

Annual Report 2017

31st March

*51st
Annual General Meeting*



Ceylon Hotels Corporation PLC
A member of the Galle Face Group



Ceylon
Hotels
Corporation PLC

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CHAIRMAN'S REVIEW

Annual Report
For the year ended 31st March

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CHAIRMAN'S REVIEW

The Board of Directors join me in welcoming our Shareholders to the 51st Annual General Meeting of Ceylon Hotels Corporation PLC.

SRI LANKA TOURISM – CONSISTANT GROWTH

The Sri Lanka Tourism, industry once again showed a growth in arrivals of 2,050,832 in 2016 compared to 1,798,986 in 2015, an increase of 13%. Statistics from SLTDA revealed that, the top three sources of tourist arrivals were from India (356,729 tourists – 13% rise) China (271,577 tourists – 26% rise) and United Kingdom (188,159 tourists – 16% rise) compared to previous year.

According to statistics from Sri Lanka Tourism, cumulative earnings from Tourism increased to US\$ 3,518.5 Million during 2016, compared to US\$ 2,980.6 Million, recorded during 2015, an increase of 18%.

PERFORMANCE REVIEW

The Group Revenue in 2017 amounted to Rs.1,514,277,124 compared to Rs.1,448,039,667 in 2016 Rs.66,237,457 more than last year representing 4.5%. It would have been more if EKHO SAFARI was not closed from September 2016 to November 2016 and EKHO LAKE HOUSE was not closed from September 2016 to February 2017 for refurbishing. For the first time in the history, a Swimming Pool was introduced at EKHO LAKE HOUSE. The Group ended up with a loss of Rs.58.5 Million, compared to a profit of Rs.62.7 Million last year. However, the Company made a profit of Rs.247.6 Million compared to Rs.12.3 Million last year.

SCRIP DIVIDEND

CHC will be paying a scrip dividend worth Rs.1 per share XD from September 28th and with payment on

October 9th Subject to shareholders approval at AGM. The Dividend would be subject to tax and will involve the issue of 8.2 million new shares or 8.05 million new shares based on 10% or 14% tax rate whichever applies, valued at Rs.20 each in the proportion of one new share for every 20.94 share held. The issue is funded to a total of Rs.171.8 Million of which Rs.94.7 Million will be received from dividend income and Rs. 77.1 million from current year profits.

GROUP INCOME AND PROFIT & LOSS ARE COMPRISED OF :**CHC REST HOUSES**

The Agreement CHC entered into with ZINC Hospitality Lanka (Pvt) Ltd continues whereas bulk of the CHC REST HOUSES are managed by ZINC namely Belihuloya, Dambulla, Ella, Kitulgala, Madawachchiya, Mihintale, Pussallawa, Sigiriya & Weligama sharing the profit or loss at 50 : 50

United Hotels Co. (Pvt) Ltd: Comprising fully owned subsidiaries of: THE SURF- Bentota, EKHO LAKE HOUSE – Polonnaruwa and The LAKE HOTEL- Polonnaruwa,

Tissa Resorts (Pvt) Ltd: Comprising EKHO SAFARI – Tissamaharama,

CHC Foods (Pvt) Ltd: Comprising Ambepussa Rest House, Ambepussa AWANHALA, Kurunegala, Kollupitiya, Malabe, Hanwella, Nawinna, American National College.

Presently, we have 8 Outlets. (Katunayaka International Airport and Orion City Dematagoda outlets were closed due to insufficient Sales and High Costs).

CORPORATE SOCIAL RESPONSIBILITIES (CSR)

As it was found difficult to maintain the Hotel School, although 105 students were employed within the Group

and other Hotels. The space is being used now for a spa. This year, our subsidiary CHC Foods gave Food to those who were very badly affected by the floods in Kelaniya and Kaduwela areas.

APPRECIATION

The Board of Directors and the Management would like to place on record of their appreciation of the inspiring Leadership of our Group Chairman, Mr. Sanjeev Gardiner, who has been a great source of strength to the Organization.

I wish to thank those Directors for their guidance at all times.

I also wish to extend my sincere thanks to our members of Audit Committee, Strategic Committee, Related Party Committee, and Remuneration Committee for their guidance and Co-operation extended.

CHAIRMAN'S REVIEW (Contd..)

I also thank our valued Guests, Travel Agents, Suppliers, Bankers, Auditors, (External & Internal) and our Secretaries for their unstined support at all times. We will be failing in our duty, if we do not recognize and thank our dedicated staff.

Finally, The Board of Directors joins me in thanking our Shareholders for the continued trust and confidence, placed on the Board and for their support and, co-operation, which the Directors value very much.



Lakshman Samarasinghe
CHAIRMAN

08th August 2017



FINANCIAL HIGHLIGHTS

Annual Report

For the year ended 31st March

2017

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FINANCIAL HIGHLIGHTS

	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Results for the year				
Gross Revenue	1,514,277	1,448,040	9,906	9,648
Cost of sales	(411,423)	(380,744)	(9,821)	(9,592)
Operation Profit Before Interest & Tax	87,035	293,362	293,496	46,369
Interest Expense	(95,968)	(81,106)	(45,852)	(35,812)
Profit / (Loss) Before Tax	(18,877)	123,177	247,643	12,707
Income Tax	(39,669)	(60,519)	(37)	(390)
Profit / (Loss) After Tax	(58,546)	62,659	247,606	12,317
Profit / (Loss) Attributable to Shareholders	(110,840)	3,638	247,606	12,317
Financial Position at the End of The Year				
Shareholders, Funds (State Capital & Reserves)	6,849,355	6,150,814	933,646	686,312
Total Assets	10,761,811	10,233,966	1,605,299	1,274,522
Number of Share in Issue	171,825	171,825	171,825	171,825
Information per ordinary Shares				
Earning / (loss) Per Share (Rs.)	(0.65)	0.02	1.44	0.07
Net Assets Per Share (Rs)	39.86	35.80	5.43	3.99
Ratios				
Return on Shares Holders' Fund (%)	(1.62)	0.06	26.52	1.79
Return on Total Assets (%)	(1.03)	0.04	15.42	0.97
Equity : Assets (%)	63.65	60.10	58.16	53.85
Current Ratio (Times)	0.76	0.68	0.35	0.52
Market Shareholder Information				
Market price of a Share as at 31 st March (Rs)	19.20	24.00	19.20	24.00
Market Capitalization (Rs. 000)	3,299,040	4,123,800	3,299,040	4,123,800

PROFILE OF DIRECTORS

MR SANJEEV GARDINER (GROUP CHAIRMAN)

Mr Gardiner who was Co-opted to the Board of Ceylon Hotels Corporation PLC in 1996, is the Group Chairman and Chief Executive Officer of the Galle Face Hotel Group and counts over 28 years of management experience in a diverse array of business. He is also the Chairman of Ceylon Hotels Holdings (Pvt) Ltd. (holding company of Ceylon Hotels Corporation PLC) United Hotels Co. (Pvt) Ltd. and Co-Chairman of Suisse Hotels Kandy (Pvt) Ltd. owner of the joint venture Hotel OZO. He is the Senior Director of the Ceylon Hotels Corporation PLC (since 1996). He is a Director of many public quoted and unquoted companies including Cargills (Ceylon) PLC (since 1994), Dankotuwa Porcelain PLC and Chairman of Taprobane Holdings PLC since 2015. He holds a Bachelor of Business Degree from the Royal Melbourne Institute of Technology and a Bachelor of Business Degree (Banking & Finance) from Monash University, Australia. He is a Director and Council member of Helpage Sri Lanka and a member of many prestigious associations. He was the past President – of the elite Young Presidents Organisation. Mr. Gardiner was appointed as the Ambassador for prevention of Chronic Kidney Disease (CKD) in Sri Lanka by H.E. The President Maithripala Sirisena. Mr. Gardiner has taken many initiatives towards achieving the desires of the President and also to provide relief to suffering patients who are afflicted by this dreaded disease.

MR LAKSHMAN SAMARASINGHE (CHAIRMAN)

Mr Samarasinghe who was Co-opted to the Board of Ceylon Hotels Corporation PLC in 2005 has been a Director of Galle Face Hotel Co Ltd for over 39 years and a Director of all Group Companies for over 3 decades. He was appointed as an Executive Director of Autodrome PLC which is a quoted Company in 1973 (for 20 years) and thereafter continued as a non Executive Director until 2007 when he opted to retire under the Stock Exchange rules. He was appointed the Chairman of Ceylon Hotels Corporation PLC in July 2005 and continues in that capacity for 12 consecutive years. He holds a Diploma in Commerce and counts over 46 years of Management experience.

MR. CHETHIYA PERERA (MANAGING DIRECTOR)

Mr. Chethiya Perera was appointed to the Board of Ceylon Hotels Corporation PLC as the Managing Director/ Non Independent Executive Director in April 2016. Most recently he held the positions of Managing Director of Aitken Spence Hotels, Sri Lanka and India. Prior to this he functioned as the VP Strategy and Development of the Ceylon Hotels Corporation PLC (CHC), and after leaving CHC as the CEO/MD of the Adaaran Resorts - Maldives, owned and operated by the Aitken Spence Group. He has also served on the Board of Directors of Aitken Spence

Hotel Holdings PLC, and several other boards of private companies in Sri Lanka, Maldives, British Vergin Islands, and in India. Mr. Perera who has extensive overseas training and over 36 years industry experience in Switzerland, New Zealand, Sri Lanka, India and the Maldives, is a Fellow member of the Ceylon Hotel School Graduates Association and is a member of HCIMA, UK and the Institute of Management UK.

MR PRIYANTHA MADDUMAGE

Mr Maddumage who was Co-opted to the Boards of Ceylon Hotels Corporation PLC and Kandy Hotels Co (1938) Ltd in 2005 is the Group Chief Financial Officer of the Galle Face Hotel Group of Companies and counts over 24 years of Finance Management experience. He is also a Director of all subsidiary Companies of CHC. He has a Bachelor of Commerce Special Degree from the University of Sri Jayawardenapura and a Master of Business Management from Edith Cowan University in Australia. He is an Associate member of the Institute of Chartered Accountants of Sri Lanka, an Associate member of The National Institute of Accountants of Australia & Associate Member of CPA Australia, Associate Member of the Institute of Certified Management Accountants of Sri Lanka & Fellow member of Institute of Certified Professional Managers of Sri Lanka.

DR DENNIS ALOYSIUS

Dr Dennis Aloysius was Co-opted to the Board of Ceylon Hotels Corporation PLC in 2005. He has been Director of the Galle Face Hotel group since 1973 and counts over 44 years of experience. He was also a Director of Millers Ltd, Cargills (Ceylon) Ltd and The Autodrome Ltd for over 3 decades. He is a well respected Medical Practitioner by profession and a Fellow of the College of General Practitioners of Sri Lanka. The Sri Lanka College of Pediatricians and The Ceylon College of Physicians. He is also a past President of Sri Lanka Medical Association, Pediatric Association, college of General Practitioners and Organisation of Professional Association.

MR MANGALA BOYAGODA

Mr Boyagoda is a senior banker, possessing over 33 years' experience holding key position in the field of financial services. He is a specialist in debt markets, Financial Risk Management and in the restructure of companies. A former CEO of Standard Chartered Bank, he is at present Chairman, Wealth Trust Securities (Pvt) Ltd, Asset Trust Management (Pvt) Ltd, Cargills Agriculture and Commercial Bank, Sierra Construction Ltd, Ceylon Leather Products PLC, Maskeliya Plantations PLC and Colombo City Holdings PLC.

PROFILE OF DIRECTORS (Contd..)

Mr Boyagoda has served as a Consultant to the Asian Development Bank (ADB) the World Bank, the Central Bank of Sri Lanka, the Securities and Exchange Commission of Sri Lanka as well as Bangladesh. He also served as a Committee member of the Financial Reform Task Force and is a former President of the FOREX Association of Sri Lanka. Mr Boyagoda holds a Masters Degree in Business Administration from the Irish International University (European Union). He is an independent non executive director of the company.

MR KUVERA DE ZOYSA

Mr Zoysa was Co-opted to the Board of Ceylon Hotels Corporation PLC in 2010 is an Attorney at Law of the Supreme Court of Sri Lanka and is in active practice since 1993 in the fields of Commercial and Civil Law. He was appointed as a Presidential Counsel in 2013. He holds a Masters Degree (LLM) in International Trade Law from the University of Wales. He was also awarded the "The Young Outstanding Persons" Award, the HSBC – JCI TOYP 2007, by the Junior Chamber International Sri Lanka for Legal Accomplishment in recognition of his contribution to the Law field. He has served as Chairman/Director of People's Merchant Bank PLC and as a Director of the boards of People's Bank, Export Development Board and Sanasa Development Bank. He has also served as Acting Chairman of Peoples' Bank and a Chairman of the Audit, Legal and Risk Management Committees of People's Bank. He currently serves as a Chairman of Multi Finance PLC and Boards of many listed Companies and non-listed companies in IT, Power Healthcare and leisure sector as a Non-Executive Independent director. Mr de Zoysa is an Independent, Non-Executive Director of the Company.

MR. AJITH DEVASURENDRA

Mr. Ajith Devasurendra was appointed to the Board of Ceylon Hotels Corporation PLC in 2015. He is a veteran in the financial services industry in Sri Lanka and counts more than 31 years of work experience both in Sri Lanka and overseas. A past president of the Sri Lanka Money Brokers' Association and also the first president of the Sri

Lanka Primary Dealers Association. He currently holds Directorships on the Boards of several companies- both Public and Private. He is also in many committees that focus on the development of the financial markets in Sri Lanka.

MR. RANIL PATHIRANA

Mr. Pathirana was appointed to the Board of Ceylon Hotels Corporation PLC in 2016. He is the Finance Director of the Hirdaramani Group and is a Director of Hirdaramani Apparel Holdings (Private) Limited, Hirdaramani Leisure Holdings (Private) Limited and Hirdaramani Investments Holding (Private) Limited which are the holding companies of the Hirdaramani Group. He is also a Director of Star Packaging (Private) Limited and Windforce (Private) Limited and a Non-Executive Director of Sampath Bank PLC and Nirmalapura Wind Power (Private) Limited.

Mr. Pathirana is a Fellow Member of the Chartered Institute of Management Accountants, UK (FCMA - UK) and holds a Bachelor of Commerce Degree from the University of Sri Jayawardenepura.

MR. WASANTHA WIMALAWEERA

Mr. Wimalaweera has a track record of 15 years in the field of Auditing, Taxation, Finance and Capital Market and has been the Head of the Finance and Capital Market division of the Employee's Trust Fund Board for the last 4 years.

During his professional career, Mr. Wimalaweera gained experience as a competent Investment head, and has specialized in services such as portfolio management and corporate valuations. The expertise shown in taxation and financial reporting has generated much value to the Employees' Trust Fund Board in transforming the outdated and archaic accounting system to the international recognized and modern financial reporting system.

Mr. Wimalaweera is an Associate Member of the Institute of Chartered Accountants of Sri Lanka and holds a Bachelor of Commerce Special Degree with a Second Upper Division pass from the University of Jayawardenapura, Sri Lanka.

PROFILE OF DIRECTORS (Contd..)**MR KAMANTHA AMARASEKERA**

Mr. Kamantha Amarasekera is an eminent tax consultant and the Senior Tax and Legal Partner of Amarasekera & Company – a leading tax consultancy firm in the country. He is a member of the Institute of Chartered Accountants of Sri Lanka and is an Attorney-at-Law of the Supreme Court of Sri Lanka. He graduated in Business Administration from the University of Sri Jayawardenapura.

Mr. Kamantha Amarasekera is also a Director of Associated Ceat (Pvt) Ltd., Lanka Milk Food (CWE) PLC, Madulsima Plantation PLC, Balangoda Plantation PLC, Eden Hotels PLC, Confifi Hotels Holdings PLC, Finco Holding Ltd., Browns Investment PLC, Hydropower Freelanka PLC, Freelanka Capital Holdings PLC, Palm Garden Hotels PLC, Environmental Resource PLC, and Suisse Hotel Kandy (Pvt) Ltd. He is an independent non executive director of the company.

DR CHRISANTHA NONIS

Dr Nonis was co-opted to the Board of Ceylon Hotels Corporation PLC in 2009. He is the Chairman of the Mackwoods Group of Companies. He was qualified in

London, with a First Class Honours BSC from Imperial College of Science, Technology and Medicine and obtained his MBBS from the Royal Free Hospital Medical School, University of London, having spent his electives at Massachusetts General Hospital, Harvard Medical School, Boston, USA. He carried out his postgraduate training at Royal Brompton, the Hammersmith, and Addenbrooke's Hospital, Cambridge, and obtained his MRCP (UK). He is a member of the Royal College of Physicians, UK and is a Fellow of the Royal Society of Medicine, London and a Member of the Institute of Directors, London.

Dr Nonis served as a Director of Sri Lankan Airlines Limited, the Grants Board of the ICT Agency of Sri Lanka, and the Council of the Employers' Federation of Ceylon, the Advisory Committee on Peace and Reconciliation of the Ceylon Chamber of Commerce of Sri Lanka; the Country coordinating Mechanism for Sri Lanka of the Global Fund; Deputy Chairman of the Royal Commonwealth Society in London; Board member of Ramphal Institute of Commonwealth Policy Studies, London. He is an independent non Executive Director.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Board of Directors have pleasure in presenting the Annual Report for the year ended 31st March 2017 on the affairs of the Company and the Group prepared in terms of the provisions of the Companies Act No.7 of 2007.

These were approved by the Directors on 08th August 2017.

Principal Activity the company and its subsidiaries

The principal activity of the Company is to manage subsidiaries which are engaged in the provisioning of living accommodation, refreshment, entertainment and recreation of tourists.

Review of Operations and Financial Highlights

The Financial Statements which include the Statement of Comprehensive Income, balance sheets, statement of changes in equity and the notes to the financial statements of the company & Group for the year ended 31st March 2017 are set out on pages 31 to 71 of the Annual Report.

Respective Responsibilities of Directors and Auditors for the Financial Statements

The Directors are responsible for the preparation of the Financial Statements so that they present a true and fair view of the state of affairs of the Company. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Companies Act No.07 of 2007, the Sri Lanka Accounting and Auditing Standard Act and the Continuing Listing Rules of the Colombo Stock Exchange.

Stated Capital and Reserves

The Company's stated capital as at 31st March 2017 was Rs.198,500,000/- represented by 171,825,401 ordinary shares and 1,200,000 Preference shares (6%).

On 26th September 2016 a special resolution of the shareholders was passed to carry out a reduction of stated capital in terms of Section 59 of the Companies Act No.07 of 2007. The objective of the said exercise was to restructure the balance sheet by writing off carry forwarded losses.

The total capital and reserves for the group stood at Rs 6,849,355,029 as at 31st March 2017.

Accounting Policies

The details of the accounting policies adopted by the Company in preparation of the financial statements and the impact thereon, of changes in the Sri Lanka Accounting standard made during the year are disclosed on pages 38 to 47 of the Annual Report.

Dividends

The Board of Directors do recommend a Scrip divided of Rs. 1.00 per share for the year ended 31st March 2017 as a final dividend. Details of the Scrip dividend are set out in the circular to shareholders.

Property Plant & Equipment

The Company has spent Rs. 369.3 million on capital expenditure during the year under review. The movements in property, plant and

equipment during the year are set out in Note 14 to the Financial Statement.

Statutory Payments

To the best of their knowledge and belief, the Directors are satisfied that all statutory payments in relation to the Government and to the Employees have been settled to date or are provided for in the books of the company.

Contingent Liabilities and Capital Commitment

The Contingent liabilities and capital commitment made on account of capital expenditure as at 31st March 2017 are given in Note 37 to the Financial Statements.

Post Balance Sheet Events

There are no significant events that have occurred after the balance sheet date which would have any material effect on the Company that require adjustments.

Going Concern

The Directors are confident that the company has adequate resources to continue business operations. Accordingly, the Directors consider that it is appropriate to adopt the going concern basis in preparing the Financial Statements.

Contingent Liabilities

Details with regard to the contingent liabilities are given in Note 37 to the financial statement.

Interest Registers

In terms with the Companies Act No.07 of 2007, the company maintained an Interest Register and the entries have been made therein. Interest Register is deemed to form part and parcel of this Annual Report and is available for inspection upon request. All related party transactions during the period are recoded in the Interest Register.

The Board of Directors has duly disclosed their directorships in related companies and share dealing with the company and related companies at board meetings.

The related party transactions and Directors' interest in contracts and proposed contracts with the company are also disclosed in Note 39 to the Financial Statements.

Share Information

Information on earnings, dividends, net assets and share trading are disclosed on page 06 and 74 to 79.

Shareholders' Distribution

The distribution of shareholders is indicated on pages 72 in the Annual Report. There were 7,041 registered shareholders as at 31st March 2017.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY (Contd..)

Major Shareholdings

The twenty largest shareholders of the company are disclosed on page 78 of this Report.

Contributions to Charity

The sum of contributions made to charities by the company during the financial year ended 31st March 2017 does not exceed Rs 862,530.

Directors as at 31st March 2017

The Board of Directors of Ceylon Hotels Corporation PLC comprise of 12 Directors and 05 of them serves as Independent Non- Executive Directors. The qualification and experience of the Directors are given on pages 07 to 09 of the Report.

The names of the Directors who held office during the year under review are as follows:

Mr Sanjeev Gardiner
Mr Lakshman Samarasinghe
Mr Chethiya Perera
Mr Priyantha Maddumage
Dr Dennis Aloysius
Mr Mangala Boyagoda
Mr Kuvera De Zoysa
Mr Ajith Devasurendra
Mr Ranil Pathirana
Mr Wasantha Wimalaweera
Mr Kamantha Amarasekera
Dr Chrisantha Nonis

Mr. Priyantha Maddumage and Dr. Chrisantha Nonis retire by rotation, at this Annual General Meeting.

Dr Dennis Aloysius retires in terms of section 210 of the Companies Act No.07 of 2007. Special notice has been received from a shareholder pursuant to section 211 of the Companies Act No.07 of 2007 of his intention to propose the re-election of Dr Dennis Aloysius.

Mr Lakshman Samarasinghe retires in terms of section 210 of the Companies Act No.07 of 2007. Special notice has been received from a shareholder pursuant to section 211 of the Companies Act No.07 of 2007 of his intention to propose the re-election of Mr. Lakshman Samarasinghe.

Directors Dealings with the Shares of the Company:

Directors shareholding in the company as at 31st March 2017 are as follows:

Names of Directors	Shareholding
Mr. Sanjeev Gardiner	NIL
Mr Lakshman Samarasinghe	5,000
Mr Chethiya Perera	NIL
Mr Priyantha Maddumage	01
Dr Dennis Aloysius	10,000

Mr Mangala Boyagoda	NIL
Mr Kuvera De Zoysa	NIL
Mr Ajith Devasurendra	NIL
Mr Ranil Pathirana	NIL
Mr Wasantha Wimalaweera	NIL
Mr Kamantha Amarasekera	NIL
Dr Chrisantha Nonis	NIL

As at 31st March 2017, there were 7,041 registered shareholders. The percentage of shares held by the public as per the Colombo Stock Exchange rules as at 31st March 2017 was 28.62% representing 49,172,996 ordinary shares in the company.

