be a clear division of responsibilities between the Chairman and Chief Executive Officer in order to ensure a balance of power and authority, in such a way that any individual has no unfettered powers of decision-making. The roles of the Chairman and Chief Executive Officer function separately in the Company. The Chairman's main responsibility is to lead, direct and manage the work of the Board in order to ensure that it operates effectively and fully discharges its legal and regulatory responsibilities. The Managing Director, who performs the role of the Chief Executive Officer, is responsible for the day-to-day operations of the Company.</p>				
7.	Division of responsibilities of the Chairman and Managing Director (CEO)	A.2	Compliant	<p>The positions and functions of the Chairman and the Managing Director have been separated; the role of the Managing Director is to manage the day-to-day running of the Company. The Board has delegated this responsibility to the Managing Director and he then leads the Corporate Management team in making and executing operational decisions. The Managing Director is also responsible for recommending strategy to the Board.</p>
<b>A.3 CHAIRMAN'S ROLE</b>				
<p>The Chairman leads and manages the Board, ensuring that it discharges its legal and regulatory responsibilities effectively and fully preserves order and facilitates the effective discharge of the Board functions. The profile of the Chairman is given on page 06.</p>				
8.	Role of the Chairman	A.3.1	Compliant	<p>The Chairman is as an outstanding business leader, provides leadership to the Board, controls and preserves order at Board meeting and provides the Board with strategic direction and guidance in managing the affairs of the Company.</p> <p>The Chairman is also responsible for:</p> <ul style="list-style-type: none"> <li>• Ensuring the new Board members are given an appropriate induction, covering terms of appointment</li> <li>• The effective participation of both Executive and Non-Executive Directors. All Directors are encouraged to make an effective contribution, within their respective capabilities, for the benefit of the Company</li> <li>• A balance of power between Executive and Non-Executive Directors is maintained</li> <li>• The views of Directors on issues under consideration are ascertained</li> </ul>
<b>A.4 FINANCIAL ACUMEN</b>				
<p>The Code requires that the Board comprises members with sufficient financial acumen and knowledge in order to offer guidance on matters on finance. The Board of the Company has met the above requirement as the Chairperson of the Audit Committee is a qualified Accountant having professional qualifications and equipped with sufficient financial acumen and knowledge to offer guidance on matters of finance.</p>				
9.	Financial acumen and knowledge	A.4	Compliant	<p>The Board comprises one Chartered Accountant (CA Sri Lanka) who serves as Chairperson of the Audit Committee. This Director adds substantial value and independent judgment on the decision-making of the Board on matters concerning finance and investment.</p>

## Corporate Governance

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2021/22	
<b>A.5 BOARD BALANCE</b>				
<p>The Code requires that a balance is maintained between the Executive and Non-Executive Directors (NEDs) so that no individual or a small group of individual Directors are able to dominate the Board's decision-making. The Board consists of Two (02) Executive Directors and Eight (08) Non-Executive Directors. Each of them brings to the Board, wide experience and the ability to exercise independence and judgment when taking informed decisions.</p>				
10	Presence of Non-Executive Directors	A.5.1	Compliant	7 out of 9 Directors are Non-Executive Directors, which is well above the minimum number prescribed by this Code.
11.	Criteria to evaluate Independence of Non-Executive Directors	A.5.3	Compliant	Refer Section A.5.5 below. The Board considers Non-Executive Director's independence on an annual basis. For a Director to be deemed 'independent', such a Director should be independent of management and free of any business or any other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment.
12.	Signed declaration of independence by the Non-Executive Directors	A.5.4	Compliant	Every Non-Executive Director of the Company has made a written submission as to their independence against the specified criteria.
13.	Determination of independence of the Board	A.5.5	Compliant	<p>The Board has determined the independence of Directors based on the declarations submitted by the Non-Executive Directors, as to their independence as a fair representation and will continue to evaluate their independence on this basis annually. No circumstances have arisen for the determination of independence by the Board, beyond the criteria set out in the Code.</p> <p>Independent Non-Executive Directors are:</p> <ul style="list-style-type: none"> <li>• Mr. S. H. Amarasekara</li> <li>• Ms. R. N. Ponnambalam</li> <li>• Ms. W. D. De Costa</li> <li>• Mr. D.T. R. de Silva</li> </ul> <p>The Board believes the independence of Mr. S. H. Amarasekara and Ms. R. N. Ponnambalam are not compromised by being members for more than 9 years.</p>
14.	Alternate Directors	A.5.6	Compliant	<p>One alternate Director has been appointed by one Non-Executive Director and she is not an Executive of the Company.</p> <ul style="list-style-type: none"> <li>• Ms. A. A. K. Amarasinghe</li> </ul>

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2021/22	
<b>A.6 SUPPLY OF INFORMATION</b>				
Management should provide time-bound information in a format that is appropriate and which enables the Board to discharge its duties. Financial and non-financial information is analysed and presented to the Board to make informed and accurate decisions.				
15.	Obligation of the Management to provide appropriate and timely information to the Board	A.6.1	Compliant	The Board was provided with timely and appropriate information by the management by way of Board papers and proposals. The Board sought additional information as and when necessary. The Chairman also ensured all Directors were properly briefed on issues arising at Board meetings.
16.	Adequate time for effective Board meetings	A.6.2	Compliant	The minutes, agenda and papers required for Board meeting are provided in advance to facilitate its effective conduct.
<b>A.7 APPOINTMENTS TO THE BOARD</b>				
The Code requires having a formal and transparent procedure in place for the appointment of new Directors to the Board.				
17.	Nomination Committee	A.7.1 & A.7.2	Compliant	<p>The Nomination Committee of the parent Company, Hayleys PLC, acts as the Nomination Committee for the Company and makes recommendations to the Board on all new Board appointments.</p> <p>The Nomination committee of Hayleys PLC consists of following members:</p> <ul style="list-style-type: none"> <li>• Mr. A. M. Pandithage - Chairman*</li> <li>• Mr. Dhammika Perera**</li> <li>• Dr. H. Cabral, PC***</li> </ul> <p>* Executive Director  ** Non-Executive Director  *** Independent Non-Executive Director</p> <p>The Board annually assesses the Board composition to ascertain whether the combined knowledge and experience of the Board matches the strategic demands facing the Company.</p>
18.	Disclosure of New appointments	A.7.3	Compliant	A brief resume of the Directors, nature of his/her experience and names of the companies he/she holds the directorship and the independence is informed to the Colombo Stock Exchange and disclosed in the Annual Report on pages 06 to 08.
<b>A.9 APPRAISAL OF BOARD PERFORMANCE</b>				
The Board should periodically appraise its own performance against the present targets in order to ensure that the Board responsibilities are satisfactorily discharged.				
19.	Annual performance evaluation of the Board and its Committees	A.9.1 & A.9.2	Compliant	<p>The Chairman and Remuneration Committee evaluate the performance of the Executive Directors periodically.</p> <p>The Board undertakes an annual self-evaluation of its own performance and of its Committees. The Board evaluated its performance and effectiveness in the current year.</p>

# Corporate Governance

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2021/22
<b>A.10 DISCLOSURE OF INFORMATION IN RESPECT OF DIRECTORS</b>			
Details in respect of each Director should be disclosed in the Annual Report for the benefit of the Shareholders.			
20.	Details in respect of Directors	A.10.1	Compliant
<p>The following details pertaining to each Director are disclosed as follows:</p> <p>(a) Brief profile with expertise and experience - pages 06 to 08</p> <p>(b) Directors' Interest in Contracts - page 26</p> <p>(c) Detail of Board Meetings held during the year - page 09</p>			
<b>A.11 APPRAISAL OF MANAGING DIRECTOR (CEO)</b>			
The Board of Directors should annually assess the performance of the Managing Director who performs the role of the Chief Executive Officer.			
21.	Targets for Managing Director	A.11.1	Compliant
Prior to the commencement of each financial year, the Board sets reasonable financial and non-financial targets which are in line with short, medium and long-term objectives of the Company, achievement of which should be ensured by the Managing Director.			
22.	Evaluation of the performance of the Managing Director	A.11.2	Compliant
The performance is evaluated by the Board at each Board meeting and the overall evaluation at the end of each fiscal year in order to ascertain whether the targets set by the Board have been achieved and if not, whether the failure to meet such targets was reasonable in the circumstances.			
<b>B. DIRECTORS' REMUNERATION</b>			
<b>B.1 REMUNERATION PROCEDURE</b>			
This principle ensures that the Company has a well-established, formal and transparent procedure in place for developing an effective remuneration policy for both Executive and Non-Executive Directors where no Director is involved in deciding his/her own remuneration in order to avoid potential conflict of interest.			
23.	Establishment of remuneration committee	B.1.1, B.1.2, B.1.3, B.1.4 & B.1.5	Compliant
<p>Hayleys PLC, the parent Company's Remuneration Committee function as the Remuneration Committee of the Company and recommends the remuneration payable to the Managing Director and Executive Director(s) and sets guidelines for the remuneration of management staff within the Company. The Board makes the final determination after considering such recommendation. The Remuneration Committee comprise of following members:</p> <ul style="list-style-type: none"> <li>• Dr. H. Cabral, PC** - Chairman</li> <li>• Mr. Dhammika Perera*</li> <li>• Mr. M. H. Jamaldeen**</li> <li>• Mr. Y. A. Perera**</li> </ul> <p>* Non-Executive Director  ** Independent Non-Executive Director</p> <p>Payment of remuneration to Directors is disclosed in page 85 of this report.</p>			



Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2021/22	
<b>B.2 THE LEVEL AND MAKE UP OF REMUNERATION</b>				
The level of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain the Directors needed to run the Company successfully. A proportion of Executive Directors' remuneration should be structured to link rewards to the corporate and individual performance.				
24.	Level of Remuneration	B.2.1, B.2.2, B.2.3 & B.2.4	Compliant	The Remuneration Committee structures the remuneration package to attract, retain and motivate the Directors needed to run the company successfully but avoid paying more than is necessary for this purpose. The remuneration levels relative to other companies and performance of the Directors are taken in to account when considering the remuneration levels of the Directors.
25.	Levels of Remuneration of Non-Executive Directors	B.2.10	Compliant	Remuneration for Non-Executive Directors reflects the time commitment and responsibilities of their role, taking into consideration market practices.
<b>B.3 DISCLOSURE OF REMUNERATION</b>				
The Code requires the Company to disclose in its Annual Report the details of the Remuneration paid and the Remuneration Policy.				
26.	Disclosure of Remuneration	B.3.1	Compliant	Please refer page 85 for the total Directors' remuneration.
<b>C. RELATIONS WITH SHAREHOLDERS</b>				
<b>C.1 CONSTRUCTIVE USE OF THE ANNUAL GENERAL MEETING (AGM) AND CONDUCT OF GENERAL MEETINGS</b>				
The Code requires the Board to use the AGM which is a major event in the Company's calendar to communicate with Shareholders and encourage their active participation. In this regard, all Shareholders of the Company receive the Notice of Meeting within the statutory due dates.				
27.	Use of proxy votes	C.1.1	Compliant	The Company has in place an effective mechanism to count all proxies lodged on each resolution, and the balance for and against the resolution, after it has been dealt with on a show of hands, except where a poll is called.

# Corporate Governance

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2021/22
<b>C.2 COMMUNICATION WITH SHAREHOLDERS</b>			
The Code requires that the Board should implement effective communication with Shareholders.			
28.	Channel to reach all Shareholders	C.2.1	Compliant The main mode of communication between the Company and the Shareholders is the Annual General Meeting. Shareholders are provided with the information prior to the AGM.  Further, financial and other announcements are promptly submitted to CSE to publish in the CSE website.
29.	Policy methodology for communication with shareholders.	C.2.2	Compliant An open door policy is in place, which enables Shareholders to keep in constant touch, visit and obtain information from the Company Secretary and engage in dialogue.  Contact details are published in all annual and quarterly financial reporting.
30.	Implementation of the policy and methodology for communication with Shareholders.	C.2.3 & C.2.7	Compliant Please refer C.2.4 and C.2.5 for the implementation of the policy and methodology.
31.	Contact person for communication	C.2.4 & C.2.6	Compliant Details of contact persons are disclosed in the back inner cover of the Annual Report and Quarterly Financial Statements.
32.	Process to make Directors aware of major issues and concerns of Shareholders	C.2.5	Compliant The Company Secretary maintain a record of all correspondence about all major issues and concerns of the Shareholders.
33.	Process for responding Shareholder matters	C.2.7	Compliant Covered under the Section C.2
<b>D. ACCOUNTABILITY AND AUDIT</b>			
<b>D.1 FINANCIAL AND BUSINESS REPORTING (THE ANNUAL REPORT)</b>			
The Board should present a balanced and understandable assessment of the Company's financial position, performance and prospects.			
34.	Board's responsibility for Statutory and Regulatory Reporting	D.1.1	Compliant The Board has recognised the responsibility to present regulatory and statutory reporting in a balanced and understandable manner. When preparing Quarterly and Annual Financial Statements, the Company complied with the requirements of the Companies Act No. 07 of 2007 and prepared and presented them in accordance with Sri Lanka Accounting Standards. The Company has complied with the reporting requirements prescribed by the Colombo Stock Exchange.
35.	Declaration by Directors' report in the Annual Report	D.1.4	Compliant The Directors have made all required declarations in the "Annual Report of the Board of Directors" and appears on pages 25 to 27.
36.	Statement of Directors' and Auditor's responsibility for Financial Reporting	D.1.5	Compliant The "Statement of Directors' Responsibilities" is given on page 28. See the "Auditors' Report" on page 33 to 35 for the reporting Responsibility of Auditors.
37.	Disclosure of related party transactions	D.1.8	Compliant Refer the "Related Party Transaction Review Committee" report on page 29.

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2021/22
<b>D.2 RISK MANAGEMENT AND INTERNAL CONTROL</b>			
The Board should have a sound system of internal controls to safeguard Shareholders' investments and the Company's assets. The Board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives.			
38.	Annual evaluation of the internal controls system and Risk Management	D.2.1	Compliant  The Board is responsible for the Group's internal control and its effectiveness. Internal control is established with emphasis placed on safeguarding assets, making available accurate and timely information and imposing greater discipline on decision-making. It covers all controls, including financial, operational and compliance controls and risk management. It is important to state, however, that any system can ensure only reasonable, and not absolute, assurance that errors and irregularities are prevented or detected within a reasonable time. The Hayleys Management Audit & System Review Department (MASRD) plays a significant role in assessing the effectiveness and successful implementation of existing controls and strengthening these and establishing new controls where necessary. The MASRD's reports are made available to the Chairman and Managing Director and the Chairman of the Audit Committee. The Board has reviewed the effectiveness of the system of financial controls for the period up to the date of signing the accounts. There is a direct channel of communication between the Head of MASRD and the Chairman of the Audit Committee without the interference of any Directors or Executives.
39.	Availability of internal audit function and disclosure in annual report.	D.2.2 & D.2.3	Compliant  Please refer Internal Control and Risk Management Report on pages 22 to 24.
40.	Review of the process and effectiveness of risk management and internal controls.	D.2.4	Compliant  The Audit Committee reviews internal control issues and risk management measures and evaluates the adequacy and effectiveness of the risk management and internal control systems including financial reporting.

## Corporate Governance

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2021/22	
<b>D.3 AUDIT COMMITTEE</b>				
The Board should have formal and transparent arrangements in selecting and applying the accounting policies, financial reporting and internal control principles and maintaining an appropriate relationship with the Company's External Auditor.				
41.	Composition of the Audit Committee	D.3.1	Compliant	<p>Audit Committee consists of Three (03) Independent Non-Executive Directors</p> <ul style="list-style-type: none"> <li>• Ms. W. D. De Costa - Chairperson</li> <li>• Mr. S. H. Amarasekara - Member</li> <li>• Ms. R. N. Ponnambalam - Member</li> </ul> <p>The Company Secretary serves as its Secretary. The Chairman, Managing Director, Head of Internal Audit and the Head of Finance and Hayleys Group CFO are invited to attend meetings as required. The input of the Statutory Auditors and the Group Internal Auditor is obtained where necessary. The Audit Committee is required to assist the Company to achieve a balance between conformance and performance.</p>
42.	Terms of reference of the Audit Committee	D.3.2	Compliant	<p>Terms of Reference of the Board Audit Committee is clearly defined in the Charter of the Audit Committee approved by the Board of Directors. This clearly explains the purpose of the Committee, its duties and responsibilities together with the scope and functions of the Committee. The Committee is required mainly to deal with the matters pertaining to statutory and regulatory compliance in financial reporting, matters with regard to the External Auditors, Internal Audit and Risk Management procedures of the Company. Refer Audit Committee report on pages 30 to 31.</p>
43.	Disclosures of the Audit Committee	D.3.3	Compliant	<p>The names of the members of the Audit Committee are given under section D.3.1 of this Code. Refer the Audit Committee report on page 30 to 31.</p>
<b>D.4 RELATED PARTY TRANSACTIONS REVIEW COMMITTEE</b>				
The Board should establish a procedure to ensure that the Company does not engage in transactions with “related parties” in a manner that would grant such parties “more favourable treatment” than that accorded to third parties in the normal course of business.				
44.	A related party and related party transactions will be as defined in LKAS 24.	D.4.1	Compliant	<p>Please refer Related Party Transaction Review Committee Report on page 29.</p>
45.	Establishment of Related Party Transaction Review Committee and composition.	D.4.1	Compliant	<p>Please refer Related Party Transaction Review Committee Report on page 29.</p>
46.	Written terms of reference of Related Party Transaction Review Committee.	D.4.3	Compliant	<p>Please refer Related Party Transaction Review Committee Report on page 29.</p>

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2021/22	
<b>D.5 CODE OF BUSINESS CONDUCTED AND ETHICS</b>				
The Company should develop a Code of Business Conduct and Ethics for Directors and members of the Senior Management team and must promptly disclose any waivers of the Code for Directors or others.				
47.	Code of Business Conduct and Ethics	D.5.1	Compliant	The Company has developed a Code of Conduct for its employees. This Code addresses conflict of interest, corporate opportunities, confidentiality of information, fair dealing, protection and proper use of the Company's assets, compliance with laws and regulations and encouraging the reporting of any illegal or unethical behaviour etc.
<b>D.6 CORPORATE GOVERNANCE DISCLOSURE</b>				
Directors of the Company disclose annually the Company's adherence to the Code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka.				
48.	Disclosure of corporate governance	D.6.1	Compliant	This requirement is met through the presentation of this report.
<b>E. INSTITUTIONAL INVESTORS</b>				
<b>E.1 SHAREHOLDERS' VOTING</b>				
Institutional Shareholders are required to make considered use of their votes and are encouraged to ensure their voting intentions are translated into practice.				
49.	Communication with Shareholders	E.1.1	Compliant	In order to avoid conflicts of interest by nurturing the mutual understanding, the Board carries out dialogues with its Shareholders at general meetings. In this regard, the AGM of the Company plays a critical role. Voting by the Shareholders is crucial in carrying a resolution at the AGM. The Chairman, who plays the role of the agent, communicates the views and queries of the Shareholders to the Board and the senior management, in order to ensure that the views are properly communicated to the Company.

# Corporate Governance

## SECTION 2 : COLOMBO STOCK EXCHANGE LISTING RULES

### Statement of Compliance

This section covers Hayleys Leisure PLC's extent of adherence to the requirements of the Continuing Listing Requirements of Section 7.10 on Corporate Governance Rules for Listed Companies issued by the Colombo Stock Exchange.