The Board of Directors declare as follows:

- (1) the Company has not engaged in any activity which contravenes laws and regulations
- (2) All material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested;
- (3) The Company has made all endeavours to ensure the equitable treatment of shareholders;
- (4) the business is a going concern, with supporting assumptions or qualifications as necessary; and they have conducted a review of the internal controls, covering financial, operational and compliance controls and risk management, and have obtained reasonable assurance of their effectiveness and successful adherence therewith and, if it is unable to make any.

Remuneration of Directors

Remuneration received by the Directors is set out in Note 11 to the Financial Statements on page 48.

Related Party Transactions

The Board of Directors has given the following statement in respect of the related party transactions.

The related party transactions of the Company during the financial year have been re-viewed by the Related Party Transactions Review Committee of Ceylon Hotels Corporation PLC, are in compliance with Section 09 of the CSE Listing Rules.

The Committee met Four (04) times during the Financial year 2016/2017.

Attendance	
Mr Kuvera De Zoysa	4/4
Mr Mangala Boyagoda	4/4
Mr Priyantha Maddumage	2/4
Mr Kamantha Amarasekera	0/4

**ANNUAL REPORT OF THE BOARD OF DIRECTORS
ON THE AFFAIRS OF THE COMPANY (Contd..)****Directors Interest in Contracts**

The Directors' interest in contracts and proposed contracts with the company are disclosed in Note 39 to the Financial Statements.

Auditors relationship

Messrs KPMG Chartered Accountants who are willing to continue in office are recommended for re-appointment, at a remuneration to be decided by the Board of Directors.

The fees paid to auditors are disclosed in Note 11 to the Financial Statements.

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 in the Company or its Group Companies. They confirm that they are independent in accordance with the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka.

Annual General Meeting

The Annual General Meeting of the Company will be held on 27th September 2017 at 11:00 a.m. at the Sri Lanka Foundation Institute, No:100, Independence Square, Colombo 7.

For and on behalf of the Board



Sgd. **Lakshman Samarasinghe**
Director



Sgd. **Priyantha Maddumage**
Director



Accounting Systems Secretarial Services (Private) Limited,
Secretaries to the Company,

08th August 2017

**STATEMENT OF THE DIRECTORS' RESPONSIBILITY FOR THE
PREPARATION OF FINANCIAL STATEMENTS**

The Board of Directors is responsible for preparing and presenting the financial statements, which are set out on pages 31 to 71.

As per the provisions of the Companies Act No. 7 of 2007 the directors are required to prepare financial statements for each financial year giving a true and fair view of the state of affairs of the Company as at the end of the financial year.

In preparing the financial statements, the Directors have selected appropriate accounting policies and applied them in a consistent manner. Such policies are supported by reasonable and prudent judgement and all applicable Accounting Standards have been followed.

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

The Directors have taken reasonable steps to safeguard the assets of the Company and established appropriate internal control systems with a view to preventing and detection of fraud and other irregularities.

The Directors are confident that they have discharged their responsibility as set out in this statement. They also confirm that to the best of their knowledge all statutory payments payable by the Company as at the Statement of Financial Position date have been paid or where relevant, provided for.



Accounting Systems Secretarial Services (Pvt) Ltd.
Secretaries to Ceylon Hotels Corporation PLC
Level 3, No. 11, Castle Lane,
Colombo 04.

08th August 2017



CORPORATE GOVERNANCE

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CORPORATE GOVERNANCE

Corporate Governance deals with the systems by which companies are led, directed and controlled, the role of the Board of Directors, the frame-work of internal controls and relationships between the Board of Directors, Shareholders and Auditors.

The platform on which Corporate Governance principals are structured in Sri Lanka is that the Board of Directors is responsible for the proper Governance of the Company. In that context, the Board of Directors of Ceylon Hotels Corporation PLC, has recognized that their responsibilities include the setting out of the Company's strategic aims, providing the necessary leadership to implement such aims, supervising the management of the business and reporting to the shareholder on their stewardship. Therefore, they strive to discharge such duties collectively.

The shareholders responsibilities cover the appointing of Directors and Auditors and satisfying themselves that the appropriate Governance structures are in place.

The Board of Directors

The Board of Directors of Ceylon Hotels Corporation PLC takes responsibility for good Corporate Governance of the Company. The Board sets out the Company's strategic focus, and oversees business and connected affairs of the company and it also formulates the strategic objectives and policy frame work for the Company.

Board composition and Directors Independence as at 31st March 2017

Name of Director	Type	Shareholding
Sanjeev Gardiner	Group Chairman & Non Independent Executive Director	No
Lakshman Samarasinghe	Chairman & Non Independent Executive Director	Yes
Chethiya Perera	Non Independent Executive Director	No
Priyantha Maddumage	Non Independent Executive Director	Yes
Dr Dennis Aloysius	Non Executive & Non Independent Director	Yes
Mangala Boyagoda	Non Executive & Independent Director	No
Kuvera De Zoysa	Non Executive & Independent Director	No
Ajith Devasurendra	Non Executive & Non Independent Director	No
Ranil Pathirana	Non Executive & Non Independent Director	No
Wasantha Wimalaweera	Non Executive & Independent Director	No
Kamantha Amrasekara	Non Executive & Independent Director	No
Dr. Chrisantha Nonis	Non Executive & Independent Director	No

Compliance Regarding Payments

The Board of Directors confirms that all known statutory payments have been paid up to date and all retirement gratuities have been provided for in the financial statements. At the same time, all management fees and payments made to related parties have been reflected in Note 39 in the financial statements.

Internal Control

The Board is responsible for ensuring that the Company has adequate and effective internal controls in place.

Going Concern

The Board of Directors is satisfied that the Company is a going concern and has adequate resources to continue in business for the foreseeable future. For this reason, the Company follows the "going concern" basis when preparing financial statements.

The Company's Corporate Governance Structure is detailed below demonstrate extent to which the Company adheres to

- Provisions of the Companies Act No.07 of 2007
- CSE regulations on Corporate Governance
- Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka

CORPORATE GOVERNANCE (Contd..)**Board Meetings, Agenda and Attendance**

The Board of Ceylon Hotels Corporation PLC, meetings are held as and when necessary. The Director's attendance is shown in the table below.

Names of Directors	Attendance
Mr. Sanjeev Gardiner	3/7
Mr Lakshman Samarasinghe	7/7
Mr Chethiya Perera	6/7
Mr Priyantha Maddumage	5/7
Dr Dennis Aloysius	6/7
Mr Mangala Boyagoda	4/7
Mr Kuvera De Zoysa	5/7
Mr Ajith Devasurendra	6/7
Mr Ranil Pathirana	5/7
Mr Wasantha Wimalaweera	5/7
Mr Kamantha Amarasekera	0/7
Dr Chrisantha Nonis	0/7

Compliance with the Listing Rules of the Colombo Stock Exchange

Principle	SEC and CA Sri Lanka Code Ref.	Compliance and Implementation	Adoption Status
A. THE DIRECTORS			
A.1 THE BOARD			
(1) Effective Board	A.1	The Ceylon Hotels Corporation PLC Board comprises 12 directors as at 31 st March 2017 and of whom 08 operate in a non-executive capacity. Of the 08 non-executive directors, 05 are independent. The Board combines a diverse mix of skills and experience bringing together academic, professional and entrepreneurial perspectives. The collective insights and acumen have generated discussion and debate on key aspects, which have led to enhancing the overall effectiveness of the Company.	Complied
(2) Regular Meetings	A.1.1	Board meetings are held regular basis, whilst special meetings are convened if required. The Sub-committees also meet on a regular basis. During the year, the Board convened 07 times and its Sub-committees namely Audit Committee, Remuneration Committee and Related Party Review Committee held 04 meetings in total. Meeting agendas and Board papers are circulated to all Board members electronically and physically via secure platforms prior to Board and Sub-committee meetings, facilitating productive dialogue and more informed decision making. Proceedings of all Board meetings are minuted and are available in the custody of the Company Secretary.	Complied
Board's responsibilities: The following procedures are carried out to strengthen the safety and soundness of the Company			
(3) Ensure the formulation and implementation of sound business strategy	A.1.2	The Board is responsible for Formulating the medium and long-term strategy of the Company and setting strategic priorities aligned with the objective of delivering sustainable stakeholder value.	Complied
(4) Ensure effective systems to secure integrity of information, internal controls and risk management	A.1.2	Refer to Director's statement on Internal Controls over Financial Reporting given on page 13, Board Audit Committee Report on page 28.	Complied

CORPORATE GOVERNANCE (Contd..)

Principle	SEC and CA Sri Lanka Code Ref.	Compliance and Implementation	Adoption Status
(5) Ensure all stakeholder interests are considered in corporate decisions	A.1.2	The Articles of the Company require Directors to take decisions taking in to account the interests of the customers, shareholders, employees and the community. .	Complied
(6) Ensure that the company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations	A.1.2	Audit Committee & Board review accounting policies annually to ensure that they are in line with the business model of the Company and evolving international and local accounting standards and industry best practice.	Complied
(7) Fulfill such other Board functions as are vital, given the scale, nature and complexity of the business concerned	A.1.2	The Board is committed to fulfilling their functions in line with the law, regulations and good governance practices adopted by the Company.	Complied
(8) Act in accordance with laws relevant to the organisation and procedure for Directors to obtain independent professional advice.	A.1.3	The Company's comprehensive framework of policies, internal controls and procedures ensure compliance with all applicable laws and regulations. In order to enhance the effectiveness of the Board's decision making and preserve overall independence, Directors seek professional independent advice when deemed necessary, in line with a Board approved policy.	Complied
(9) Access to advise and services of Company Secretary	A.1.4	All Directors have access to Company Secretaries, Messrs Accounting Systems Secretarial Services (Private) Limited. The Company Secretary is responsible for ensuring that Board procedures are followed and that all applicable rules and regulations are complied with. The Articles of the Company specify that the appointment and removal of the Company Secretary should be by resolution involving the Board.	Complied
(10) Independent judgement	A.1.5	Directors have no vested interests and independent judgement is exercised when taking business decisions.	Complied
(11) Dedicate adequate time and effort to matters of the Board and the Company	A.1.6	Board meetings and Sub-committee meetings are scheduled well in advance and Board agendas and papers are circulated at least a week prior to the meeting to enable Directors to prepare adequately.	Complied
(12) Board induction and Training	A.1.7	All Directors receive appropriate training on an ongoing basis enabling them to update their skills and knowledge facilitating effective discharge of their responsibilities. When first appointed to the Board, Directors undergo an induction session which includes apprising of the. In addition, Directors are kept abreast of developments in the Company and external environment through, <ul style="list-style-type: none"> ▪ Access to the internal/external auditors ▪ Period performance/compliance reports ▪ Access to industry experts and other professionals on a frequent basis ▪ Updates on new developments in the macroeconomic, industry and regulatory landscapes ▪ The services of the Company Secretary 	Complied
A.2 DIVISION OF RESPONSIBILITIES BETWEEN CHAIRMAN AND CEO			
(13) Separating the activities of the Board from the executive responsibilities of the Company	A.2	The roles of the Chairman and the Managing Director are segregated to ensure appropriate balance of power and authority.	Complied
A.3 CHAIRMAN'S ROLE			
(14) Chairman's role in preserving good corporate governance	A.3	The Chairman leads the Board and facilitates the effective discharge of Board and Sub-Committee functions, ensuring that all Directors actively contribute towards activities of the Board. The Company has in place formal terms of reference for the Chairman which is aligned with the stipulations of the Code of Best Practise, the continuing listing requirements of the CSE. The Chairman's responsibilities include,	Complied

CORPORATE GOVERNANCE (Contd..)

Principle	SEC and CA Sri Lanka Code Ref.	Compliance and Implementation	Adoption Status
(15) Conduct Board meetings in a proper manner		<ul style="list-style-type: none"> ▪ Ensuring compliance to all applicable laws and regulations ▪ Facilitating and encouraging the expression of diverse views by Board members ▪ Ensuring shareholder concerns are addressed ▪ Ensuring all Board procedures are followed, including circulation of information to Directors and maintenance of proper records ▪ Representing the Group externally and act has key point of contact for shareholders on all matters related to Corporate Governance 	Complied
A.4 FINANCIAL ACUMEN			
(16) Availability of financial acumen and knowledge to offer guidance on matters of finance	A.4	Collectively, the Board has adequate financial acumen and knowledge .	Complied
A.5 BOARD BALANCE			
(17) Non-executive directors of sufficient calibre and number	A.5.1 and A.5.2	08 Non-Executive Directors make up the majority of the entire Board. The composition of the Board and calibre of the Non-Executive Directors ensure that no individual or small group of individuals dominate decision making at Board level. (Please refer to pages 7 to 9 for profiles of Directors)	Complied
(18) Independence of Non-Executive directors	A.5.3	Of the Non-Executive Directors, five are independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially affect the exercise of their independent judgement	Complied
(19) Annual declarations of independence from directors	A.5.4	Annual declarations of independence or non-independence are obtained from Directors in accordance with the guidelines set out in the Code of Best Practice.	Complied
(20) Recording of Directors' concerns in Board Minutes	A.5.10	Board minutes are prepared in order to record any concerns of the Board as a whole or those of individual Directors regarding matters placed for their approval/guidance/ action. These minutes are circulated and formally approved at the subsequent Board meeting. Additionally, directors have access to the past Board papers and minutes in case of need via electronic means at all times.	Complied
A.6 SUPPLY OF RELEVANT INFORMATION			
(21) Provision of appropriate and timely information	A.6.1	Directors are supplied with comprehensive and timely information that is required to discharge their duties effectively. Quantitative and qualitative information including stakeholder relations, key performance indicators, progress on implementing strategic plans, risk management and other relevant information is provided to all Directors prior to Board/Sub-Committee meetings. In addition, Directors have open access to management at all levels to obtain further information or clarify any concerns that may arise.	Complied
(22) Chairman to ensure all Directors are properly briefed on issues arising at Board meetings	A.6.1	In addition to the comprehensive Board papers, Directors are also regularly kept abreast of changes in the economic and industry landscape that could potentially impact the Company and are able to seek independent professional advice at the Company's expense if required. Any Director who does not attend a meeting is updated on proceedings prior to the next meeting through; <ul style="list-style-type: none"> ▪ Formally documented minutes of meetings ▪ A separate Board paper is prepared highlighting the items that need to be completed and require follow-up action of the previous meetings. Non-executive directors have an open invitation to attend the meetings of the Management Committees and have the opportunity to interact with senior management after Board Meetings.	Complied
(23) Board papers and agenda to be circulated 7 days prior to meetings.	A.6.2	As described above, Board papers are generally circulated 7 days before the meeting. There is provision for circulation of urgent papers within a shorter time frame and also for approval of matters by circulation but such instances are the exception and not the rule.	Complied

CORPORATE GOVERNANCE (Contd..)

Principle	SEC and CA Sri Lanka Code Ref.	Compliance and Implementation	Adoption Status
A.7 APPOINTMENTS TO THE BOARD			
(24) Disclosure of information to shareholders upon appointment of new directors	A.7.3	There was only one new appointment to the Board during the year under review. All appointments are communicated to shareholders via the Colombo Stock Exchange	Complied
A.8 RE-ELECTION			
(25) All directors should submit themselves for re-election at regular intervals	A.8	As per the Articles, 1/3rd of the Directors submit themselves for retirement at each annual General Meeting and be subject to re-election. Such Directors who retire are those who held office for the longest time period since the election/re-appointment. In accordance with this provision, the following directors retire and offer themselves for re-election: Mr Priyantha Maddumage Dr Chrisantha Nonis In addition Dr. Dennis Aloysius and Lakshman Samarasinghe retire in terms of Section 210 of Companies Act No. 7 of 2007. The Director appointed to the Board since the AGM will stand for election for the first time in accordance with the provisions in the Articles of Association. The Board is actively engaged in succession planning for both executive and non-executive roles to ensure that Board composition is periodically renewed and that the Board retains its effectiveness at all times.	Complied
(26) All directors including Chairman to be subject to re-election at first opportunity after appointment and re-election at least every 3 years thereafter	A.8.2	Described in response to A8 above.	Complied
A.9 APPRAISAL OF BOARD PERFORMANCE			
A.10 DISCLOSURE OF INFORMATION IN RESPECT OF DIRECTORS			
(27) Annual Report to disclose specified information regarding directors	A.10.1	Information specified in the Code with regards to Directors are disclosed within this Annual Report as follows: <ul style="list-style-type: none"> ▪ Name, qualifications, expertise, material business interests and brief profiles on pages 07 to 09 ▪ Related party transactions on pages 65 To 66. Membership of sub-committees and attendance at Board Meetings and Sub-Committee meetings on pages 28 & 29.	Complied
B. DIRECTOR'S REMUNERATION			
B.1 REMUNERATION PROCEDURE			
(28) Appointment of a Remuneration Committee	B.1.1	A formal and transparent procedure is in place for determining remuneration of Senior Management including Managing Director and developing executive remuneration policy. The Board has delegated this responsibility to the Board HR and Remuneration Committee, the details and composition of which are given on page 24 of this Report. The Terms of Reference of the sub-committee are in compliance with the guidelines prescribed by the Code of Best Practise and other investor guidelines.	Complied

CORPORATE GOVERNANCE (Contd..)

Principle	SEC and CA Sri Lanka Code Ref.	Compliance and Implementation	Adoption Status
B.2 LEVEL AND MAKE-UP OF REMUNERATION			
(29) Remuneration for Executive Directors should attract, retain and motivate	B.2.1 & B.2.2		
(30) Positioning company remuneration levels relative to other companies	B.2.3	The Remuneration Committee reviews the Company's remuneration levels in relation to other Companies in the industry annually.	Complied
(31) Performance related elements of remuneration for Executive Directors	B.2.4		
(32) Share option schemes	B.2.5	The Company currently does not have any executive share option schemes in place.	Complied
(33) Designing schemes of performance related remuneration	B.2.6	No schemes of performance related remuneration have been implemented in the Company.	Complied
(34) Compensation commitments in the event of early termination	B.2.7	There are currently no compensation provisions for early termination however these are addressed on a case by case basis.	Complied
(35) Dealing with early termination	B.2.8	Directors determine this on a case by case basis.	Complied
(36) Levels of remuneration for Non-Executive Directors	B.2.9	Remuneration for Non-Executive Directors is determined taking into consideration the time commitment, role and responsibilities of each individual Director as well as industry practise.	Complied
B.3 DISCLOSURE OF REMUNERATION			
(37) Composition of Remuneration Committee, Remuneration Policy and disclosure of aggregate remuneration paid to directors	B3.1	The Remuneration Policy and further details on the Remuneration Committee is given on pages 24 of this Report. The aggregate remuneration paid to Non-Executive Directors is disclosed in the Notes to the Financial Statements on page 48 of this Report	Complied
C.RELATIONS WITH SHAREHOLDERS			
C.1 CONSTRUCTIVE USE OF AGM AND OTHER GENERAL MEETINGS			
(38) Constructive use of the AGM & Other General Meetings	C1	The Annual General Meeting is used as the main platform for engaging with shareholders and is also the main forum of contact between small shareholders and the Board. Notice of the AGM and all relevant papers are sent to the shareholders at least 15 working days prior to the AGM in accordance with the rules stipulated by the Securities and Exchange Commission.	Complied
(39) Count of all proxy votes lodged	C.1.1	All lodged proxy votes together with the votes of shareholders present at the AGM are considered for each resolution.	Complied
(40) Separate resolutions for each substantially separate issue	C.1.2	Separate resolutions are proposed for each significant item on the Agenda. The adoption of the report and accounts is proposed as a separate resolution.	Complied
(41) Availability of Board Sub-Committee Chairmen at AGM	C.1.3	Directors of the Board, including Chairmen of Audit, Remuneration are available to clarify any points raised by the shareholders.	Complied
(42) Circulation of notice of AGM and related documents to shareholders	C.1.4	Notice of the AGM and related papers are sent to shareholders at least 15 calendar days prior to the meeting in accordance with the regulations.	Complied
C.2 COMMUNICATION WITH SHAREHOLDERS			
(43) Channel to reach all shareholders	C.2.1	The Company uses multiple channels to facilitate communication with its shareholders including), announcements to the Colombo Stock Exchange and other press articles. Annual Reports are provided to all shareholders either in printed or compact disk (CD) form depending on their preferences.	Complied
(44) Policy and methodology for communication with shareholders	C.2.2 & C.2.3	The Company strives to engage with shareholders in a timely and effective manner through dissemination of accurate and relevant information in accordance with the process described in response to C.2.1	Complied

CORPORATE GOVERNANCE (Contd..)

Principle	SEC and CA Sri Lanka Code Ref.	Compliance and Implementation	Adoption Status
(45) Contact person for shareholder matters	C.2.4 & C.2.6	Shareholders can direct their questions, comments and suggestions to the Board of Directors or Management team through the Company Secretary, who acts as the contact points for shareholder concerns.	Complied
(46) Process to make all Directors aware of major issues and concerns of shareholders	C.2.5	The Company Secretary maintains a record of all such correspondences received and initiates follow-up action as soon as practically possible.	Complied
(47) Process of responding to shareholder matters	C.2.7	Refer response to C.2.5 above	Complied
C.3 MAJOR AND MATERIAL TRANSACTIONS			
(48) Disclosure of major transactions	C.3.1	Company did not carry out major transaction which require disclosure in terms of provision of section 185 of the Companies Act No. 07 of 2007.	Complied
D. ACCOUNTABILITY & AUDIT			
(49) Present a balanced and understandable assessment of the Company's financial position, performance and prospects	D1	The Company's financial statements are prepared in accordance with the Sri Lanka Financial Reporting Standards laid down by the Institute of Chartered Accountants of Sri Lanka and comply with the requirements of the Companies Act. The company's position and prospects have been discussed in detail in the following sections of this annual report. ▪ Chairman's Review pages 2 to 3.	Complied
(50) Interim reports, price-sensitive public reports, regulatory reports and statutory information requirements	D1.1	Interim performance reports were circulated within 45 days of each quarter end whilst other price sensitive information was disclosed in a comprehensive yet concise manner in accordance with the reporting requirements prescribed by the Colombo Stock Exchange. Reports required by the regulators including, Inland Revenue, Registrar of Companies, Colombo Stock Exchange were all filed in a timely manner in compliance with their requirements and these provided a sufficient information for the user to obtain a balanced assessment of the Company's operations.	Complied
(52) Declaration in Directors Report	D1.2	The Annual Report of the Board of Director's on pages 7 to 9 contains the declarations as required by the Code.	Complied
(53) Responsibilities of the Board for the preparation and presentation of financial Statements and statement by the Auditors about their reporting responsibilities	D1.3	The Statement of Directors' Responsibility on Financial Statements and Report of the Auditors which includes a statement about their reporting responsibilities are provided on pages 13 and 30.	Complied
(54) Declaration of the Directors that the business is a going concern	D1.5	This information is provided in the Annual Report of the Board of Directors on pages 10 to 12	Complied
(55) Related Party Transactions	D1.7	The Company has implemented a Board approved, formalised process for related party transactions, including identification of related parties, types of transaction and avoidance of conflict of interest. A Related Party Committee has also been set up in compliance with the guidelines stipulated by the Colombo Stock Exchange. Directors individually declare their transactions with the Company on a quarterly basis.	Complied
D.2 INTERNAL CONTROL			
(56) Maintain a sound system of internal control to safeguard shareholders' investments and the Company's assets.	D2.1	The Board is responsible for formulating and implementing appropriate internal controls which ensure that the Company's assets are safeguarded, proper accounting records are maintained and provision of management information happens in a timely and relevant manner. The Board Audit Committee, with the support of the Company's internal audit function ensures the sufficiency and effectiveness of the Company's internal control systems. Reviews of the adequacy and effectiveness of these internal control systems are carried out by the Messrs. Ernst & Young who report on a regular basis of the Board Audit Committee.	Complied

CORPORATE GOVERNANCE (Contd..)

Principle	SEC and CA Sri Lanka Code Ref.	Compliance and Implementation	Adoption Status
(57) Review need for Internal Audit Function	D2.2	Internal Audit function and report are review of the Audit Committee	Complied
D.3 AUDIT COMMITTEE			
(58) Establish arrangements for selection and application of accounting policies, financial reporting and internal control principles	D3	The key responsibilities of the Company's Audit Committee are, ▪ Oversight over financial reporting, internal controls and monitoring auditor independence ▪ Gaining assurance on the control over the financial processes and the integrity of the Company's financial reports ▪ Monitoring performance, objectivity and independence of the External Auditor Please refer to page 28 of this Report for the Board Audit Committee Report.	Complied
(59) Composition and Terms of Reference for Audit Committee	D3.1	The Board Audit Committee is chaired by a Non-Executive Director who has substantial and relevant experience in financial management and related areas. The Committee comprises entirely of Non-Executive Directors whilst the CFO, Head of Internal Audit, and representatives of the External Auditors are invited to attend Committee meetings.	Complied
(60) Review of External Audit function and relationship with External Auditors	D3.2	Messrs KPMG are the Company's external auditors and key oversight is provided by the Audit Committee, whose primary relationship is with the Committee. The principal/consolidator auditor has not engaged in any services which are in the restricted category as defined by the CSE for external auditors. The Company also has in place a policy for ensuring that the independence and objectivity of the Auditor is not impaired. The Audit Committee is also responsible for recommending the appointment/re-appointment of the External Auditors to the Board and reviewing the scope, nature and results of the annual External. The audit fees paid by the Company to its auditors are separately classified on page 48 of the Notes to the Financial Statements.	Complied
(61) Terms of Reference	D3.3	The Terms of Reference of the Audit Committee complies with the recommendations of the Code of Best Practice on Board Audit Committees issued by ICASL and applicable regulations from the Colombo Stock Exchange.	Complied
(62) Disclosures regarding Audit Committee	D3.4	The Annual Report of the Board of Directors on page 28 of this Report provides the following disclosures; ▪ The composition of the Board Audit Committee ▪ A statement pertaining to the Independence of the Auditors	Complied
D.4 CODE OF BUSINESS CONDUCT AND ETHICS			
(63) Code of Business Conduct and Ethics	D.4.1	All employees including the Board of Directors are bound to abide by the ethics, values and expectations set out in the Employee Code of Conduct.	Complied
D.5 CORPORATE GOVERNANCE DISCLOSURES			
(64) Corporate Governance Report	D.5.1	The Company and its subsidiaries are fully compliant with all the mandatory rules and regulations stipulated by the Code of Best Practice on Corporate Governance issued jointly by the SEC and ICASL, and the Listing Rules of the Colombo Stock Exchange. Please refer Corporate Governance Report on pages 16 to 24 of this Report to detailed disclosures on the Company's governance practices.	Complied
E. SHAREHOLDERS-INSTITUTIONAL INVESTORS			
(65) Encourage voting at AGM	E.1	Shareholders are encouraged to participate at the Annual General Meeting and exercise their right to vote. The Company's General Meetings have continued to be characterised by a high level of shareholder involvement.	Complied
(66) Regular structured dialogues with institutional investors	E1.1	The Managing Director also regularly engages with institutional shareholders, at most instances in the presence of the Chairman. The views of these shareholders are also communicated to the Board as a whole.	Complied
E.2 EVALUATION OF GOVERNANCE DISCLOSURES			
(67) Encourage institutional investors to give due weight to relevant governance arrangements	E2	In addition to the publishing of quarterly performance updates, the Company also keeps institutional investors apprised of the governance framework and practices as well as changes thereof through the Annual Report, announcements to the CSE and other press releases.	Complied

CORPORATE GOVERNANCE (Contd..)

Principle	SEC and CA Sri Lanka Code Ref.	Compliance and Implementation	Adoption Status
F. SHAREHOLDER RELATIONS-INDIVIDUAL SHAREHOLDERS			
(68) Individual shareholders are encouraged to do their own analysis or seek independent advice	F.1	Individual shareholders are encouraged to carry out their adequate analysis and/or seek independent advice when making investing/divesting decisions. The Company provides sufficient information through its Annual Report quarterly performance updates to the CSE.	Complied
(69) Encourage shareholders to participate and vote and AGM	F.2	It is a tradition at Company to encourage investors to participate and vote at the AGM.	Complied

REMUNERATION COMMITTEE REPORT

The purpose of the Remuneration committee comprising Mr. Kuvera De Zoysa (Chairman), Mr. Mangala Boyagoda assisted by M/s Priyantha Maddumage (Group Chief Financial Officer) and Chief Operating Officer have laid down guidelines and recommended a policy on remuneration of the Management Staff and General Staff.

The main objective of the remuneration package is designed to retain Quality Managerial Staff and reward those who are performing well. The Chairman, Executive Directors, the Financial Controller and Director Human Resources representing the company attend the meetings by invitation and provide information to the committee and participate in the deliberations.

The aggregate amount paid to Directors comprises the allowance paid to Chairman which amounted to Rs. 480,000/-.

(Sgd)

Kuvera De Zoysa
Chairman – Remuneration Committee

08th August 2017

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Dry Rations to Flood Victims

The Kandy Hotels Co. (1938) PLC; this year on the instructions of Chairman Mr. Sanjeev Gardiner, donated dry Rations to be distributed amongst the flood victims. Central Province Governor Ms. Niluka Ekanayake and Chief Minister Mr. Sarath Ekanayake kindly undertook to help Kandy Hotels to

distribute the large quantity of packets.

Instead of the Poson Dansala this was carried out at the request of the Maha Nayake Theros of Asgiriya and Malwattte Chapters.

NAVODAYA Special Educational Hostel (NSEH) at Lewella, which accommodate over 100 mentally-retarded Children, were offered a Buffet Lunch and organized a Mobile Play Area with a bouncer and other activities, accompanied by a Musical Band, where the children had a rollicking time.

NSEH was also donated with a Multi-Media System, and a Laptop for the Benefit of the Children.



Nuns backed up by 10 female staff members look after 35 orphans (All girls) at **Blessed Virgin Convent, Gampola**. As requested by the Convent, Queen's & Hotel Suisse jointly organized a Buffet Lunch with

Music and dancing which went on till 5.00 pm, which everybody present enjoyed. Thereafter, everybody was given a Gift.



FINANCIAL REPORTS

Annual Report

For the year ended 31st March

2017

51st

Annual General Meeting

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REPORT OF THE AUDIT COMMITTEE

The Audit Committee comprising Messrs. Kuvera De Zoysa, Kamantha Amarasekera, Mangala Boyagoda and Priyantha Maddumage is empowered to review and monitor the financial affairs of the Company with particular to the internal and external audit functions and internal control procedures.

The Audit Committee dealt with matters arising from the Audit Report and matters brought to their attention by the Management. Directions are given so as to ensure compliance with best practice for Corporate Governance relating to regulatory compliance and control issues. Steps were taken so that the management of the company is made aware expeditiously to ensure implementation of the recommendations of the Audit Committee.

Meetings of the Audit Committee

The Audit Committee held four (4) meetings during the financial year. Information on the Attendance of the committee members at these meetings is as follows.

Mr Kuvera De Zoysa	4/4
Mr Mangala Boyagoda	4/4
Mr Priyantha Maddumage	2/4
Mr Kamantha Amarasekera	0/4

The Managing Director, Financial Controller Officer of Ceylon Hotels Corporation PLC, attend the Audit Committee meetings by invitation. Other Directors & Officers as well as the External Auditors were invited to attend the meetings as required.

The Audit Committee having determined that the Auditors are independent has recommended to the Board of Directors the appointment of Messrs KPMG, as External Auditors for the financial year ending 31st March 2017, subject to the approval of the shareholders at the Annual General Meeting and to re-appoint M/s Ernst & Young advisory Services (Pvt) Ltd as Internal Auditors.

Sgd.

Kuvera De Zoysa
Chairman - Audit Committee

08th August 2017

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Related Party Transactions Review Committee of Ceylon Hotels Corporation PLC, the Company functions as the committee of the code of Best Practice on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka and the Section 9 of the Listing Rules of the Colombo Stock Exchange.

Composition of the Committee

The Related Party Transactions Review Committee comprises three Independent Non-Executive Directors and one Executive Director. The Committee comprised of the Following members;

Mr Kuvera De Zoysa
Mr Mangala Boyagoda
Mr Priyantha Maddumage
Mr Kamantha Amarasekera

Task of the Committee

The Committee reviewed the related party transactions and their compliances of Ceylon Hotels Corporation PLC and communicated the same to the Board.

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

Meetings

The Committee met 4 times during the year under review. Information on the Attendance of the committee members at these meetings is as follows.

Mr Kuvera De Zoysa	4/4
Mr Mangala Boyagoda	4/4
Mr Priyantha Maddumage	2/4
Mr Kamantha Amarasekera	0/4

Disclosures

A detailed disclosure of all the related party transactions including Recurrent and Non Recurrent related Party transactions which are required to be disclosed under section 9.3.2 of the listing rules 29.2 (b) of the Colombo Stock Exchange has been made in Note 39 to the financial statements given in pages 65 to 67 to this report.

Sgd.

Kuvera De Zoysa
Chairman - Related party transactions review Committee

08th August 2017

INDEPENDENT AUDITORS' REPORT



KPMG
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32A, Sir Mohamed Macan Markar Mawatha,
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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF CEYLON HOTELS CORPORATION PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Ceylon Hotels Corporation PLC, ("the Company"), and the consolidated financial statements of the Company and its subsidiaries ("Group"), which comprise the statement of financial position as at 31st March 2017, and the income statement, statement of profit or loss and other comprehensive income, statement of changes in equity and, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 31 to 71 of the annual report.

Board's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates

made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

- The basis of opinion and scope and limitations of the audit are as stated above.
- In our opinion:
 - 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,
 - The financial statements of the Company give a true and fair view of its financial position as at 31 March 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
 - The financial statements of the Company, and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.

CHARTERED ACCOUNTANTS

Colombo

08th August 2017

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R.H. Rajan ACA
Principals - S.R.J. Perera FCMA(UK), LL.B. Attorney-at-Law, H.S. Goonewardene ACA
Ms. C.T.K.N. Perera ACA
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C.P. Jayatilaka FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo FCA

INCOME STATEMENT

For the Year ended 31 st March,	Group		Company		
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.	
Revenue	7	1,514,277,124	1,448,039,667	9,906,211	9,647,966
Cost of sales		(411,423,332)	(380,744,133)	(9,820,781)	(9,591,593)
Gross profit		1,102,853,792	1,067,295,534	85,430	56,373
Other income	8	15,117,816	25,192,465	445,802,071	102,988,280
Distribution expenses		(70,581,379)	(47,416,582)	(910,327)	(1,562,481)
Administrative expenses		(825,175,527)	(722,660,369)	(8,249,818)	(26,064,362)
Other operating expenses	9	(135,179,973)	(29,049,213)	(143,231,617)	(29,049,213)
Profit from operations		87,034,729	293,361,835	293,495,739	46,368,597
Finance income		7,660,193	12,551,295	-	2,150,868
Finance costs	10	(95,967,514)	(81,105,810)	(45,852,302)	(35,812,141)
Net finance costs		(88,307,321)	(68,554,515)	(45,852,302)	(33,661,273)
Share of loss of equity accounted investees (net of tax)	17.3.1	(17,604,378)	(101,630,030)	-	-
Profit/(Loss) before income tax	11	(18,876,970)	123,177,290	247,643,437	12,707,324
Income tax	12	(39,669,288)	(60,518,525)	(37,165)	(390,498)
Profit/(Loss) for the year		(58,546,258)	62,658,765	247,606,272	12,316,826

Figures in brackets indicate deductions

The Notes on pages 38 to 71 are an integral part of these Financial Statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME (Contd..)

For the Year ended 31 st March,	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Profit/(Loss) for the year	(58,546,258)	62,658,765	247,606,272	12,316,826
Other comprehensive income				
Items that will never be reclassified to profit or loss				
Net result from Equity Accounted Investees	17.3.1	93,997	90,246,207	-
Revaluation of property, plant & equipment		848,048,765	-	-
Deferred tax on revaluation surplus		21,761,793	-	-
Actuarial Gain/(Loss)		2,607,061	(1,540,201)	797,745
Deferred Tax effect on actuarial gain/loss		(312,847)	184,824	(95,729)
Items that are or may be reclassified to profit or loss				
Effect of translation of foreign operations		11,075,873	(349,584)	-
Total comprehensive income for the year, net of tax		824,728,384	151,200,011	247,333,730
Profit / (Loss) attributable to:				
Equity holders of the company		(110,840,082)	3,638,223	247,606,272
Non Controlling Interest		52,293,824	59,020,542	-
Profit / (Loss) for the year		(58,546,258)	62,658,765	247,606,272
Total Comprehensive Income attributable to :				
Owners of the Company		527,793,723	92,727,894	247,333,730
Non Controlling Interest		296,934,661	58,472,117	-
Total comprehensive income for the year		824,728,384	151,200,011	247,333,730
Earnings / (Loss) per share				
Basic earnings/(loss) per share	13	(0.65)	0.02	1.44

Figures in brackets indicate deductions

The Notes on pages 38 to 71 are an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31 st March,	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
ASSETS				
Non-Current Assets				
Property, plant and equipment	14	8,722,561,803	7,774,159,181	666,673
Intangible assets	15	509,505,785	503,248,410	-
Lease hold right over land	16	293,404,743	263,230,176	-
Investments in subsidiaries	17	-	-	909,648,216
Investment in joint venture	17.3.1	431,921,910	403,258,094	302,787,887
Deferred conversion fee	19	177,717,627	173,504,228	-
Investment Property	18	-	-	156,564,998
Total Non-Current Assets		10,135,111,868	9,117,400,089	1,369,667,774
Current Assets				
Inventories	20	84,192,096	66,415,748	-
Trade & other receivables	21	334,954,751	252,365,430	7,248,610
Amounts due from related companies	22	40,358,885	251,431,512	136,696,840
Income tax recoverable	23	521,865	704,159	-
Assets held for sale	24	75,171,738	200,770,724	86,178,102
Short term investments	25	19,939,411	273,400,464	-
Cash & cash equivalents	26	71,560,100	71,478,235	5,507,708
Total current assets		626,698,846	1,116,566,272	235,631,260
Total Assets		10,761,810,714	10,233,966,361	1,605,299,034
EQUITY AND LIABILITIES				
Equity				
Stated capital	27	198,500,000	1,220,425,748	198,500,000
Reserves	28	5,019,874,063	4,934,263,769	380,085,359
Accumulated profit / (losses)		1,630,980,966	(3,875,727)	355,060,244
Total Equity attributable to Equity holders of the Company		6,849,355,029	6,150,813,790	933,645,603
Non controlling interest		2,058,421,688	1,640,083,117	-
Total Equity		8,907,776,717	7,790,896,907	933,645,603
Non-Current Liabilities				
Interest bearing borrowings	29	695,742,619	435,518,696	-
Employee benefits	30	15,703,324	16,921,305	6,243,085
Lease rent equalisation account	31	52,877,003	39,636,342	-
Deferred tax liabilities	33	263,251,106	302,529,143	-
Total Non-Current Liabilities		1,027,574,052	794,605,486	6,243,085
Current Liabilities				
Trade and other payables	34	372,670,152	1,237,858,014	10,167,714
Interest bearing borrowings	29	179,433,730	170,648,340	-
Non interest bearing borrowings	32	1,802,200	1,802,200	1,522,200
Amounts due to related companies	35	161,620,907	119,182,674	87,358,869
Related Party Interest bearing borrowings	35.1	-	53,380,282	565,810,065
Income tax payable	36	21,755,990	20,556,912	120,941
Bank overdrafts	26	89,176,966	45,035,546	430,557
Total Current Liabilities		826,459,945	1,648,463,968	665,410,346
Total Equity & Liabilities		10,761,810,714	10,233,966,361	1,605,299,034

The Notes on pages 38 to 71 are an integral part of these Financial Statements.

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


Sgd - P. Sivatheesh
Financial ControllerThe Board of Directors is responsible for the preparation and presentation of these Financial Statements.
Approved & signed for and on behalf of the Board,

Sgd - Lakshman Samarasinghe
Chairman

Colombo

08th August 2017

Sgd - Priyantha Maddumage
Director

STATEMENT OF CHANGES IN EQUITY

Group	Attributable to Equity Holders of the Company							Total	Non controlling Interest	Total Equity
	Stated Capital	Revaluation Reserve	Capital Reserve	General Reserve	Foreign Currency Equalisation Reserve	Accumulated profit / (losses)	Total			
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Balance as at 1st April 2015	1,220,425,748	4,919,961,889	8,128,011	167,079,660	-	(464,531,937)	5,851,063,371	1,441,687,196	7,292,750,567	
Total comprehensive income										
Profit for the year	-	-	-	-	-	3,638,223	3,638,223	59,020,542	62,658,765	
Other comprehensive income	-	-	-	-	(262,581)	89,352,252	89,089,671	(548,425)	88,541,246	
Total comprehensive income for the year	-	-	-	-	(262,581)	92,990,475	92,727,894	58,472,117	151,200,011	
Transactions with owners of the company										
Effect of acquisitions of subsidiaries with NCI	-	-	-	-	-	-	-	(125,932,373)	(125,932,373)	
Effect of changes in holding percentage without change in control	-	-	-	-	-	207,022,525	207,022,525	292,977,727	500,000,252	
Transfer to retained earnings	-	(160,643,210)	-	-	-	160,643,210	-	-	-	
Ordinary share dividend paid to minority	-	-	-	-	-	-	-	(27,101,550)	(27,101,550)	
Preference share dividend paid to minority	-	-	-	-	-	-	-	(20,000)	(20,000)	
Total transactions with owners of the company	-	(160,643,210)	-	-	-	367,665,735	207,022,525	139,923,804	346,946,329	
Balance as at 31st March 2016	1,220,425,748	4,759,318,679	8,128,011	167,079,660	(262,581)	(3,875,727)	6,150,813,790	1,640,083,117	7,790,896,907	
Balance as at 1st April 2016	1,220,425,748	4,759,318,679	8,128,011	167,079,660	(262,581)	(3,875,727)	6,150,813,790	1,640,083,117	7,790,896,907	
Total comprehensive income										
Profit/(Loss) for the year	-	-	-	-	-	(110,840,082)	(110,840,082)	52,293,824	(58,546,258)	
Other comprehensive income	-	628,499,715	-	-	8,346,099	1,787,991	638,633,805	244,640,837	883,274,642	
Total comprehensive income for the year	-	628,499,715	-	-	8,346,099	(109,052,091)	527,793,723	296,934,661	824,728,384	
Transactions with owners of the company										
Effect of changes in holding percentage without change in control	-	(378,046,673)	-	-	-	548,794,188	170,747,516	166,742,618	337,490,134	
Transfer to retained earnings	-	(173,188,847)	-	-	-	173,188,847	-	-	-	
Ordinary Share dividend paid to minority	-	-	-	-	-	-	-	(45,301,208)	(45,301,208)	
Preference share dividend paid to minority	-	-	-	-	-	-	-	(37,500)	(37,500)	
Reduction in share capital (Note 271)	(1,021,925,748)	-	-	-	-	1,021,925,748	-	-	-	
Total transactions with owners of the company	(1,021,925,748)	(551,235,520)	-	-	-	1,743,908,783	170,747,516	121,403,910	292,151,426	
Balance as at 31st March 2017	198,500,000	4,836,582,874	8,128,011	167,079,660	8,083,518	1,630,980,966	6,849,355,029	2,058,421,688	8,907,776,717	

Figures in brackets indicate deductions

The Notes on pages 38 to 71 are an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY (Contd..)

Company	Stated Capital	Revaluation Reserve	Capital Reserve	AFS Reserve	General Reserve	Accumulated profit / (losses)	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1st April 2015	1,220,425,748	219,250,060	8,128,011	205,238,955	166,718,393	(1,146,468,136)	673,293,031
Total comprehensive income							
Profit for the year	-	-	-	-	-	12,316,826	12,316,826
Other comprehensive income							
Actuarial gain/(loss)	-	-	-	-	-	702,016	702,016
Total comprehensive income for the year	-	-	-	-	-	13,018,842	13,018,842
Transactions with owners of the company, recognized directly in equity							
Transfers from reserves	-	(111,492,506)	-	-	-	111,492,506	-
Total transactions with owners of the company	-	(111,492,506)	-	-	-	111,492,506	-
Balance as at 31st March 2016	1,220,425,748	107,757,554	8,128,011	205,238,955	166,718,393	(1,021,956,788)	686,311,873
Balance as at 1st April 2016	1,220,425,748	107,757,554	8,128,011	205,238,955	166,718,393	(1,021,956,788)	686,311,873
Total comprehensive income							
Profit for the year	-	-	-	-	-	247,606,272	247,606,272
Other comprehensive income							
Actuarial loss	-	(107,757,554)	-	-	-	(272,542)	(272,542)
Total comprehensive income for the year	-	(107,757,554)	-	-	-	247,333,730	247,333,730
Transactions with owners of the company, recognized directly in equity							
Transfers from reserves	-	(107,757,554)	-	-	-	107,757,554	-
Reduction in share capital (Note 271)	(1,021,925,748)	-	-	-	-	1,021,925,748	-
Total transactions with owners of the company	(1,021,925,748)	(107,757,554)	-	-	-	1,129,683,302	-
Balance as at 31st March 2017	198,500,000	-	8,128,011	205,238,955	166,718,393	355,060,244	933,645,603

The Notes on pages 38 to 71 are an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

As at 31 st March,	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Cash flows from operating activities				
Profit/(Loss) before income tax	(18,876,970)	123,177,290	247,643,437	12,707,324
Adjustment for:				
Depreciation on property, plant and equipment	189,669,484	180,392,333	211,411	214,096
Provision for retiring gratuity	4,285,343	4,180,907	1,200,054	1,243,757
Provision/Written off for bad & doubtful debts	(9,874,404)	(16,783,174)	-	-
Lease rent equalisation charge	11,328,201	-	-	-
Provision/(Reversal) for slow moving Inventory	(351,175)	351,175	-	-
Income Tax Receivable written off	250,456	477,115	-	-
Loss on foreign currency transactions	7,069,918	13,664,595	-	-
Dividend Received	-	-	(94,679,602)	(78,658,605)
Amortization of lease hold right over land	7,146,066	2,553,685	-	-
Amortization of Intangible assets	2,688,378	2,046,401	16,031	4,692
(Profit) / Loss on disposal of Property Plant & Equipment	(34,249)	936,526	-	29,049,213
Loss on disposal of Investment Property	-	29,049,213	-	-
Share of result of equity accounted investee	17,604,378	101,630,030	-	-
Impairment of Assets Held for Sales	125,598,986	-	125,598,986	-
Interest income	(681,624)	(12,551,295)	-	(2,150,868)
Interest expenses	62,946,250	81,105,810	45,852,302	35,812,141
Loss on Investment Property Revaluation	-	-	17,632,631	-
Gain on Disposal of Investment in subsidiary	-	-	(337,348,931)	-
Amortization of Deferred conversion fee	2,828,659	-	-	-
Operating profit /(loss) before working capital changes	401,597,697	510,230,611	6,126,319	(1,778,250)
Changes in;				
Inventories	(17,776,348)	(10,031,214)	-	-
Trade and other receivables	(78,764,510)	(38,554,035)	1,765,408	(1,534,949)
Amounts due from related companies	211,072,627	(207,800,314)	(62,268,608)	(30,857,999)
Trade and other payables	(865,187,864)	934,360,764	(9,302,186)	(3,707,242)
Amounts due to related companies	(10,942,049)	(480,425,500)	93,049,115	50,060,061
Cash generated from/(used in) operating activities	(360,000,447)	707,780,312	29,370,048	12,181,621
Interest Paid	(62,946,250)	(81,105,810)	(45,852,302)	(35,812,141)
Taxes paid	(56,367,462)	(55,766,859)	(850,899)	(12,562,502)
Retiring gratuity amount paid	(2,896,263)	(2,149,506)	(1,392,844)	(724,884)
Net cash flow generated from /(used in) operating activities	(482,210,422)	568,758,137	(18,725,997)	(36,917,905)

STATEMENT OF CASH FLOWS (Contd..)