Rule No.	Subject	Extent of Adoption	Compliance Status	Reference in this Report
7.10.1(a)	Non-Executive Directors (NED)	Seven (07) out of the Nine (09) Directors were Non-Executive Directors.	Compliant	Corporate Governance
7.10.1(b)	Basis of Calculation of Total Number of Non-Executive Directors	Based on the number as at the conclusion of the immediately preceding AGM.	Compliant	Corporate Governance
7.10.2 (a)	Independent Directors (ID)	Four (04) of the Seven (07) Non-Executive Directors were Independent.	Compliant	Corporate Governance
7.10.2 (b)	Independent Directors	All Non-Executive Directors have submitted their confirmation of independence as per the criteria set by the CSE rules, which is in line with the regulatory requirements.	Compliant	Corporate Governance
7.10.3 (a)	Disclosure relating to Directors	The Board assessed the independence declared by the Directors and determined the Directors who are independent and disclosed same in item A.5.5 of the CASL Code table.	Compliant	Corporate Governance
7.10.3 (b)	Disclosure relating to Directors	The Board has determined that Four (04) Non-Executive Directors satisfy the criteria for "independence" set in the Listing Rules as in item A.5.5 of the CASL code table.	Compliant	Corporate Governance
7.10.3 (c)	Disclosure relating to Directors	A brief resume of each Director should be included in the Annual Report including the Director's areas of expertise.	Compliant	Profiles of the Board of Directors
7.10.3 (d)	Disclosure relating to Directors	Forthwith provide a brief profile of new Director appointed to the Board with details specified in 7.10.3 (a), (b) and (c) to the Exchange.	Compliant	Corporate Governance
7.10.5	Remuneration Committee	A listed company shall have a Remuneration Committee	Compliant	Corporate Governance
7.10.5 (a)	Composition of Remuneration Committee	The Remuneration Committee of Hayleys PLC which functions as the Remuneration Committee of the Company comprises Three (03) Independent Non Executive Directors and One (01) Non Executive Director.	Compliant	Corporate Governance
7.10.5 (b)	Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of the Managing Director and the Executive Directors.	Compliant	Corporate Governance
7.10.5 (c)	Disclosure in the Annual Report relating to Remuneration Committee	Names of Remuneration Committee members are given in section B.1 of the CASL code table on page 14. The disclosure of the Remuneration Committee is given on page 14 and the remuneration paid to Directors is given in the Note 33.3 to the Financial Statement on page 85.	Compliant	Corporate Governance and Notes to the Financial Statements

Rule No.	Subject	Extent of Adoption	Compliance Status	Reference in this Report
7.10.6 (a)	Composition of Audit Committee	Shall comprise of NEDs, a majority of whom will be independent.	Compliant	Report of the Audit Committee
7.10.6 (b)	Audit Committee Functions	Audit Committee functions are stated in the Audit Committee Report on pages 30 to 31.	Compliant	Corporate Governance and Report of the Audit Committee
7.10.6 (c)	Disclosure in Annual Report relating to Audit Committee	The names of the Audit Committee members given on page 30. The basis of determination of the independence of the Auditor is also given on pages 30 to 31.	Compliant	Corporate Governance and Report of the Audit Committee
7.13.1	Minimum Public Holding	As a listed Company in the Main Board, the Company maintained the minimum public holding under specified criteria.	Compliant	Share and Investor Information

**This section covers Hayleys Leisure PLC's extent of adherence to the requirements of the Code of Best practice on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka and Section 9 of the Listing Rules of the Colombo Stock Exchange:**

Rule No.	Subject	Extent of Adoption	Compliance Status	Reference in this Report
9.2.1 & 9.2.3	Related Party Transactions Review Committee (RPTRC)	The RPTRC of the Parent Company, Hayleys PLC, a listed entity, functions as the RPTR Committee for the Company. The functions of the Committee are stated in Related Party Transactions Review Committee report on page 29.	Compliant	Related Party Transactions Review Committee Report
9.2.2	Composition of the Related Party Transactions Review Committee	The RPTRC consists of following Directors: <ul style="list-style-type: none"> <li>• Dr. H. Cabral PC - Chairman (Independent Non-Executive Director - Hayleys PLC)</li> <li>• Mr. M. Y. A. Perera - (Independent Non-Executive Director - Hayleys PLC)</li> <li>• Mr. S. C. Ganegoda - (Executive Director - Hayleys PLC)</li> </ul>	Compliant	Annual Report of Board of Directors and Related Party Transactions Review Committee Report
9.2.4	Related Party Transactions Review Committee-Meetings	The committee met four (04) times during the financial year of 2021/22	Compliant	Annual Report of Board of Directors
9.3.2 (a)	Disclosure - Non-recurrent Related Party Transactions	Company did not have any Non-recurrent related party transactions with aggregate value exceeding 10% of the equity or 5% total assets whichever is lower. No disclosures required.	Compliant	Related Party Transactions Review Committee Report

# Internal Control and Risk Management Framework

## RISK MANAGEMENT

The Financial year under review was yet another challenging period which was impacted by the COVID-19 Global Pandemic and the local economic crisis, and with this report we aim to highlight the risks involved and the mitigations taken to lessen the impact of the risks whilst staying true to the core business acumen.

### Risk Governance

The risk function comes under the overall supervision of Hayleys Leisure PLC's Board of Directors, who recognise that they are responsible for providing return to shareholders, which is consistent with the responsible assessment and mitigation of risk. The Board is aware that any internal control systems contains inherent limitations and therefore, the Board takes appropriate action to minimise such situations.

The Group under the guidance of the Hayleys Group's Management Audit & System Review Department (MASRD) maintains a comprehensive system to identify, measure and mitigate risks. Both risk and internal control function work in sync to ensure that the risks are identified timely and necessary mitigatory steps are taken immediately.

The three main objectives of Internal Controls of the Company are,

1. Ensuring the reliability of Financial Reporting.
2. Improving the effectiveness and the efficiency of Hotel Operations.
3. Compliance with the Laws and Regulations.

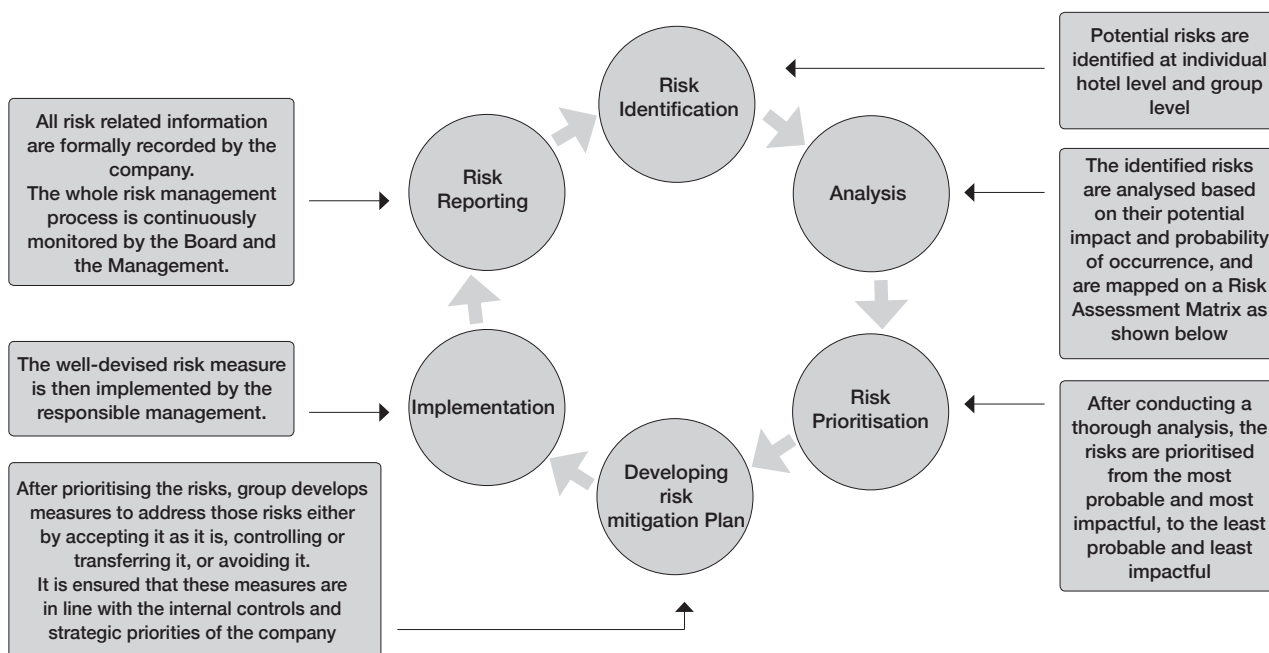
Management, with the oversight of the Board, has created and maintained a "culture of honesty" and promotes ethical behaviour, which provides the foundation for the other components of the Internal Control system. Increasing competition for skilled labour has compelled the Group to seek ways of enhancing the productivity and efficiency of our employees in order to ensure superior service quality for our customers. Inadequacies in operational efficiency can potentially affect overall profitability while below par service quality will have a direct impact on guest satisfaction, competitiveness and market share.

We ensure continued compliance to several national and international accreditations and certifications, thereby compelling our properties to maintain the highest standards in quality and efficiency. Meanwhile, implementation of a robust Property Management System has facilitated the tracking and analysis of each aspect of our hotel operations and allows us to benchmark our operational efficiency against global best practices. Strategic emphasis has also been placed on continually investing in training and developing our people.

### Managing Risks in an Ever Changing Environment

Today's businesses work in an increasing dynamic yet challenging environment and are influenced by many external factors, some of which are not controllable. These different spheres include governmental, financial, social, technological, industrial, legal and environmental etc. The following aspects are perceived as the most dynamic risks and therefore, proactively managed and monitored by the senior management.

### Risk Management Process





Risk factor and risk rating	Potential Impact	Mitigation Strategies						
<b>Macro-Economic and political environment</b>								
<p>Current local political and economic instability which have resulted civil unrest.</p> <p>Risk assessment</p> <table border="1"> <tr> <td>Severity</td> <td>High</td> </tr> <tr> <td>Probability of Occurrence</td> <td>High</td> </tr> <tr> <td>Risk Level</td> <td>High</td> </tr> </table>	Severity	High	Probability of Occurrence	High	Risk Level	High	<p>Disruption to the entire operating eco system.</p>	<p>Established a Business Continuity Plan to operate under such circumstances.</p> <p>Strengthened the supply chain management process.</p>
Severity	High							
Probability of Occurrence	High							
Risk Level	High							
<b>Geo-Political Developments</b>								
<p>Adverse Impact due to the Russia &amp; Ukraine dispute.</p> <p>Risk assessment</p> <table border="1"> <tr> <td>Severity</td> <td>High</td> </tr> <tr> <td>Probability of Occurrence</td> <td>High</td> </tr> <tr> <td>Risk Level</td> <td>High</td> </tr> </table>	Severity	High	Probability of Occurrence	High	Risk Level	High	<p>Drop in arrivals from the Commonwealth of Independent States (CIS).</p>	<p>Focus has been given on the other feeder markets.</p>
Severity	High							
Probability of Occurrence	High							
Risk Level	High							
<b>Risk of Exchange Rate Fluctuation</b>								
<p>Risk assessment</p> <table border="1"> <tr> <td>Severity</td> <td>High</td> </tr> <tr> <td>Probability of Occurrence</td> <td>High</td> </tr> <tr> <td>Risk Level</td> <td>High</td> </tr> </table>	Severity	High	Probability of Occurrence	High	Risk Level	High	<p>Adverse fluctuation of exchange rate results increase of operating cost of Imported Items.</p>	<p>Matching the foreign currency earning against the payment to hedge the exposure.</p> <p>Focus on local produces.</p>
Severity	High							
Probability of Occurrence	High							
Risk Level	High							
<b>Risk of Inflation</b>								
<p>Risk assessment</p> <table border="1"> <tr> <td>Severity</td> <td>High</td> </tr> <tr> <td>Probability of Occurrence</td> <td>High</td> </tr> <tr> <td>Risk Level</td> <td>High</td> </tr> </table>	Severity	High	Probability of Occurrence	High	Risk Level	High	<p>Inflationary pressure affects to the entire business environment.</p>	<p>Building up stocks.</p> <p>Applying cost saving initiative.</p> <p>Continues review and revision of selling prices.</p> <p>Sum insured of properties was increased significantly due to the current economic conditions.</p>
Severity	High							
Probability of Occurrence	High							
Risk Level	High							
<b>Liquidity Risk</b>								
<p>Risk assessment</p> <table border="1"> <tr> <td>Severity</td> <td>High</td> </tr> <tr> <td>Probability of Occurrence</td> <td>High</td> </tr> <tr> <td>Risk Level</td> <td>High</td> </tr> </table>	Severity	High	Probability of Occurrence	High	Risk Level	High	<p>Post COVID-19 impact continues to affect the liquidity of the company.</p>	<p>Pursuing long term funding strategies.</p> <p>Extended credit period on payables.</p>
Severity	High							
Probability of Occurrence	High							
Risk Level	High							

# Internal Control and Risk Management Framework

Risk factor and risk rating	Potential Impact	Mitigation Strategies						
<b>Credit Risk</b>								
Risk assessment <table border="1"> <tr> <td>Severity</td> <td>High</td> </tr> <tr> <td>Probability of Occurrence</td> <td>High</td> </tr> <tr> <td>Risk Level</td> <td>High</td> </tr> </table>	Severity	High	Probability of Occurrence	High	Risk Level	High	Risk of defaulting on Customers' Settlements	Encouraging cash business. Continues follow up on debtors. Regular review on credit worthiness.
Severity	High							
Probability of Occurrence	High							
Risk Level	High							
<b>Retention and attraction of talent</b>								
Risk assessment <table border="1"> <tr> <td>Severity</td> <td>High</td> </tr> <tr> <td>Probability of Occurrence</td> <td>High</td> </tr> <tr> <td>Risk Level</td> <td>High</td> </tr> </table>	Severity	High	Probability of Occurrence	High	Risk Level	High	It is an ongoing challenge to retain or attract talent due to the current economic condition and opening up the international opportunities post COVID-19.	Ongoing training & development programs. Continues benefits benchmarking against market.
Severity	High							
Probability of Occurrence	High							
Risk Level	High							
<b>Health &amp; Safety Risk</b>								
Risk assessment <table border="1"> <tr> <td>Severity</td> <td>High</td> </tr> <tr> <td>Probability of Occurrence</td> <td>High</td> </tr> <tr> <td>Risk Level</td> <td>High</td> </tr> </table>	Severity	High	Probability of Occurrence	High	Risk Level	High	Health & Safety is an integral part of the business continuation.	COVID-19 vaccination drive for employees. COVID-19 safety guidelines implemented across the group. Continuous awareness session on Health & Safety protocols.
Severity	High							
Probability of Occurrence	High							
Risk Level	High							
<b>Technology &amp; Data protection</b>								
Risk assessment <table border="1"> <tr> <td>Severity</td> <td>High</td> </tr> <tr> <td>Probability of Occurrence</td> <td>Moderate</td> </tr> <tr> <td>Risk Level</td> <td>High</td> </tr> </table>	Severity	High	Probability of Occurrence	Moderate	Risk Level	High	Threat of compromising guests' information and infrastructure security.	Awareness programs among the users to avoid possible threats. Continuous Auditing and monitoring mechanism of networks and related infrastructure.
Severity	High							
Probability of Occurrence	Moderate							
Risk Level	High							

# Annual Report of the Board of Directors on the Affairs of the Company

The Directors of Hayleys Leisure PLC are pleased to present their report together with the audited Financial Statements of the Company and of the Group for the year ended 31st March 2022.

The details set out herein provide the pertinent information required by the Companies Act No. 7 of 2007 ('the Companies Act'), the Listing Rules of the Colombo Stock Exchange and are guided by recommended best accounting practices.

## CHANGE OF NAME

The name of the Company was changed from Amaya Leisure PLC to Hayleys Leisure PLC with effect from 30th June 2021.

## PRINCIPAL ACTIVITIES

The Principal activities of the Company and its subsidiaries included in the consolidation consist of the following:

- Operators of star class hotels, providing services for management research and development of the hotel chain of the group.
- Servicing the MICE (Meetings, Incentives, Conferences and Exhibition) market.
- Promoting and providing facilities relating to Eco-tourism

## BUSINESS REVIEW

The Chairman's Message and the Managing Director's Review of operations give a fair analysis of the operations of the company during the financial year ended 31st March 2022 and its future prospects.

The Directors to the best of their knowledge and belief confirm that the Group has not engaged in any activities which contravene laws and regulations.

## PERFORMANCE AND APPROPRIATIONS

The Company's performance and financial position including that of its subsidiaries for the year ended 31st March 2022 is summarised in the Statements of group financial and operational highlights 2021/22 on page 03.

## STATED CAPITAL

The Stated Capital of the Company as at 31st March 2022 was Rs. 909,370,708/- comprising 107,989,958 Ordinary Shares.

## RESERVES

Details of reserves of the Company are shown in Note 26 to the Financial Statements

## CAPITAL EXPENDITURE

The total capital expenditure incurred on the acquisition of Property, Plant and Equipment during the year amounted to Rs. 273Mn. (2021 - Rs. 20Mn) details of which are given in Note 16 to the Financial Statements.

## PROPERTY, PLANT AND EQUIPMENT

Information relating to the movement in Property, Plant and Equipment is given in Note 16 to the Financial Statements.

## DIRECTORATE

The names of the Directors who served during the year are given below and their brief profiles appear on pages 06 and 08 of the Report.

### Executive

Mr. A. M. Pandithage

Mr. R. J. Karunarahaj

### Non-Executive

Mr. Dhammika Perera

Mr. S. C. Ganegoda

Mr. S. J. Wijesinghe

Ms. A. A. K. Amarasinghe (Alternate Director to Mr. Dhammika Perera)

### Independent Non-Executive

Mr. S. H. Amarasekera

Ms. R. N. Ponnambalam

Ms. W. D. De Costa

Mr. D.T. R de Silva (appointed w.e.f. 01/09/2021)

Mr. C. J. Wickramasinghe (resigned w.e.f. 02/08/2021 )

Mr. S. Senaratne (resigned w.e.f. 01/02/2022)

Mr. C.J. Wickramasinghe who served as a Non-Executive Director resigned with effect from 2nd August 2021.

Mr. S. Senaratne who served as an Independent Non-Executive Director resigned with effect from 01st February 2022.

Mr. D. T. R. de Silva was appointed to the Board as an Independent Non-Executive Director on 01st September 2021. In terms of Article No. 29(2) of the Articles of Association of the Company, Shareholders will be requested to re-elect Mr. D. T. R. de Silva at the Annual General Meeting.

Ms. R. N. Ponnambalam and Ms. W. D. De Costa retire by rotation in terms of Article No. 29(1) of the Articles of Association of the Company, and being eligible offer themselves for re-election.

Notice has been given of the intention to propose an ordinary resolution in terms of Section 211 of the Companies Act for the re-appointment of Mr. A. M. Pandithage who has attained 71 years of age, resolving that the age limit of 70 years stipulated in Section 210 of the Companies Act shall not apply to him.

# Annual Report of the Board of Directors on the Affairs of the Company

## DIRECTORS' SHAREHOLDING

Directors of the Company and its Subsidiaries who have relevant interests in the shares of the respective Companies have disclosed their shareholdings and any acquisitions/disposals to their Boards, in compliance with Section 200 of the Companies Act.

Details of Directors' shareholdings as follows:

Director	No. of Shares	
	31.03.2022	31.03.2021
Mr. A. M. Pandithage	Nil	Nil
Mr. R. J. Karunarajah	Nil	Nil
Mr. Dhammika Perera	1,006,422	1,006,422
Mr. S. C. Ganegoda	Nil	Nil
Mr. S. H. Amarasekera (JT) Mr. B. M. Amarasekera & Mr. S. H. Amarasekera – 27,830 HSBC/B. M. Amarasekera & Mr. S. H. Amarasekera – 19,082	46,912	46,912
Ms. R. N. Ponnambalam	Nil	Nil
Mr. S. J. Wijesinghe	Nil	Nil
Ms. W. D. De Costa	Nil	Nil
Mr. D. T. R. De Silva	Nil	Nil
Mr. S. Senaratne (Resigned w.e.f. 1st February 2022)	357,542	407,542
Mr. C. J. Wickramasinghe (Resigned w.e.f. 2nd August 2021)	Nil	3,212,672

\*Mr. Dhammika Perera directly and indirectly holds 51.01% of the total issued shares of Hayleys PLC which holds 46,690,587 (43.24%) shares in the Company.

The Company maintains an interest register and the details of the entries regard to the Directors shares are as follows:

Mr. C. J. Wickramasinghe (resigned w. e. f. 2nd August 2021) disposed of 60,999 shares of the Company of Hayleys Leisure PLC during the year under review. Hayleys PLC purchased 3,151,673 shares held by Mr. C. J. Wickramasinghe in the Company on 28th July 2021.

Mr. S. Senaratne (resigned) disposed of 50,000 shares of the Company during the Financial year.

## RELATED PARTY TRANSACTIONS

The related party transactions of the Company during the financial year have been reviewed by the Related Party Transactions Review Committee of Hayleys PLC, the parent Company and are in compliance with Section 09 of the Colombo Stock Exchange (CSE) Listing Rules.

The names of the members of the Committee and their attendance at the Meetings are given on the Related Party Transaction Review Committee report on page 29.

## SHAREHOLDERS DISTRIBUTION

The distribution of Shareholders is indicated on page 91 in the Annual Report. There were 1,969 registered Shareholders as at 31st March 2022.

## SHAREHOLDING INFORMATION

Information relating to major shareholders of the Company as at 31st March 2022 are given on page 92.

## CHANGES IN FIXED ASSETS

The movement in fixed assets during the year is set out in Note 16 to the Financial Statement.

## INVESTMENTS

Details of investments held by the Company and by the Group are given in Note 19 and 20 to the Financial Statements. During the year Company divested some of the quoted investments held by it details of which are given in Note 20.

## POST BALANCE SHEET EVENTS

Events occurring after the reporting date are given in the Note 33 to the Financial Statements.

## DIRECTORS' INTERESTS IN CONTRACTS AND PROPOSED CONTRACTS

The Directors of the Company and its subsidiaries have made the general disclosure as per section 192 (2) of the Companies Act Note 32 to the Financial Statements dealing with related party disclosure includes details of their interests in transactions.

## DIRECTORS' REMUNERATION

Directors' Remuneration in respect of the Company is disclosed under Note 32.3.

Executive Directors' remuneration is established within an established framework. The total remuneration of Executive Directors for the year ended 31st March 2022 is 30,708,594 The total remuneration of Non-Executive Directors for the year ended 31st March 2022 is 5,598,000 determined according to scales of payment decided upon by the Board. The Board is satisfied that the payment of this remuneration is fair to the company.

Remuneration Committee of the Parent Company Hayleys PLC functions as the Remuneration Committee of the Company and conforms to the requirements of the Listing Rules of the CSE.

### BOARD NOMINATION COMMITTEE

Nominations Committee of the Parent Company Hayleys PLC functions as the Nominations Committee of the Company and conforms to the requirements of the Listing Rules of the CSE.

### INSURANCE & INDEMNITY

The ultimate parent of the Company, Hayleys PLC has obtained a Directors' and Officers' Liability insurance from a reputed insurance company in Sri Lanka providing worldwide cover to indemnify all past, present and future Directors and Officers of the Group.

### DONATIONS

No donations were made for the year ended 31st March 2022.

### ACCOUNTING POLICIES

The Accounting policies adopted by the Company in the preparation of Financial Statements are given on pages 45 to 57 in the Annual Report. The Accounting Policies adopted are consistent with those of the previous Financial Year.

### AUDITORS

The Auditors, Messrs. Ernst & Young, Chartered Accountants, were paid Rs.2,056,155/- (2020/21: Rs. 2,338,000/-) as audit fees by the Group. In addition, they were paid Rs. 451,498/- (2020/21: Rs. 645,268/- ) by the Group for non-audit related work.

As far as the Directors are aware, the Auditors do not have any relationship (other than that of an Auditor) with the Company other than those disclosed above. The Auditors also do not have any interest with the Company.

Messrs Ernst & Young, have expressed their willingness to continue in office and in accordance with the Companies Act a resolution proposing the re-appointment of Messrs Ernst & Young, Chartered Accountants, as Auditors and to authorise the directors to determine their remuneration is being proposed at the Annual General Meeting.

### GOING CONCERN

The Directors, after making necessary inquiries and reviews including reviews of the budget for the ensuing year, capital expenditure requirements, future prospects and risks, cash flows and borrowing facilities have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore, the going concern basis has been adopted in the preparation of the Financial Statements.

### ANNUAL GENERAL MEETING

The Annual General Meeting will be held as a virtual meeting via an online meeting platform at 10.45 a.m. on 30th June 2022. The Notice of the Annual General Meeting appears on page 94 of the Annual Report.

For and on behalf of the Board



**A. M. Pandithage**  
Chairman



**Rohan Karr**  
Managing Director



**Hayleys Group Services (Pvt) Limited**  
Company Secretaries

06th May 2022.

# Statement of Directors' Responsibilities

The Directors are responsible, under the Sections 150 and 151 of the Companies Act No. 07 of 2007, to ensure compliance with the requirements set out therein 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 profit & loss of the Company for the financial year. The Directors are also responsible, under Section 148 for ensuring that proper accounting records are kept to disclose, with reasonable accuracy, the financial position and enable preparation of the Financial Statements.

The Board accepts responsibility for the integrity and objectivity of the Financial Statements presented. The Directors confirm that in preparing the Financial Statements, appropriate accounting policies have been selected and applied consistently while reasonable and prudent judgments have been made so that the form and substance of transactions are properly reflected.

They also confirm that the Financial Statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS).

The Financial Statements provide the information required by the Companies Act and the listing rules of the Colombo Stock Exchange.

The Directors have taken reasonable measures to safeguard the assets of the Company and, in that context, have instituted appropriate systems of internal control in order to prevent and detect fraud and other irregularities.

The External Auditors, Messrs. Ernst & Young, Chartered Accountants, were deemed re-appointed in terms of section 158 of the Companies Act No. 07 of 2007 and were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements. The Report of the Auditors, shown on pages 33 to 35 sets out their responsibilities in relation to the Financial Statements.

## COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all statutory payments relating to employees and the Government that were due in respect of the Company as at the Balance Sheet date have been paid or where relevant, provided for.

By Order of the Board Hayleys Leisure PLC



Hayleys Group Services (Pvt) Ltd  
Company Secretaries

06th May 2022

# Related Party Transactions Review Committee Report

The Related Party Transaction Review Committee (RPTRC) of Hayleys PLC, the parent Company functions as the RPTRC Committee of the Company in terms of Section 9 of the Listing Rules of the Colombo Stock Exchange.

## COMPOSITION OF THE COMMITTEE

The Related Party Transactions Review Committee comprises two Independent Non-Executive Directors and one Executive Director and the members are as follows.

Dr. H. Cabral\*\*, PC - Chairman

Mr. M. Y. A. Perera\*\*

Mr. S. C. Ganegoda\*

\*\* Independent Non-Executive

\* Executive

## ATTENDANCE

Committee met four (04) times in the Financial Year 2021/22.

Meetings were held on 17th May 2021, 10th August 2021, 09th November 2021 and 11th February 2022.

	Meetings
Dr. H. Cabral, PC	4/4
Mr. M. Y. A. Perera	4/4
Mr. S. C. Ganegoda	4/4

## THE DUTIES OF THE COMMITTEE

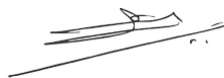
- To review in advance all proposed related party transactions of the group either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.
- Seek any information the Committee requires from management, employees or external parties to with regard to any transaction entered into with a related party.
- Obtain knowledge or expertise to assess all aspects of proposed related party transactions where necessary including obtaining appropriate professional and expert advice from suitably qualified persons.
- To recommend, where necessary, to the Board and obtain their approval prior to the execution of any related party transaction.
- To monitor that all related party transactions of the entity are transacted on normal commercial terms and are not prejudicial to the interests of the entity and its minority shareholders.

- Meet with the management, Internal Auditors/External Auditors as necessary to carry out the assigned duties
- To review the transfer of resources, services or obligations between related parties regardless of whether a price is charged.
- To review the economic and commercial substance of both recurrent/non recurrent related party transactions.
- To monitor and recommend the acquisition or disposal of substantial assets between related parties, including obtaining competent independent advice from independent professional experts with regard to the value of the substantial asset of the related party transaction.

## TASK OF THE COMMITTEE

The Committee reviewed the related party transactions and their compliances of Hayleys Leisure PLC and communicated the same to the Board.

The Committee in its review process recognised the adequacy of the content and quality of the information forwarded to its members by the management.



Dr. Harsha Cabral, PC.  
Chairman

Related Party Transactions Review Committee of Hayleys PLC

17th May 2022

# Report of the Audit Committee

## ROLE OF THE COMMITTEE

The role of the Audit Committee is to assist the board in fulfilling its oversight responsibilities

Key responsibilities include;

- Ensuring the quality and integrity of the Financial Statements of the Company and that a sound financial reporting system is in place to provide accurate, appropriate and timely information to the management, regulatory authorities and shareholders in compliance with Sri Lanka Accounting Standards, Companies Act, Listing Rules of CSE and other financial reporting related regulations and requirements.
- Monitoring and review of the adequacy and effectiveness of the Company's internal control system and risk management function.
- Assessing the independence and effectiveness of both the Internal and External Audit functions.
- Reviewing the Company's compliance with relevant legal and regulatory requirements which are fundamental to the company's operations and continued business.

## COMPOSITION OF THE COMMITTEE AND MEETINGS

The Audit Committee during the Financial Year under review comprised three Independent Non- Executive Directors and one Non Independent Non - Executive Director as follows;

Ms. W. D. De Costa	- Independent Non-Executive Director
Mr. S. H. Amarasekera	- Independent Non-Executive Director
Ms. R. N. Ponnambalam	- Independent Non-Executive Director
Mr. C. J. Wickramasinghe	- Independent Non-Executive Director

The Chairman of the Audit Committee is Ms. W. D. De Costa, who is a Fellow member of the Institute of Chartered Accountants of Sri Lanka.

A brief profile of each member is given on pages 06 to 07.

Mr. C.J. Wickramasinghe who served as a Non-Executive Director resigned from the Board of the Company with effect from 02nd August 2022. With his resignation he ceased to be a member of the Audit Committee.

The Board Secretary functions as the secretary to the Audit Committee.

The Audit Committee reports directly to the Board. The individual and collective financial, legal, hotel industry specific knowledge and business experience are brought to bear on all matters which fall within the purview of the committee.

The Chairman, Managing Director, Chief Financial Officer of the Hayley's Group, Head of Finance of the Hayleys Leisure PLC and the Head of Group Management Audit & System Review Department of Hayleys PLC attend the Audit Committee meetings by invitation. Other Directors, Managers and Officers as well as the Independent External Auditors are invited to attend the meetings as required.

## MEETINGS OF THE AUDIT COMMITTEE

The Audit Committee held four (4) meetings during the financial year 2021/22. The Attendance at the Audit Committee meetings held during the year under review is as follows.

Name of Director	Total
Ms. W. D. De Costa (Chairman)	4/4
Mr. S. H. Amarasekera	2/4
Ms. R. N. Ponnambalam	4/4
Mr. C. J. Wickramasinghe	1/1

Any individual member of the Committee has the opportunity to raise specific issues and obtain relevant information considered necessary at the meetings. The Committee was in regular contact with the management including the Head of Finance and Head of Group Internal Audit as necessary to strengthen guidance and oversight relating to matters coming under the purview of the Committee.

Proceedings of Audit Committee meetings are reported to the Board through verbal briefings and by tabling the minutes of the Committee's meetings.

## FINANCIAL REPORTING

The Committee reviewed the effectiveness of the Financial Reporting process to ensure the reliability of the information provided which included obtaining Statement of Compliance from the Head of Finance and the Director in charge of the operations. The Committee also regularly discussed the operations of the Company and its future prospects with management and is satisfied that all relevant matters have been taken into account in the preparation of the Financial Statements.

Audit Committee reviewed and recommended to the Board for approval the Company's quarterly and annual Financial Statements prior to their release taking into account the adequacy of disclosures, uniformity and appropriateness of the accounting policies adopted, major judgemental areas, changes in accounting policies and practices if any, significant



adjustments arising from the External Audit and compliance with the applicable Sri Lanka Accounting Standards and other applicable laws, rules and guidelines.

#### **INTERNAL AUDIT AND INTERNAL CONTROLS**

The Hayleys PLC's Group Management, Audit and System Review Department serves as the Internal Auditors of the Company. The Internal Audit plan and the scope of work were formulated in consultation with the Managing Director, Head of Finance and the Chairman of the Audit Committee. The main focus of the Internal Audit was to provide independent assurance on the overall system of internal controls, risk management and governance, by evaluating the adequacy, and effectiveness of internal controls, and compliance with laws and regulations and established policies and procedures of the company. During the year the Internal Audit Reports received by the Committee together with management responses were reviewed and discussed with management and the Internal Auditors. The committee ensured that the recommendations of the Internal Auditors have been followed up and appropriate remedial action initiated.

The Committee also reviewed the organisational risks presented by the Management illustrating the foreseeable risks the Company faces, likelihood and possible impact to the business and action taken to mitigate such risks.

#### **EXTERNAL AUDIT**

Meetings were arranged with the Engagement Partner and senior officers of the External Auditors, Messrs' Ernst & Young prior to commencement of audit to review the audit plan prior to finalisation of the audit and on completion of the audit to discuss and review matters raised in the management letter and any other matters as the Auditors may wish to discuss with the Committee.

The Audit Management Letter on the audit of the Company together with actions taken by the management in response to the issues raised were discussed with the management and the auditors and remedial action recommended wherever necessary.

The Audit Committee is satisfied that the independence of the External Auditors has not been impaired by any event or service that gives rise to a conflict of interest.

#### **CONCLUSION**

Based on the reports submitted by the External Auditors and the Internal Auditors of the Company, the assurances and certifications provided by the senior management, and the discussions with management and the auditors both at formal meetings and informally, the Committee is satisfied that internal controls have been operating as designed and provides reasonable assurance that the financial position of the company is adequately monitored and its assets are safeguarded.



Ms. W. D. De Costa  
Chairperson Audit Committee  
06th May 2022

# Financial Statements

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## Financial Calendar

Interim Financial Statement - Quarter 1	03rd August 2021
Interim Financial Statement - Quarter 2	02nd November 2021
Interim Financial Statement - Quarter 3	31st January 2022
Interim Financial Statement - Quarter 4	06th May 2022
Annual General Meeting	30th June 2022

# Independent Auditor's Report



Ernst & Young  
Chartered Accountants  
201, De Saram Place  
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Colombo 10, Sri Lanka

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## TO THE SHAREHOLDERS OF HAYLEYS LEISURE PLC Report on the audit of the financial statements

### Opinion

We have audited the financial statements of Hayleys Leisure PLC (“the Company”) and the consolidated financial statements of the Company and its subsidiaries (“the Group”), which comprise the statement of financial position as at 31 March 2022, the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

### Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Code

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

### Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter
<p><b>Management’s assessment of carrying values of Property, Plant and Equipment.</b></p> <p>As at 31 March 2022, the Group’s property, plant and equipment amounted to Rs. 4,684,023,551/- which represents 93% of the total assets of the Group.</p> <p>As a result of challenging economic circumstances experienced, the management carried out an impairment assessment of the Group’s property, plant and equipment to determine that the carrying value of the property plant and equipment is not exceeds the recoverable amount as at 31 March 2022.</p>	<p><b>Our audit procedures included the following;</b></p> <ul style="list-style-type: none"> <li>Performed procedures to obtaining an understanding on the valuation process and impact of current circumstances.</li> <li>Assessed the competency, capability and objectivity of the valuer engaged by the Group.</li> <li>Read the external valuer’s report, discussed with valuer and understood the key judgements and estimates made and the approach taken by the valuer in determining the fair value.</li> </ul>

# Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
<p>We selected management's assessment of the recoverable amount of property, plant and equipment as a key audit matter due to the</p> <ul style="list-style-type: none"> <li>estimate of per perch value of the land and per square foot value of buildings</li> <li>higher degree of estimation uncertainties associated with determining fair value, as there were fewer market-based transactions, which are ordinarily a strong source of evidence regarding fair value.</li> </ul>	<ul style="list-style-type: none"> <li>We assessed appropriateness of valuation techniques applied and reasonableness of the significant judgements and assumptions; and</li> <li>We have assessed the adequacy of the disclosures made in Note 16 and 15 to the financial statements.</li> </ul>
<p><b>Interest bearing borrowings</b></p> <p>As of the reporting date, the Group reported total interest bearing borrowings of Rs. 2,775 Mn, of which Rs. 1,736 Mn is reported as current liabilities and the balance Rs. 1039 Mn as non-current liabilities.</p> <p>Interest bearing borrowings was a key audit matter due to:</p> <ul style="list-style-type: none"> <li>the magnitude of the interest bearing borrowings and its significance to the overall financial statements;</li> <li>existence of numerous financial and non-financial covenants; and</li> </ul> <p>Appropriateness of disclosures including liquidity risk management, maturity profile and current vs non-current classification of such borrowings in the notes to the financial statements.</p>	<p><b>Our audit procedures included amongst others, the following;</b></p> <ul style="list-style-type: none"> <li>We obtained an understanding of the terms and conditions attached to external borrowings, by perusing the loan agreements,</li> <li>We validated the entity's compliance with long term loan covenants, factoring in available moratoriums facilities and revisions to financing arrangements made during the year,</li> <li>We obtained management's assessment of future cash flows and its plans to meet debt service obligations as per existing contractual arrangements.</li> <li>We assessed the maturity profile of the Company's interest-bearing borrowings focusing on the management's plans to meet the debt obligations maturing within the next twelve months and working capital requirements.</li> <li>We assessed the adequacy and appropriateness of the disclosures made in notes 21 and 34 to the Financial Statements relating to interest bearing borrowings.</li> </ul>

## Other information included in the 2022 annual report

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

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

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

## Responsibilities of the management and those charged with governance

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

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

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

## Auditor's responsibilities for the audit of the financial statements

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

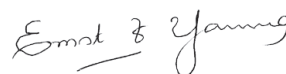
We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and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

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

## Report on other legal and regulatory requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2965.



25 May 2022  
Colombo

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

Principals: G B Goudian ACMA, Ms. P S Paranavitane ACMA LLB (Colombo), T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

# Statement of Profit or Loss

Year ended 31 March	Note	Group		Company	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Revenue	7	777,262,242	362,362,419	125,098,803	35,546,848
Cost of sales		(642,565,030)	(445,369,995)	-	-
<b>Gross Profit/(Loss)</b>		<b>134,697,212</b>	<b>(83,007,576)</b>	<b>125,098,803</b>	<b>35,546,848</b>
Other income	8	35,255,215	5,245,274	302,396,901	4,435,672
Gain on realisation of investments	9	-	14,929,606	-	14,929,606
Impairment of investment in subsidiary	10	-	-	(91,411,934)	(49,295,901)
Selling and marketing expenses		(31,345,960)	(28,429,208)	(2,632,075)	(1,974,168)
Administrative expenses		(761,329,576)	(491,452,485)	(210,522,584)	(168,466,264)
Finance cost	11.1	(356,587,352)	(231,073,209)	(22,404,442)	(4,824,044)
Finance income	11.2	86,593,397	29,149,421	36,027,127	24,097,265
<b>Profit/(Loss) before tax</b>	12	<b>(892,717,064)</b>	<b>(784,638,177)</b>	<b>136,551,796</b>	<b>(145,550,986)</b>
Tax expenses	13	(5,823,398)	(5,080,825)	(1,326,707)	-
<b>Profit/(Loss) for the year</b>		<b>(898,540,462)</b>	<b>(789,719,002)</b>	<b>135,225,089</b>	<b>(145,550,986)</b>
<b>Profit/(Loss) attributable to:</b>					
Equity holders of the parent		(826,367,916)	(723,771,211)	135,225,089	(145,550,986)
Non-Controlling interest		(72,172,546)	(65,947,791)	-	-
		<b>(898,540,462)</b>	<b>(789,719,002)</b>	<b>135,225,089</b>	<b>(145,550,986)</b>
<b>Basic Earnings per share (Rs.)</b>	14.1	<b>(7.65)</b>	<b>(6.70)</b>	<b>1.25</b>	<b>(1.35)</b>

The Accounting Policies and Notes on pages 43 through 89 form an integral part of these Financial Statements.

# Statement of Comprehensive Income

Year ended 31 March	Note	Group		Company	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Profit/(Loss) for the year		(898,540,462)	(789,719,002)	135,225,089	(145,550,986)
Other comprehensive income/(loss)					
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods					
Profit/(Loss) on fair value through OCI financial assets		111,559,382	104,893,760	111,559,382	104,893,760
		111,559,382	104,893,760	111,559,382	104,893,760
Actuarial Gain/(Loss) on defined benefit plan	28	(447,318)	4,452,300	44,233	748,038
Deferred Tax impact on actuarial gain/(loss)		(18,290)	(119,910)	-	-
		(465,608)	4,332,390	44,233	748,038
Effect of Revaluation on Land	26.1	105,664,000	-	-	-
Deferred Tax impact on revaluation surplus		(66,551,278)	-	-	-
		39,112,722	-	-	-
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods		150,206,496	109,226,150	111,603,615	105,641,798
Other comprehensive income/(loss) for the year, net of tax		150,206,496	109,226,150	111,603,615	105,641,798
Total comprehensive income/(loss) for the year, net of tax		(748,333,966)	(680,492,852)	246,828,704	(39,909,188)
Total comprehensive income/(loss) attributable to:					
Equity holders of the parent		(676,052,145)	(623,274,879)	246,828,704	(39,909,188)
Non-Controlling interest		(72,281,821)	(57,217,973)	-	-
		(748,333,966)	(680,492,852)	246,828,704	(39,909,188)

The Accounting Policies and Notes on pages 43 through 89 form an integral part of these Financial Statements.

# Statement of Financial Position

As at 31 March	Note	Group		Company	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	16	4,684,023,551	4,527,946,324	35,173,135	32,401,511
Right-of-use assets	17	46,434,619	27,695,766	-	-
Intangible assets	18	-	137,863,688	-	-
Investments in subsidiaries	19	-	-	1,269,540,630	1,384,952,564
Other non current financial assets	20	265,877,281	399,928,481	265,877,281	399,928,481
		4,996,335,451	5,093,434,259	1,570,591,046	1,817,282,556
<b>Current assets</b>					
Inventories	22	72,876,409	41,592,155	-	-
Trade and other receivables	23	254,348,822	76,227,799	146,975,524	61,634,967
Advances and prepayments		82,839,397	56,651,057	12,740,728	11,632,070
Tax receivables		4,409,765	7,339,459	264,586	2,016,750
Other current financial assets	20	1,135,218	1,016,424	1,135,218	1,016,424
Short term deposits	24	1,726,547	1,630,766	1,726,547	1,630,766
Cash and bank balances	24	245,792,771	211,932,233	61,750,957	87,039,326
		663,128,929	396,389,893	224,593,560	164,970,303
<b>Total Assets</b>		<b>5,659,464,380</b>	<b>5,489,824,152</b>	<b>1,795,184,606</b>	<b>1,982,252,859</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>					
Stated capital	25	909,370,708	909,370,708	909,370,708	909,370,708
Revaluation reserve	26.1	462,906,453	423,793,731	-	-
Fair value reserve of financial assets at FVOCI	26.2	-	71,980,800	-	71,980,800
Retained earnings		825,882,977	1,469,067,044	245,437,838	(73,371,666)
		2,198,160,138	2,874,212,283	1,154,808,546	907,979,842
Non-controlling interest	19.2	(52,790,436)	25,491,385	-	-
<b>Total equity</b>		<b>2,145,369,702</b>	<b>2,899,703,668</b>	<b>1,154,808,546</b>	<b>907,979,842</b>
<b>Non-current liabilities</b>					
Interest bearing loans and borrowings	21	1,039,018,243	1,049,379,566	8,439,897	29,166,667
Deferred tax liabilities	13.3	209,323,236	139,454,015	-	-
Retirement benefit obligation	28	35,409,733	46,676,237	2,947,100	7,408,551
		1,283,751,212	1,235,509,818	11,386,997	36,575,218
<b>Current liabilities</b>					
Interest bearing loans and borrowings	21	1,736,858,611	974,446,684	307,095,749	139,939,587
Trade and other payables	27	405,646,091	285,822,053	268,940,125	831,447,842
Other current non-financial liabilities	29	87,838,764	92,613,356	52,953,189	66,310,370
Tax payable		-	1,728,573	-	-
		2,230,343,466	1,354,610,666	628,989,063	1,037,697,799
<b>Total equity and liabilities</b>		<b>5,659,464,380</b>	<b>5,489,824,152</b>	<b>1,795,184,606</b>	<b>1,982,252,859</b>

These Financial Statements are in compliance with the requirements of the Companies Act No. 7 of 2007.