As at 31 st March,	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Cash flows from investing activities				
Interest received	681,624	12,551,295	-	2,150,868
Acquisition of Subsidiary	-	(910,566,637)	(370,633,516)	(198,200,030)
Acquisition of Other Investment	-	(96,188,917)	-	-
Proceeds from sale of PPE	3,019,586	2,327,189	-	-
Proceeds from sale of investment property	-	300,475,787	-	301,765,770
Proceeds from sale of Shares in subsidiary	337,490,134	-	337,490,134	-
Acquisition of property, plant and equipment	(291,685,177)	(52,011,939)	-	-
Investment in joint venture	(46,174,198)	(6,613,689)	(46,174,198)	(6,613,691)
Addition of Intangible assets	(8,945,753)	(768,890)	-	-
Acquisition of Lease hold right over land	(26,297,089)	-	-	-
Proceeds from sale of investments in REPO	273,400,464	-	-	-
Investment in REPO	(19,939,411)	-	-	-
Dividend Income	-	-	94,679,602	78,658,605
Net cash generated from / (used in) investing activities	221,550,180	(750,795,801)	15,362,022	177,761,522
Cash flows from financing activities				
Proceeds from issuing shares	-	500,000,252	-	-
Loans received during the year	420,000,000	-	-	-
Dividends paid to minority	(45,338,708)	(27,121,550)	-	-
Loans settled during the year	(158,060,605)	(271,523,371)	-	(119,100,000)
Net cash generated from / (used in) financing activities	216,600,687	201,355,331	-	(119,100,000)
Net increase / (decrease) in cash & cash equivalents	(44,059,555)	19,317,667	(3,363,975)	21,743,617
Cash & cash equivalents at the beginning of the year	26,442,689	7,125,022	8,441,126	(13,302,491)
Cash & cash equivalents at the end of the year	(17,616,866)	26,442,689	5,077,151	8,441,126
Analysis of cash & cash equivalents				
Cash at banks and in hand	71,560,100	71,478,235	5,507,708	8,441,126
Bank overdraft	(89,176,966)	(45,035,546)	(430,557)	-
	(17,616,866)	26,442,689	5,077,151	8,441,126

Figures in brackets indicate deductions

The Notes on pages 38 to 71 are an integral part of these Financial Statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2017 (Contd..)****1. CORPORATE INFORMATION****1.1. Reporting Entity****1.1.1. Domicile and Legal Form**

Ceylon Hotels Corporation PLC, which was incorporated and domiciled in Sri Lanka by an Act of parliament in 1967. The act was replaced in 2008 and the entity was registered under the companies Act No. 7 of 2007. The registered office of the Company and its Subsidiaries are situated at 327, Union Place, Colombo 02.

1.2. Companies in the Group and Parent Company

The company, in the consolidated financial statements, refers to Ceylon Hotels Corporation PLC and Group refers to the company and all its subsidiaries namely United Hotels Company (Pvt) Ltd, Tissa Resort (Pvt) Ltd, CHC Foods (Pvt) Ltd, Kandy Hotels Co. (1938) PLC, Suisse Hotels (Pvt) Limited, Air Line Services Limited, Ceylon Hotels Maldives (Pvt) Ltd, Handhuvaru Ocean Holidays (Pvt) Ltd and Handhuvaru Ocean (Pvt) Ltd (together referred to as the "Group"), whose financial statements have been consolidated.

The Galle Face Hotel Company Ltd is the parent company of Ceylon Hotels Corporation PLC.

1.3. Principal activity and Nature of the Operations

The principal activity of the Group and its subsidiaries is the provision of hotel services.

2. BASIS OF PREPARATION**2.1. Statement of Compliance**

The consolidated financial statements of The Ceylon Hotels Corporation PLC, comprise the statement of financial position, statement of comprehensive income & other comprehensive income, statement of cash flows, statement of changes in equity and notes to the consolidated financial statements have been prepared in accordance with the Sri Lanka Accounting Standards (hereinafter referred to as SLFRS) issued by the Institute of Chartered Accountants of Sri Lanka, Sri Lanka Accounting & Auditing Standards act no 15 of 1995 & the requirements of the Companies Act No. 7 of 2007 and the listing rules of the Colombo Stock Exchange.

2.2. Approval of Financial Statements

These consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors on 08th August 2017.

2.3. Going Concern

The Directors have made an assessment of the Group's ability to continue as a going concern and they do not intend either to liquidate or to cease trading.

2.4. Functional and Presentation Currency

Consolidated financial statements of the Group are presented in Sri Lankan Rupees, which is the Group's functional and presentation currency.

2.5. Basis of Measurement

The Consolidated financial statements are presented in Sri Lankan Rupees. The Consolidated financial statements are prepared based on the historical cost convention except as explained below.

Land and Buildings	- Revalued amounts
Financial assets classified as Loans & Receivables	- Amortized Costs
Defined benefit obligation	Actuarially valued and recognized at present value of the defined benefit obligation.

2.6. Use of Estimates and Judgments

The preparation of consolidated financial statements in conformity with Sri Lanka Accounting Standards requires management to make judgments, estimates and assumptions that affects the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgment about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or the period of the revision and future periods if the revision affects both current and future periods.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in following notes.

Note 14	-	Revaluation of Land and Buildings
Note 15	-	Measurement of Intangible Assets
Note 33	-	Measurement of Deferred tax liabilities
Note 29	-	Measurement of Retirement benefit obligations
Note 37	-	Commitments and contingencies
Note 18	-	Classification of Investment Property

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. These accounting policies are consistent with those of the previous year's figures and phrases.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2017 (Contd..)****3.1. Basis of Consolidation****(a) Business Combinations**

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which the control is transferred to the Group. Control is the power to govern Financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, Group takes in to consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred: plus
- The recognized amount of any non controlling interests in the acquire: plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire: less
- The net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre existing relationships. Such amounts generally are recognized in profit or loss.

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 as incurred. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

(b) Subsidiaries

Subsidiaries are those entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(c) Acquisition of non-controlling interests

Acquisition of non-controlling interests is accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

(d) Loss of control

On the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in

profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as equity accounted investee or as an available-for-sale financial asset depending on the level of influence is retained.

(e) Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture.

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint venture are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI (Other Comprehensive Income) of equity-accounted investees, until the date on which significant influence or joint control ceases.

(f) Transactions Eliminated on Consolidation

Intra-Group Balances and any unrealized gains and losses or income and expenses arising from intra-group transactions are eliminated in full in the Consolidated Financial Statements. Unrealized losses resulting from intra-Group transactions are eliminated unless there is evidence of impairment.

- Financial statements of subsidiaries and joint venture companies included in consolidated financial statements

Audited financial statements are used for consolidation. All Financial statements included in the consolidation have financial years ending 31st March except for Handhuvaru Ocean Holidays Ltd and Handhuvaru Ocean Ltd which have the financial year ending 31st December.

3.2. Foreign Currency**3.2.1. Foreign currency transactions**

All foreign exchange transactions in individual companies are translated at the rate of exchange prevailing at the time the transaction was effected. All monetary assets and liabilities in foreign currency at year end are translated at the rate prevailing on the balance sheet date.

Non-monetary assets and liabilities which are carried in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to reporting currency using the exchange rate that was prevailing on the date the fair value was determined. The resulting gains or losses on translations are dealt with in the Income Statement. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

However, foreign currency differences arising from the translation of the following items are recognized in OCI:

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- Available-for-sale equity investments (except on impairment, in which case foreign currency differences that have been recognized in OCI are reclassified to profit or loss);
- A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective
- Qualifying cash flow hedges to the extent that the hedges are effective.

3.2.2. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Rupees at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Rupees at the exchange rates at the dates of the transactions.

Foreign currency differences are recognized in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI (Non-Controlling Interest).

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

3.3. Financial Instruments**3.3.1. Initial Recognition of Financial Instruments**

The Group initially recognizes loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Group is recognized as a separate asset or liability.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

3.3.2. Initial measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs that are directly attributable to the acquisition or issue of such financial instrument, except in the case of financial assets and financial liabilities at fair value through profit or loss as per Sri Lanka Accounting Standard – LKAS 39 on "Financial Instruments: Recognition and measurement".

Transaction costs in relation to financial assets and financial liabilities at fair value through profit or loss are dealt with through the Statement of Comprehensive Income.

3.3.3. Classification and Subsequent measurement of financial assets

The Group classifies non derivative financial assets into the following categories;

- (a) Loans and receivables
- (b) Available for sale
- (c) Fair Value through profit or loss and,
- (d) Held to maturity

(a) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payment that are not quoted in an active market. Such assets are recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loan and receivables comprise of trade receivables, other receivables and fixed deposits.

(b) Available for sale

Available-for-sale financial investments are those, which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement at fair value, available-for-sale financial investments are subsequently measured at fair value and changes therein are recognized in other comprehensive income and accumulated in the available-for-sale reserve. When these assets are derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

The Group evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term would still be appropriate. In the case where the Group is unable to trade these financial assets due to

inactive markets and management's intention significantly changes to do so in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and management has the intention and ability to hold these assets for the foreseeable future or until maturity. The reclassification to held-to-maturity is permitted only when the entity has the ability and intention to hold the financial asset until maturity.

(c) Fair Value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such on initial recognition. Financial assets are designated as at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes in to account any dividend income, are recognized in profit or loss.

Financial assets designated as at fair value through profit or loss comprise equity securities that otherwise would have been classified as available for sale.

(d) Held to Maturity

Held to maturity financial investments are non derivative financial assets with fixed determinable payments and fixed maturities, which the Group has the intention and ability to hold to maturity. After initial measurement, Held to Maturity financial investments are subsequently measured at amortized cost using the EIR, less impairment. Amortized cost is calculated by taking in to account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included in income statement in the Statement of Comprehensive Income.

If the Group were to sell or reclassify more than an insignificant amount of Held to Maturity investment before maturity (Other than in certain specific circumstances permitted in the Sri Lanka Accounting Standards – LKAS 39 on "Financial Instruments: Recognition and Measurement"), the entire category would be tainted and would have to be reclassified as Available For Sale. Furthermore, the Group would be prohibited from classifying any financial asset as Held to Maturity during the following two years.

The Group has not designated any financial instrument as Held to Maturity financial investment.

3.3.4. Classification and Subsequent measurement of financial liabilities

The Group classifies financial liabilities into other financial liabilities category. Such finance liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial

**NOTES TO THE FINANCIAL STATEMENTS
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liabilities are measured at amortised cost using the effective interest method. Other financial liabilities comprise,

- (a) Trade Payables
- (a) Other Liabilities
- (b) Bank Borrowings

3.3.5. Derecognition of Financial Instruments

The Group derecognizes a financial asset when the right to receive cash flows from the asset have expired or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of the ownership of the financial assets are transferred or in which the Group neither transfer nor substantially all risks and rewards of ownership and it does not retain control of the financial asset.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when and only when, the group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset or settle the liability simultaneously.

3.3.6. Determination of fair value

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.

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

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- 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.

Level 1

When available, the Company measures the fair value of an instrument using active quoted prices or dealer price quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price), without any deduction for transaction costs. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

Level 2

If a market for a financial instrument is not active, then the Company establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses, credit models, option pricing models and other relevant valuation models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Company, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Company calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument, i.e. without modification or repackaging, or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognized in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Level 3

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined by using valuation models that have been tested against prices or inputs to actual market transactions and also using the best estimate of the most appropriate model assumptions. Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, credit and debit valuation adjustments, liquidity spread and limitations in the models. Also, profit or loss calculated when such Financial instruments are first recorded ('Day 1' profit or loss) is deferred and recognised only when the inputs become observable or on de-recognition of the instrument.

3.4. Share Capital

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

3.5. Property, Plant & Equipment**3.5.1. Recognition and measurement**

Property, plant & equipment are tangible items that are held for servicing, or for administrative purposes and are expected to be used during more than one period.

a. Recognition

Property, plant & equipment are recognized if it is probable that future economic benefits associated with the assets will flow to the Group and cost of the asset can be reliably measured.

b. Measurement

Items of property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self constructed assets includes the cost of materials and direct labour, any other cost directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integrated to the functionality of the related equipment is capitalized as part of that equipment.

Expenditure on repairs or maintenance of property, plant and equipment made to restore or maintain future economic benefits expected from the assets has been recognized as an expense when incurred.

c. Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalized. The cost of replacing part of an item of Property, Plant & Equipment is recognized 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 derecognized. The cost of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

d. De-recognition

An item of property, plant & equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognizing of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset), is recognized in "other expenses" in profit/loss in the year the asset is derecognized.

When replacement costs are recognized in the carrying amount of an item of property, plant & equipment, the remaining carrying amount of the replaced part is derecognized as required by LKAS 16 - Property, Plant & Equipment.

e. Revaluation

If an asset's carrying amount is increased as a result of a revaluation, the increase shall be credited directly to equity under the heading of revaluation surplus. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, the decrease shall be debited directly to equity under the heading of revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset

The Group transfer portion of revaluation reserve to retained earnings as the assets are used by the entity, since the future economic benefits embodied in the assets are consumed principally through its use rather than on retirement or disposal.

f. Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives of the assets are as follows.

The estimated useful lives for the current and comparative years are as follows:

Buildings on Leasehold Land	-	Over the unexpired lease period
Freehold Buildings	-	20 years
Plant & Machinery	-	10 years
Tools & Implements	-	10 years
Furniture & Office equipment	-	10 years
Freehold Motor Vehicles	-	10 years
Leasehold Motor Vehicles	-	10 years
Leasehold Equipment	-	10 years

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Swimming pool	-	08 years
Computer Equipment	-	05 years
Other Equipment	-	05 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.6. Intangible assets and goodwill

Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. For the measurement of goodwill at initial recognition, see note 3.1(a). Subsequently Goodwill is measured at cost less accumulated impairment losses.

3.6.1. Other intangible assets

Other Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

Lease hold rights are shown at historical cost. Lease hold rights have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of leasehold right over the estimated useful life.

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

Intangible assets are amortized on a straight line basis in profit or loss over their estimated useful lives, from the date that they are available for use other than goodwill. The estimated useful life of software is five years. Amortization method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. The estimated useful life for the current and comparative years for leasehold right over the land is 50 years.

3.7. Investment Property

Investment Property, principally comprise freehold land and building held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognized in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investments property includes the cost of materials and direct labour, any other costs directly attributable to bring the investment property to a working condition for their intended use and capitalized borrowing costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from

**NOTES TO THE FINANCIAL STATEMENTS
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disposal and the carrying amount of the item) is recognized in profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Investment Property is carried at fair value determined annually by an independent valuer. A gain or loss arising from a change in the fair value of investment property is recognized in profit or loss for the period in which it arises.

3.8. Leased Assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payables. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

When the lessor effectively retains substantially all the risks and rewards of an asset under the lease agreement, such leases are classified as operating leases. Payments under operating leases are recognised as an expense in the income statement over the period of lease on a straight line basis.

3.9. Inventories

Inventories are stated the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Accordingly, the costs of inventories are accounted as follows:

Food and Beverage	- At weighted average cost
Packeted Snacks	- At actual cost on FIFO basis
Other Consumables	- At actual cost on FIFO basis
Cutlery, Crockery, Linen & Glassware	- At weighted average cost

3.10. Impairment

The Group assesses at each reporting date whether there is any objective evidence that financial assets or Group of financial assets is impaired. A financial asset or a Group of financial assets is deemed to be impaired if, and only if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset that can be estimated reliably estimated.

Objective evidence that a financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

(a) Impairment losses on financial assets carried at amortized cost

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

The Group considers evidence of impairment for loans and receivable on a specific asset basis. Therefore all loans and receivables are assessed individually and made specific impairment provisions.

(b) Impairment losses on available for sale financial assets

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(c) Impairment of non financial assets

The carrying amounts of the Group's non financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an assets or cash generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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 or CGU. For impairment testing, assets are grouped together into the smallest Group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognized in the statement of income. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGU (if any) and then to reduce the carrying amounts of other assets in the CGU (Group of CGUs) on pro rata basis. An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.11. Assets Held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for distribution and subsequent gains and losses on re-measurement are recognized in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

3.12. Employee Benefits**a. Defined contribution plans**

A defined contribution plan is a post employment plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay a further amount. Obligations for contributions to defined contribution plans are recognized as expense in the profit and loss in the period during which related services are rendered by employees.

Employees' Provident Fund

The Group and Employees' contribute 12% & 8% respectively on the salary of each employee respectively to the Employee Provident Fund.

Employees Trust Fund

The Group contributes 3% of the salary of each employee to the Employees' Trust Fund contributions to defined contribution plans are recognized as an expense in the income statement as incurred.

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

In accordance with revised LKAS 19 - "Employee Benefits" which became effective from the financial year commencing after 01 July 2007, the Group has adopted the actuarial valuation method and the valuation method used by the actuary is "Projected Unit Credit Method". The assumptions based on which the results of the actuarial valuation was determined, are included in Note 30 to the financial statements.

However, under the payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continues service.

Any actuarial gains or losses arising are recognized immediately in the statement of other comprehensive income.

The liability was not externally funded.

3.13. Liabilities and Provisions**3.13.1. Liabilities**

Liabilities classified as current liabilities on the balance sheet are those, which fall due for payment on demand or within one year from the balance sheet date.

Noncurrent liabilities are those balances that fall due for payment after one year from the balance sheet date.

3.13.2. Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.13.3. Capital commitments & contingencies

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be reliably measured.

Capital commitment and contingent liabilities of the Group are disclosed in the respective notes to the financial statements.

4. STATEMENT OF COMPREHENSIVE INCOME**4.1. Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes. The revenue of the Group is recognized on an accrual basis and matched with associated costs and expenses.

Following specific criteria are used for the purpose of recognition of revenue.

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- a) Apartment revenue is recognized based on the daily room's occupation whilst other outlet sales are accounted for at the time of sales.
- b) Food and Beverage Revenue is accounted at the time of the sale.
- c) Dividend income from investments is recognized when the right to receive is established.
- d) Interest income is recognized on an accrual basis.
- e) Others hotel related revenue is accounted for when such service is rendered and accrual basis is followed for the recording of such transactions.

4.2. Revenue Expenditure

All expenditure incurred in running of the business and in maintaining the property, plant & equipment in a state of efficiency has been charged to revenue in arriving at the profit for the year. For the purpose of presentation of Income Statement, the Directors are of the opinion that function of expense method present fairly the elements of the enterprise's performance, hence such presentation method is adopted.

Expenditure incurred for the purpose of acquiring, expanding or improving assets of a permanent nature by means of which to carry on the business or for the purpose of increasing the earning capacity of the business has been treated as capital expenditure.

Repairs and renewals are charged to revenue in the year in which the expenditure is incurred.

The profit incurred by the Group before taxation as shown in the Comprehensive Income Statement is after making provision for all known liabilities and for the depreciation of property, plant & equipments.

4.3. Grants and Subsidies

Government grants are recognized initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant and are then recognized in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are recognized in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognized.

4.4. Segment Reporting

A segment is a distinguishable component of an enterprise that is engaged in either providing products or services (Business Segment) or in providing products or services within a particular economic environment (Geographical Segment), which is subject to risks & rewards that are different from those of the segment. However, there are no distinguishable components to be identified as segment for the Company or Group.

4.5. Borrowing Cost

Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds.

Borrowing costs may include:

- (a) Interest expense calculated using the effective interest method as described in LKAS 39 *Financial Instruments: Recognition and Measurement*;
- (b) Finance charges in respect of finance leases recognised in accordance with LKAS 17 *Leases*; and
- (c) Exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Group capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Then Group recognizes other borrowing costs as an expense in the period in which it incurs them.

4.6. Finance income & Finance cost

Finance income comprises interest income on funds invested. Interest income is recognized as it accrues in profit or loss, using the effective interest method and impairment gains recognized on financial assets (other than trade receivables if any).

Finance cost comprises interest expenses on borrowings, impairment losses recognized on financial assets (other than trade receivables if any).

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest rate method.

4.7. Income Tax Expenses

An income tax expense comprises current and deferred tax. An income tax expense is recognized directly in income statements except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

a. Current tax

Income tax expense comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. The Group's liability to taxation has been computed in accordance with the Inland Revenue Act No. 10 of 2006, and subsequent amendments thereto. The Company and its subsidiaries qualify for a concessionary tax rates.

b. Deferred tax

Deferred tax is provided using the balance sheet liability method, providing for the tax effect of temporary differences between the carrying amounts of assets and liabilities for

financial reporting purposes and the tax base of assets and liabilities, which is the amount attributed to those assets and liabilities for tax purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted by the reporting date.

Deferred tax assets including those related to temporary tax effects of income tax losses and credits available to be carried forward, are recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the year in which deferred tax asset is realized or liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted as at the Balance Sheet date.

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.