Ravindra Dissanayake - Head of Finance

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



A. M. Pandithage - Chairman



Rohan Karr - Managing Director

The Accounting Policies and Notes on pages 43 through 89 form an integral part of these Financial Statements.

06 May 2022

Colombo



# Statement of Changes in Equity

Group	Attributable to owners of the Parent						Non Controlling Interest	Total Equity
	Stated Capital	Revaluation Reserve	Fair value Reserve of Financial Assets at FVOCI	Retained Earnings	Cash Flow Hedge Reserve	Total		
	Note 25 Rs.	Note 26.1 Rs.	Note 26.2 Rs.	Rs.	Note 26.3 Rs.	Rs.	Note 19.2 Rs.	Rs.
<b>Balance as at 01 April 2020</b>	909,370,708	423,793,731	(32,912,960)	2,236,086,743	(27,574,298)	3,508,763,924	22,271,788	3,531,035,712
Profit/(Loss) for the year	-	-	-	(723,771,211)	-	(723,771,211)	(65,947,791)	(789,719,002)
Profit/(Loss) on fair value through OCI financial assets	-	-	104,893,760	-	-	104,893,760	-	104,893,760
Actuarial Gain/(Loss) (net of tax)	-	-	-	4,236,686	-	4,236,686	95,704	4,332,390
Effect of exchange Gain/(Loss) hedge	-	-	-	-	27,574,298	27,574,298	21,586,510	49,160,808
Acquisition of NCI	-	-	-	(47,485,174)	-	(47,485,174)	47,485,174	-
<b>Balance as at 31 March 2021</b>	909,370,708	423,793,731	71,980,800	1,469,067,044	-	2,874,212,283	25,491,385	2,899,703,668
Profit/(Loss) for the year	-	-	-	(826,367,916)	-	(826,367,916)	(72,172,546)	(898,540,462)
Gain/(Loss) on fair value through OCI financial assets	-	-	111,559,382	-	-	111,559,382	-	111,559,382
Actuarial Gain/(Loss) (net of tax)	-	-	-	(338,043)	-	(338,043)	(109,275)	(447,318)
Deferred Tax impact	-	(66,551,278)	-	(18,290)	-	(66,569,568)	-	(66,569,568)
Surplus on Revaluation of Freehold Land	-	105,664,000	-	-	-	105,664,000	-	105,664,000
Disposal of Lake Lodge	-	-	-	-	-	-	(6,000,000)	(6,000,000)
Transfers	-	-	(183,540,182)	183,540,182	-	-	-	-
<b>Balance as at 31 March 2022</b>	909,370,708	462,906,453	-	825,882,977	-	2,198,160,138	(52,790,436)	2,145,369,702

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

The Accounting Policies and Notes on pages 43 through 89 form an integral part of these Financial Statements.

## Statement of Changes In Equity

Company	Attributable to owners of the Parent			
	Stated Capital	Fair value Reserve of Financial Assets at FVOCI	Retained Earnings	Total Equity
	Note 25 Rs.	Note 26.2 Rs.	Rs.	Rs.
<b>Balance as at 01 April 2020</b>	<b>909,370,708</b>	<b>(32,912,960)</b>	<b>71,431,282</b>	<b>947,889,030</b>
Profit/(Loss) for the year	-	-	(145,550,986)	(145,550,986)
Profit/(Loss) on fair value through OCI financial assets	-	104,893,760	-	104,893,760
Actuarial Gain/(Loss)	-	-	748,038	748,038
<b>Balance as at 31 March 2021</b>	<b>909,370,708</b>	<b>71,980,800</b>	<b>(73,371,666)</b>	<b>907,979,842</b>
Profit/(Loss) for the year	-	-	135,225,089	135,225,089
Profit/(Loss) on fair value through OCI financial assets	-	111,559,382	-	111,559,382
Actuarial Gain/(Loss)	-	-	44,233	44,233
Transfers		(183,540,182)	183,540,182	-
<b>Balance as at 31 March 2022</b>	<b>909,370,708</b>	<b>-</b>	<b>245,437,838</b>	<b>1,154,808,546</b>

The Accounting Policies and Notes on pages 43 through 89 form an integral part of these Financial Statements.

# Statement of Cash Flows

Year ended 31 March	Note	Group		Company	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
<b>Cash flows from/(used in) operating activities</b>					
Profit/ (Loss) before tax		(892,717,064)	(784,638,177)	136,551,796	(145,550,986)
<b>Adjustment for</b>					
Depreciation	16	176,795,265	172,708,083	9,513,133	8,813,568
Provision for defined benefit obligation	28	7,529,795	7,311,095	777,242	923,932
Amortisation of right of use assets	17.2	8,748,366	4,066,696	-	-
Impairment of investment in subsidiary		-	-	91,411,934	49,295,901
Profit on disposal of investment at fair value through profit or loss	9	-	(14,929,606)	-	(14,929,606)
(Gain)/loss on disposal of property, plant and equipment	8	8,594,185	637,875	-	(590,020)
Dividend income	8	(13,562,080)	-	(293,362,360)	(1,411,138)
Finance income	11.2	(86,474,601)	(24,052,402)	(35,908,331)	(19,000,246)
Finance cost	11.1	356,587,352	231,073,209	22,404,442	4,824,044
Foreign Exchange Gain/(loss)		(169,328,106)	(59,741,444)	15,650,448	2,076,260
(Gain)/loss on financial assets at FVTPL	11.2	(118,796)	(5,097,019)	(118,796)	(5,097,019)
Impairment/(reversal) of trade and other receivables		(6,252,725)	11,625,931	2,392,926	-
Gain on disposal of Subsidiary	8	(6,592,800)	-	(6,592,800)	-
Impairment of Goodwill	18.1	137,863,688	-	-	-
Creditors written back	8	-	(1,872,572)	-	(2,434,514)
Operating Profit/(loss) before working capital changes		(478,927,521)	(462,908,331)	(57,280,366)	(123,079,824)
(Increase)/decrease in inventories		(31,284,254)	4,404,325	-	-
(Increase)/decrease in trade and other receivables		(171,868,298)	36,650,515	(87,733,484)	(287,321,851)
Increase in advance and prepayment		(26,188,340)	(27,535,414)	(1,108,657)	(5,851,629)
Increase/(decrease) in trade and other payables		119,824,041	(132,137,664)	(562,507,714)	13,403,775
Increase/(decrease) in other current non financial liabilities		(4,774,592)	34,003,534	(13,357,181)	63,318,190
Cash generated from/(used in) operations		(593,218,964)	(547,523,035)	(721,987,402)	(339,531,339)
Finance cost paid		(123,535,574)	(53,591,044)	(22,404,442)	(4,824,044)
Defined benefit obligation paid	28	(19,243,617)	(12,198,973)	(5,194,460)	-
Tax paid		(1,322,623)	(6,019,585)	425,457	-
Net cash from/(used in) operating activities		(737,320,778)	(619,332,637)	(749,160,847)	(344,355,383)

## Statement of Cash Flows (Contd.)

Year ended 31 March	Note	Group		Company	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
<b>Cash flows from/(used in) investing activities</b>					
Acquisition of property, plant and equipment	16	(273,365,970)	(15,192,662)	(12,284,757)	(1,448,647)
Finance income received		22,750,929	14,212,069	20,257,883	2,134,097
Dividend received		13,562,080	-	293,362,360	1,411,138
Proceeds from disposal of property, plant and equipment		7,563,292	2,405,619	-	590,020
Proceeds from disposal of FVTPL investments		245,610,581	82,493,606	245,610,581	82,493,606
Proceeds from Disposal of Subsidiary		30,592,800	-	30,592,800	-
Net Cash from/ (used in) investing activities		46,713,712	83,918,632	577,538,867	85,180,214
<b>Cash flows from/ (used in) financing activities</b>					
Proceeds from interest bearing loans and borrowings	21	542,473,841	348,126,141	-	50,000,000
Repayment of interest bearing loans and borrowings	21	(18,961,030)	(3,366,182)	(14,975,847)	-
Principal payment under finance lease liabilities	21	(5,115,695)	(2,970,200)	-	-
Net cash from/ (used in) financing activities		518,397,116	341,789,759	(14,975,847)	50,000,000
Net increase/ (decrease) in cash and cash equivalents		(172,209,950)	(193,624,246)	(186,597,827)	(209,175,169)
Cash and cash equivalents at the beginning of the year		(122,557,998)	71,066,248	(30,436,162)	178,739,007
Cash and cash equivalents at the end of the year	24	(294,767,948)	(122,557,998)	(217,033,989)	(30,436,162)

The Accounting Policies and Notes on pages 43 through 89 form an integral part of these Financial Statements.

# Notes to the Financial Statements

## 1. CORPORATE INFORMATION

### 1.1 Reporting Entity

Hayleys Leisure PLC ("the Company") is a Public Limited Liability company incorporated and domiciled in Sri Lanka. The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka. The address of the Company's registered office and the principal place of business is situated at Level 27, East Tower, World Trade Center, Echelon Square, Colombo 01.

With effect from 30 June 2021, the name of the Company was changed from Amaya Leisure PLC to Hayleys Leisure PLC.

### 1.2 Consolidated Financial Statements

The Financial Statements for the year ended 31 March 2022 comprise "the Company" referring to Hayleys Leisure PLC as the holding Company and the "Group" referring to companies that have been consolidated therein (Subsidiaries).

### 1.3 Nature of Operations and Principal Activities of the Company and the Group

During the year, the principal activities of the Group were as follows:

- A. Hayleys Leisure PLC.  
During the year, the principal activities of the Company were provision of management and marketing services to its subsidiaries and managing entities.
- B. Culture club Resorts (Private) Limited, Kandyan Resorts (Private) Limited and Sun Tan Beach Resorts Limited.  
  
The principal activities were provision of food, beverage, lodging and other hospitality industry related activities.
- C. Connaissance Hotel Management (Private) Limited, Connaissance Air Travels (Private) Limited, CDC Conventions (Private) Limited.  
  
Currently these Companies remain as dormant.

### 1.4 Parent Entity and Ultimate Parent Entity

In the opinion of the Directors, the Company's parent and ultimate parent undertaking and controlling party is also Hayleys PLC, which is incorporated in Sri Lanka.

### 1.5 Approval of Financial Statements

The consolidated Financial Statements of Hayleys Leisure PLC and its subsidiaries (collectively, the Group) for the year ended 31 March 2022 were authorised for issue by the Directors on 06 May 2022.

## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

The Consolidated Financial Statements have been prepared in accordance with the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, which requires compliance with Sri Lanka Accounting Standards (SLFRSs/LAKS) promulgated by the Institute of chartered Accountants of Sri Lanka (CA Sri Lanka), and with the requirements of the Companies Act No. 7 of 2007.

### 2.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for

- Lands which are recognised as property, plant and equipment which are measured at cost at the time of the acquisition and subsequently carried at fair value.
- Financial instruments reflected as fair value through profit or loss (FVTPL) which are measured at fair value.
- Financial instruments designated as fair value through other comprehensive income (OCI) which are measured at fair value.

Where appropriate, specific policies are explained in the succeeding notes.

No adjustments have been made for inflationary factors in the consolidated financial statements.

### 2.3 Functional and Presentation Currency

The Financial Statements are presented in Sri Lanka Rupees (Rs), which is the Group's functional and presentation currency.

### 2.4 Materiality and Aggregation

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

### 2.5 Comparative Information

The consolidated financial statements provide comparative information in respect of the previous year. The accounting policies other than for leases have been consistently applied by the Group 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.

# Notes to the Financial Statements

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Basis of Consolidation

The consolidated Financial Statements encompass the Company, its Subsidiaries (together referred to as the "Group")

Subsidiaries are disclosed in Note 19 to the financial statements. Investment subsidiaries are carried at cost less impairments (refer Note 19) in the separate financial statements.

### 3.2 Subsidiaries

Subsidiaries are those entities controlled by the group. Control is achieved when the group is exposed, or rights, to variable returns from its involvement with the investee and when it 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 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 result 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 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, if 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 Other comprehensive Income are attributed to 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 into 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 derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

### 3.3 Business Combination 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, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the group elects whether to measure the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Transaction costs, other than those associated with the issue of debt or equity securities that the group incurs in connection with a business combination are expensed 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.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss recognised in Statement of profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not re-measured 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 Financial Instruments, is measured at fair value with the changes in fair value recognised in the Statement of Profit or Loss in accordance with SLFRS. Other contingent consideration that is not within the scope of SLFRS is measured at fair value at each reporting date with changes in fair value recognised in the Statement of profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the Statement of 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 of in this circumstance is measured based on the relative values of the disposed operation and the portion the cash-generating unit retained.

### 3.4 Functional and Presentation Currency

The Group's Consolidated Financial Statements are presented in Sri Lanka Rupees (Rs), which is the functional and presentation currency of the Group.

#### 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 retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Foreign currency differences arising on retranslation are recognised in the statement of profit or loss other than for cash flow hedges described in Note 4.8.4 and Note 26.3. All other differences arising on settlement or translation of monetary items are taken to Statement of profit or loss.

### 3.5 Current versus non-current classification

The Group presents assets and liabilities in the Statement of Financial Position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised 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 a 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
- It does not have a right at the reporting date to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

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

### 3.6 Fair value measurement

The Group measures financial instruments such as investments which are designated as fair value through Other Comprehensive Income (OCI) and at fair value through profit or loss and non-financial assets such as owner-occupied land, at fair value at each reporting date. 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:

# Notes to the Financial Statements

- Disclosures for valuation methods, significant estimates and assumptions Note 15, 16 & 20
- Quantitative disclosures of fair value measurement hierarchy Note 15
- Property (land) under revaluation model Note 16
- Financial instruments (including those carried at amortised cost) Note 20

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

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability
- The principal or the most advantageous market must be accessible by the Group.

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

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

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

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

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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.

## **4 STATEMENT OF PROFIT OR LOSS AND STATEMENT OF FINANCIAL POSITION**

### **4.1 Statement of Profit or Loss Income and Gains**

#### **4.1.1 Revenue from Contracts with Customers**

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

Hayleys Leisure PLC's gross revenue comprises provision of management and marketing services to its subsidiaries and managing entities and the Group's gross turnover comprises proceeds from provision of food, beverage, lodging and other hospitality industry related activities.

#### **Management and Commission Income**

Management and Commission Income is recognised based on the terms in the related contracts and is recognised as the services are performed.

#### **Room Revenue**

Room revenue is recognised on rooms occupied on daily basis.

#### **Sale of Food and Beverages**

Revenue from sale of food and beverages is recognised at the point in time when control is transferred to the customer, generally on delivery of the goods.

#### **Other Hospitality related Services**

Other hospitality related services are recognised as the services are performed.



#### 4.1.2 Finance income

Finance income comprises interest income on funds invested and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in Statement of Profit or Loss.

Foreign currency gains and losses are reported on a net basis other than for exchange loss recognised based on the ineffective portion of the cash flow hedge.

#### 4.1.3 Dividend Income

Dividend income is recognised in Statement of profit or loss on the date the entity's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

#### 4.1.4 Rental income

Rental income is recognised in Statement profit or loss as it accrues.

#### 4.1.5 Gains and losses

Gains and losses on disposal of an item of property, plant & equipment are determined by comparing the net sales proceeds with the carrying amounts of property, plant & equipment and are recognised net within "other income" in profit or loss.

#### 4.1.6 Other Income

Other income is recognised on an accrual basis.

#### 4.2 Expenses

Expenses are recognised in the Statement of profit or loss on the basis of a direct association between the cost incurred and the earnings of specific items of income. All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year.

Repairs and renewals are charged to the Statement of profit or loss in the year in which the expenditure is incurred.

#### 4.3 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset.

#### 4.4 Finance costs

Finance costs comprise interest expense on borrowings, exchange loss on foreign currency loans and changes in the fair value of financial assets at fair value through profit or loss.

The interest expense component of finance lease payments is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

#### 4.5 Tax expense

Tax expense comprises current income tax, dividend tax and deferred tax. Current tax and deferred tax are recognised in statement of profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

##### Current Tax

Current income tax assets or 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.

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

##### Deferred Tax

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

Deferred tax liabilities are 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 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

## Notes to the Financial Statements

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 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 utilised.

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 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 other comprehensive income or directly in equity.

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

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

### Dividend Tax

Tax on dividend income from subsidiaries is recognised as an expense in the consolidated statement of profit or loss at the same time as the liability to pay the related dividend is recognised.

### Sales tax

Revenues, 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.

Receivables and payables that 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.

## 4.6 Property, Plant and Equipment

The group applies the requirements of LKAS 16 on 'Property Plant and Equipment' in accounting for its owned assets which are held for and use in the provision of the services and for administration purpose and are expected to be used for more than one year.

Property, Plant and Equipment is recognised if it is probable that future economic benefit associated with the assets will flow to the Group and cost of the asset can be reliably measured.

Items of Property, Plant & Equipment measured at cost net of accumulated depreciation and accumulated impairment losses, if any, except for land which is measured at fair value. Construction in progress is stated at cost, net of accumulated impairment losses, if any.

The cost of Property, Plant & Equipment includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and includes the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets. Purchased software that is integral to the functionality of the related equipment is capitalised as a part of that equipment.

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.

Revaluation of land is done with sufficient frequency to ensure that the fair value of the land does not differ materially from its carrying amount, and is undertaken by professionally qualified valuers.

Any revaluation surplus is recorded in other comprehensive Income and credited to the asset revaluation reserve in equity, however, to the extent that it reverses a revaluation deficit of the same asset previously recognised in the statement of profit or loss, the increase is recognised in the statement of profit or 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 reserve. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

The cost of replacing a component of an item of Property, Plant and Equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised in accordance with the derecognition policy given below.

Costs of the repair & maintenance of Property, Plant and Equipment are recognised in statement of profit or loss as incurred.

The carrying amount of an item of Property, Plant and Equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gains and losses on derecognition are recognised (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) in statement of profit or loss and gains are not classified as revenue.

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, in reflecting the expected pattern of consumption of the future economic benefits embodied in the asset.

Description	Period
Lease hold right to land	over the lease period
Buildings	50 years
Roof	30 years
Bathroom and Toilets	10 years
Furniture and Fittings	15 years
Plant and Machinery	15 years
Air-conditioners	15 years
Kitchen Equipment's	15 years
Office Equipment's	15 years
Computer Equipment's	05 years
Linen, crockery and cutlery	04 years
Fixtures and Fittings	15 years
Motor Vehicles	05 years

Depreciation of an asset begins when it is available for use and ceases at the earlier of the dates on which the asset is classified as held for sale or is derecognised. The asset's residual values, useful lives are reviewed, and adjusted if appropriate, at each financial year end and adjusted prospectively, if appropriate.

#### 4.6.1 Leased assets

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

##### Group as a lessee

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

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

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

## Notes to the Financial Statements

Land rights – 40 – 50 Years

Motor vehicles – 5 Years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the of a purchase option, depreciation is calculated using the estimated useful life of the asset.

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

### 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.

## 4.7 Intangible assets

### 4.7.1 Basis of Recognition

An Intangible asset is recognised if it is probable that future economic benefit associated with the assets will flow to the Group and cost of the asset can be reliably measured.

### 4.7.2 Basis of measurement

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

### 4.7.3 Useful economic lives and Amortisation

The useful lives of intangible assets are assessed as either definite or indefinite.

Intangible assets with definite 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 definite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with definite lives is recognised in the statement of profit or loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite useful life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

### 4.7.4 De-recognition of Intangible Assets

Intangible assets are de-recognised on disposal or when no future economic benefits are expected from its use. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

#### 4.7.5 Leasehold Rights

In respect of operating leases acquired under a business combination where the Group is lessee, Group determines whether the terms of each operating lease are favourable or unfavourable relative to market terms. The Group recognises an intangible asset if the terms of an operating lease are favourable relative to market terms and a liability if the terms are unfavourable relative to market terms. Leasehold rights represent value of favourable lease terms.

#### 4.7.6 Subsequent Expenditure

Subsequent expenditure is capitalise only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the statement of profit or loss as incurred.

#### 4.7.7 Amortisation

Amortisation is recognised in the statement of profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill from the date on which they are available for use.

### 4.8 Financial Instruments

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

#### 4.8.1 Financial assets

##### 4.8.1.1 Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the 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 determined under SLFRS 15.

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

referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All financial assets are initially measured at fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

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.

##### 4.8.1.2 Subsequent measurement

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

- Financial Assets at amortised cost
- 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)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

# Notes to the Financial Statements

The Group's financial assets at amortised cost includes trade and other receivables.

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

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis. 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. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

## **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. 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 finance income or finance costs in the statement of profit or loss.

### **4.8.1.3 Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised 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 asset is recognised to the extent of the Group's continuing involvement in the asset. 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.

### **4.8.1.4 Impairment of financial assets**

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.

## **4.8.2 Financial Liabilities**

### **4.8.2.1 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 plus, in the case of loans and borrowings, directly attributable transaction costs.

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

#### 4.8.2.2 Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

##### Loans and borrowings

After initial recognition, loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of 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 in finance costs in the statement of profit or loss.

#### 4.8.2.3 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.

#### 4.8.3 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### 4.8.4 Cash Flow Hedges

For the purpose of hedge accounting, hedges are classified as Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of

hedge ineffectiveness and how the hedge ratio is determined).

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

For cash flow hedges, designated and qualified the effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. When the hedge cash flow affect the income statement, the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the income statement. When a hedging instrument expires, or is sold, terminated, exercised or when a hedge no longer meet the criteria for hedge accounting, any cumulative gains/losses existing in other comprehensive no longer expected to occur, the cumulative gains/loss was reported in other comprehensive income is immediately transferred to the income statement.

#### 4.8.5 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models.

## Notes to the Financial Statements

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 15.

### 4.9 Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

Food and Beverages	}	Weighted Average Basis
House Keeping and Maintenance		
Printing and Stationary		
Consumables and Other		

Net realisable 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.

### 4.10 Cash and cash equivalents

Cash in hand and at bank 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.

### 4.11 Impairment of non-financial assets

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

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

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

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

Impairment losses 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 Other Comprehensive Income. For such properties, the impairment is recognised in Other Comprehensive Income 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 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.

Goodwill is tested for impairment annually as at 31 March and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

### 4.12 Employee Benefits

#### 4.12.1 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.

#### 4.12.2 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. 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 5 years of continued service.

The liability is not externally funded. The settlement of the liability would be made based on the half of the last month salary drawn in to number of years completed.

Actuarial gains or losses are recognised in full in Other Comprehensive Income.

#### 4.12.3 Short term benefits

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

#### 4.13 Provisions

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, the

reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any 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.

#### 4.14 Ordinary Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

### 5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of Financial Statements in conformity with SLFRS/ LKAS's requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgements and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence actual experience and results may differ from these judgements and estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period and any future periods.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes.

Management's assessment of the current economic and political uncertainty impact on the operations of the Group

The Directors have made an assessment of the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. The assessment includes the existing and anticipated effects from the current economic crisis, the circumstances of the external environment and consequences of the COVID-19 pandemic on significant assumptions that are sensitive or susceptible to change or are inconsistent with historical trends. As the economic effects continue to evolve, management considered

## Notes to the Financial Statements

a range of scenarios to determine the potential impact on underlying performance and future funding requirements. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

### Impairment of goodwill

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to good will recognised by the Group.

### Measurement of the Employee Benefit Obligations

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.

### Revaluation of Land

The Group measures lands which are recognised as Property, Plant & Equipment at revalued amount with change in value being recognised in the Statement of Other comprehensive income. The valuer has used valuation techniques such as open market value. Further details on revaluation of land are disclosed in Note 15 and 16 to the consolidated financial statements.

### 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 365 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 analysed. The Group has considered the current decline in the tourism industry due to the impact of current economic uncertainty and 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.

Leases - Estimating the incremental borrowing rate for discounting lease commitments

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and making certain entity-specific adjustments based on the type, terms and conditions of the lease.

## 6 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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

### SLFRS 17 Insurance Contracts

In 8 January 2020, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued SLFRS 17 Insurance Contracts (SLFRS 17). SLFRS 17 was amended by Amendments to SLFRS 17 - Insurance Contracts, in 28 June 2021. SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Notes to the Financial Statements

### 7 REVENUE

	Group		Company	
	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
Revenue from contracts with customers (Note 7.1)	791,615,371	368,133,897	125,098,803	35,546,848
Tourism development Levy	(7,235,026)	(3,557,277)	-	-
Turnover tax	(7,118,103)	(2,214,201)	-	-
	777,262,242	362,362,419	125,098,803	35,546,848

#### 7.1 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 time/period of stay				
Commission income	78,786,790	16,530,898	121,498,803	33,146,848
Apartment revenue	440,099,757	222,674,404	-	-
Management fee	-	-	3,600,000	2,400,000
At a point in time				
Restaurant sales	172,279,798	91,398,051	-	-
Bar sales	44,642,462	10,227,501	-	-
Banquet sales	39,034,495	26,681,361	-	-
Health centre sales	16,772,069	621,681	-	-
Club sales	-	-	-	-
	791,615,371	368,133,897	125,098,803	35,546,848

Contract liabilities and its movement is disclosed in Note 29.1 to the financial statements.

### 8 OTHER INCOME

	Group		Company	
	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
Sundry income	14,535,566	3,280,202	2,441,741	-
Dividend income	13,562,080	-	293,362,360	1,411,138
Gain on disposal of subsidiary	6,592,800	-	6,592,800	-
Rent income	564,769	92,500	-	-
Payable written back	-	1,872,572	-	2,434,514
Profit on disposal of property, plant and equipment	-	-	-	590,020
	35,255,215	5,245,274	302,396,901	4,435,672

## 9 GAIN ON REALISATION OF INVESTMENTS

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Profit on disposal of investment at fair value through profit or loss	-	14,929,606	-	14,929,606
	-	14,929,606	-	14,929,606

## 10 IMPAIRMENT OF INVESTMENT IN SUBSIDIARY

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
On Sun Tan Beach Resorts Limited	-	-	91,411,934	49,295,901
	-	-	91,411,934	49,295,901

Hayleys Leisure PLC recorded an impairment of Rs. 91,411,934/- (2021 - 49,295,901/-) in relation to the investment made in Sun Tan Beach Resorts Ltd. The impairment was recorded considering the losses recorded by Sun Tan Beach Resorts Limited up to 31 March 2022 based on the discounted cash flow model.

## 11 FINANCE COST AND INCOME

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.

### 11.1 Finance Cost

Interest expenses on bank overdrafts	37,717,150	19,792,702	18,551,607	3,529,964
Interest expenses on lease liabilities	5,012,943	2,924,379	-	-
Exchange loss	233,051,778	64,567,208	-	-
Interest expenses on bank loans	80,805,481	143,788,920	3,852,835	1,294,080
	356,587,352	231,073,209	22,404,442	4,824,044

### 11.2 Finance Income

Interest income	22,750,929	19,226,637	20,257,883	16,923,986
Gain on investments at Fair Value through Profit or Loss	118,796	5,097,019	118,796	5,097,019
Exchange gains	63,723,672	4,825,765	15,650,448	2,076,260
	86,593,397	29,149,421	36,027,127	24,097,265

## Notes to the Financial Statements

### 12 PROFIT/(LOSS) BEFORE TAX

Stated after charging	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Employees benefits including the following	496,334,909	296,539,827	155,207,432	67,453,859
- Defined benefit plan costs - Gratuity (included in employee benefits)	7,529,795	7,311,095	1,340,279	923,932
- Defined contribution plan costs - EPF and ETF (included in employee benefits)	38,367,503	31,499,688	8,794,736	8,364,531
Depreciation/amortisation	185,543,362	176,774,779	9,513,134	8,813,568
Directors' emoluments	5,598,000	1,020,000	5,598,000	1,020,000
Service fees	15,440,231	13,611,667	15,366,766	13,611,667
Auditor's remuneration	2,507,646	2,041,500	592,504	400,500
Professional fees	10,853,579	5,541,985	2,013,028	1,350,375
Advertising expenses	3,617,447	3,881,001	237,914	2,563,400
Sales promotional expenses	4,194,750	1,899,484	-	-

### 13 INCOME TAX EXPENSE

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
The major components of income tax expense for the years ended 31 March are as follows :				
<b>Income Statement</b>				
<b>Current income tax</b>				
Current income tax charge (Note 13.1)	127,271	3,191,945	-	-
Under/(Over) provision of current taxes in respect of prior years	(4,213,476)	24,025	-	-
Irrecoverable ESC Written Off	6,609,949	-	1,326,707	-
	2,523,744	3,215,970	1,326,707	-
<b>Deferred income tax</b>				
Deferred taxation charge (Note 13.3)	3,299,654	1,864,855	-	-
<b>Income tax expense reported in the profit or loss</b>	<b>5,823,398</b>	<b>5,080,825</b>	<b>1,326,707</b>	<b>-</b>

**13.1 A reconciliation between income tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows;**

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Accounting profit before income tax	(892,717,064)	(784,638,177)	136,551,796	(145,550,986)
Consol adjustment	316,682,465	-	-	-
Disallowed items	252,113,347	79,653,269	104,397,893	16,418,648
Allowed items	(145,460,151)	(208,778,917)	(4,334,235)	(3,717,957)
Interest income	(19,775,867)	(18,222,727)	(20,257,883)	(17,617,801)
Dividend income	(293,362,360)	-	(293,362,360)	-
Gain on disposal of Subsidiary	(6,592,800)	-	(6,592,800)	-
Other income	(2,441,741)	-	(2,441,741)	-
None taxable income	(118,796)	-	(118,796)	-
Interest income [Tax exempted under section 13 (t)]	-	(17,339,206)	-	(15,646,930)
Exempt due to BOI tax holiday	417,895,925	-	-	-
Taxable profit/(loss) from business	(373,777,042)	(949,325,758)	(86,158,126)	(166,115,026)
<b>Other sources of income</b>				
Interest income	5,055,996	22,719,672	4,525,700	16,206,663
Rental income	-	92,500	-	-
Dividend income	279,800,760	-	279,800,760	1,411,138
Gain on realisation of investment	6,592,800	-	6,592,800	-
Taxable other income	291,449,556	22,812,172	290,919,260	17,617,801
Total statutory income	(82,327,486)	(926,513,586)	204,761,134	(148,497,225)
Tax losses brought forward and utilised	(290,919,260)	(17,617,801)	(290,919,260)	(17,617,801)
Total taxable income	(373,246,746)	(944,131,387)	(86,158,126)	(166,115,026)
Income tax @ 2% on turnover	-	3,046,763	-	-
Income tax @ 14% on taxable profits	-	-	-	-
Income tax @ 24% interest income	127,271	145,182	-	-
Current income tax charge	127,271	3,191,945	-	-

## Notes to the Financial Statements

### 13 INCOME TAX EXPENSE (CONTD.)

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
<b>13.2 Tax losses</b>				
Tax losses brought forward	576,677,430	428,180,205	557,780,119	409,282,894
Tax losses utilised during the year	(290,919,260)	(17,617,801)	(290,919,260)	(17,617,801)
Adjustment for tax losses b/f	414,458,418	-	94,669,942	-
Loss incurred during the year	373,777,042	166,115,026	86,158,126	166,115,026
Tax losses carried forward	1,073,993,630	576,677,430	447,688,927	557,780,119
<b>13.3 Deferred taxation - group</b>				
	Statement of Financial Position		Statement of Profit or Loss	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
<b>Deferred tax liability</b>				
Accelerated depreciation on property, plant and equipment	138,153,513	133,506,010	4,647,503	1,986,834
Revaluation surplus on land	74,617,664	8,805,586	-	-
Directly Charged to Equity	179,200	-	-	-
Revaluation of Land	560,000	-	-	-
Lease liability	137,286	-	137,286	-
	213,647,663	142,311,596	4,784,789	1,986,833
<b>Deferred tax assets</b>				
Retirement benefit obligation - Through statement of profit or loss	(3,093,201)	(1,662,162)	(1,431,039)	191,207
Retirement benefit obligation - Through other comprehensive income	(625,268)	(643,557)	-	-
Trade and other receivables	(605,958)	(551,862)	(54,096)	(313,186)
	(4,324,427)	(2,857,581)	(1,485,135)	(121,979)
Deferred taxation charge			3,299,654	1,864,855
Net deferred tax liability	209,323,236	139,454,015		
<b>13.3.1 Reconciliation of deferred tax charge</b>				
Deferred tax charge reported in the profit or loss	-	-	3,299,654	1,864,855
Deferred tax charge reported in other comprehensive income	-	-	(18,290)	(119,910)
	-	-	3,281,364	1,744,945



#### 13.4 Hayleys Leisure PLC

The Company has a carried forward tax loss amounting to Rs. 447,688,927/- (2021 - Rs. 557,780,119/-) that is available for six years to offset against future statutory income of the company. A deferred tax asset amounting to Rs.125,352,899 /- (2021 -156,178,433/-) has not been recognised in respect of this tax loss and other temporary differences which has resulted deferred tax assets as it is anticipated that the deferred tax asset will not realise in the foreseeable future.

#### 14 EARNINGS/(LOSS) PER SHARE AND DIVIDEND PER SHARE

##### 14.1 Earnings/(loss) per share

Earnings/(loss) Per Share is calculated by dividing the net profit/(loss) for the year attributable to Ordinary Shareholders by the weighted average number of Ordinary Shares outstanding during the year.

The following reflects the income and share data used in the earnings/(loss) per share computations.

14.1.1	Amount used as the numerator:	Group		Company	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
	Profit/(loss) for the year	(898,540,462)	(789,719,002)	135,225,089	(145,550,986)
	(Profit)/Loss attributable to Non-Controlling Interest	(72,172,546)	(65,947,791)	-	-
	Profit attributable to ordinary shareholders of parent company for basic/diluted earnings per share	(826,367,916)	(723,771,211)	135,225,089	(145,550,986)
<hr/>					
14.1.2	Number of ordinary shares used as the denominator				
	Weighted average number of ordinary shares in issue applicable to basic/diluted earnings or loss per share	107,989,958	107,989,958	107,989,958	107,989,958

## Notes to the Financial Statements

### 15 FAIR VALUE MEASUREMENT

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

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

	Date of valuation	Fair value measurement using			
		Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets measured at fair value:					
As at 31 March 2022					
Non-Financial assets					
Land (Note 16)	31 March 2022	901,564,000	-	-	901,564,000
<b>Non-Financial Assets as at 31 March 2022</b>		<b>901,564,000</b>	<b>-</b>	<b>-</b>	<b>901,564,000</b>
Financial assets					
Fair value through profit or loss (Note 20.1)					
Quoted investment in equity securities	31 March 2022	1,135,218	1,135,218	-	-
<b>Total Fair Value through profit or loss financial assets</b>		<b>1,135,218</b>	<b>1,135,218</b>	<b>-</b>	<b>-</b>
Fair value through OCI financial assets (Note 20.2)					
Quoted investment in equity securities	31 March 2022	-	-	-	-
<b>Total Fair Value through OCI financial assets</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total financial assets</b>		<b>1,135,218</b>	<b>1,135,218</b>	<b>-</b>	<b>-</b>
As at 31 March 2021					
Non-Financial assets					
Land (Note 16)	31 March 2019	795,900,000	-	-	795,900,000
<b>Non-Financial assets as at 31 March 2021</b>		<b>795,900,000</b>	<b>-</b>	<b>-</b>	<b>795,900,000</b>
Financial assets					
Fair value through profit or loss (Note 20.1)					
Quoted investment in equity securities	31 March 2021	1,016,424	1,016,424	-	-
<b>Total fair value through profit or loss financial assets</b>		<b>1,016,424</b>	<b>1,016,424</b>	<b>-</b>	<b>-</b>
Fair value through OCI financial assets (Note 20.2)					
Quoted investment in equity securities	31 March 2021	134,051,200	134,051,200	-	-
<b>Total fair value through OCI financial assets</b>		<b>134,051,200</b>	<b>134,051,200</b>	<b>-</b>	<b>-</b>
<b>Total financial assets</b>		<b>135,067,624</b>	<b>135,067,624</b>	<b>-</b>	<b>-</b>

**15.2** The following table provides the fair value measurement hierarchy of the Company's assets.

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

	Date of valuation	Fair value measurement using			
		Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Assets measured at fair value:</b>					
<b>As at 31 March 2022</b>					
<b>Financial assets</b>					
<b>Fair Value through profit or loss (Note 20.1)</b>					
Quoted investment in equity securities	31 March 2022	1,135,218	1,135,218		
<b>Total Fair Value through profit or loss financial assets</b>		<b>1,135,218</b>	<b>1,135,218</b>	-	-
<b>Fair value through OCI financial assets (Note 20.2)</b>					
Quoted investment in equity securities	31 March 2022	-	-		
<b>Total Fair Value through OCI financial assets</b>		<b>-</b>	<b>-</b>	-	-
<b>Total financial assets</b>		<b>1,135,218</b>	<b>1,135,218</b>	-	-
<b>As at 31 March 2021</b>					
<b>Financial assets</b>					
<b>Fair Value through profit or loss (Note 20.1)</b>					
Quoted investment in equity securities	31 March 2021	1,016,424	1,016,424		
<b>Total Fair Value through profit or loss financial assets</b>		<b>1,016,424</b>	<b>1,016,424</b>	-	-
<b>Fair value through OCI financial assets (Note 20.2)</b>					
Quoted investment in equity securities	31 March 2021	134,051,200	134,051,200		
<b>Total Fair Value through OCI financial assets</b>		<b>134,051,200</b>	<b>134,051,200</b>	-	-
<b>Total financial assets</b>		<b>135,067,624</b>	<b>135,067,624</b>	-	-

**15.3 Fair Value of financial assets**

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements.

	Carrying Amount		Fair Value	
	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
<b>Financial assets</b>				
<b>Other financial assets</b>				
- Fair Value through profit or loss investments	649,378	649,378	1,135,218	1,016,424
- Fair Value through other comprehensive income investments	-	62,070,400	-	134,051,200
<b>Total</b>	<b>649,378</b>	<b>62,719,777</b>	<b>1,135,218</b>	<b>135,067,624</b>

Cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

## Notes to the Financial Statements

### 16 PROPERTY, PLANT AND EQUIPMENT

16.1 Group	Balance as at 01 April 2021 Rs.	Additions/ Revaluation Rs.	Transfers/ Disposal Rs.	Balance As at 31 March 2022 Rs.
<b>Gross carrying amounts</b>				
<b>At Cost or Valuation</b>				
Freehold land	795,900,000	105,664,000	-	901,564,000
Freehold buildings	926,838,960	-	-	926,838,960
Building on leasehold land	2,790,034,292	86,676,948	(19,200,000)	2,857,511,240
Seawall -TrapBag Barrier	-	1,659,815	-	1,659,815
Road network	32,498,582	-	-	32,498,582
Furniture and fittings	408,884,817	43,039,939	(2,849,975)	449,074,781
Plant and machinery	335,013,995	27,397,724	(1,669,961)	360,741,758
Air conditioners	164,488,813	4,454,044	-	168,942,857
Kitchen equipment	153,203,562	9,399,554	(1,021,776)	161,581,340
Office equipment	7,403,317	-	-	7,403,317
Computer equipment	82,818,803	7,546,472	-	90,365,275
Crockery and cutlery	43,083,869	2,227,713	-	45,311,582
Linen	37,530,367	12,226,029	(18,889,783)	30,866,613
Fixtures and fittings	96,078,820	-	-	96,078,820
Motor vehicles	88,768,752	9,656,800	(20,955,357)	77,470,195
	5,962,546,949	309,949,038	(64,586,852)	6,207,909,135
<b>In the course of construction</b>	<b>Balance As at 01 April 2021 Rs.</b>	<b>Additions Rs.</b>	<b>Transfers/ Disposal Rs.</b>	<b>Balance As at 31 March 2022 Rs.</b>
Building work in progress	31,424,460	69,080,932	(30,000,000)	70,505,392
Total gross carrying amount	5,993,971,409	379,029,970	(94,586,852)	6,278,414,527

<b>Depreciation</b>	<b>Balance As at 01 April 2021 Rs.</b>	<b>Charge for the Year Rs.</b>	<b>Transfers/ Disposal Rs.</b>	<b>Balance As at 31 March 2022 Rs.</b>
<b>At Cost or Valuation</b>				
Freehold buildings	174,122,986	-	-	174,122,986
Building on leasehold land	452,895,655	76,292,584	(7,088,000)	522,100,239
Seawall -TrapBag Barrier	-	167,841	-	167,841
Road network	11,309,474	1,625,290	-	12,934,764
Furniture and fittings	209,128,144	27,317,400	(1,492,753)	234,952,791
Plant and machinery	190,332,929	29,337,787	(1,333,398)	218,337,318
Air conditioners	69,893,025	6,763,407	-	76,656,432
Kitchen equipment	93,064,415	10,649,042	(1,013,937)	102,699,520
Office equipment	5,882,422	968,556	-	6,850,978
Computer equipment	73,074,608	3,723,017	-	76,797,625
Crockery and cutlery	36,165,316	2,900,060	-	39,065,376
Linen	24,248,142	10,600,575	(16,545,929)	18,302,788
Fixtures and fittings	52,674,217	1,171,186	-	53,845,403
Motor vehicles	73,233,752	5,278,520	(20,955,357)	57,556,915
<b>Total Depreciation</b>	<b>1,466,025,085</b>	<b>176,795,265</b>	<b>(48,429,374)</b>	<b>1,594,390,976</b>

<b>Net Book Value</b>	<b>2022 Rs.</b>	<b>2021 Rs.</b>
<b>At cost or valuation</b>		
Freehold land	901,564,000	795,900,000
Freehold buildings	752,715,974	752,715,974
Building on leasehold land	2,335,411,001	2,337,138,637
Seawall -TrapBag Barrier	1,491,974	-
Road network	19,563,818	21,189,108
Furniture and fittings	214,121,990	199,756,673
Plant and machinery	142,404,440	144,681,066
Air conditioners	92,286,425	94,595,788
Kitchen equipment	58,881,820	60,139,147
Office equipment	552,339	1,520,895
Computer equipment	13,567,650	9,744,195
Crockery and cutlery	6,246,206	6,918,553
Linen	12,563,825	13,282,225
Fixtures and fittings	42,233,417	43,404,603
Motor vehicles	19,913,280	15,535,000
	<b>4,613,518,159</b>	<b>4,496,521,864</b>
<b>In the Course of Construction</b>		
Building work in progress	70,505,392	31,424,460
<b>Total Carrying Amount of Property , Plant and Equipment</b>	<b>4,684,023,551</b>	<b>4,527,946,324</b>

## Notes to the Financial Statements

### 16 PROPERTY, PLANT AND EQUIPMENT (CONTD.)

16.1.1 During the financial year, the group acquired property, plant and equipment to the aggregate value of Rs. 273,365,970/- (2021 - Rs. 20,173,676/-) including cost incurred on capital work in progress of which Rs. 69,080,932/- (2021 Rs. 2,295,507/-). Cash payments amounted to Rs. 273,365,970/- (2021 - Rs. 15,192,662/-) were made during the year for purchase of property, plant and equipment.