4.8. Value Added Tax

Revenues, expenses and assets are recognised net of the amount of VAT except where the VAT incurred on a purchase of assets or service is not recoverable from the taxation authorities in which case the VAT is recognised as a part of the cost of the asset or part of the expense items as applicable and receivable and payable that are stated with the amount of VAT included. The amount of VAT recoverable or payable in respect of taxation authorities is included as a part of receivable and payable in the Balance Sheet.

4.9. Basic Earnings Per Share

The consolidated financial statements present basic earnings per share (EPS) data for its ordinary shareholders.

The basic EPS is calculated by dividing the profit or loss attributable to equity holders of the Group by the weighted average number of ordinary shares outstanding during the period

5. CASH FLOW STATEMENT

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances, demand deposits and short-term highly liquid investments, with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short term commitments.

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2017 (Contd..)**

The Cash Flows Statements has been prepared using the "indirect method".

Interest paid are classified as operating cash flows, interest and dividend received are classified as investing cash flows while dividends paid are classified as financing cash flows for the purpose of presenting of cash flow statement.

6. NEW ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT REPORTING DATE

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standard which will become applicable for financial periods beginning on or after 1st January 2018. Accordingly, the Group has not applied the following new standards in preparing these consolidated financial statements.

SLFRS 9-Financial Instruments

SLFRS 9 – "Financial Instruments: Classification and Measurement" replaces the existing guidance in LKAS 39 - 'Financial Instruments: Recognition and measurement'. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets.

SLFRS 9 is effective for annual periods beginning on or after 1st January 2018 with early adoption permitted.

A Group shall apply this SLFRS to all items within the scope of LKAS 39 "Financial Instruments: Recognition and Measurement".

SLFRS 15 - Revenue Recognition from Customer Contracts

This standard establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including LKAS 18 – 'Revenue', LKAS 11 – 'Construction Contracts' and IFRIC 13 – 'Customer Loyalty Programmes'.

SLFRS 15 is effective for annual periods beginning on or after 1st January 2018 with early adoption permitted.

The Group is assessing the potential impact to the financial statements resulting from the application of SLFRS 15.

SLFRS 16- Leases

SLFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. It replaces existing leases guidance including LKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

SLFRS 16 is effective for annual periods beginning on or after 1st January 2019 with early adoption permitted.

The Group is assessing the potential impact to the financial statements resulting from the application of SLFRS 16.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2017 (Contd..)**

For the Year ended 31 st March,	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
7 REVENUE				
Accommodation income	702,585,076	662,483,624	-	-
Food income	663,078,029	652,358,236	-	-
Beverage income	88,798,334	80,472,395	-	-
Others	59,815,685	52,725,412	9,906,211	9,647,966
	1,514,277,124	1,448,039,667	9,906,211	9,647,966
Turnover based taxes includes Tourist Development Levy and Value Added Tax				
8 OTHER INCOME				
Rent Income	-	3,415,875	5,403,256	8,819,131
Tour income	5,120,532	7,280,497	5,120,532	7,280,497
Interest income	681,624	2,289,413	-	-
Dividend income	-	-	94,679,602	78,658,605
Net foreign exchange gain	-	2,313,516	-	-
Profit on disposal of Property, Plant and Equipment	34,249	-	-	-
Profit from disposal of Investment (Note 8.1)	-	-	337,348,931	-
Sundry income	9,281,411	9,893,164	3,249,750	8,230,047
	15,117,816	25,192,465	445,802,071	102,988,280

8.1 During the year company has disposed 40,425,000 shares held in Kandy Hotels Co. (1938) PLC for a consideration of Rs. 337,490,134 and resulted gain of Rs. 337,348,931 has been recognized under other income.

For the Year ended 31 st March,	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
9 OTHER OPERATING EXPENSES				
Loss on disposal of investment Property	-	29,049,213	-	29,049,213
Impairment of Assets Held for Sales (Note 24.2)	125,598,986	-	125,598,986	-
Loss of Fair value of Investment Property	-	-	17,632,631	-
Others	9,580,987	-	-	-
	135,179,973	29,049,213	143,231,617	29,049,213
10 FINANCE COSTS				
Interest on over drafts	3,497,014	1,649,317	-	498,450
Loss on translation of foreign currencies	5,317,464	14,508,616	-	-
Interest on loans	59,432,759	64,947,877	45,852,302	35,313,691
Interest on treasury loan	16,477	-	-	-
Others	27,703,800	-	-	-
	95,967,514	81,105,810	45,852,302	35,812,141

11 PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(Loss) before income tax is stated after charging all expenses including the following:

Directors' emoluments	3,550,000	480,000	3,550,000	480,000
Auditors' remuneration - statutory audit	2,896,856	2,466,136	635,873	500,000
Auditors' remuneration - non audit services	990,835	1,343,059	-	-
Depreciation on property, plant & equipment	189,669,484	180,392,333	211,411	214,097
Amortization of intangible and lease assets and lease hold right over land	9,834,444	18,710,866	16,031	4,692
Net reversal for bad & doubtful debts & write off	(9,874,402)	(16,783,174)	-	-
Donations	862,530	1,115,893	-	-
Staff costs (Note 11.1)	313,451,584	255,814,977	13,374,360	14,465,613

11.1 Staff costs

Wages, salaries and staff expenses	286,167,240	232,839,815	10,732,824	11,626,706
Defined contribution plan cost- EPF & ETF	22,999,001	18,794,255	1,441,482	1,595,150
Defined benefit plan cost- Retiring gratuity	4,285,343	4,180,907	1,200,054	1,243,757
	313,451,584	255,814,977	13,374,360	14,465,613

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2017 (Contd..)**
12 INCOME TAX EXPENSE

The Company and its Subsidiaries are liable for income tax at the rate of 12% on its business profit and at 28% on other sources of income as per the provisions of Inland Revenue Act No.10 of 2006 and subsequent amendments thereto.

For the Year ended 31 st March,	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Current tax				
Income tax expense for the year (Note 12.1)	46,705,157	43,099,738	-	486,227
Deemed dividend tax paid by subsidiaries	91,516	-	-	-
Withholding Tax on Dividends Paid by Subsidiaries	10,701,705	8,941,594	-	-
Under provision in respect of previous year	-	138,111	-	-
	57,498,378	52,179,443	-	486,227
Deferred tax				
Origination & Reversal of temporary differences (Note 12.2)	(17,829,090)	8,339,082	37,165	(95,729)
Charge for the year	39,669,288	60,518,525	37,165	390,498

12.1 Reconciliation between accounting profit and income tax on current year profit

Profit/(Loss) before income tax	(18,876,970)	123,177,290	247,643,437	12,707,324
Non business income	(51,425,145)	(26,857,850)	-	-
Adjustment on Disallowable Expenses	328,421,133	371,004,629	144,676,232	30,530,096
Adjustment on Allowable Expenses	(185,085,931)	(113,266,036)	(14,831,065)	(14,407,235)
Exempt Income	(435,219,765)	(107,827,259)	(432,028,533)	(80,809,473)
Taxable profit on sale / transfer of PPE	34,249	52,940,000	-	52,500,000
Tax Profit/(loss) for the period	(362,152,429)	299,170,774	(54,539,929)	520,712
Taxable other income	-	32,838,414	-	2,150,868
Tax Losses utilized	(28,432,719)	(16,629,256)	-	(935,053)
Taxable Income	(390,585,148)	315,379,932	(54,539,929)	1,736,527
Tax Loss brought forward	696,162,884	831,109,353	413,313,138	414,122,151
Adjustments to b/f balance	92,177,759	(118,317,213)	-	126,040
Tax Losses utilized during the year	(28,432,719)	(16,629,256)	-	(935,053)
Loss incurred during the year	84,999,373	-	54,539,929	-
Tax Losses carried forward	844,907,297	696,162,884	467,853,067	413,313,138
Statutory tax rate	12%	12%	12%	12%
Income tax expenses	32,124,462	33,904,982	-	-
Statutory tax rate	28%	28%	28%	28%
Income tax expenses	14,580,695	9,194,756	-	486,227
Income tax on current year profits	46,705,157	43,099,738	-	486,227

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2017 (Contd..)

PROPERTY, PLANT AND EQUIPMENT (Contd..)

14.1.1 Based on the assessment carried out internally, by the Board Of Directors no provision was required for the potential impairment of fixed assets as at 31st March 2017.

14.1.2 There were no capitalized borrowing costs related to the acquisition of Property Plant and Equipment during the year (2015/2016 - nil).

14.1.3 There were no restrictions on the title of the Property, Plant and Equipment as at 31st March 2017.

14.1.4 There were no items of Property, Plant and Equipment pledged as security as at 31st March 2017 other than disclosed in Note 29.1.

14.1.5 The exchange difference has arisen as a result of the translation of property, plant and equipment of foreign entities which are accounted for, in United States Dollars translated to the reporting currency at the closing rate.

14.1.6 The gross carrying amount of fully depreciated property plant and equipment that is still in use for the Group/ Company as at 31st March 2017 was null.

14.1.7 The following table provides the fair value measurement hierarchy of the Group's Non financial assets.

As at 31st March 2017

Name of the Company	Asset Category	Date of valuation	Level			Total
			Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	
The Kandy Hotels Co. (1938) PLC	Freehold land	31 st March 2017	-	-	4,622,555,000	4,622,555,000
	Freehold buildings	31 st March 2017	-	-	1,513,605,937	1,513,605,937
	Other plant and equipments	31 st March 2017	-	-	253,448,755	253,448,755
United Hotels Company (Pvt) Ltd	Buildings on Lease Hold Land	31 st March 2017	-	-	1,134,300,008	1,134,300,008
	Swimming Pool	31 st March 2017	-	-	25,500,012	25,500,012
	Other Plant & Equipment	31 st March 2017	-	-	225,511,759	225,511,759
Tissa Resort (Pvt) Ltd	Buildings on Lease Hold Land	31 st March 2017	-	-	286,716,500	286,716,500
	Swimming Pool	31 st March 2017	-	-	4,000,000	4,000,000
	Other Plant & Equipment	31 st March 2017	-	-	58,520,460	58,520,460
CHC Foods (Pvt) Ltd	Buildings on Lease Hold Land	31 st March 2017	-	-	21,350,000	21,350,000
	Other Plant & Equipment	31 st March 2017	-	-	20,009,000	20,009,000

Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used for the Group in measuring Level 3 fair values, and the significant unobservable inputs used.

As at 31st March 2017

Name of the Company	Non financial assets	Location	Valuation technique	Property valuer & Qualification	Significant unobservable inputs	Sensitivity of the input to the fair value						
The Kandy Hotels Co. (1938) PLC	Freehold land	30, Sangaraja Mawatha, Kandy and D S Senanayake Veediya, Kandy	Market comparable method This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for difference in size, nature and location of the property.	S Sivaskantha, Fellow Member of Institute of Valuer of Sri Lanka, Incorporated valuer	Price per perch of land Rs. 5,000,000 - Rs. 11,500,000	Estimated fair value would increase/ (decrease) if :- Price per perch increases/(decreases)						
							Building	Hotel Suisse at 30, Sangaraja Mawatha, Kandy	Depreciated replacement cost method	S Sivaskantha, Fellow Member of Institute of Valuer of Sri Lanka, Incorporated valuer	Range Rs. 5,000/- to Rs. 12,500/- per sq. ft	Estimated fair value would increase/ (decrease) if :- Price per perch increases/(decreases)
United Hotels Company (Pvt) Ltd	Building	EKHO Lake House hotel* Parakrama Samudraya Pedesa, Polonnaruwa	Depreciated replacement cost method	S Sivaskantha, Fellow Member of Institute of Valuer of Sri Lanka, Incorporated valuer	Range Rs. 22,500/- per sq. ft	Estimated fair value would increase/ (decrease) if :- Price per perch increases/(decreases)						
							Building	The Surf at Beach Road, Bentota	Depreciated replacement cost method	S Sivaskantha, Fellow Member of Institute of Valuer of Sri Lanka, Incorporated valuer	Range Rs. 5,000/- to Rs. 22,500/- per sq. ft	Estimated fair value would increase/ (decrease) if :- Price per perch increases/(decreases)
CHC Foods (Pvt) Ltd	Building	Hanwella Rest House Low Level Road, Hanwella	Depreciated replacement cost method	S Sivaskantha, Fellow Member of Institute of Valuer of Sri Lanka, Incorporated valuer	Range Rs. 3,500/- to Rs. 5,500/- per sq. ft	Estimated fair value would increase/ (decrease) if :- Price per perch increases/(decreases)						
							Tissa Resort (Pvt) Ltd	Building	EKHO Safari at Kataragama Road, Tissamaharama	Depreciated replacement cost method	S Sivaskantha, Fellow Member of Institute of Valuer of Sri Lanka, Incorporated valuer	Range Rs. 5,000/- to Rs. 16,500/- per sq. ft
Ceylon Hotels Corporation PLC	Building	Heritage Amb epussa* Kandy Rd, Ambepussa, Warakapola	Depreciated replacement cost method	S Sivaskantha, Fellow Member of Institute of Valuer of Sri Lanka, Incorporated valuer	Range Rs. 3,000/- to Rs. 5,500/- per sq. ft	Estimated fair value would increase/ (decrease) if :- Price per perch increases/(decreases)						

*This is a Property, plant and equipment to the group and investment property to the company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2017 (Contd..)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2017 (Contd..)

14.1.8 Value of land and building ownership

Name of the Company	Location	Property	Ownership	Extent	Carrying value As at 31 st March 2017
The Kandy Hotels Co. (1938) PLC	Hotel Suisse No 30, Sangaraja Mawatha, Kandy.	Land Building	Freehold Freehold	2A 2R 24.13P 79,257.5 Sq.ft	2,149,250,000 663,779,187
	Queen's Hotel No 04, Dalada Vidiya, Kandy.	Land Building	Freehold Freehold	1A 1R 15.07P 93,636.5 Sq.ft	2,473,305,000 849,826,750
United Hotels Company (Pvt) Ltd	The Lake Hotel Pothgul Pedesa, New Town, Polonnaruwa	Building	Lease Hold	31,533 Sq ft	172,300,000
	EKHO Lake House Parakrama Samudraya Pedesa, Polonnaruwa	Building	Lease Hold	15,344 Sq ft	162,500,000
	The Surf Hotel Beach Road, Bentota	Building	Lease Hold	82,334 Sq ft	829,500,000
CHC Foods (Pvt) Ltd	Heritage Ambepussa & Avanhala Kandy road, Ambepussa, Warakapola	Building	Lease Hold	22,259 Sq ft	58,535,000
	Hawella Rest House Low Level Road, Hanwella	Building	Lease Hold	9,531 Sq ft	18,350,000
Tissa Resort (Pvt) Ltd	EKHO Safari Kataragama Road, Tissamaharama	Building	Lease Hold	48,497 Sq ft	286,716,500

14.2 Company

	Furniture, Fittings and Fixtures Rs.	Equipments Rs.	Computers Rs.	Total 2017 Rs.	Total 2016 Rs.
Cost/ Valuation					
As at 1 st April	652,171	698,764	32,010	1,382,945	3,038,083
Disposals	-	-	-	-	(1,655,138)
As at 31st March	652,171	698,764	32,010	1,382,945	1,382,945
Accumulated Depreciation					
As at 1 st April	102,377	384,399	18,085	504,861	655,919
Charge for the year	65,256	139,753	6,402	211,411	214,097
Disposals	-	-	-	-	(365,155)
As at 31st March	167,633	524,152	24,487	716,272	504,861
Carrying Amount					
As at 31st March 2017	484,538	174,612	7,523	666,673	
As at 31 st March 2016	549,794	314,365	13,925	878,084	

14.2.1 Based on the assessment carried out internally, by the Board of Directors no provision was required for the potential impairment of fixed assets as at 31st March 2017.

14.2.2 There were no capitalized borrowing costs related to the acquisition of Property Plant and Equipment during the year (2015/2016 - nil).

14.2.3 There were no restrictions on the title of the Property, Plant and Equipment as at 31st March 2017.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2017 (Contd..)

15 INTANGIBLE ASSETS

For the Year ended 31 st March,	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Computer Software (15.1)	9,413,540	3,156,165	-	16,031
Goodwill on Acquisition (15.2.1)	500,092,245	500,092,245	-	-
Total	509,505,785	503,248,410	-	16,031
15.1 Computer Software				
Cost				
At the beginning of the year	11,042,350	10,273,460	23,460	23,460
Acquired/ incurred during the year	8,945,753	768,890	-	-
Disposed during the year	-	-	-	-
As at 31st March	19,988,103	11,042,350	23,460	23,460
Amortization				
At the beginning of the year	7,886,185	5,839,784	7,429	2,737
Amortization for the year	2,688,378	2,046,401	16,031	4,692
Disposed during the year	-	-	-	-
At the end of the year	10,574,563	7,886,185	23,460	7,429
Net book Value as at 31st March	9,413,540	3,156,165	-	16,031

15.2 Goodwill as at the reporting date has been tested for impairment and no impairment was found in carrying value.

15.2.1 Goodwill

	Group	
	2017 Rs.	2016 Rs.
Ceylon Hotels Maldives (Pvt) Ltd	451,859	451,859
Handhuvaru Ocean Holidays (Pvt) Ltd	453,712,610	453,712,610
Handhuvaru Ocean (Pvt) Ltd	45,927,776	45,927,776
Total	500,092,245	500,092,245

16 LEASEHOLD RIGHT OVER LAND

For the Year ended 31 st March,	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Balance at the beginning of the year	263,230,176	10,226,041	-	-
Additions	26,297,089	269,668,600	-	-
Amortization during the year	(7,146,066)	(16,664,465)	-	-
Effect of movement in exchange rates	11,023,544	-	-	-
Balance at the end of the year	293,404,743	263,230,176	-	-

17 INVESTMENTS IN SUBSIDIARIES

	Market Value 2017	No. of shares Company		Effective Holding %		Company	
		2017	2016	2017	2016	2017 Rs.	2016 Rs.
Direct - Subsidiaries							
Kandy Hotels Co. (1938) PLC.	2,409,403,500	401,567,250	441,992,250	69.5%	76.5%	1,402,654	1,543,857
United Hotels Co. Ltd.		30,374,967	6,324,286	80.5%	78.4%	837,945,552	537,312,036
Air Line Services (Pvt) Ltd.		150,003	150,003	100%	100%	300,000	300,000
CHC Foods (Pvt) Ltd.		7,000,001	1	100%	100%	70,000,010	10
Sub - Subsidiaries							
Tissa Resort (Pvt) Ltd.				80.5%	78.4%	-	-
Ceylon Hotel Maldives (Pvt) Ltd				80.5%	78.4%	-	-
Suisse Hotel (Pvt) Ltd				69.5%	76.5%	-	-
Handuvaru Ocean Holidays (Pvt) Ltd				80.5%	78.4%	-	-
Handhuvaru Ocean (Pvt) Ltd				72.4%	70.6%	-	-
Total						909,648,216	539,155,903

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2017 (Contd..)****17 INVESTMENTS IN SUBSIDIARIES (Contd..)****17.1 Principal Subsidiaries**

The following disclosure excerpt highlights the group composition and the proportion of ownership interests held by NCI as at 31st March 2017.

Company and Country of Incorporation/ Operation	Principal Activities	Class of Shares Held	2017			2016		
			Proportion of interest held by the Company	Group Interest (%)	Non- controlling interest (%)	Proportion of interest held by the Company	Group Interest (%)	Non- controlling interest (%)
Sri Lanka								
United Hotels Co. (Pvt) Ltd	Hotel Services	Ordinary	80.5%	80.5%	19.5%	78.4%	78.4%	21.6%
Tissa Resort (Pvt) Ltd	Hotel Services	Ordinary	0.0%	80.5%	19.5%	0.0%	78.4%	21.6%
Kandy Hotels Co.(1938) PLC	Hotel Services	Ordinary	69.5%	69.5%	30.5%	76.5%	76.5%	23.5%
Suisse Hotel (Pvt) Ltd	Hotel Services	Ordinary	0.0%	69.5%	30.5%	0.0%	76.5%	23.5%
Ceylon Hotels Maldives (Pvt) Ltd	Hotel Services	Ordinary	0.0%	80.5%	19.5%	0.0%	78.4%	21.6%
Maldives								
Handhuvaru Ocean Holidays (Pvt) Ltd	Hotel Services	Ordinary	0.0%	80.5%	19.5%	0.0%	78.4%	21.6%
Handhuvaru Ocean (Pvt) Ltd	Hotel Services	Ordinary	0.0%	72.4%	27.6%	0.0%	70.6%	29.4%

17.2 Summary financial information for subsidiaries that have non-controlling interests that are material to the Group.

The following table summarises the information relating to the Group's subsidiaries that have material NCI, before any intra-group eliminations.

As at 31st March 2017

	United Hotels Co. (Pvt) Ltd	Tissa Resort (Pvt) Ltd	Handhuvaru Ocean Holidays (Pvt) Ltd	Handhuvaru Ocean (Pvt) Ltd	Kandy Hotels Co.(1938) PLC	Suisse Hotel (Pvt) Ltd
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
NCI percentage	19.52%	19.52%	19.52%	27.57%	30.46%	30.46%
Total Assets	2,675,641,605	402,889,686	524,564,551	599,780,524	7,452,631,439	350,483,492
Total Liabilities	1,044,157,948	234,114,850	187,561,182	498,541,902	323,751,933	83,720
Net Assets	1,631,483,657	168,774,836	337,003,369	101,238,622	7,128,879,506	350,399,772
Net Assets attributable to NCI	318,465,610	32,944,848	65,783,058	27,909,463	2,171,780,738	106,747,698
Revenue	481,815,757	142,152,113	-	-	681,174,372	-
Profit/(Loss)	16,739,285	(21,396,777)	(427,142)	(21,019,468)	247,836,930	(98,690)
OCI	2,017,714	(47,972)	-	-	573,636	-
Total Comprehensive Income	18,756,999	(21,444,749)	(427,142)	(21,019,468)	248,410,566	(98,690)
Profit attributable to NCI	3,267,508	(4,176,651)	(83,378)	(5,794,647)	75,502,394	(30,065)
OCI attributable to NCI	393,858	(9,364)	-	-	174,756	-
Cash flows from operating activities	706,707,867	36,987,627	28,778,073	42,131,918	127,021,781	(7,715,547)
Cash flows from investment activities	(1,229,801,926)	(64,595,841)	-	-	37,185,746	-
Cash flows from financing activities	507,486,236	14,901,403	-	26,296,200	(144,375,000)	7,625,577
Net increase / (decrease) in cash and cash equivalents	(15,607,823)	(12,706,811)	28,778,073	68,428,118	19,832,527	(89,970)
Dividends paid to NCI during the year	1,324,583	-	-	-	43,976,625	-

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2017 (Contd..)****17 INVESTMENTS IN SUBSIDIARIES (Contd..)****As at 31st March 2016**

	United Hotels Co. (Pvt) Ltd	Tissa Resort (Pvt) Ltd	Handhuvaru Ocean Holidays (Pvt) Ltd	Handhuvaru Ocean (Pvt) Ltd	Kandy Hotels Co.(1938) PLC	Suisse Hotel (Pvt) Ltd
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
NCI percentage	22%	22%	22%	29%	23%	23%
Total Assets	1,906,189,232	382,787,231	390,436,249	429,267,969	6,644,022,129	350,573,462
Total Liabilities	663,485,742	201,025,251	59,778,225	311,313,269	350,319,670	7,700,577
Net Assets	1,242,703,490	181,761,980	330,658,024	117,954,700	6,293,702,459	342,872,885
Net Assets attributable to NCI	268,423,954	39,260,588	71,422,133	34,725,864	1,476,761,429	80,452,080
Revenue	501,531,790	169,867,938	-	-	639,791,101	-
Profit/(Loss)	27,993,760	12,119,580	(391,277)	(380,186)	217,089,511	(142,161)
OCI	(1,714,764)	(292,194)	-	-	(119,013)	-
Total Comprehensive Income	26,078,996	11,827,386	(391,277)	(380,186)	216,970,498	(142,161)
Profit attributable to NCI	6,003,452	2,617,829	(84,515)	(111,926)	50,938,127	(33,356)
OCI attributable to NCI	(370,389)	(63,113)	-	-	(27,925)	-
Cash flows from operating activities	(413,246,836)	29,843,020	(53,652,827)	-	73,185,486	(188,983)
Cash flows from investment activities	4,703,283	1,437,344	-	-	18,215,999	-
Cash flows from financing activities	395,580,581	(28,700,002)	88,037,732	-	(115,537,500)	-
Net increase (decrease) in cash and cash equivalents	(12,962,972)	2,580,362	34,384,905	-	(24,136,015)	(188,983)
Dividends paid to NCI during the year	-	-	-	-	27,121,550	-

17.3 Investment in Equity Accounted Investees**17.3.1 Principal joint Venture****As at 31st March 2017**

The following disclosure excerpt highlights for material joint venture and the proportion of ownership interests held by joint venture.