16.1.2 Information on the Freehold land, Freehold buildings, Leasehold land and Buildings on leasehold land of the group is as follows;

Company	Location	Ownership	Extent	No. of Buildings
Culture Club Resorts (Private) Limited	Dambulla	Freehold	0.406 Hectares	-
	Dambulla	Leasehold	8.094 Hectares	105
Kandyan Resorts (Private) Limited	Kandy	Freehold	4.82 Hectares	10
Sun Tan Beach Resorts Limited	Passikudah	Leasehold	3.9 Hectares	7

#### 16.1.3 Revaluation of land

Freehold lands of the Group were revalued by Messers. P.B. Kalugalagedara, an independent valuer and consultant in report dated 31 March 2022. The fair value of lands were determined using the market comparable method. This means that valuations performed by the valuer are based on active market prices, adjusted for differences in the nature, location or condition of the specific property. Management has recorded the carrying value of the land approximate the fair value as at 31 March 2022.

Fair Value Measurement disclosures for revalued lands are provided in note 15.

#### Significant unobservable valuation

Price per perch	Range Rs.
- Kandyan Resorts (Pvt) Ltd	Rs.250,000/- to Rs.750,000/-
- Culture Club Resorts (Pvt) Ltd	Rs. 40,000/-
- Sun Tan Beach Resorts (Pvt) Ltd	Rs. 110,000/-

If lands were measured using the cost model, the carrying amount would be Rs. 127,587,077/-.

16.1.4 Property, Plant and Equipment recognised above include fully depreciated assets having a gross carrying amount of Rs. 152,187,238 (2021- Rs. 216,910,963/-).

16.1.5 The Group has assessed the fair value of the Buildings as at reporting date through an independent valuation using level 3 measurements. Based on the independent valuation, fair value of the buildings as at reporting date is Rs. 4,541,055,813/-. Buildings are carrying at cost model and resulting gain has not been recognised in the financial statements. Price per sq. ft is vary from Rs. 2,500 – Rs. 9,000/- which considered as the significant unobservable input to the valuation.

Based on management's assessments, no impairment provision is recognised on property, plant and equipment of the Group.

16.2 Company	Balance As at 01 April 2021 Rs.	Additions Rs.	Transfers/ Disposal Rs.	Balance As at 31 March 2022 Rs.
<b>Gross Carrying Amounts</b>				
<b>At Cost</b>				
Motor vehicles	37,400,000	9,656,800	(13,500,000)	33,556,800
Furniture and fittings	14,905,166	-	-	14,905,166
Office equipment	8,716,346	-	-	8,716,346
Computer equipment	14,577,347	2,627,957	-	17,205,304
<b>Total Gross Carrying Amount</b>	<b>75,598,859</b>	<b>12,284,757</b>	<b>(13,500,000)</b>	<b>74,383,616</b>

<b>Depreciation</b>	Balance As at 01 April 2021 Rs.	Charge for the year Rs.	Transfers/ Disposal Rs.	Balance As at 31 March 2022 Rs.
<b>At Cost</b>				
Motor vehicles	21,865,000	5,278,520	(13,500,000)	13,643,520
Furniture and fittings	4,518,095	600,500	-	5,118,595
Office equipment	4,581,910	787,248	-	5,369,158
Computer equipment	12,232,343	2,846,865	-	15,079,208
<b>Total depreciation</b>	<b>43,197,348</b>	<b>9,513,133</b>	<b>(13,500,000)</b>	<b>39,210,481</b>

<b>Net Book Values</b>	2022 Rs.	2022 Rs.
<b>At Cost</b>		
Motor vehicles	19,913,280	15,535,001
Furniture and fittings	9,786,571	10,387,070
Office equipment	3,347,188	4,134,436
Computer equipment	2,126,096	2,345,004
<b>Total carrying amount of property , plant and equipment</b>	<b>35,173,135</b>	<b>32,401,511</b>

- 16.2.1 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 12,284,757/- (2021 - Rs. 1,448,647/-). Cash payments amounted to Rs. 12,284,757/- (2021 - Rs. 1,448,647/-) were made during the year for purchase of Property, Plant and Equipment.
- 16.2.2 Property, Plant and Equipment recognised above include fully depreciated assets having a gross carrying amount of Rs. 12,051,948 (2021- Rs. 21,943,020/-).

## Notes to the Financial Statements

### 17 RIGHT OF USE ASSETS

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Leasehold Lands	32,127,017	8,728,417	-	-
Leasehold Motor vehicles	5,270,000	7,130,000	-	-
Leasehold Office equipment (CCTV)	9,037,602	11,837,349	-	-
	46,434,619	27,695,766	-	-

Note 4.6.1 & Note 30.2 provides the further details of the lease contracts.

#### 17.1 Nature of the leasehold properties

	Lessor	Lease Term	Annual Rental 2022	Annual Rental 2021
Lands	SLTDA/BOI/Mr. N.Senarathna	1992 - 2042	5,139,600	639,600
Motor vehicles	HNB	2020 - 2022	551,820	551,820
Office equipment- CCTV	Singer Finance (Lanka) PLC	2020 - 2025	3,876,840	3,876,840

#### 17.2 Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
As at 01 April	27,695,766	23,351,449	-	5,209,375
Additions during the year	27,487,219	13,620,388	-	-
Derecognitions	-	(5,209,375)	-	(5,209,375)
Amortisation expenses	(8,748,366)	(4,066,696)	-	-
As at 31 March 2022	46,434,619	27,695,766	-	-

	Lands	Motor Vehicles	CCTV	Total
As at 01 April 2021	8,728,417	7,130,000	11,837,349	27,695,766
Additions during the year	27,487,219	-	-	27,487,219
Amortisation expenses	(4,088,619)	(1,860,000)	(2,799,747)	(8,748,366)
As at 31 March 2022	32,127,017	5,270,000	9,037,602	46,434,619

#### 17.3 The following are the amounts recognised in profit or loss in respect of ROU Assets and related Lease liabilities:

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Amortisation expense of right-of-use assets	8,748,366	4,066,696	-	-
Interest expense on lease liabilities	5,012,943	2,924,379	-	-
Total amount recognised in profit or loss	13,761,309	6,991,075	-	-



## 18 INTANGIBLE ASSETS

### 18.1 Group

	2022	2021
	Rs.	Rs.
Goodwill on Business Combinations	-	137,863,688
	-	137,863,688

The Goodwill recognised on acquisition of Sun Tan Beach Resorts Limited in year ended 31 March 2015 has been classified as intangible assets. The management has derecognised the goodwill arising from business combination as at 31 March 2022.

#### Impairment assessment of Goodwill

The Group performed its annual impairment test in 31 March 2022 and 2021. Impairment test was based on the Value in use calculation of Sun Tan Beach Resort Limited. The value in use calculation is based on a discounted cash flow model.

The cash flows are derived from the most recent forecast and does not include the restructuring activities that the group is yet commit or any significant future investments that will enhance the asset's performance of the cash generating unit being tested. In addition, the overall decline in the tourism industry due to the current pandemic is also considered in developing the forecast as the tourism industry may take reasonable time to recover. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

The key assumptions used to determine the recoverable amount for the different cash generating units are as follows.

#### Gross Margins

The basis used to determine the value assigned to the forecasted gross margins is the gross margins achieved in the preceding year duly adjusted for projected market conditions.

#### Discount Rates

The discount rate used is the weighted average cost of capital of the CGU, which is 10%.

#### Inflation

inflation has been adjusted based on the current economic conditions.

#### Volume Growth

Volume growth has been forecasted on a reasonable and realistic basis by taking into account the growth rates of past five years, Cash flows beyond the fifth year period are extrapolated using 1% growth rate.

#### Occupancy

Occupancy has been projected based on the historical trend and the projections given by World Travel Organisation (WTO) for Sun Tan Beach Resorts Limited.

#### Average Room Rates (ARR)

ARR is expected to increase year on year by 3% and Rupee devaluation has also been considered.

#### Impairment of Investment in Subsidiary

Based on the impairment test carried out, it was evident to impair an amount of Rs. 91,411,934/- against investment in Sun Tan Beach Resorts Limited.

## Notes to the Financial Statements

### 19 INVESTMENT IN SUBSIDIARIES

Company	Holding		Carrying Amount	
	2022 %	2021 %	2022 Rs.	2021 Rs.
<b>19.1 Non-Quoted Investment in Subsidiaries</b>				
Kandyan Resorts (Private) Limited	100%	100%	323,612,971	323,612,971
Culture Club Resorts (Private) Limited	100%	100%	392,749,255	392,749,255
Sun Tan Beach Resorts Limited (Note 19.1.1)	82.44%	82.44%	553,178,404	644,590,338
Lake Lodge (Private) Limited	0%	80%	-	24,000,000
<b>Total Non-Quoted Investment in Subsidiaries</b>			<b>1,269,540,630</b>	<b>1,384,952,564</b>

#### 19.1.1 Reconciliation of cost of investment of Sun Tan Beach Resorts Limited.

	2022 Rs.	2021 Rs.
Balance 01 April	968,690,672	568,311,044
Rights issue	-	400,379,628
Balance 31 March	968,690,672	968,690,672

#### 19.1.2 Accumulated impairment on investment of Sun Tan Beach Resorts Limited.

Balance 01 April	324,100,334	274,804,433
Impairment charge for the year	91,411,934	49,295,901
Balance 31 March	415,512,268	324,100,334
Carrying amount of investment in Sun Tan Beach Resorts Limited	553,178,404	644,590,338

### 19.2 Material Partly-Owned Subsidiary

Financial information of the subsidiaries that have material Non-Controlling interest is provided below.

#### Proportion of equity interest held by Non-Controlling interests:

Company Name	Incorporation	2022	2021
Sun Tan Beach Resorts Limited	Sri Lanka	17.56%	17.56%
Lake Lodge (Private) Limited	Sri Lanka	-	20%

#### Accumulated balances of material Non-Controlling Interest

Company Name	Incorporation	2022	2021
Sun Tan Beach Resorts Limited	Sri Lanka	(52,790,436)	19,491,385
Lake Lodge (Private) Limited	Sri Lanka	-	6,000,000
		(52,790,436)	25,491,385

19.2.1 The Summarised financial information of the Sun Tan Beach Resorts Limited are provided below

<b>Summarised Statement of Financial Position</b>	<b>2022</b>	<b>2021</b>
Current Assets	230,597,021	265,299,086
Non Current Assets	2,653,065,393	1,609,406,401
Current Liabilities	1,375,655,978	816,451,492
Non Current Liabilities	728,468,072	947,273,451
Total Equity	779,538,366	110,980,544
Attributable to:		
Equity holders of the parent	832,328,801	91,489,159
Non-controlling interest	(52,790,436)	19,491,385

<b>Summarised Statement of Profit or Loss</b>	<b>2022</b>	<b>2021</b>
Revenue	219,171,794	73,336,042
Cost of Sales	230,200,955	(140,122,538)
Administrative expenses	124,922,543	(94,759,491)
Finance costs	310,868,957	(219,533,224)
Loss before tax	(417,895,928)	(385,042,959)
Income tax	(2,608,834)	(19,366)
Loss for the year	(420,504,762)	(385,062,325)

Total comprehensive loss	(421,126,951)	(325,787,014)
Attributable to Non-Controlling Interest	(72,281,821)	(57,217,973)

<b>Summarised statement of cash flows</b>	<b>2022</b>	<b>2021</b>
Cash flows used in Operating activities	(235,325,703)	(16,125,132)
Cash flows from/ (used in) Investing activities	(24,580,297)	457,404
Cash flows from Financing activities	288,985,753	38,760,629
Net increase in cash and cash equivalents	29,079,753	23,092,901

19.3 Disposal of Subsidiary

On 04 May 2021, the Company disposed of its 80% interest in Lake Lodge (Private) Limited for a cash consideration of Rs. 30,592,800/- . Sales proceed as follows:

	<b>Rs.</b>
<b>Assets</b>	
Property, plant and equipment	30,000,000
<b>Liabilities</b>	
Equity interest held by Non-Controlling interests	(6,000,000)
Net assets directly associated with Hayleys Leisure PLC	24,000,000
Purchase consideration transferred	30,592,800
Net assets directly associated with Hayleys Leisure PLC	(24,000,000)
Gain on disposal of subsidiary	6,592,800

## Notes to the Financial Statements

### 20 OTHER FINANCIAL ASSETS

	2022 Rs.	2021 Rs.
<b>Current</b>		
Financial assets at fair value through profit or loss		
Quoted investments in equity shares (Note 20.1)	1,135,218	1,016,424
	1,135,218	1,016,424
<b>Non-Current</b>		
Equity instruments designated at fair value through OCI		
Quoted investments in equity shares (Note 20.2)	-	134,051,200
Non-Quoted investments in equity securities (Note 20.3)	10	10
	10	134,051,210
Debt instruments at amortised cost		
Related party receivables (Note 20.4)	265,877,271	265,877,271
<b>Total other financial assets</b>	<b>267,012,499</b>	<b>400,944,905</b>
<b>Total current</b>	<b>1,135,218</b>	<b>1,016,424</b>
<b>Total non-current</b>	<b>265,877,281</b>	<b>399,928,481</b>

#### 20.1 Fair Value through Profit or Loss

Quoted investments in equity securities Group/Company	No. of Shares		Cost	Market Value	Cost	Market Value
	2022	2021	2022	2022	2021	2021
			Rs.	Rs.	Rs.	Rs.
The Fortress Resorts PLC	90,075	90,075	646,349	1,125,938	646,349	1,008,840
LB Finance PLC	160	40	3,029	9,280	3,029	7,584
	90,235	90,115	649,378	1,135,218	649,378	1,016,424
Fair value adjustment of investments			485,840	-	367,046	-
<b>Total Quoted investments in equity securities</b>			<b>1,135,218</b>	<b>1,135,218</b>	<b>1,016,424</b>	<b>1,016,424</b>

#### 20.2 Fair Value through OCI

Quoted investments in equity securities Group/Company	No. of Shares		Cost	Market Value	Cost	Market Value
	2022	2021	2022	2021	2021	2021
			Rs.	Rs.	Rs.	Rs.
Royal Ceramics Lanka PLC	-	521,600	-	-	62,070,400	134,051,200
	-	521,600	-	-	62,070,400	134,051,200
Fair value adjustment of investments			-	-	71,980,800	-
<b>Total Quoted Investments in Equity Securities</b>			<b>-</b>	<b>-</b>	<b>134,051,200</b>	<b>134,051,200</b>

Fair Value of quoted investments designated as fair value through other comprehensive income and fair value through profit or loss are derived from quoted market price of Colombo Stock Exchange (CSE) as at each reporting date. Valuation of current year was based on the CSE closing prices of 31 March 2022.

20.3	Non-quoted investments in equity securities	No. of Shares		Carrying Value	Carrying Value
		2022	2021	2022 Rs.	2021 Rs.
	La Forteresse (Private) Limited	1	1	10	10
	<b>Total non-quoted Investments in equity securities</b>	<b>1</b>	<b>1</b>	<b>10</b>	<b>10</b>

Based on the Management's valuation, the fair value changes are immaterial to the financial statements and no adjustments made to the financial statements.

#### 20.4 Debt instruments at amortised cost

	2022 Rs.	2021 Rs.
Luxury Resort (Private) Limited	265,877,271	265,877,271

#### TERMS OF REPAYMENT

Interest rate LIBOR+Premium

Tenure 5 Yrs

### 21 OTHER FINANCIAL LIABILITIES

#### 21.1 Interest Bearing Loans and Borrowings - Group

	2022 Amount Repayable Within 1 Year Rs.	2022 Amount Repayable After 1 Year Rs.	2022 Total Rs.	2021 Amount Repayable Within 1 Year Rs.	2021 Amount Repayable After 1 Year Rs.	2021 Total Rs.
Bank Loans (Note 21.1)	1,183,601,740	1,003,394,879	2,186,996,619	630,399,692	1,033,084,116	1,663,483,808
Lease Liability (Note 21.3)	10,969,605	35,623,364	46,592,969	7,925,995	16,295,450	24,221,445
Bank Overdrafts (Note 24)	542,287,266	-	542,287,266	336,120,997	-	336,120,997
	<b>1,736,858,611</b>	<b>1,039,018,243</b>	<b>2,775,876,854</b>	<b>974,446,684</b>	<b>1,049,379,566</b>	<b>2,023,826,251</b>

21.1.1	Bank Loans	Balance As at 01.04.2021 Rs.	Loans Obtained/ Interest Capitalised Rs.	Foreign Currency Conversion Rs.	Repayments Rs.	Balance As at 31.03.2022 Rs.
	Hatton National Bank - LKR TL	796,435,272	27,529,424	-	(2,700,000)	821,264,696
	Hatton National Bank - USD TL	466,021,164	16,387,251	233,051,778	-	715,460,193
	DFCC Bank - LKR TL	251,027,372	15,060,610	-	-	266,087,982
	Pan Asia Banking Corporation PLC	75,000,000	444,778	-	(2,372,140)	73,072,638
	Bank of Ceylon	75,000,000	-	-	(13,888,890)	61,111,110
	Sampath Bank	-	250,000,000	-	-	250,000,000
		<b>1,663,483,808</b>	<b>309,422,063</b>	<b>233,051,778</b>	<b>(18,961,030)</b>	<b>2,186,996,619</b>

## Notes to the Financial Statements

### 21 OTHER FINANCIAL LIABILITIES (CONTD.)

#### Terms and Conditions of the Loans

The repayment terms of borrowing and the security offered to each loan (other than leases) are set out below;

#### Interest Bearing Loans and Borrowings - Group

	PABC - Rs. 25 Mn	BOC - Rs. 25 Mn	DFCC - Rs. 400 Mn	HNB - Rs. 280 Mn	HNB - Rs. 125 Mn	HNB - USD 3 Mn	HNB - Rs. 300 Mn	SAMPATH - Rs. 250 Mn
Rate of Interest	Fixed	Fixed	AWPLR +Premium	AWPLR +Premium	AWPLR +Premium	3 Months LIBOR +Premium	AWPLR +Premium	AWPLR +Premium
- Instalments	Rs. 5,357,143/- P.m	Rs. 4,513,889/- P.m	Rs. 6,666,667/- P.m	Rs. 4,772,000/- P.m	Rs. 2,668,000/- P.m	USD 57,750 P.m	On demand	Rs. 3,000,000/- P.m
- Term	3 Years	3 Years	3 Years & 3 Months	10 Years & 10 Months	7 Years & 2 Months	9 Years & 1 Months	Revolving	8 Years
- Security offered	Letter of comfort from Hayleys PLC		Leasehold Right of the land and Hotel building belongs to Sun Tan Beach Resorts Ltd				CG of HL PLC	

\*P.m - Per Month / CG - Corporate Guarantee / HL PLC - Hayleys Leisure PLC

### 21.2 Interest Bearing Loans and Borrowings - Company

	2022 Amount Repayable Within 1 Year Rs.	2022 Amount Repayable After 1 Year Rs.	2022 Total Rs.	2021 Amount Repayable Within 1 Year Rs.	2021 Amount Repayable After 1 Year Rs.	2021 Total Rs.
Bank Loans (Note 21.2.1)	26,584,256	8,439,897	35,024,153	20,833,333	29,166,667	50,000,000
Bank Overdrafts (Note 24)	280,511,493	-	280,511,493	119,106,254	-	119,106,254
	307,095,749	8,439,897	315,535,646	139,939,587	29,166,667	169,106,254

21.2.1 Bank Loans -Company	Balance As at 01.04.2021 Rs.	Loans Obtained/ Interest Capitalised Rs.	Foreign Currency Conversion Rs.	Repayments Rs.	Balance As at 31.03.2022 Rs.
Pan Asia Banking Corporation PLC	25,000,000	-	-	(1,086,957)	23,913,043
Bank of Ceylon	25,000,000	-	-	(13,888,890)	11,111,110
	50,000,000	-	-	(14,975,847)	35,024,153

#### Terms and Conditions of the Loans

The repayment terms of borrowing and the security offered to each loan (other than leases) are set out below;

	PABC - Rs. 25 Mn	BOC - Rs. 25 Mn
Rate of Interest	Fixed	Fixed
- Term of Repayment - Capital	Rs. 1,785,714/- P.m	Rs. 1,388,889/- P.m
- Term	3 Years	2 Years
- Security offered	Letter of comfort from Hayleys PLC	

\*P.m - Per Month

**21.3 Lease Liability**

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Opening Balance	24,221,445	20,265,851	-	7,548,395
Additions	27,487,219	13,248,253	-	-
Derecognition	-	(7,548,395)	-	(7,548,395)
Gross payments	(10,128,638)	(2,970,200)	-	-
Interest accrued on lease liabilities	5,012,943	1,225,936	-	-
Closing Balance	46,592,969	24,221,445	-	-
Current	10,969,605	7,925,995	-	-
Non-Current	35,623,364	16,295,450	-	-

**22 INVENTORIES**

	Group	
	2022 Rs.	2021 Rs.
Food and beverages	42,113,554	17,830,279
Housekeeping and maintenance	21,963,004	16,919,067
Printing and stationery	6,734,003	2,546,979
Consumable and other	2,585,784	4,295,830
Inventory Provision	(519,936)	-
	72,876,409	41,592,155

**23 TRADE AND OTHER RECEIVABLES**

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Trade Receivables	95,656,578	65,059,938	16,811,698	45,198,336
Less - Impairment made from trade receivables	(21,715,215)	(15,244,548)	(16,811,698)	-
	73,941,363	49,815,390	-	45,198,336
Other Receivables	44,381,847	25,181,054	16,864,615	16,436,636
Other receivables from related parties (Note 23.1)	136,007,612	1,231,355	141,579,307	11,468,392
Amount due from Non-Hayleys Related Parties	18,000	-	-	-
Provision for doubtful receivables	-	-	(11,468,398)	(11,468,398)
	254,348,822	76,227,799	146,975,524	61,634,967

## Notes to the Financial Statements

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

23.1	Other receivables from related parties	Relationship	Group		Company	
			2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
	Hayleys PLC	Ultimate Parent	10,250	-	-	-
	Connaissance Hotel Management (Private) Limited	Subsidiary	-	-	1,593,187	1,593,187
	CDC Conventions (Private) Limited	Subsidiary	-	-	6,924,293	6,924,293
	Connaissance Air Travels (Private) Limited	Subsidiary	-	-	2,950,912	2,950,912
	The Kingsbury PLC	Affiliate	71,452,559	-	71,452,559	-
	Kelani Valley Resorts (Private) Limited	Affiliate	9,070	-	-	-
	Hayleys Aventura (Private) Limited	Affiliate	1,575,550	-	-	-
	Eastern Hotels (Private) Limited	Affiliate	1,701,369	1,165,824	-	-
	Luxury Resorts (Private) Limited	Affiliate	58,658,356	-	58,658,356	-
	Singer Sri Lanka PLC	Affiliate	46,000	-	-	-
	Lake Lodge (Pvt) Ltd	Affiliate	-	65,531	-	-
	Hayleys Travels (Private) Limited	Affiliate	171,708	-	-	-
	Hayleys Advantis	Affiliate	1,631,850	-	-	-
	Fentons Ltd	Affiliate	108,000	-	-	-
	Hayleys Agriculture Holdings Limited	Affiliate	99,900	-	-	-
	Hayleys Fabric	Affiliate	543,000	-	-	-
			136,007,612	1,231,355	141,579,307	11,468,392

- Trade and Other Receivables are non interest bearing and generally on 30-120 day terms.