Company and Country of Incorporation/ Operation	Principal Activities	Class of Shares Held	2017		2016	
			Proportion of class held by the Company	Group Interest (%)	Proportion of class held by the Company	Group Interest (%)
Sri Lanka						
Suisse Hotel Kandy (Pvt) Limited	Hotel Services	Ordinary	0.0%	34.77%	0.0%	38.27%
Ceylon Holiday Holdings (Pvt) Limited	Hotel Services	Ordinary	50.0%	50.00%	50.0%	50.00%
Group						
			Suisse Hotel Kandy (Pvt) Limited		Ceylon Holiday Holdings (Pvt) Limited	
			2017	2016	2017	2016
			Rs.	Rs.	Rs.	Rs.
No of Shares			142,130,001	142,130,001	198,800,129	198,800,129
Share Holding			34.8%	38%	50%	50%
Opening Balance			305,732,679	308,393,925	97,525,415	99,634,303
During the year investment			-	-	46,174,198	6,613,689
Operating losses for the year			(1,560,939)	(93,034,588)	(16,043,439)	(8,595,442)
Other Comprehensive income net of tax			(14,672)	90,373,342	108,669	(127,135)
			304,157,068	305,732,679	127,764,842	97,525,415
Share of Joint Venture's Balance Sheet						
Current Asset			92,762,654	64,390,599	45,546,675	52,936,664
Non Current Asset			914,926,136	972,093,793	168,282,215	104,830,957
Current Liabilities			(154,118,197)	(155,644,471)	(58,695,815)	(52,280,228)
Non Current Liabilities			(549,413,524)	(575,107,242)	(27,368,232)	(7,961,979)
			304,157,068	305,732,680	127,764,842	97,525,415
Share of Joint Venture's Revenue and Loss						
Revenue			281,852,435	151,215,495	74,927,651	77,720,166
Losses before income tax			(1,560,939)	(93,007,202)	(16,043,439)	(8,468,307)
Income tax			-	(27,386)	-	(127,135)
Loss after tax			(1,560,939)	(93,034,588)	(16,043,439)	(8,595,442)
Other comprehensive income net of tax			(14,672)	90,373,342	108,669	(127,135)
Total comprehensive income for the year			(1,575,611)	(2,661,246)	(15,934,771)	(8,722,577)
Retained Earnings at the beginning			(44,616,930)	(41,955,685)	46,150,681	54,873,258
Retained Earnings at the end			(46,192,541)	(44,616,930)	30,215,911	46,150,681
					(17,604,378)	(17,604,378)
					93,997	90,246,207
					431,921,910	403,258,094
					138,309,329	117,327,263
					1,083,208,351	1,076,924,750
					(212,814,012)	(207,924,699)
					(576,781,756)	(583,069,220)
					356,780,085	228,935,661
					(17,604,378)	(101,475,509)
					-	(154,521)
					(17,604,378)	(101,630,030)
					93,997	90,246,207
					431,921,910	403,258,094
					138,309,329	117,327,263
					1,083,208,351	1,076,924,750
					(212,814,012)	(207,924,699)
					(576,781,756)	(583,069,220)
					356,780,085	228,935,661
					(17,604,378)	(101,475,509)
					-	(154,521)
					(17,604,378)	(101,630,030)
					93,997	90,246,207
					431,921,910	403,258,094
					138,309,329	117,327,263
					1,083,208,351	1,076,924,750
					(212,814,012)	(207,924,699)
					(576,781,756)	(583,069,220)
					356,780,085	228,935,661
					(17,604,378)	(101,475,509)
					-	(154,521)
					(17,604,378)	(101,630,030)
					93,997	90,246,207
					431,921,910	403,258,094
					138,309,329	117,327,263
					1,083,208,351	1,076,924,750
					(212,814,012)	(207,924,699)
					(576,781,756)	(583,069,220)
					356,780,085	228,935,661
					(17,604,378)	(101,475,509)
					-	(154,521)
					(17,604,378)	(101,630,030)
					93,997	90,246,207
					431,921,910	403,258,094
					138,309,329	117,327,263
					1,083,208,351	1,076,924,750
					(212,814,012)	(207,924,699)
					(576,781,756)	(583,069,220)
					356,780,085	228,935,661
					(17,604,378)	(101,475,509)
					-	(154,521)
					(17,604,378)	(101,630,030)
					93,997	90,246,207
					431,921,910	403,258,094
					138,309,329	117,327,263
					1,083,208,351	1,076,924,750
					(212,814,012)	(207,924,699)
					(576,781,756)	(583,069,220)
					356,780,085	228,935,661
					(17,604,378)	(101,475,509)
					-	(154,521)
					(17,604,378)	(101,630,030)
					93,997	90,246,207
					431,921,910	403,258,094
					138,309,329	117,327,263
					1,083,208,351	1,076,924,750
					(212,814,012)	(207,924,699)
					(576,781,756)	(583,069,220)
					356,780,085	228,935,661
					(17,604,378)	(101,475,509)
					-	(154,521)
					(17,604,378)	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2017 (Contd..)

17 INVESTMENTS IN SUBSIDIARIES (Contd..)

17.3.1 Investments in Joint Venture

For the Year ended 31 st March,	Company	
	2017	2016
	Rs.	Rs.
Ceylon Holiday Holdings (Pvt) Limited		
Opening balance	256,613,689	250,000,000
During the year investment	46,174,198	6,613,689
Closing balance as at 31 st March	302,787,887	256,613,689

18 INVESTMENT PROPERTY

For the Year ended 31 st March,	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Opening Balance	-	329,525,000	174,197,629	503,722,629
Change in fair value	-	-	(17,632,631)	-
Disposal	-	(329,525,000)	-	(329,525,000)
Closing Balance	-	-	156,564,998	174,197,629

	Company						
	2017			2016			
	Building Rs.	Other Assets Rs.	Total Rs.	Land Rs.	Building Rs.	Other Assets Rs.	Total Rs.
18.1 Balance as at 1 st April	96,914,729	77,282,900	174,197,629	247,500,000	178,939,729	77,282,900	503,722,629
Change in Fair Value	(11,379,737)	(6,252,893)	(17,632,631)	(247,500,000)	(82,025,000)	-	(329,525,000)
Balance as at 31 st March	85,534,999	71,030,007	156,564,998	-	96,914,729	77,282,900	174,197,629

18.2 Investment Property Details as follows:

18.2.1 The Company's Investment Property has been accounted for as Property, Plant and Equipment in the Financial Statements of the Group in view of it being owner occupied property from the Group's point of view, and thereby changes in fair value is recognized in other comprehensive income.

18.2.2 Rental Income earned from Investment Property by the Company amounted to Rs. 5,403,256/- (2015/2016 Rs. 8,819,132).

18.2.3 Direct operating expenses incurred with regard to investment property by the company amounted to Rs.108,870/- (2015/2016 Rs.286,747).

18.2.4 Fair value of the Investment Property is ascertained by an independent valuation carried out by S. Sivaskantha F.I.V (Sri Lanka) as at 31st March 2017. The fair value has been recognized amounting to Rs.17,632,631 as at 31st March 2017.

18.2.5 The following table shows the valuation techniques used for the Company in measuring Level 3 fair values, and the significant unobservable inputs used for investment property as at 31st March 2017.

Location	Property	Valuation technique	Property valuer & Qualification	Significant unobservable inputs	Sensitivity of the input to the fair value
EKHO Lake House Parakrama Samudraya Pedesa, Polonnaruwa	Building	Depreciated replacement cost method	S Sivaskantha, Fellow Member of Institute of Valuer of Sri Lanka, Incorporated valuer	Rs.22,500/- per sq. ft	Estimated fair value would increase/ (decrease) if :- Price per perch increases/(decreases)
Heritage Ambepussa Kandy Rd, Ambepussa Warakapola	Building	Depreciated replacement cost method	S Sivaskantha, Fellow Member of Institute of Valuer of Sri Lanka, Incorporated valuer	Range Rs.3,000/- to Rs.5,500/- per sq. ft	Estimated fair value would increase/ (decrease) if :- Price per perch increases/(decreases)

18.3 Investment Property Details as follows

18.3.1 Leasehold property

	Extent	Classification Company	Classification Group
EKHO Lake House Land is situated on border of "ParakramaSamudrya"	Buildings area- 15,344 sq.ft	Investment property	Property, Plant and Equipment
Heritage Ambepussa Land is situated on 58 Km from Colombo in Kandy - Colombo A 1 Main Road	Buildings area- 22,259 sq.ft	Investment property	Property, Plant and Equipment

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2017 (Contd..)

19 DEFERRED CONVERSION FEE

For the Year ended 31 st March,	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Gross carrying amount at cost				
Conversion fees on the operating lease (Note 19.1)	183,367,885	183,367,885	-	-
Accumulated amortization	(12,962,316)	(9,863,657)	-	-
Exchange fluctuation	7,042,058	-	-	-
Net Book Value	177,717,627	173,504,228	-	-

19.1 On 21 March 2013, the government of Maldives and Handhuvaru Ocean Holidays (Pvt) Ltd entered into an agreement to form joint venture company, Handhuvaru Ocean Private Limited to develop and operate a tourist resort on the island Ambaraa in Vaavu Atoll.

On 20 August 2013, the government of Maldives and Handhuvaru Ocean (Pvt) Ltd entered into an agreement. Accordingly the lease hold rights of the island of Ambaraa in Vaavu Atoll held by Handhuvaru Ocean Holidays (Pvt) Ltd has been assigned to Handhuvaru Ocean (Pvt) Ltd for period of 50 years commencing from 20 August 2013 to develop and operate a tourist resort on the island. As per terms of the agreement conversion fee amounting to USD 1,274,273/- is payable to the government of Maldives.

For the Year ended 31 st March,	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
20 INVENTORIES				
Food	12,339,008	12,596,893	-	-
Beverages	9,473,157	5,209,121	-	-
Crockery, linen and glassware	43,318,832	33,115,527	-	-
Sundry stock	19,126,072	15,910,355	-	-
	84,257,069	66,831,896	-	-
Provision for slow moving stocks	(64,973)	(416,148)	-	-
	84,192,096	66,415,748	-	-
21 TRADE & OTHER RECEIVABLES				
Accounts receivables (Note 21.1)	191,089,395	195,473,816	333,399	845,994
Other receivables (Note 21.2)	143,865,356	56,891,614	6,915,211	8,168,026
	334,954,751	252,365,430	7,248,610	9,014,020

21.1 Accounts receivables

Trade receivables	197,171,939	211,430,762	333,399	845,994
Less: Provision for bad & doubtful debts	(6,082,544)	(15,956,946)	-	-
	191,089,395	195,473,816	333,399	845,994

21.2 Advances and deposits

Others	48,639,564	35,854,728	6,915,211	8,168,026
Less: Provision for bad & doubtful debts	(3,721,425)	(3,721,427)	-	-
	143,865,356	56,891,614	6,915,211	8,168,026

22 AMOUNTS DUE FROM RELATED COMPANIES

United Hotels Co (Pvt) Ltd	-	-	96,337,955	11,322,279
The Galle Face Hotel Co Ltd	-	2,903,969	-	2,903,969
CHC Foods (Pvt) Ltd	-	-	-	22,343,098
CHC Rest Houses (Pvt) Ltd	36,433,837	36,433,837	36,433,837	36,433,837
Ceylon Holiday Holdings (Pvt) Ltd	1,425,050	1,425,050	1,425,050	1,425,050
Ceylon Hotels Investment (Pvt) Ltd	-	210,668,656	-	-
Ceylon Hotels Holdings (Pvt) Ltd	2,499,998	-	2,499,998	-
	40,358,885	251,431,512	136,696,840	74,428,233

23 INCOME TAX RECOVERABLE

Balance at the beginning of the period	704,159	1,181,274	-	-
Over Provision for the period	68,162	-	-	-
Write offs during the period	(250,456)	(477,115)	-	-
Balance at the end of the period	521,865	704,159	-	-

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2017 (Contd..)****24 ASSETS HELD FOR SALE**

	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Lands	63,136,425	63,136,425	63,136,425	63,136,425
Buildings	137,634,299	137,634,299	148,640,663	148,640,663
Impairment of assets held for sale	(125,598,986)	-	(125,598,986)	-
Balance at the end of the period	75,171,738	200,770,724	86,178,102	211,777,088

24.1 Company has classified land and buildings located in Dambulla, Waligama, Madawachchiya & Mihintala as assets held for sale since the carrying amount of the assets will be recovered principally through a sale transaction rather than through continuing use. Buyer has paid the full amount to acquire the said property on 28th August 2014. Process of ownership transfer to the buyer is in progress and will be completed in the due course.

24.2 An impairment provision of Rs. 125,598,986 has been recognized in the financial statements of the Company, due to subsequent measurement of Assets held for sale has resulted in a decrease in value of the assets compared to its fair value less cost to sale to Rs. 86,178,102 from its carrying amount of Rs. 211,777,088.

For the Year ended 31 st March,	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
25 SHORT TERM INVESTMENTS				
Investments in re-purchase agreements	19,939,411	273,400,464	-	-
	19,939,411	273,400,464	-	-
26 CASH & CASH EQUIVALENTS				
Cash at bank	68,311,693	68,766,046	5,507,708	8,416,126
Cash in hand	3,248,407	2,712,189	-	25,000
	71,560,100	71,478,235	5,507,708	8,441,126
Bank Overdrafts	(89,176,966)	(45,035,546)	(430,557)	-
Cash & cash equivalents for cash flow purpose	(17,616,866)	26,442,689	5,077,151	8,441,126
27 STATED CAPITAL				
Ordinary shares (171,825,401)	196,100,000	1,218,025,748	196,100,000	1,218,025,748
6% Preference shares (1,200,000 Shares)	2,400,000	2,400,000	2,400,000	2,400,000
	198,500,000	1,220,425,748	198,500,000	1,220,425,748

27.1 The Company has effected a capital reduction by setting off the brought forward losses of the Company against its stated capital to the extent of Rs. 1,021,925,748 by way of a special resolution passed by the shareholders at the Extraordinary General Meeting held on 26th September 2016.

27.2 All shares rank equally with regard to the Company's residual assets, except that preference shareholders participate only to the extent of the face value of the shares.

27.3 The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. In respect of the Company's shares that are held by the Group, all rights are suspended until those shares are reissued.

28 RESERVES

For the Year ended 31 st March,	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Revaluation reserve	4,836,582,874	4,759,318,680	-	107,757,554
Capital reserve	8,128,011	8,128,011	8,128,011	8,128,011
AFS Reserve	-	-	205,238,955	205,238,955
Foreign Currency Equalisation Reserve	8,083,518	(262,582)	-	-
General reserve	167,079,660	167,079,660	166,718,393	166,718,393
	5,019,874,063	4,934,263,769	380,085,359	487,842,913

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2017 (Contd..)****28 RESERVES (Contd..)****28.1 Revaluation reserve**

The revaluation reserve relates to the revaluation of property, plant and equipment immediately before its reclassification as investment property.

28.2 Capital reserve

The capital reserve relates to funds set aside by the group for long term capital investment or other large and anticipated expenses that will be incurred in the future.

28.3 AFS Reserve

The AFS reserve comprises the cumulative net change in the fair value of available- for- sales financial assets until the assets are de-recognise or impaired.

28.4 Foreign Currency Equalisation Reserve

The foreign currency translation reserve comprise of all foreign exchange difference arising from the translation of the financial statements of foreign operations.

28.5 General reserve

The general reserve relates to retained earnings set aside by the Group.

29 INTEREST BEARING BORROWINGS**Analysis of interest bearing borrowings**

	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Balance at the beginning of the year	606,167,036	861,712,296	-	119,100,000
Obtained during the year	420,000,000	-	-	-
Exchange loss	7,069,918	15,978,111	-	-
Repayments during the year	(158,060,605)	(271,523,371)	-	(119,100,000)
Balance at the end of the year	875,176,349	606,167,036	-	-
Payable after one year	695,742,619	435,518,696	-	-
Payable within one year	179,433,730	170,648,340	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2017 (Contd..)

29 INTEREST BEARING BORROWING (Contd...)

29.1 Security and repayment terms

Financial institution	Repayment terms	Principal	Rate	Security	Capital repayment for 2017	Closing balance as at 31 st March 2017
		Rs.			Rs.	Rs.
Tissa Resort (Pvt) Ltd						
Commercial Bank of Ceylon PLC (Term Loan)	87 monthly installments based on the following repayment plan. First 6 months- @ Rs 0.5 Mn Next 6 months- @ Rs 1.0 Mn Next 6 months- @ Rs 2.2 Mn Next 69 months- @ Rs 2.55 Mn plus final month.	216,500,000	1% + AWPLR*	Leasehold rights over the "The Safari" property.	33,150,000	119,620,000
Commercial Bank of Ceylon PLC (Term Loan)	59 equal monthly installments of Rs 0.835 Mn and Final installment of Rs 0.735 Mn	50,000,000	2.5% + AWPLR	Leasehold rights over the "The Safari" property.	-	50,000,000
United Hotels Company (Pvt) Ltd.						
Hatton National Bank PLC (Term Loan)	31 monthly installments	250,000,000	2%+ 3 M AWDR*	RPFMB for Rs 50Mn over the lease hold rights of The Surf hotel property located at Bentota, together with buildings constructed and equipment installed therein.	43,520,000	83,612,236
Hatton National Bank PLC (Term Loan)	48 monthly installments	200,000,000	1%+ 1M AWPLR*	Existing Registered Primary Floating Mortgage Bond for Rs 462 Mn over the leasehold rights of "The Surf" hotel property together with buildings constructed and the immovable project assets installed at Bentota.	37,400,000	118,600,000
Hatton National Bank PLC (US\$ Term Loan)	48 monthly installments	192,705,000	3M LIBOR + 5%*** (Floor rate 6%)	Existing Registered Primary Concurrent Mortgage Bond for USD 1.5 Mn over the leasehold rights of "The Surf" hotel property together with buildings constructed and the immovable project assets installed at Bentota and Corporate guarantee of Ceylon Hotels Corporation PLC for USD 1.5 Mn.	43,990,605	133,344,113
Commercial Bank of Ceylon PLC (Term Loan)	60 equal monthly installments of Rs 1.25 Mn (As at 31 st March loan disbursed amount is only Rs 20 Mn)	75,000,000	2.5% + AWPLR (Floor rate 13.5%)	Corporate guarantee from Ceylon Hotels Corporation PLC for Rs 75 Mn and primary mortgage bond over leasehold rights of "The Lake House" Polonnaruwa property owned by the Sri Lanka Tourism Development Authority for Rs 75 Mn..	-	20,000,000
Cargills Bank Limited (Term Loan)	36 equal monthly principal installments	350,000,000	3%+ 1W AWPLR	Corporate guarantee from Ceylon Hotels Corporation PLC for Rs 350 Mn, together with supporting Board Resolution (including debt service support). Cragills Bank Limited is authorized to debit the account of Ceylon Hotels Corporation PLC at the bank to recover any overdues/arrears for United Hotels Company (Pvt) Ltd	-	350,000,000
Total Group						
						705,556,349
						875,176,349

* AWPLR - Average Weighted Primary Lending Rate
** AWDR - Average Weighted Deposit Rate
*** LIBOR - London Interbank Offered Rate

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2017 (Contd..)

30 EMPLOYEE BENEFITS

For the Year ended 31st March,

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
At the beginning of the year	16,921,305	13,349,703	6,126,168	6,405,040
Current service cost	2,508,604	2,912,685	556,806	635,278
Interest cost on benefit obligation	1,776,739	1,268,222	643,248	608,479
Payments made during the year	(2,896,263)	(2,149,506)	(1,392,844)	(724,884)
Actuarial (Gain)/Losses recognised in OCI	(2,607,061)	1,540,201	309,707	(797,745)
At the end of the year	15,703,324	16,921,305	6,243,085	6,126,168
(a) The amounts recognised in the Balance Sheet are as follows.				
Present value of the unfunded obligations	15,703,324	16,921,305	6,243,085	6,126,168
Recognised liability for defined benefit obligations	15,703,324	16,921,305	6,243,085	6,126,168
(b) Net Benefit Expense				
Included in Profit or Loss				
Interest Cost	1,776,739	1,268,222	643,248	608,479
Current Service Cost	2,508,604	2,912,685	556,806	635,278
	4,285,343	4,180,907	1,200,054	1,243,757
Included in Other Comprehensive Income				
Actuarial Losses/(Gains) on Obligations	(2,607,061)	1,540,201	309,707	(797,745)
	(2,607,061)	1,540,201	309,707	(797,745)
Net Benefit Expense	1,678,282	5,721,108	1,509,761	446,012

(c) Gratuity liability is based on the actuarial valuation carried out by Messrs. Actuarial and Management Consultants (Private) Limited, Actuaries, on 31st March 2017.
Principal actuarial assumptions used for the Group and the Company are as follows:

	% Per Annum	
	2017	2016
a) Discount Rate	12.5%	10.5%
b) Salary Increase	8%	8%

The Liability is not externally funded

In addition to the above, demographic assumptions such as mortality, withdrawal and disability, and retirement age were considered for the actuarial valuation. "A 67/07 mortality table" issued by the Institute of Actuaries, London was used to estimate the gratuity liability of the Company.