### 23.2 As at 31 March, the aging analysis of trade receivables of group is as follows,

	Total	Neither past due nor impaired	Past due but not impaired				
			> 60 days	61-120 days	121-180 days	181-365 days	>365 days
2022	73,941,363	52,948,592	10,371,109	9,112,023	1,509,639	-	-
2021	49,815,390	7,498,027	5,109,024	1,706,914	103,030	35,398,395	-

#### Provision matrix and impairment of debtors

Management has carried out an impairment provision based on the simplified approach of Expected Credit Loss (ECL) method and no impairment provision has been accounted for trade debtors as the ECL is insignificant. Management considered 100% ECL for debtors aged more than 180 days in determining the provision matrix for ECL.



## 24 CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT

Components of Cash and Cash Equivalents	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
<b>Favourable Cash and Cash Equivalent Balances</b>				
Cash and Bank Balances	245,792,771	211,932,233	61,750,957	87,039,326
Short Term Deposits	1,726,547	1,630,766	1,726,547	1,630,766
<b>Unfavourable Cash and Cash Equivalent Balances</b>				
Bank Overdraft	(542,287,266)	(336,120,997)	(280,511,493)	(119,106,254)
<b>Total Cash and Cash Equivalents for the Purpose of statement of cash flows</b>	<b>(294,767,948)</b>	<b>(122,557,998)</b>	<b>(217,033,989)</b>	<b>(30,436,162)</b>

The bank overdrafts are secured by the leasehold property of the Sun Tan Beach Resort Limited. Interest rate on bank overdrafts is AWPLR + Premium.

Short Term Deposits are held with registered financial institutions with less than 3 months maturity period.

## 25 STATED CAPITAL

	Group/Company			
	2022		2021	
	Number	Rs.	Number	Rs.
Fully paid Ordinary Shares	107,989,958	909,370,708	107,989,958	909,370,708
	107,989,958	909,370,708	107,989,958	909,370,708

### 25.1 Fully Paid Ordinary Shares

	Group/Company			
	2022		2021	
	Number	Rs.	Number	Rs.
As at 1st April	107,989,958	909,370,708	53,994,979	909,370,708
Effect of share split	-	-	53,994,979	-
As at 31st March	107,989,958	909,370,708	107,989,958	909,370,708

## 26 RESERVES

### 26.1 Revaluation Reserve

	Group	
	2022 Rs.	2021 Rs.
<b>On Property, Plant and Equipment</b>		
As at 01 April	423,793,731	423,793,731
Revaluation during the year (Note 16.1.3)	105,664,000	-
Deferred tax on revaluations	(66,551,278)	-
As at 31 March	462,906,453	423,793,731

## Notes to the Financial Statements

### 26 RESERVES (CONTD.)

#### 26.2 Fair Value Reserve of Financial Assets at FVOCI

	Group/Company	
	2022 Rs.	2021 Rs.
As at 1st April	71,980,800	(32,912,960)
(Loss) / Gain on Available for Sale Financial Assets	111,559,382	-
Transfers	(183,540,182)	104,893,760
As at 31st March	-	71,980,800

#### 26.3 Cash Flow Hedge Reserve

	2022 Rs.	2021 Rs.
As at 1st April	-	(27,574,298)
Net Gain /(Loss) on Cash Flow Hedge recognised during the year	-	-
Transfer to non-controlling interests	-	-
Transfer of Cash Flow Hedge Reserve to Revenue	-	-
Reversal of Cash flow hedge	-	27,574,298
As at 31st March	-	-

#### 26.4 Nature and Purpose of Reserves

The property, plant and equipment revaluation surplus is used to record increases and decreases on the revaluation of non-current assets. In the event of a sale of an asset, any balance in the reserve in relation to the asset is transferred to retained earnings. The unrealised amounts cannot be distributed to shareholders.

The Group has elected to recognise changes in the fair value of certain investments in equity securities in OCI. These changes are accumulated within the FVOCI reserve within the equity statement. The group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

**27 TRADE AND OTHER PAYABLES**

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Trade payables	90,542,508	200,485,442	604,525	121,251,575
Other payables to related parties (Note 27.1)	222,085,268	8,070,003	262,015,402	693,915,291
Sundry creditors including accrued expenses	93,018,315	77,266,608	6,320,198	16,280,976
	405,646,091	285,822,053	268,940,125	831,447,842

**27.1**

Other Payables to Related Parties	Relationship	Group		Company	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Hayleys PLC	Ultimate Parent	213,332,457	918,601	206,324,418	918,601
Kandyan Resorts (Private) Limited	Subsidiary	-	-	27,290,386	316,885,807
Culture Club Resorts (Private) Limited	Subsidiary	-	-	10,588,303	236,081,256
Sun Tan Beach Resorts Limited	Subsidiary	-	-	13,151,638	132,878,225
The Kingsbury PLC	Affiliate	32,695	-	-	-
Hayleys Business Solutions (Pvt) Ltd	Affiliate	300,240	-	72,360	-
Hayleys Agriculture Holdings Limited	Affiliate	705,402	-	-	-
Hayleys Aventura (Private) Limited	Affiliate	298,442	-	-	-
Mabroc Teas (Pvt) Ltd	Affiliate	207,205	-	-	-
Logiwiz Limited	Affiliate	46,656	-	46,656	-
Hayleys Electronics Lighting (Pvt) Ltd	Affiliate	226,330	-	-	-
Kelanivalley Resorts (Private) Limited	Affiliate	4,541,641	7,151,402	4,541,641	7,151,402
Singer (Sri Lanka) PLC	Affiliate	70,195	-	-	-
Puritas (Pvt) Ltd	Affiliate	54,001	-	-	-
Fentons Ltd	Affiliate	2,270,004	-	-	-
		222,085,268	8,070,003	262,015,402	693,915,291

## Notes to the Financial Statements

### 28 RETIREMENT BENEFIT OBLIGATION

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
<b>Defined Benefit Obligation - Gratuity</b>				
Defined benefit obligation as at the beginning of the year	46,676,237	56,016,414	7,408,551	7,232,657
Employee transfer	(357,491)	(113,650)	(563,037)	-
Service cost	4,854,410	2,579,373	977,895	248,791
Interest cost	3,032,876	4,845,373	362,384	675,141
Actuarial (gain)/loss	447,318	(4,452,300)	(44,233)	(748,038)
Benefit paid	(19,243,617)	(12,198,973)	(5,194,460)	-
Defined benefit obligation as at the end of the year	35,409,733	46,676,237	2,947,100	7,408,551

The expenses are recognised in the following line items in the statement of profit and loss and other comprehensive income.

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Statement of profit and loss	7,529,795	7,311,096	777,242	923,932
Other comprehensive income	447,318	(4,452,300)	(44,233)	(748,038)
	7,977,113	2,858,796	733,009	175,894

Messrs. Actuarial & Management Consultants (Private) Limited, an independent actuaries, carried out an actuarial valuation of the defined benefit plan gratuity on March 31, 2022. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used are as follows:

	2022	2021
Discount Rate	15%	8%
Future Salary Increment Rate	13.5%	7%

28.1	Sensitivity of the principal assumptions used	Expected Future Salaries		Discount Rate	
		1% increase Rs.	1% decrease Rs.	1% increase Rs.	1% decrease Rs.
<b>Company</b>					
	Change in present value of defined benefit obligation	3,193,215	2,725,318	2,739,631	3,180,710
<b>Group</b>					
	Change in present value of defined benefit obligation	9,949,833	8,875,869	8,824,667	9,904,518

### 28.2 Maturity analysis of the payments

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Within the next 12 months	5,487,260	7,452,867	211,796	978,106
Between 1 to 5 years	13,362,405	21,567,088	995,626	2,942,282
Between 5 to 10 years	8,976,794	10,993,177	968,670	1,545,282
More than 10 years	7,583,274	6,663,105	771,009	1,942,881
	35,409,733	46,676,237	2,947,101	7,408,551

## 29 OTHER CURRENT NON-FINANCIAL LIABILITIES

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Contract liabilities (Note 29.1)	87,838,764	92,613,356	52,953,189	66,310,370
	87,838,764	92,613,356	52,953,189	66,310,370

### 29.1 Contract liabilities

Opening balance	92,613,356	50,084,582	66,310,370	-
Advance received during the year	553,526,335	106,527,263	108,943,533	66,310,370
Refunds due to cancellation of bookings	(3,314,907)	-	(2,226,808)	-
Setoff against the receivables	(554,986,020)	(63,998,489)	(120,073,906)	-
Closing balance	87,838,764	92,613,356	52,953,189	66,310,370

## 30 COMMITMENTS AND CONTINGENCIES

### 30.1 Capital Expenditure Commitments

Group has no Capital Expenditure approved by the Board which is not provided for in the financial statements.

### 30.2 Lease Commitments

The Group has entered in to lease contracts for lands, buildings, motor vehicles and office equipment. Future minimum lease payments under lease contracts together with the present value of the net minimum lease payments are as follows:

	Group		Company	
	Minimum payments Rs.	Present value of payments Rs.	Minimum payments Rs.	Present value of payments Rs.
Within one year	11,360,463	10,733,889	-	-
After one year but not more than five years	42,348,827	31,715,724	-	-
More than five years	8,899,115	4,136,716	-	-
Total minimum lease payments	62,608,405	46,586,329	-	-
Less - Amounts representing finance charges	(16,022,076)	-	-	-
Present value of minimum lease payments	46,586,329	46,586,329	-	-

### 30.3 Contingent Liabilities

There are no any contingent liabilities as at the reporting date.

## 31 ASSETS PLEDGED

The following assets have been pledged as securities as at reporting date.

Nature of Assets Pledged	Nature of Liability	Carrying Amount Pledged		Included Under
		2022 Rs.	2021 Rs.	
Leasehold Right of the land and Hotel building belongs to Sun Tan Beach Resorts Ltd	Refer Note 21 and 24	1,818,529,161	1,352,121,818	Property, Plant and Equipment and ROU Assets

## Notes to the Financial Statements

### RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

#### 32.1

Transaction with the Related Entities Nature of Transaction	Parent Company		Subsidiary Companies		Other Companies		Total	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Recurring related party transactions								
<b>As at 01 April</b>	<b>(141,387,542)</b>	<b>(89,935,599)</b>	<b>(674,376,896)</b>	<b>(460,653,414)</b>	<b>266,926,395</b>	<b>220,597,244</b>	<b>(548,838,042)</b>	<b>(329,991,769)</b>
Rendering/ obtaining services	<b>(67,337,089)</b>	<b>(197,884,569)</b>	-	-	<b>(2,803,407)</b>	<b>(2,395,824)</b>	<b>(70,140,496)</b>	<b>(200,280,393)</b>
Management fees	-	-	<b>3,600,000</b>	<b>2,592,000</b>	-	-	<b>3,600,000</b>	<b>2,592,000</b>
Interest Income	-	-	<b>29,916,347</b>	<b>29,916,347</b>	-	-	<b>29,916,347</b>	<b>29,916,347</b>
Commission income	-	-	<b>42,712,013</b>	<b>17,848,675</b>	<b>78,786,790</b>	<b>16,948,666</b>	<b>121,498,803</b>	<b>34,797,341</b>
Expenses incurred by the company on behalf of Others	-	-	<b>74,226,044</b>	<b>25,108,135</b>	<b>50,086,733</b>	<b>5,839,379</b>	<b>124,312,777</b>	<b>30,947,514</b>
Dividend	-	-	<b>279,800,280</b>	<b>279,800,280</b>	-	-	<b>279,800,280</b>	-
Settlement of liabilities by the company on behalf of others	-	-	<b>22,666,772</b>	<b>44,251,511</b>	-	<b>17,890,741</b>	<b>22,666,772</b>	<b>62,142,252</b>
Collection made on behalf of the company	-	-	<b>(98,441,968)</b>	<b>(92,644,375)</b>	<b>(1,541,908)</b>	-	<b>(99,983,876)</b>	<b>(92,644,375)</b>
Collections made by the company on behalf of the Others	-	-	-	-	-	<b>(1,685,327)</b>	-	<b>(1,685,327)</b>
Net fund transfers	-	-	<b>310,251,820</b>	<b>189,500,200</b>	-	<b>22,103,050</b>	<b>310,251,820</b>	<b>211,603,250</b>
Settlements by the company	<b>2,400,213</b>	<b>146,432,626</b>	-	-	-	<b>2,050,958</b>	<b>2,400,213</b>	<b>148,483,584</b>
Settlements to the company	-	-	-	-	<b>(30,043,421)</b>	<b>(14,422,492)</b>	<b>(30,043,421)</b>	<b>(14,422,492)</b>
Rights issue	-	-	-	<b>(400,379,628)</b>	-	-	-	<b>(400,379,629)</b>
<b>As at 31 March</b>	<b>(206,324,418)</b>	<b>(141,387,542)</b>	<b>(39,561,935)</b>	<b>(674,376,896)</b>	<b>391,327,529</b>	<b>266,926,395</b>	<b>145,441,176</b>	<b>(548,838,043)</b>
<b>Included in</b>								
Amounts due from related parties	-	-	<b>11,468,392</b>	<b>11,468,392</b>	<b>130,110,915</b>	<b>180,152,006</b>	<b>141,579,307</b>	<b>191,620,398</b>
Amounts due to related parties	<b>(206,324,418)</b>	<b>(141,387,542)</b>	<b>(51,030,327)</b>	<b>(685,845,288)</b>	<b>(4,660,657)</b>	<b>(8,178,461)</b>	<b>(262,015,402)</b>	<b>(835,411,291)</b>
Other non current financial assets	-	-	-	-	<b>265,877,271</b>	<b>94,952,850</b>	<b>265,877,271</b>	<b>94,952,850</b>
	<b>(206,324,418)</b>	<b>(141,387,542)</b>	<b>(39,561,935)</b>	<b>(674,376,896)</b>	<b>391,327,529</b>	<b>266,926,395</b>	<b>145,441,176</b>	<b>(548,838,043)</b>

### 32.2 Transactions Carried out by Subsidiaries with other Related Parties

	2022 Rs.	2021 Rs.
As at 1st April	(3,200,374)	1,316,482
Goods / Services obtained	57,793,332	2,458,964
Settlements made	(55,635,715)	(6,975,820)
As at 31 March	(1,042,756)	(3,200,374)

Parent: Hayleys PLC

Subsidiaries: Culture Club Resorts (Private) Limited, Kandyan Resorts (Private) Limited, CDC Conventions (Private) Limited, Connaissance Air Travels (Private) Limited, Connaissance Hotel Management (Private) Limited and Sun Tan Beach Resorts Limited.

Other Companies: The Kingsbury PLC, Luxury Resort (Pvt) Ltd, Hayleys Business Solutions International (Pvt) Ltd, Hayleys Travels (Pvt) Ltd, Singer (Sri Lanka) PLC, Kelanivalley Resorts (Pvt) Ltd, Hayleys Aventura (Private) Limited, Eastern Hotels (Private) Limited, Hayleys Advantis, Hayleys Fabric, Hayleys Agriculture Holdings Limited, Mabroc Teas (Pvt) Ltd, Puritas (Pvt) Ltd,

#### 33.2.1 Non-recurrent related party transactions

There were no non-recurrent related party transactions which in aggregate value exceeds 10% of the equity or 05% of the total assets whichever is lower of the Group as per 31 March 2022 audited financial statements, which required additional disclosures in the 2021/22 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13(c) of the Security Exchange Commission Act.

#### 33.2.2 Recurrent related party transactions:

Except for the below, there were no recurrent related party transactions which in aggregate value exceeds 10% of the revenue of the Group as per 31 March 2022 audited financial statements, which required additional disclosures in the 2021/22 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13(c) of the Security Exchange Commission Act.

Name of company	2022
Hayleys PLC Aggregate value of transaction during the year (Rs. '000)	108,522
Aggregate value of transactions as a percentage of net revenue	14%

### 32.3 Transactions with Key Management Personnel of the Company

The Key Management Personnel of the Company are the members of its Board of Directors and that of its parent.

#### a) Key Management Personnel Compensation

	2022 Rs.	2021 Rs.
Short-term Employee Benefits	30,708,594	31,134,020
Directors Emoluments	5,598,000	1,020,000

#### b) Other Transactions

No material transactions have taken place during the year with the Key Management Personnel of the Company, which require disclosure in these Financial Statements other than those disclosed above.

## Notes to the Financial Statements

### 33 EVENT OCCURRING AFTER THE REPORTING DATE

There were no material events after the reporting date that require adjustment to or disclosure in the Financial Statements.

### 34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise interest bearing loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group financial assets includes trade and other receivables, and cash and short-term deposits that arrive directly from its operations. The Group also holds Fair value through OCI investments and equity investments designated under fair value through profit or loss.

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 a financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The financial risk committee 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 summarised 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 loans and borrowings, deposits, available-for-sale investments and derivative financial instruments.

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

The analyses exclude the impact of movements in market variables on the carrying value of Retirement Benefit Obligation and provisions.

#### 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 relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

#### Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the group's profit before tax is affected through the impact on floating rate borrowings as follows:

a)		Increase/ decrease in basis points	Effect on profit/ (loss) before tax
		Rs.	Rs.
	2022	+50	(13,879,384)
		-50	13,879,384
	2021	+50	(5,918,009)
		-50	5,918,009

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility than in prior years.



### Foreign Exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument 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 revenue or expense is denominated in a different currency from the Group's functional currency) and the borrowings.

### 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 before tax Rs.	Effect on equity Rs.
2022	+5%	3,186,187	2,740,118
	-5%	(3,186,187)	(2,740,118)
2021	+5%	241,288	207,508
	-5%	(241,288)	(207,508)

### Equity price risk

The Group's listed and unlisted equity securities 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 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.

At the reporting date, the exposure to listed equity securities at fair value was Rs. 1,135,218/- (2021-Rs. 135,067,624). An increase or decrease of 10% on the Colombo Stock Exchange (CSE) market index (ASPI) could have an impact of approximately Rs.113,522/- (Rs.13,506,762/-) on the income and equity attributable to the Group.

### 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.

### Trade receivables

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 more than 90% of the trade receivables are due from well established travel agents. Risk exposure to receivables from individuals and entities are minimal as most of the transactions with local individuals were done on cash basis.

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

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

### Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's finance department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Group's audit committee. The Group's evaluating the banks and financial institutions based on respective credit ratings.

## Notes to the Financial Statements

### 34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

#### 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, bank loans, 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 Group has Rs. 1,726,547/- of short term deposits, Rs. 245,792,771/- of cash balance as at the reporting date and the Group assessed these funds are sufficient to meet the obligations when due.

#### Excessive risk concentration

Concentrations arise as a number of Hotels are coming and engaged in tourism industry activities in the Group's geographical region and have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines mitigate those risk factors. The Group has improve the marketing activities specially in different customer segments and geographical region to attract many more tourists from those regions. Significant part of the Group customer base was reflected form the foreign tourists and the Group now considering the promoting the Hotel to local customers as well.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

As at 31 March 2022	On demand Rs.	Less than 3 Months Rs.	3 to 12 Months Rs.	1 to 5 Years Rs.	More than 5 Years Rs.	Total Rs.
Interest-bearing loans and borrowings	542,287,266	-	1,194,571,345	1,039,018,243	-	2,775,876,854
Trade and other payables	-	183,560,823	222,085,268	-	-	405,646,091
	542,287,266	183,560,823	1,416,656,613	1,039,018,243	-	3,181,522,945

As at 31 March 2021	On demand Rs.	Less than 3 Months Rs.	3 to 12 Months Rs.	1 to 5 Years Rs.	More than 5 Years Rs.	Total Rs.
Interest-bearing loans and borrowings	336,120,997	-	638,325,687	1,049,379,566	-	2,023,826,250
Trade and other payables	-	277,752,050	8,070,003	-	-	285,822,053
	336,120,997	277,752,050	646,395,690	1,049,379,566	-	2,309,648,303

### Capital management

Capital includes only the equity attributable to the equity holders of the parent.