30.1 Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would affect the defined benefit obligation by the amounts shown below.

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Discount Rate - (1% Increase)	(15,177,599)	(16,145,966)	(6,031,757)	(5,891,461)
Discount Rate - (1% decrease)	16,274,199	20,783,902	6,471,666	6,382,104
Salary Increment Rate - (1% Increase)	16,227,403	17,781,346	6,467,217	6,381,451
Salary Increment Rate - (1% decrease)	(15,214,847)	(16,136,202)	(6,032,897)	(5,888,290)
31 LEASE RENT EQUALISATION ACCOUNT				
Balance as at 01 st April	39,636,342	-	-	-
Additions due to acquisition of subsidiary	-	39,636,342	-	-
Charge to P & L	11,328,201	-	-	-
Effect of movement in Exchange rates	1,912,460	-	-	-
Balance as at 31 st March	52,877,003	39,636,342	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2017 (Contd..)

31 LEASE RENT EQUALISATION ACCOUNT (Contd..)

31.1 On 20th August 2013, the lease hold rights of the island of Ambaraa in Vaavu Atoll held by Handhuvaru Ocean Holidays (Pvt) Ltd has been assigned to Handhuvaru Ocean (Pvt) Ltd for period of 50 years commencing from 20th August 2013 to develop and operate a tourist resort on the island.

32 NON INTEREST BEARING BORROWINGS

For the Year ended 31 st March,	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Non-interest- bearing borrowings	1,802,200	1,802,200	1,522,200	1,522,200
	1,802,200	1,802,200	1,522,200	1,522,200
Payable after one year	-	-	-	-
Payable within one year	1,802,200	1,802,200	1,522,200	1,522,200

33 DEFERRED TAX LIABILITIES

Balance at the beginning of the period	302,529,143	294,374,887	-	-
Origination /(Reversal) of temporary differences- P & L	(17,829,090)	8,339,081	37,165	(95,729)
Origination /(Reversal) of temporary differences- OCI	(21,448,946)	(184,825)	(37,165)	95,729
Balance at the end of the period	263,251,106	302,529,143	-	-

33.1 Temporary Differences

On Property Plant and Equipment	2,621,402,909	3,150,708,987	34,951,090	323,105,638
On Retirement Benefit Obligation	(7,898,552)	(16,921,305)	(6,243,085)	(6,126,168)
On Carried Forward Tax Losses	(419,745,148)	(612,711,492)	(28,708,005)	(316,779,476)
	2,193,759,209	2,521,076,191	-	-
Balance at the end of the period	263,251,106	302,529,143	-	-

34 TRADE & OTHER PAYABLES

Accounts payable	92,654,219	82,641,506	1,342,168	10,602,624
Accrued expenses	50,388,688	10,635,914	2,098,402	1,823,733
Accrued rent	13,621,460	9,412,811	-	-
Conversion fees payable	72,537,055	80,682,140	-	-
Sorpano Consulting	-	880,680,000	-	-
Other payables	143,468,730	173,805,643	6,727,144	7,043,547
	372,670,152	1,237,858,014	10,167,714	19,469,904

35 AMOUNTS DUE TO RELATED COMPANIES

GFH Management Co. (Pvt) Ltd.	58,843,187	33,004,572	-	-
Galleface Hotel 1994 (Pvt) Ltd.	16,599,618	-	-	-
CHC Food (Pvt) Ltd.	-	-	449,826	-
Airline Services (Pvt) Ltd.	-	-	730,941	880,941
CHC Rest Houses (Pvt) Ltd.	86,178,102	86,178,102	86,178,102	86,178,102
	161,620,907	119,182,674	87,358,869	87,059,043

35.1 Related Party Interest bearing borrowings

Kandy Hotels Co. (1938) PLC	-	-	549,891,886	404,335,272
Galle Face Hotel Co. Ltd.	-	53,380,282	-	32,598,217
Tissa Resort (Pvt) Ltd.	-	-	15,918,179	36,127,286
	-	53,380,282	565,810,065	473,060,775

35.2 Related party Interest bearing borrowings are at pre-determined interest rates and terms.

36 INCOME TAX PAYABLE

Balance as at 01 st April	20,556,912	24,144,327	971,840	13,048,115
Provision for the year	46,705,157	42,909,594	-	486,227
Under Provision in respect of previous year	-	138,111	-	-
Payment Made During the year	(45,506,079)	(46,635,120)	(850,899)	(12,562,502)
Balance at the end of the period	21,755,990	20,556,912	120,941	971,840

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2017 (Contd..)

37 CONTINGENT LIABILITIES

37.1 Company

There were no any material contingent liabilities for the group other than those disclosed below, as at the balance sheet date.

Name	Nature	Case No.
E. Ranasinghe	Labour	6R/7197/12- Rathnapura
T. Wickramasinghe	Labour	27/2230/13/Anuradhapura
K.A.D.S. Fernando	Labour	LT 4/G/18/2015- Colombo
K. P. De Silva	Labour	LT 4/G/18/2015

37.2 Group

There were no material contingent liabilities for the Group other than those disclosed below, as at the reporting date.

The Company is pursuing or is being pursued with legal action on the following legal cases. As per the representation given by the management these cases are still outstanding as at 31st March 2017.

37.2.1. Pending litigations - Kandy Hotels Co. (1938) PLC.

Name	Nature	Case No.
Ms. H.M. Dingiri Menike	Tenant	RE 2645
Men's Tailor	Tenant	Rent Board Case

37.2.2. Pending litigations - United Hotels Company (Pvt) Ltd.

Name	Designation	Case No.
K.T. Kodithuwakku	Labour	LT 4/G/156/2016
S.G. Pannilawithana	Labour	LT 4/G/30/2017

Although , there can be no assurance, the directors believe, based on the information currently available, that the ultimate resolution of such legal procedures would not likely to have a material adverse affect on the results of operations, financial position or liquidity of the Company. Accordingly no provision for any liability has been made in the financial statements, nor has any liability been determined by the ongoing legal cases, as at 31st March 2017.

38 SUBSEQUENT EVENTS

There have been no material events occurring after the balance sheet date that require adjustment to or disclosure in the Financial statements.

39 RELATED PARTY DISCLOSURES

The company carries out transactions with parties who are defined as related parties in Sri Lanka Accounting Standard 24 'Related Party Disclosures', the details of which are reported below.

Company Name	Nature of Relationship	Name of the Director	Nature of Transaction	Year ended 31.03.2017 Rs.	Year ended 31.03.2016 Rs.
The Galle Face Hotel Company Ltd	Ultimate parent	Mr. Sanjeev Gardiner (Chairman)	Expenses paid by CHC on behalf of GFH	-	10,751
		Mrs. Mavis Gardiner	Interest expenses on loan given from GFH	-	(2,132,595)
		Dr. Dennis Aloysius	Funds Transfer to GFH	32,598,218	77,532,795
		Mr. Lalith Rodrigo			
Kandy Hotels Company (1938) PLC	Subsidiary	Mr. Sanjeev Gardiner (Chairman)	Expenses paid by CHC on behalf of KHCL	1,660,859	1,521,604
		Mr. Lakshman Samarasinghe	Reimbursement of expenses paid by CHC	(1,660,859)	(1,521,620)
		Mr. Priyantha Maddumage	Funds Transfer from KHCL	(101,033,615)	(144,753,710)
			Interest expenses on loan given from KHCL	(44,522,998)	(26,451,841)
United Hotels Company (Pvt) Ltd	Subsidiary	Mr. Sanjeev Gardiner	Expenses paid by CHC on behalf of UHCL	17,457,370	16,355,003
		Dr. Dennis Aloysius	Rent Income	3,417,712	3,417,712
		Mr. Priyantha Maddumage	Funds transferred to UHCL	385,990,066	256,468,279
		Mr. E.M Mangala Boyagoda	Reimbursement of Expenses paid by CHC on behalf of UHCL	(21,215,956)	(20,283,733)
		Mr. Lakshman Samarasinghe	Investment in Shares	(300,633,516)	(198,200,030)
		Mr. Kuwera De Soysa	Funds transferred from UHCL	-	(14,305,811)
		Mr. Revantha Devasurendra	Interest income on loan given to UHCL	-	740,710
CHC Foods (Pvt) Ltd	Subsidiary	Mr. Lakshman Samarasinghe	Reimbursement of expenses paid by CHC on behalf of CHC Foods	(8,151,416)	(4,539,327)
		Mr. Priyantha Maddumage	Expenses paid by CHC on behalf of CHC Foods	6,372,947	2,547,615
			Rent income	1,985,544	1,985,544
			Funds transfer to CHC Foods	47,000,000	40,040,000
			Settlement of related party balance	-	(11,106,441)
			Investment in Shares	(70,000,000)	-
	Interest income for loan given to CHC Foods	-	1,461,696		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2017 (Contd..)

39 RELATED PARTY DISCLOSURES (Contd..)

Company Name	Nature of Relationship	Name of the Director	Nature of Transaction	Year ended 31.03.2017 Rs.	Year ended 31.03.2016 Rs.	
Tissa Resort (Pvt) Ltd	Subsidiary	Mr. Priyantha Maddumage	Expenses paid by CHC on behalf of Tissa Resort	5,323,447	4,405,970	
		Mr. Lakshman Samarasinghe	Reimbursement of Expenses paid by CHC on behalf of Tissa Resort	(7,182,726)	(4,406,085)	
		Dr. Dennis Aloysius	Interest expenses loan given to Tissa Resort	(1,331,613)	(2,363,353)	
			Related Party balance settlement	27,400,000	12,061,174	
			Funds Transfer from Tissa Resort	(4,000,000)	(5,000,000)	
CHC Rest Houses (Pvt) Ltd	Joint Venture	Mr. Priyantha Maddumage	Settlement of Related Party Balance	-	370,285	
		Mr. Lakshman Samarasinghe	Funds transferred from CHC Rest Houses to CHC	-	(2,000,000)	
Ceylon Holiday Holdings (Pvt) Ltd	Joint Venture	Mr. Lakshman Samarasinghe	Funds Transferred to Ceylon Hotel Holdings	46,174,198	1,425,000	
		Mr. Priyantha Maddumage	Investment in Shares	(46,174,198)	-	
		Mr. Rahul Chaudhary				
		Mr. Binod Kumar Chaudhary				
		Mr. Tilak de Zoysa				
Air Line Services (Pvt) Ltd	Subsidiary	Mr. Sanjeev Gardiner	Funds Transferred from Air Line Services	150,000	121,000	
		Mr. Lakshman Samarasinghe				
		Dr. Dennis Aloysius				
		Mr. Priyantha Maddumage				
Ceylon Hotels Holdings (Pvt) Ltd	Affiliate	Mr. Sanjeev Gardiner	Funds Transferred to Ceylon Hotel Holdings	19,000,000	-	
		Mr. Lakshman Samarasinghe	Settlement of related party balance	(16,500,000)	-	
		Mr. Harsha Amarasekera				
		Mr. Priyantha Maddumage				
		Mr. Ajith Devasurendra				
Galle Face Hotel 1994 (Pvt) Ltd	Affiliate	Mr. Sanjeev Gardiner	Expenses paid by CHC on behalf of GFH 1994 (Pvt) Ltd	5,922	-	
		Mrs. Mavis Gardiner	Rent Income		3,868,970	
		Dr. Dennis Aloysius	Reimbursement of Expenses paid by GFH 1994 (Pvt) Ltd on behalf of CHC	(5,922)	-	
		Mr. Lalith Rodrigo	Funds transferred from GFH 1994 (Pvt) Ltd	(5,300,000)		
		Mr. Lakshman Samarasinghe	Funds transferred to GFH 1994 (Pvt) Ltd	2,396,031	6,000,000	
			Settlement of Related party balance		(6,965,001)	

This note should be read in conjunction with the note 22 and 35 amounts due from related companies and amounts due to related companies.

Ceylon Hotels Corporation PLC	CHC
The Galle Face Hotel Co. Ltd	GFH
United Hotels Co. (Pvt) Ltd	UHCL
Ceylon Hotels Holdings (Pvt) Ltd	CHH
Kandy Hotels Co. (1938) PLC	KHP
GFH Management Company (Pvt) Ltd	GFHM
CHC Rest Houses (Pvt) Ltd.	CHC RH
Suisse Hotel (Pvt) Ltd	SHL

39.1 Terms and conditions of transactions with related parties

Transactions with related parties are carried out in the ordinary course of the business. Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash.

39.2 Recurrent transactions with related parties

Name of the Related party	Relationship	Nature of the Transaction	Aggregate Value of Related Party Transactions ended in to during the financial year	Aggregate Value of Related Party Transaction as a % of net Revenue / income
United Hotels Company (Pvt) Ltd	Subsidiary	Funds transferred to UHCL	385,990,066	25%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2017 (Contd..)

39 RELATED PARTY DISCLOSURES (Contd..)

39.3 Non- recurrent transactions with related parties

Name of the Related Party	Relationship	Value of Related Party Transactions entered into during the financial year	Value of Related Party Transaction as a % of Total Assets and as a % Equity	The Rationale for entering into the Transactions
United Hotels Company (Pvt) Ltd	Subsidiary	(300,633,516)	% of Assets 19% % of Equity 32%	Shares invested in UHCL

39.4 Transactions with key management personnel

According to LKAS 24 "Related Party Disclosures", Key management personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors of the Company and its parent (including executive and non-executive Directors) have been classified as Key Management Personnel of the Group. Emoluments paid to key management personnel have been disclosed in Note 11.

39.5 Transactions, arrangements and agreements involving KMP and their close family members (CFM)

CFM of a KMP are those family members who may be expected to influence, or be influenced by, that KMP in their dealings with the entity. They may include KMP's domestic partner and children, children of the KMP domestic partner and dependants of the KMP or the KMP domestic partner. CFM are related parties to the Group. There were no transaction carried out with above parties.

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Overview

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

- Credit risk
- Liquidity risk
- Market risk

"This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital. Further, quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

Financial instruments held by the Group principally comprise of cash, trade and other receivables, trade and other payables, loans and borrowings/ (lease payable). The main purpose of these financial instruments is to manage the operating, investing and financing activities of the Group.

Financial risk management of the Group is carried out based on guidelines established by its parent Group's finance department which comes under the preview of the Board of Directors.

40.1 Parent company's finance department evaluates financial risk in close co - operation with the hotel operational units. The parent company provides guidelines for overall risk management as well, covering specific areas such as credit Risk ,Liquidity Risk ,Interest rate risk and foreign currency risk.

40.1.1 The Group has established guidelines for risk controlling procedures and for the use of financial instruments, including a clear segregation of duties with regard to financial activities, settlements, accounting and related controls. The guide lines and systems are regularly reviewed and adjusted accordingly to changes in markets and products. The Group's Executive Directors monitor these risks primarily through its operating and financing activities.

40.2 Credit risk

Credit risk is the risk that a customer or 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 deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2017 (Contd..)****40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd..)****40.2.1 Credit risk exposure**

The carrying amount of the financial assets represent the maximum credit exposure. The maximum credit exposure to credit risk at the end of the reporting period was as follows.

	Group		Company	
	2017	2016	2017	2016
For the Year ended 31 st March,	Rs.	Rs.	Rs.	Rs.
Trade and other receivables	334,954,751	252,365,430	7,248,610	9,014,020
Amount due from related companies	40,358,885	251,431,512	136,696,840	74,428,234
Short term investment	19,939,411	273,400,464	-	-
Cash and cash equivalents	68,311,693	68,760,046	5,507,708	8,441,126
	463,564,740	845,957,452	149,453,158	91,883,380

40.2.2 Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

Management also considers the factors that may influence the credit risk of its customer base, including default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk.

Impairment losses

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of Trade and Other Receivables

The aging of trade receivables at the reporting date was as follows;

	Group		Company	
	2017	2016	2017	2016
For the Year ended 31 st March,	Rs.	Rs.	Rs.	Rs.
Neither past due nor impaired				
01-29 days	99,538,029	88,250,203	333,399	845,994
30-60 days	58,482,456	69,096,629	-	-
Past due				
61-90 days	23,517,885	29,112,132	-	-
91-120 days	6,569,184	4,424,162	-	-
121-180 days	9,064,426	20,547,636	-	-
	197,171,980	211,430,762	339,399	845,994
Impaired				
Gross carrying value				
Less: Impairment provision	-	-	-	-
Individually assessed impairment provision	(6,082,543)	(15,956,946)	-	-
Total	191,089,437	195,473,816	333,399	845,994

40.2.3 Credit risk relating to cash and cash equivalents

In order to mitigate concentration, settlement and operational risks related to cash and cash equivalents, the Group limits the maximum cash amount that can be deposited with a single counterparty. In addition, the Group maintains an authorised list of acceptable cash counterparties based on current ratings and economic outlook, taking into account analysis of fundamentals and market indicators. The Group held cash and cash equivalents of Rs. 71 million at 31st March 2017 (2016 - Rs. 71 million).

40.3 Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group policy is to hold cash and undrawn committed facilities at a level sufficient to ensure that the Group has available funds to meet its medium term capital and funding obligations, including organic growth and acquisition activities, and to meet any unforeseen obligations and opportunities. The Group holds cash and undrawn committed facilities to enable the Group to manage its liquidity risk.

The Group monitors its risk to a shortage of funds using a daily cash management process. This process considers the maturity of both the Group's financial investments and financial assets (e.g. accounts receivable, other financial assets such as fixed deposits) and projected cash flows from operations.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2017 (Contd..)****40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd..)****40.3.1 Net (debt)/cash**

For the Year ended 31st March,

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Short term investments	19,939,411	273,400,464	-	-
Cash in hand and at bank	71,560,100	71,478,235	5,507,708	8,441,126
Total liquid assets	91,499,511	344,878,699	5,507,708	8,441,126
Interest bearing loans and borrowings	875,176,349	606,167,036	-	-
Bank overdrafts	89,176,966	45,035,546	430,557	-
Total liabilities	964,353,315	651,202,582	430,557	-
Net (debt)/cash	(872,853,804)	(306,323,883)	5,077,151	8,441,126

40.3.2 Liquidity risk management

The mixed approach combines elements of the cash flow matching approach and the liquid assets approach. The business units attempt to match cash outflows in each time against a combination of contractual cash inflows plus other inflows that can be generated through the sale of assets, repurchase agreement or other secured borrowing.

Maturity analysis

The table below summarises the maturity profile of the Group's financial liabilities at 31st March 2017 based on contractual undiscounted payments.

Group	Within 1 year	Between 1-2 years	Between 2-3 years	More than 3 years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Interest bearing borrowings	179,433,730	173,165,188	238,361,320	284,206,111	875,166,349
Trade and other payables	372,670,155	-	-	-	372,670,155
Amounts due to related parties	161,620,907	-	-	-	161,620,907
Non-Interest borrowings	1,802,200	-	-	-	1,802,200
Bank overdrafts	89,176,966	-	-	-	89,176,966

40.4 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

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 three types of risk:

- Interest rate risk
- Currency risk
- Price risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The sensitivity analyses in the following sections relate to the position as at 31st March in 2017.

The following assumptions have been made in calculating the sensitivity analyses:

The sensitivity of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31st March 2016 and 2017.

40.4.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2017 (Contd..)

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd..)

40.4.2 Foreign currency 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 has exposure to foreign currency risk where it has cash flows in overseas operations and foreign currency transactions which are affected by foreign exchange movements.

40.5 Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong financial position and healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure, and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may issue new shares, have a rights issue or buy back of shares.

The Group's debt to adjusted capital ratio at the end of the reporting period was as follows;

For the Year ended 31 st March,	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Total liabilities	1,854,033,997	2,443,069,454	671,653,432	588,209,931
Less:				
Cash and cash equivalents	71,560,100	71,478,235	5,507,708	8,441,126
Net debts	1,782,473,897	2,371,591,219	666,145,724	579,768,805
Total equity	8,907,776,717	7,790,896,907	933,645,603	686,311,873
Net debt to equity ratio (Times)	0.2001	0.3044	0.7135	0.8448

41 ACCOUNTING CLASSIFICATION AND FAIR VALUE

The following table shows the carrying amounts of financial assets and financial liabilities, including their levels in the fair value hierarchy. The carrying value approximates the fair value of these balances.

Group	2017	Loans and receivables	Other Financial Liabilities	Total
Financial assets not measured at fair value				
Trade and other receivables		334,954,751	-	334,954,751
Amounts due from related companies		40,358,885	-	40,358,885
Short term investments		19,939,411	-	19,939,411
Cash and cash equivalents		68,311,693	-	68,311,693
		463,564,470	-	463,564,470
Financial liabilities not measured at fair value				
Bank overdrafts		-	89,176,966	89,176,966
Trade and other payables		-	322,281,464	322,281,464
Interest bearing borrowings		-	875,176,349	875,176,349
Non interest bearing borrowings		-	1,802,200	1,802,200
Amounts due to related companies		-	161,620,907	161,620,907
		-	1,450,057,886	1,450,057,886
	2016	Loans and receivables	Other Financial Liabilities	Total
Financial assets not measured at fair value				
Trade and other receivables		252,365,430	-	252,365,430
Amounts due from related companies		251,431,512	-	251,431,512
Short term investments		273,400,464	-	273,400,464
Cash and cash equivalents		68,766,046	-	68,766,046
		845,963,452	-	845,963,452

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2017 (Contd..)

41 ACCOUNTING CLASSIFICATION AND FAIR VALUE (Contd..)

2016	Loans and receivables	Other Financial Liabilities	Total
Financial liabilities not measured at fair value			
Bank overdrafts	-	45,035,546	45,035,546
Trade and other payables	-	1,227,222,100	1,227,222,100
Interest bearing borrowings	-	606,167,036	606,167,036
Related party interest bearing borrowings	-	53,380,282	53,380,282
Non interest bearing borrowings	-	1,802,200	1,802,200
Amounts due to related companies	-	119,182,674	119,182,674
	-	2,052,789,838	2,052,789,838

Company

2017	Loans and receivables	Available-for-sale	Other Financial Liabilities	Total
Financial assets not measured at fair value				
Investment in joint venture	-	302,787,887	-	302,787,887
Trade and other receivables	7,248,610	-	-	7,248,610
Amounts due from related companies	136,696,840	-	-	136,696,840
Cash and cash equivalents	5,507,708	-	-	5,507,708
	149,453,158	302,787,887	-	452,241,045
Financial liabilities not measured at fair value				
Trade and other payables	-	-	8,069,313	8,069,313
Interest bearing borrowings	-	-	-	-
Related party interest bearing borrowings	-	-	565,810,065	565,810,065
Non interest bearing borrowings	-	-	1,522,200	1,522,200
Amounts due to related companies	-	-	87,358,869	87,358,869
	-	-	662,760,447	662,760,447

2016

2016	Loans and receivables	Available-for-sale	Other Financial Liabilities	Total
Financial assets not measured at fair value				
Investment in Joint Venture	-	256,613,689	-	256,613,689
Trade and other receivables	9,014,020	-	-	9,014,020
Amounts due from related companies	74,428,234	-	-	74,428,234
Cash and cash equivalents	8,441,126	-	-	8,441,126
	91,883,380	256,613,689	-	348,497,069
Financial liabilities not measured at fair value				
Bank overdrafts	-	-	-	-
Trade and other payables	-	-	17,646,171	17,646,171
Interest bearing borrowings	-	-	-	-
Related party interest bearing borrowings	-	-	473,060,775	473,060,775
Non interest bearing borrowings	-	-	1,522,200	1,522,200
Amounts due to related companies	-	-	87,059,043	87,059,043
	-	-	579,288,189	579,288,189

42 NUMBER OF EMPLOYEES

The total number of employees of the company as at 31st March 2017 was 67 (31st March 2016 -61).