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, bank overdraft, trade and other payables, less cash and cash equivalents.

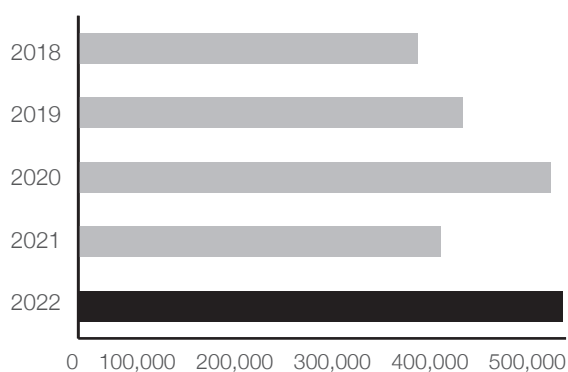
	2022 Rs.	2021 Rs.
Interest-bearing loans and borrowings (Note 21)	2,775,876,854	2,023,826,250
Trade and other payables (Note 27)	405,646,091	285,822,053
Less: Cash and short term deposits (Note 24)	(247,519,318)	(213,562,999)
Net debt	2,934,003,627	2,096,085,304
Equity	2,145,369,702	2,899,703,668
Total capital	2,145,369,702	2,899,703,668
Capital and net debt	5,079,373,329	4,995,788,972
Gearing ratio	58%	41%

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

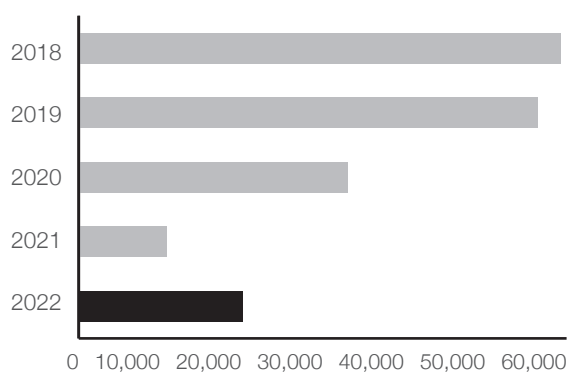
# Statement of Value Creation

	2022 Rs.'000	2021 Rs.'000	2020 Rs.'000	2019 Rs.'000	2018 Rs.'000
Revenue	791,615	368,134	1,245,072	1,667,447	1,460,104
Other income	121,849	49,324	60,872	171,308	54,027
<b>VALUE DISTRIBUTED</b>					
To Employees	496,335	371,608	484,045	393,640	348,260
To Government Revenue	20,177	10,852	33,119	56,432	59,223
To Shareholders as Dividends	-	-	-	290,625	-
To Lenders of Capital					
- Interest on Borrowings	356,587	231,073	168,224	177,970	163,046
- Non-Controlling Interest	(72,173)	(65,948)	(97,783)	(64,465)	(85,229)
<b>VALUE RETAINED FOR EXPANSION AND GROWTH</b>					
Depreciation	185,581	172,708	177,734	177,970	195,262
Profit retained	-	-	-	-	93,267

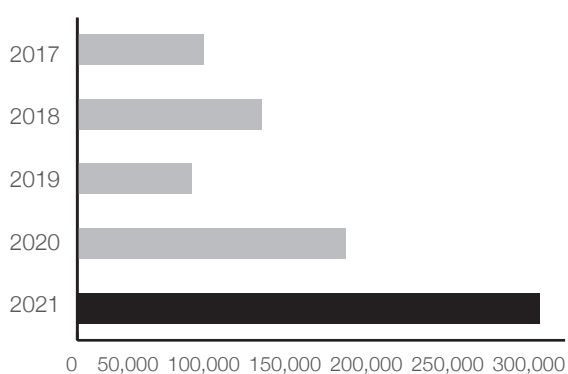
Employee Value Creation



Government Value Creation



Value Creation to Lenders



# Share and Investor Information

## ORDINARY SHAREHOLDERS AS AT 31ST MARCH 2022

No. of shareholders as at 31st March 2022 -1,969 (as at 31st March 2021 - 1,863)

No. of shares held	Residents			Non Residents			Total		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1 - 1,000	1,434	359,192	0.33	8	3,286	0.00	1,442	362,478	0.34
1,001 - 10,000	386	1,235,169	1.14	5	15,264	0.02	391	1,250,433	1.16
10,001 - 100,000	108	2,767,489	2.56	1	20,412	0.02	109	2,787,901	2.58
100,001 - 1,000,000	14	2,917,762	2.70	-	-	0.00	14	2,917,762	2.70
Over 1,000,000	13	100,671,384	93.22	-	-	0.00	13	100,671,384	93.22
	1,955	107,950,996	99.95	14	38,962	0.04	1,969	107,989,958	100.00

Category									
Individuals	1,874	9,289,431	8.60	14	38,962	0.04	1,888	9,328,393	8.64
Institutions	81	98,661,565	91.35	0	0	0.00	81	98,661,565	91.36
	1,955	107,950,996	99.95	14	38,962	0.04	1,969	107,989,958	100.00

Percentage of Public Holding	48.94
Total No. of Shareholders Represent In Public Holding	1,960
Float Adjusted Market Capitalisation as at 31st March 2022	856,174,624.40

The Company complies with option 5 of the Listing Rules 7.13.1 (a) - 20% minimum Public Holding is required if the Company has less than Rs. 2.5Bn. Float Adjusted Market Capitalisation.

# First Twenty Shareholders and Share Trading Information

## FIRST TWENTY SHAREHOLDERS AS AT 31.03.2022 (DESCENDING ORDER)

Name of Shareholder	No. of Shares as at 31st March 2022	% of Present	No. of Shares as at 31st March 2021	% of Present
1 Hayleys PLC	46,690,587	43.24	43,538,914	40.32
2 Dean Foster (Pvt) Limited	23,049,088	21.34	23,049,088	21.34
3 Employee's Provident Fund	10,388,284	9.62	10,388,284	9.62
4 Sri Lanka Insurance Corporation Ltd - Life Fund	9,304,160	8.62	10,604,160	9.82
5 Mr. Sujeewa Indika Ranasinghe	2,697,443	2.50	-	-
6 Mercantile Investments And Finance PLC	1,933,440	1.79	1,933,440	1.79
7 Toyo Cushion Lanka (Pvt) Ltd	1,835,420	1.70	1,835,420	1.70
8 Volanka Exports Limited	1,445,358	1.34	1,445,358	1.34
9 Bank of Ceylon No. 1 Account	1,186,240	1.10	1,186,240	1.10
10 Associated Electrical Corporation Ltd	1,134,942	1.05	1,134,942	1.05
11 Mr. Kulappuarachchige Don Dhammika Perera	1,006,422	0.93	1,006,422	0.93
12 Mr. Suranimala Senaratne	357,542	0.33	407,542	0.38
13 Mr. Derek Joseph De Silva Wijeyeratne	320,088	0.30	320,088	0.30
14 Bank Of Ceylon A/C Ceybank Century Growth Fund	316,448	0.29	316,448	0.29
15 Mr. Hitbandara Atapattu Mudiyansele Premaratne Algama	314,504	0.29	314,504	0.29
16 Dr. Hettiarachchige Stanley Upatissa Amarasekera	300,000	0.28	-	-
17 Mr. Kulappuarachchige Don Anurada Perera	249,846	0.23	250,000	0.23
18 Hatton National Bank PLC/Kandaiah Kanapathipillai Shujeevan	170,000	0.16	184,838	0.17
19 People's Leasing & Finance PLC / Mr. D. M. P. Disanayake	150,837	0.14	-	-
20 Mr. Lakshman Chrisantha Yohan Welikals	138,095	0.13	-	-
	102,988,744	95.37	97,915,688	90.54

## SHARE TRADING INFORMATION

For The Twelve Months Ended 31st March 2022		Rs.
Highest Price		28.30 30/09/2021
Lowest Price		16.10 31/03/2022
Closing Price		16.20
Transactions	No.	5,661
Shares traded	No.	11,377,211
Value of shares traded	Rs.	244,127,033

# Ten Year Financial Summary

Year ended 31st March	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Results	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Revenue	777,262	362,362	1,225,951	1,643,863	1,442,894	1,575,332	1,623,312	1,395,504	1,159,802	1,066,520
Profit before tax	(892,717)	(784,638)	(252,362)	270,449	50,051	186,261	301,625	223,489	417,919	408,525
Taxation	(5,823)	(5,081)	(13,999)	(35,217)	(42,012)	(39,439)	(54,927)	(42,667)	(41,757)	(31,948)
Profit after tax	(898,540)	(789,719)	(266,361)	235,232	8,038	148,823	246,698	180,822	376,162	376,577
Profit / (Loss) attributable to owners of the parent	(826,368)	(723,771)	(168,578)	299,697	93,267	206,443	287,016	227,855	376,160	376,587
Non-Controlling Interest	(72,173)	(65,948)	(97,783)	(64,465)	(85,229)	(57,620)	(40,317)	(47,033)	2,301	(10)
<b>Funds employed</b>										
Stated capital *	909,371	909,371	909,371	909,371	819,779	819,779	718,907	718,907	526,770	526,770
Capital Reserves	462,906	423,794	423,794	423,794	269,100	274,699	410,346	410,346	65,295	65,295
Other component of equity	-	71,981	(60,487)	(49,105)	(7,569)	(17,286)	(44,854)	(30,808)	(57,951)	(43,459)
Revenue reserves	825,883	1,469,067	2,236,086	2,414,321	2,406,462	2,318,535	2,266,477	2,073,582	2,083,606	1,923,537
Equity attributable to equity holders of the parent	2,198,160	2,874,212	3,508,763	3,698,380	3,487,773	3,395,728	3,350,876	3,172,027	2,617,721	2,472,143
Non-Controlling Interest	(52,790)	25,491	22,272	128,253	206,597	285,554	399,931	423,035	29,302	29,300
Borrowings	2,145,370	2,023,826	1,568,828	1,354,460	1,447,915	1,518,536	1,791,385	1,839,254	243,421	197,827
<b>Assets Employed</b>										
Non-current assets	4,996,335	5,093,434	4,973,397	4,999,758	5,027,506	5,141,443	5,436,798	5,493,752	2,880,364	2,708,690
Current assets	663,129	396,390	695,115	830,547	607,443	554,134	564,440	377,117	277,056	267,256
Current Liabilities net of borrowings	493,485	380,164	375,162	451,869	309,371	348,963	324,016	319,738	156,965	174,030
Provisions			193,486	197,344	183,280	146,797	135,031	116,815	110,010	102,646
Capital Employed	4,921,247	4,923,530	5,099,863	5,181,085	5,142,298	5,199,818	5,542,191	5,434,316	2,890,444	2,699,270
<b>Cash flow</b>										
Net cash inflow/(outflow) from operating activities	(737,321)	(624,158)	(114,412)	372,205	52,255	374,717	431,669	428,595	471,649	434,957
Net cash inflow/(outflow) from investing activities	46,714	88,744	(53,141)	110,336	(57,978)	110,652	(157,439)	(1,042,792)	(269,251)	(343,912)
Net cash inflow/(outflow) from financing activities	518,397	341,790	108,421	(404,683)	(50,455)	(525,346)	49,477	451,319	(185,990)	(136,816)
Increase/(decrease) in cash and cash equivalents	(172,210)	(193,624)	(59,132)	77,858	(56,178)	(39,978)	323,707	(162,877)	16,407	(45,771)
<b>Key Indicators</b>										
Earnings/(Loss) per share (basic)**	(Rs.)	(6.70)	(1.56)	2.78	0.83	1.91	2.66	2.11	3.48	3.49
Dividend per share	(Rs.)	-	-	5.50	-	2.00	4.00	5.00	4.50	4.00
Net Assets Value per share**	(Rs.)	20.36	26.62	32.70	34.25	31.45	31.03	29.37	24.24	22.89
Market price per share	(Rs.)	16.10	17.80	25.00	37.20	52.80	60.50	85.00	72.30	76.50
Return on shareholders funds	(%)	(41.88)	(27.23)	(7.54)	8.10	2.67	6.08	7.18	14.37	15.23
Return on capital employed	(%)	(12.65)	(11.84)	(2.24)	8.53	4.14	8.24	6.60	15.00	15.35
Price earnings ratio	(times)	(1.93)	(2.66)	(10.12)	6.70	16.03	10.63	17.93	9.23	9.76
Interest cover	(times)	-	-	-	2.58	1.96	2.95	2.65	27.77	72.75

\* Share capital and share premium previously reported have been reclassified to reflect stated capital as define in the Companies Act No. 07 of 2007.

\*\*Earnings per share and Net Asset per share in all reporting periods were adjusted based on post sub division of two shares for every one ordinary share held.

# Notice of Meeting

NOTICE IS HEREBY GIVEN THAT THE FORTIETH ANNUAL GENERAL MEETING OF HAYLEYS LEISURE PLC will be held on Thursday, 30th June 2021 at 10.45 a.m. via online meeting platform for the following purposes:

## AGENDA

1. To consider and adopt the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March 2022 with the Report of the Auditors thereon.
2. To re-elect as a Director Ms. R. N. Ponnambalam, who retires by rotation at the Annual General Meeting in terms of Article 29(1) of the Articles of Association of the Company.
3. To re-elect as a Director Ms. W. D. De Costa, who retires by rotation at the Annual General Meeting in terms of Article 29(1) of the Articles of Association of the Company.
4. To re-elect as a Director Mr. D. T. R. De Silva in terms of Article 27(2) who has been appointed to the Board since the last Annual General Meeting.
5. To propose the following resolution as an ordinary resolution for the re-appointment of Mr. A. M. Pandithage, in terms of Section 211 of the Companies Act No. 07 of 2007, who retires having attained the age of seventy one years.

## ORDINARY RESOLUTION

'That Mr. Abeyakumar Mohan Pandithage, who has attained the age of seventy one years be and is hereby re-appointed a Director for a further period of one year and it is hereby declared that the age limit of seventy years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the appointment of the said Director'.

6. To authorise the directors to determine donations and contributions to charities for the ensuing year.
7. To re-appoint Messrs Ernst & Young, Chartered Accountants as the Auditors of the Company for the year 2022/23 and to authorise the Directors to determine their remuneration.
8. To consider any other business of which due notice has been given.

By order of the Board

**HAYLEYS LEISURE PLC**



HAYLEYS GROUP SERVICES (PVT) LTD  
Company Secretaries

01st June 2022

## NOTES:

1. The Annual Report of the Company for 2021/22 is available on the corporate website - <https://www.amayaresorts.com/annual-reports.html> and on the Colombo Stock Exchange website - <https://www.cse.lk/pages/company-profile/company-profile.component.html?symbol=CONN.N000>
2. In the interest of protecting public health the Annual General Meeting of the Company will be held as a virtual meeting via an online meeting platform. Details are given in the Circular to Shareholders.
3. A Shareholder is entitled to appoint a proxy to attend and vote instead of himself/herself and a proxy need not be a Shareholder of the Company. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at No. 400, Deans Road, Colombo 10, Sri Lanka or must be emailed to [leisureagm@secretarial.hayleys.com](mailto:leisureagm@secretarial.hayleys.com) not less than forty eight (48) hours before the time fixed for the Meeting.



# Form of Proxy

I/We\* .....  
 (full name of Shareholder, NIC No./Reg. No. of Shareholder\*\*) .....

of .....  
 being Shareholder/Shareholders\* of HAYLEYS LEISURE PLC hereby appoint:

(1) .....  
 (full name of Proxy holder, NIC No. of Proxy holder\*\*) .....

of .....  
 or, failing him/her/them\*

(2) ABEYAKUMAR MOHAN PANDITHAGE (Chairman of the Company) of Colombo, or failing him, one of the Directors of the Company as my/our\* Proxy to attend and vote as indicated hereunder for me/us\* and on my/our\* behalf at the Fortieth Annual General Meeting of the Company to be held on Thursday, 30th June 2022 and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof:

	For	Against
1. To adopt the Annual Report of the Directors and the Statements of Accounts for the year ended 31st March 2022 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Ms. R. N. Ponnambalam, who retires by rotation at the Annual General Meeting a Director.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Ms. W. D. De Costa, who retires by rotation at the Annual General Meeting a Director.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Mr. D. T. R. de Silva as a Director in terms of Article 27(2).	<input type="checkbox"/>	<input type="checkbox"/>
5. To propose the Ordinary Resolution as set out in the Notice for the re-appointment of Mr. A. M. Pandithage, in terms of Section 211 of the Companies Act No. 07 of 2007, who retires having attained the age of seventy one years.	<input type="checkbox"/>	<input type="checkbox"/>
6. To authorise the directors to determine donations and contributions to charities for the ensuing year.	<input type="checkbox"/>	<input type="checkbox"/>
7. To authorise the Directors to determine the remuneration of the Auditors, Messrs Ernst & Young, Chartered Accountants, who are deemed to have been re-appointed as Auditors in terms of Section 158 of the Companies Act No. 07 of 2007 for the financial year 2022/2023.	<input type="checkbox"/>	<input type="checkbox"/>

(\*\*) The proxy may vote as he/she\* thinks fit on any other resolution brought before the Meeting which due notice has been given.

As witness my/our\* hands this ..... day of .....2022.

Witness:                      Signature                      : .....  
    Name                                      : .....  
    Address                                      : .....  
    NIC No.                                      : .....  
Signature of Shareholder

- Notes: (a) \* Please delete the inappropriate words.  
 (b) A Shareholder entitled to attend and vote at the Annual General Meeting of the Company, is entitled to appoint a Proxy to attend and vote instead of him/her and the Proxy need not be a Shareholder of the Company.  
 \*\* Full name of Shareholder/Proxy holder and their NIC Nos. and Witness are mandatory. Your Proxy Form will be rejected if these details are not completed.  
 (c) A Shareholder is not entitled to appoint more than one Proxy to attend on the same occasion.  
 (d) Instructions are noted on the reverse hereof.  
 (e) This Form of Proxy is in terms of the Articles of Association of the Company.  
 (f) Please refer the 'Circular to Shareholders' dated 01st June 2022 and follow the instructions to join the meeting virtually.

## Instructions as to Completion

1. To be valid, the completed Form of Proxy must be deposited with the Company Secretaries, Hayleys Group Services (Pvt) Ltd at No. 400, Deans Road, Colombo 10, Sri Lanka or must be emailed to [leisureagm@secretarial.hayleys.com](mailto:leisureagm@secretarial.hayleys.com) not less than forty eight (48) hours before the start of the Meeting.
2. In perfecting the Form of Proxy, please ensure that all requested details are filled in legibly including mandatory details. Kindly sign and fill in the date of signing.
3. If you wish to appoint a person other than the Chairman of the Company (or failing him, one of the Directors) as your Proxy, please insert the relevant details at (1) overleaf. The Proxy need not be a Member of the Company.
4. Please indicate with an X in the space provided how your Proxy is to vote on the resolutions. If no indication is given, the Proxy in his/her discretion will vote as he/she thinks fit. Please also delete (\*\*\*) if you do not wish your Proxy to vote as he/she thinks fit on any other resolution brought before the meeting.
5. 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.

In the case of the individual Shareholders, the signature of the Shareholder should be witnessed by any person over 18 years of age.

6. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company, the original POA together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company along with the Form of Proxy.
7. In case of Marginal Trading Accounts (slash accounts), the Form of Proxy should be signed by the respective authorised Fund Manager/Banker with whom the account is maintained.

# Corporate Information

NAME OF COMPANY	Hayleys Leisure PLC
COMPANY REGISTRATION NO.	PQ 145
LEGAL FORM	Public Quoted Company with limited liability originally incorporated in Sri Lanka as a Private Company and later converted to a Public Company.
REGISTERED OFFICE	Level 27, East Tower, World Trade Center, Echelon Square, Colombo 01, Sri Lanka Telephone + 94 11 - 4767800 Fax + 94 11 - 4767832 Website www.amayaresorts.com
BOARD OF DIRECTORS	Mr. A. M. Pandithage (Chairman) Mr. Rohan J. Karunarajah (Managing Director) Mr. Dhammika Perera Mr. S. C. Ganegoda Mr. S. H. Amarasekera Ms. R. N. Ponnambalam Mr. S. J. Wijesinghe Ms. W. D. De Costa Mr. D. T. R. de Silva Ms. A. A .K. Amarasinghe – Alternate Director to Mr. Dhammika Perera
SUBSIDIARY COMPANIES Unquoted	Culture Club Resorts (Private) Limited Kandyan Resorts (Private) Limited Sun Tan Beach Resorts Limited Connaissance Air Travels (Private) Limited Connaissance Hotel Management (Private) Limited CDC Convention (Private) Limited
SECRETARIES	Hayleys Group Services (Private) Limited No. 400, Deans Road Colombo 10, Sri Lanka
AUDITORS	Ernst & Young Chartered Accountants No. 201, De Saram Place, Colombo 10, Sri Lanka
BANKERS	Hatton National Bank PLC National Development Bank PLC Commercial Bank of Ceylon PLC Pan Asia Bank PLC DFCC Bank PLC Nations Trust Bank PLC Seylan Bank PLC Sampath Bank PLC Bank of Ceylon

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Colombo 01, Sri Lanka