INVESTOR INFORMATION

Annual Report

For the year ended 31st March

2017

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Annual General Meeting

INVESTOR INFORMATION (Contd..)

ANALYSIS OF SHARE HOLDING OF SHAREHOLDERS AS AT 31ST MARCH 2017

Company Code : CHOT
Company Name : Ceylon Hotels Corporation PLC
Share Type : Ordinary

No of Shares held		No of Shareholders	Total Holding	Holding%	
1	-	1,000	6,394	1,055,534	0.61
1,001	-	5,000	416	1,096,455	0.64
5,001	-	10,000	107	774,860	0.45
10,001	-	50,000	87	1,974,016	1.14
50,001	-	100,000	13	862,359	0.5
100,001	-	500,000	13	2,522,094	1.47
500,001	-	1000,000	2	1,564,022	0.91
Over 1000,000		9	161,976,061	94.27	
		7,041	171,825,401	100.00	

ANALYSIS OF SHARE HOLDING OF JOINT AND INDIVIDUAL SHAREHOLDERS AS AT 31ST MARCH 2017

Company Code : CHOT
Company Name : Ceylon Hotels Corporation PLC
Share Type : Ordinary

No of Shares Held		No of shareholders	Total Holding	Holding %	
1	-	1,000	6,359	1,044,606	0.61
1,001	-	5,000	398	1,047,398	0.61
5,001	-	10,000	95	672,488	0.39
10,001	-	50,000	71	1,554,549	0.90
50,001	-	100,000	6	378,218	0.22
100,001	-	500,000	5	847,463	0.49
500,001	-	1000,000	1	723,173	0.42
Over 1000,000		-	-	-	-
		6,935	6,267,895	3.64	

INVESTOR INFORMATION (Contd..)

ANALYSIS OF SHAREHOLDING OF NON RESIDENT SHAREHOLDERS AS AT 31ST MARCH 2017

Company Code : CHOT
Company Name : Ceylon Hotels Corporation PLC
Share Type : Ordinary

No. of Shares Held		No. of shareholders	Total Holding	Holding %	
1	-	1,000	34	8,050	0
1,001	-	5,000	5	17,172	0.01
5,001	-	10,000	1	8,435	0
10,001	-	50,000	3	76,199	0.04
50,001	-	100,000	1	60,000	0.03
100,001	-	500,000	1	184,065	0.11
500,001	-	1,000,000	1	723,173	0.42
Over 1,000,000		0	0	0	0
		46	1,077,094	0.61	

ANALYSIS OF SHAREHOLDING OF RESIDENT SHAREHOLDERS AS AT 31ST MARCH 2017

Company Code : CHOT
Company Name : Ceylon Hotels Corporation PLC
Share Type : Ordinary

No. of Shares Held		No. of shareholders	Total Holding	Holding %	
1	-	1,000	6,360	1,047,484	0.61
1,001	-	5,000	411	1,079,283	0.63
5,001	-	10,000	106	766,425	0.45
10,001	-	50,000	84	1,897,817	1.10
50,001	-	100,000	12	802,359	0.47
100,001	-	500,000	12	2,338,029	1.36
500,001	-	1,000,000	1	849,849	0.49
Over 1,000,000		9	161,976,061	94.27	
		6,995	170,748,307	99.38	

INVESTOR INFORMATION (Contd..)

ANALYSIS OF SHARE HOLDING OF COMPANY SHAREHOLDERS AS AT 31ST MARCH 2017

Company Code : CHOT
Company Name : Ceylon Hotels Corporation PLC
Share Type : Ordinary

No. of Shares Held	No of shareholders	Total Holding	Holding %
1 - 1,000	35	10,928	0.01
1,001 - 5,000	18	49,057	0.03
5,001 - 10,000	12	102,372	0.06
10,001 - 50,000	16	419,467	0.24
50,001 - 100,000	7	484,141	0.28
100,001 - 500,000	8	1,674,631	0.97
500,001 - 1,000,000	1	840,849	0.49
Over 1,000,000	9	161,976,061	94.27
	106	165,557,506	96.35

DIRECTORS SHAREHOLDING AS AT 31ST MARCH 2017

No	NAME OF DIRECTOR	Ledger	CDS	Total
1	LAKSHMAN SAMARASINGHE	131	4,869	5,000
2	SANJEEV GARDINER	NIL	NIL	NIL
3	DR. DENNIS ALOYSIUS	NIL	10,000	10,000
4	PRIYANTHA MADDUMAGE	NIL	01	01
5	DR. CHRISANTHA NONIS	NIL	NIL	NIL
6	KUVERA DE. ZOYSA	NIL	NIL	NIL
7	MANGALA BOYAGODA	NIL	NIL	NIL
8	KAMANTHA AMARASEKARA	NIL	NIL	NIL
9	WASANTHA WIMALAWEERA	NIL	NIL	NIL
10	AJITH DEVASURENDRA	NIL	NIL	NIL
11	RANIL PATHIRANA	NIL	NIL	NIL
12	CHETHIYA PERERA	NIL	NIL	NIL

INVESTOR INFORMATION (Contd..)

TOP 20 SHAREHOLDERS (ORDINARY) AS AT 31ST MARCH 2017

Company Code : CHOT

Position	Shareholder Name	No of Ord. Vot. Shares	%
1	NATIONAL DEVELOPMENT BANK PLC/CEYLON HOTEL HOLDING (PVT) LTD	57,500,000	33.46%
2	CEYLON HOTEL HOLDINGS (PVT) LTD	36,262,382	21.10%
3	EMPLOYEES PROVIDENT FUND	20,538,515	11.95%
4	ROSEWOOD (PVT) LIMITED-ACCOUNT NO.1	17,907,813	10.42%
5	SEYLAN BANK PLC/ARRC CAPITAL (PVT) LTD	10,300,000	6.00%
6	SEYLAN BANK LTD/THE GALLE FACE HOTEL COMPANY LIMITED	9,893,056	5.76%
7	BANK OF CEYLON-NO2 A/C	4,780,000	2.78%
8	NATIONAL SAVINGS BANK	3,793,842	2.21%
9	HOTEL INTERNATIONAL (PVT) LTD	1,000,453	0.58%
10	ASSOCIATED ELECTRICAL CORPORATION LTD	840,849	0.49%
11	MR. H. W. M. WOODWARD	723,173	0.42%
12	SITHLANKA (PVT) LTD	427,300	0.25%
13	MR. KANISHKA NUWAN KARUNARATNE	327,059	0.19%
14	SEYLAN BANK PLC/ARRC CAPITAL (PVT) LTD	255,000	0.15%
15	SUNSHINE HOLDINGS PLC	223,966	0.13%
16	PHOENIX VENTURES (PVT) LTD	200,000	0.12%
17	ROCKPORT LIMITED	184,065	0.11%
18	MR. PITIPANA ARACHCHIGE JEHAN KUMARA	160,000	0.09%
19	UNION BANK OF COLOMBO PLC/MR.SITHAMPALAM ABISHEK	141,800	0.08%
20	MR. SHEIK MOHAMED HASSAN MOHAMED	132,804	0.08%
	TOTAL	165,592,077	96.37%

Public Share holdings	-	49,172,996
Public Share holdings percentage	-	28.62%
Highest Price	-	Rs. 25.70
Lowest Price	-	Rs. 17.00
Market Price	-	Rs. 19.20

INVESTOR INFORMATION (Contd..)

TOP 20 SHAREHOLDERS (ORDINARY) AS AT 31ST MARCH 2016

Company Code : CHOT

Position	Shareholder Name	No of Ord. Vot. Shares	%
1	NATIONAL DEVELOPMENT BANK PLC/CEYLON HOTEL HOLDING (PVT) LTD	57,500,000	33.46%
2	CEYLON HOTEL HOLDINGS (PVT) LTD	36,262,382	21.10%
3	EMPLOYEES PROVIDENT FUND	20,538,515	11.95%
4	ROSEWOOD (PVT) LIMITED-ACCOUNT NO.1	17,507,813	10.19%
5	SEYLAN BANK PLC/ARRC CAPITAL (PVT) LTD	10,305,000	6.00%
6	SEYLAN BANK LTD/THE GALLE FACE HOTEL COMPANY LIMITED	9,893,056	5.76%
7	BANK OF CEYLON-NO2 A/C	5,975,000	3.48%
8	NATIONAL SAVINGS BANK	3,793,842	2.21%
9	ASSOCIATED ELECTRICAL CORPORATION LTD	736,408	0.43%
10	MR. HAMISH WINSTON MCDONALD WOODWARD	723,173	0.42%
11	HOTEL INTERNATIONAL LTD.	430,000	0.25%
12	SITHLANKA (PRIVATE) LIMITED	427,300	0.25%
13	MR. KANISHKA NUWAN KARUNARATNE	288,711	0.17%
14	SUNSHINE HOLDINGS PLC	223,966	0.13%
15	PHOENIX VENTURES PRIVATE LIMITED	200,000	0.12%
16	ROCKPORT LIMITED	184,065	0.11%
17	MR. PITIPANA ARACHCHIGE JEHAN KUMARA	158,503	0.09%
18	UNION BANK OF COLOMBO PLC/MR.SITHAMPALAM ABISHEK	141,800	0.08%
19	MR. SHEIK MOHAMED HASSAN MOHAMED	132,804	0.08%
20	COCOSHELL ACTIVATED CARBON COMPANY LIMITED	127,500	0.07%
	TOTAL	165,549,838	96.35%

FIVE YEAR SUMMARY

	2017		2016		2015		2014		2013	
	Group	Company	Group	Company	Group	Company	Group	Company	Group	Company
Year ended 31st March	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trading results										
Turnover net of tax	1,514,277	9,906	1,448,040	9,648	1,307,993	12,893	1,327,326	31,684	1,087,011	-
Operating profit/(loss) before interest expenses and other income	71,917	(152,306)	268,169	(56,620)	86,804	(132,166)	125,890	(42,722)	47,780	(382,909)
Profit/(loss) before taxation	(18,877)	247,643	123,177	12,707	125,183	(58,891)	(15,262)	(56,006)	(30,341)	(328,341)
Taxation provision	39,669	37	60,519	390	39,167	15,711	25,850	2,781	(2,740)	(10,361)
Profit after taxation on ordinary Activities	(58,546)	247,606	62,659	12,317	86,015	(74,602)	(41,112)	(58,787)	(27,601)	(317,980)
Share capital & reserve										
Issued share capital	198,500	198,500	1,220,426	1,220,426	1,220,426	1,220,426	1,220,426	1,220,426	1,220,425	1,220,425
Capital & revaluation reserves	4,852,794	213,367	4,767,184	321,125	4,928,090	432,617	5,097,359	338,180	5,169,585	354,425
General reserves	167,080	166,718	167,080	166,718	167,080	166,718	170,019	166,718	170,019	166,718
Accumulated losses	1,680,981	355,060	(3,876)	(1,021,957)	(464,532)	(1,146,468)	(684,596)	(1,179,192)	(681,450)	(1,138,946)
Total equity	6,849,355	933,646	6,150,814	686,312	5,851,063	673,293	5,803,208	546,132	5,878,580	602,623
Assets employed										
Current assets	626,699	235,631	1,116,566	303,660	552,052	270,266	598,806	104,884	669,090	255,977
Current liabilities	(826,460)	(665,410)	(1,648,464)	(582,084)	(932,654)	(600,350)	(939,493)	(600,242)	(1,056,002)	(451,136)
Working capital	(199,761)	(429,779)	(531,898)	(278,423)	(380,602)	(330,083)	(340,687)	(495,358)	(386,912)	(195,159)
Property, plant and equipments	8,722,562	667	7,774,159	878	7,905,803	2,382	8,470,439	129,340	8,863,005	489,713
Non-current liabilities	1,027,574	6,243	794,605	6,126	984,664	93,705	1,374,958	291,320	1,362,710	268,956
Ratio & statistics										
Gearing ratio (times)	0.10	0.01	0.09	0.01	0.12	0.12	0.16	0.35	0.16	0.31
Current ratio (times)	0.76	0.35	0.68	0.52	0.59	0.45	0.64	0.17	0.63	0.57
Market price per share	19.20	19.20	24.00	24.00	23.60	23.60	15.70	15.70	16.80	16.80
Earning/(loss) per share	(0.65)	1.44	0.02	0.07	0.29	(0.43)	(0.43)	(0.34)	(0.35)	(1.85)
Net assets per share	39.86	5.43	35.80	3.99	34.05	3.92	33.77	3.18	34.21	3.51
Return on shareholder's funds (%)	(1.62)	26.52	0.06	1.79	0.85	(11.08)	(1.29)	(10.76)	(1.03)	(52.77)
Return on total assets (%)	(1.03)	15.42	0.04	0.97	0.54	(5.46)	(0.78)	(4.09)	(0.62)	(24.04)



Annual Report

For the year ended 31st March

2017

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Annual General Meeting

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NOTES

NOTICE OF ANNUAL GENERAL MEETING

CEYLON HOTELS CORPORATION PLC

(Company Registration No PB 3283)

No.327, Union Place, Colombo 2.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 51st Annual General Meeting of Ceylon Hotels Corporation PLCwill be held on 27th September 2017 at 11:00 a.m.

at the Sri Lanka Foundation Institute, No: 100, Independence Square, Colombo 7.

for the purpose of conducting the following business:

1. To receive and consider the Report of the Directors, the Audited Financial Statements for the financial year ended 31st March 2017 and the Report of the Auditors, thereon.
2. To re-elect Mr Priyantha Maddumage who retires by rotation in terms of Articles of Association.
3. To re-elect Dr Chrisantha Nonis who retires by rotation in terms of Articles of Association.
4. To re-elect Dr Dennis Aloysius as a Director of the Company. Special Notice has been received from a shareholder pursuant to Section 211 of the Companies Act No. 07 of 2007 of the intention to propose the following resolution as an ordinary resolution.

“RESOLVED that Dr Dennis Aloysius who has reached the age of 85 years be and is hereby re-elected as a Director of the Company and is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No.07 of 2007 shall not apply to the said Director in accordance with section 211 of the Companies Act No. 07 of 2007.

5. To re-elect Mr Lakshman Samarasinghe as a Director of the Company. Special Notice has been received from a shareholder pursuant to Section 211 of the Companies Act No.07 of 2007 of the intention to propose the following resolution as an ordinary resolution.

“RESOLVED that Mr Lakshman Samarasinghe who has reached the age of 73 years be and is hereby re-elected as a Director of the Company and is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No.07 of 2007 shall not apply to the said Director in accordance with section 211 of the Companies Act No. 07 of 2007.

6. Ordinary Resolution – Declaration of Final Dividend

a) THAT a final dividend of Rupees One (Rs.1/-) per share (gross dividend) be paid for the year ended 31st March 2017 to the ordinary shareholders of the company registered in the Books of the company as at end of trading on the

date on which the related resolution is passed by the shareholders and such dividend shall be distributed to the aforesaid shareholders in the form of Scrip Dividend on the basis of 8,205,541 fully paid ordinary shares in the proportion of 01 new fully paid ordinary share for every 20.9401672601 issued and fully paid ordinary shares of the company computed after providing for dividend tax of 10% constituting a total net dividend of Rs.164,110,821/- or 8,051,249 fully paid ordinary shares in the proportion of 01 new fully paid ordinary share for every 21.3414590705 issued and fully paid ordinary shares of the company computed after providing for dividend tax of 14% constituting a total net dividend of Rs.161,024,989/- ;

- b) THAT such dividend be paid out of exempt dividends received by the company on which Withholding Tax has already been paid by the paying companies, and the balance out of the profits of the Company, which balance would be liable to a dividend tax of ten per centum (10%) or fourteen percent (14%). The said dividend tax shall be determined Three (03) Market Days prior to approving the aforesaid resolution in consultation with the Department of Inland Revenue .
- c) THAT the shareholders entitled to such dividend would be those shareholders, (holders ordinary shares), whose names have been duly registered in the Register of Shareholders and those shareholders whose names appear on the Central Depository Systems (Pvt) Ltd (“CDS”) as at end of trading on the date on which the requisite resolution of the Shareholders in regard to the final dividend is passed (“entitled Shareholders”)
- d) THAT the said final dividend of Rs.1/- per share be distributed and satisfied by the allotment and issue of new ordinary fully paid shares and which ordinary shares to be issued shall immediately consequent to said distribution rank equal and pari passu in all respects with the existing issued and fully paid ordinary shares of the company and shall be listed on the Colombo Stock Exchange;
- e) THAT the consideration for which new fully paid ordinary shares are to be issued is fair and reasonable to Company and to all its existing shareholders.

NOTICE OF ANNUAL GENERAL MEETING

- f) THAT the shares arising from the aggregation of the residual fractions consequent to the scrip dividend be disposed of in the market by a trustee (s) to be nominated by the Board of Directors and the proceeds to be distributed to a charitable organization.
- g) THAT the new ordinary fully paid shares to be so allotted and issued shall not be eligible for the payment of dividend declared hereby.
- h) THAT the Board of Directors and the Management of the company be and is hereby authorized to take all necessary steps to give effect to the aforesaid proposed issue of new ordinary shares of the company.
7. To re-appoint Messrs KPMG., the retiring Auditors and authorize the Directors to fix their remuneration.
8. To authorize the Directors to determine donations for the year 2017/2018 and up to the date of the next Annual General Meeting.
9. To transact any other business that may properly be brought before the meeting.

By order of the Board of

CEYLON HOTELS CORPORATION PLC

**Accounting Systems Secretarial Services
(Private) Limited**

Company Secretaries

Colombo, this 08th August 2017

Note: A shareholder who is unable to attend the meeting is entitled to appoint a proxy to attend and vote in his/her place. A proxy need not be a member of the Company. A Form of Proxy accompanies this Notice.

FORM OF PROXY

CEYLON HOTELS CORPORATION PLC

(Company Registration No PB 3283)

No.327, Union Place, Colombo 2.

FORM OF PROXY

I/We

(NIC No.).....

of

being a member/members of Ceylon Hotels Corporation PLC, hereby

appoint:..... of

..... (or failing him)

Mr Lakshman Samarasinghe	of Colombo	(or failing him)
Mr Sanjeev Gardiner	of Colombo	(or failing him)
Mr Chethiya Perera	of Colombo	(or failing him)
Mr Priyantha Maddumage	of Colombo	(or failing him)
Dr Dennis Aloysius	of Colombo	(or failing him)
Mr Mangala Boyagoda	of Colombo	(or failing him)
Mr Kuvera De Zoysa	of Colombo	(or failing him)
Mr Ajith Devasurendra	of Colombo	(or failing him)
Mr Ranil Pathirana	of Colombo	(or failing him)
Mr Wasantha Wimalaweera	of Colombo	(or failing him)
Mr Kamantha Amarasekara	of Colombo	(or failing him)
Dr Chrisantha Nonis	of Colombo	

as my/our Proxy to represent and speak and vote for me/us* and on my/our behalf at the Annual General Meeting of the Company to be held on 27th September 2017 and at any adjournment thereof and at every poll which may be taken in consequence thereon.

I/We* the undersigned, hereby direct my/our* proxy to speak and vote for me/us and on my/our behalf on the resolution set out in the Notice convening the meeting, as follows:

	For	Against
1. To receive and consider the Report of the Directors, Audit Financial Statements for the year ended 31 st March 2017 and Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr Priyantha Maddumage who retires by rotation in terms of Articles of Association.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Dr Chrisantha Nonis who retires by rotation in terms of Articles of Association.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Dr Dennis Aloysius, who retires in terms of Section 210 of the Companies Act No.07 of 2007.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Mr Lakshman Samarasinghe, who retires in terms of section 210 of the Companies Act No.07 of 2007.	<input type="checkbox"/>	<input type="checkbox"/>

FORM OF PROXY

6. To approve a final dividend of Rs1/- per share to be paid in the form of Scrip Dividend.	<input type="checkbox"/>	<input type="checkbox"/>
7. To re-appoint Messrs, KPMG the retiring Auditors and authorize the Directors to fix their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
8. To authorize the Directors to determine donations for the year 2017/2018 and up to the date of the next Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>

In witness my/our* hands this.....day of.....Two Thousand and Seventeen.

.....
Signature

Notes:* Instructions as to completion appear below.

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 discretion will vote as he thinks fit.

INSTRUCTIONS FOR COMPLETION

1. Kindly perfect the Form of Proxy by filling in legibly your full name, address and the National Identity Card number and by signing in the space provided and filling in the date of signature.
2. The completed Form of Proxy should be deposited at the Registrars to shares, Accounting Systems Secretarial Services (Private) Limited, Level 03, No.11, Castle Lane, Colombo 4 not later than 48 hours prior to the date of the meeting.
3. If you wish to appoint a person other than the Chairman or a Director of the Company, please insert the relevant details at the space provided (above the names of the Board of Directors) on the Proxy Form.
4. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should accompany the Form of Proxy for registration if such Power of Attorney has not already been registered with the Company.
5. If the appointor is a company/ Incorporated body this Form must be executed in accordance with the Articles of Association/ Statute.

Corporate Information

NAME OF THE COMPANY	- Ceylon Hotels Corporation PLC
REGISTRATION NO	- P.B. 3283
LEGAL FORM	- A public quoted Company with Limited Liability and listed with the Colombo Stock Exchange
DIRECTORS	- Mr. Sanjeev Gardiner Mr. Lakshman Samarasinghe (Chairman) Mr. Chethiya Perera Mr. Priyantha Maddumage Dr. Dennis Aloysius Mr. Mangala Boyagoda Mr. Kuvera De Zoysa Mr. Ajith Devasurendra Mr. Ranil Pathirana Mr. Wasantha Wimalaweera Mr. Kamantha Amarasekera Dr. Chirshantha Nonis
REGISTERED OFFICE	- 327, Union Place, Colombo 2.
SECRETARIES	- Accounting Systems Secretarial Services (Pvt) Ltd, Level 3, No. 11, Castle Lane, Colombo 4.
REGISTRARS	- Accounting Systems Secretarial Services (Pvt) Ltd, Level 3, No. 11, Castle Lane, Colombo 4.
AUDITORS	- KPMG No. 32A, Sir Mohamed Macan Makar Mw., Colombo 3.
INTERNAL AUDITORS	- Ernst & Young Advisory Services (Pvt) Ltd, 201, De Saram Place, Colombo 10.
LAWYERS	- F. J. & G De Saram 216, De Saram Place, Colombo 10.
BANKERS	- Bank of Ceylon People's Bank Commercial Bank PLC Hatton National Bank PLC
E MAIL	- info@ceylonhotels.net
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