

Endless Splendour

Endless Splendour

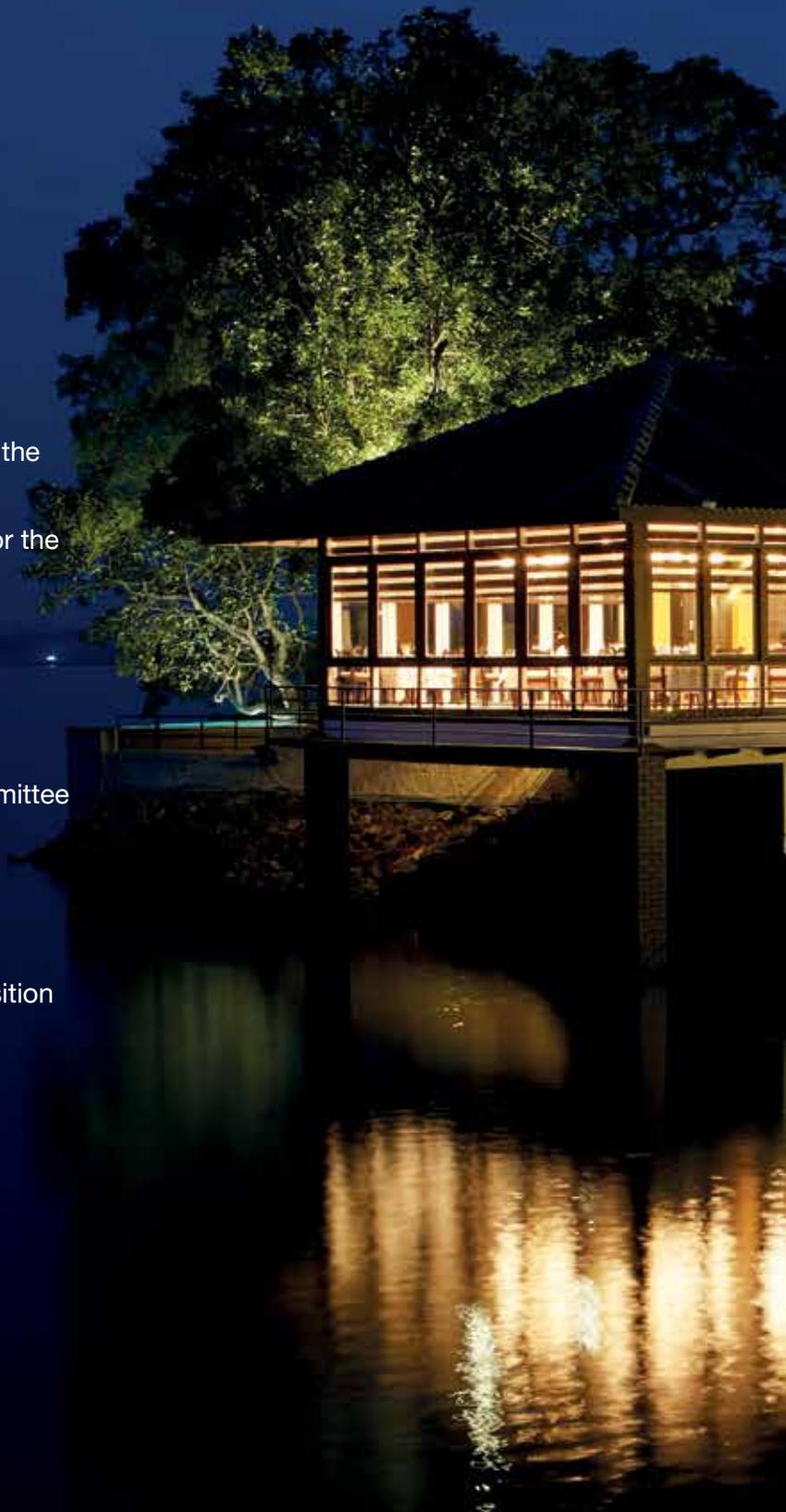
Spanning across a rich legacy of over five decades, your Company possesses a vibrant portfolio which offers great variety, with a range of properties strategically positioned across key tourist destinations, thus catering to a wide range of clientele. It's no wonder our guests seek us out time and time again, as they experience our rich and bountiful heritage, coupled with the host of opportunities our locations present.

Despite our widespread acclaim, we are not simply satisfied with the way things are – we envision a future of perfection and unparalleled quality across all our operations. That is why we are constantly enhancing and refining ourselves, in order to unlock our true potential. We're engaging in continuous improvement, as we look beyond where we are.

Welcome to Ceylon Hotels Corporation PLC. We're building a legacy of endless splendour.

Content

- 10** The Group at a Glance
- 11** Group Structure
- 12** Financial Highlights
- 13** Chairman's Review
- 16** Board of Directors
- 18** Operations Review
- 20** Annual Report of the Board Directors on the Affairs of the Company
- 25** Statement of Directors' Responsibility for the Preparation of Financial Statements
- 26** Corporate Governance
- 31** Report of the Remuneration Committee
- 32** Report of the Audit Committee
- 33** Related Party Transactions Review Committee
- 36** Independent Auditors' Report
- 40** Statement of Profit or Loss and Other Comprehensive Income
- 42** Consolidated Statement of Financial Position
- 44** Statement of Changes in Equity
- 47** Consolidated Statement of Cash Flows
- 49** Notes to the Consolidated Financial Statements
- 101** Investor Information
- 104** Five Year Summary
- 105** Notice of Annual General Meeting
- 106** Notes
- 107** Form of Proxy

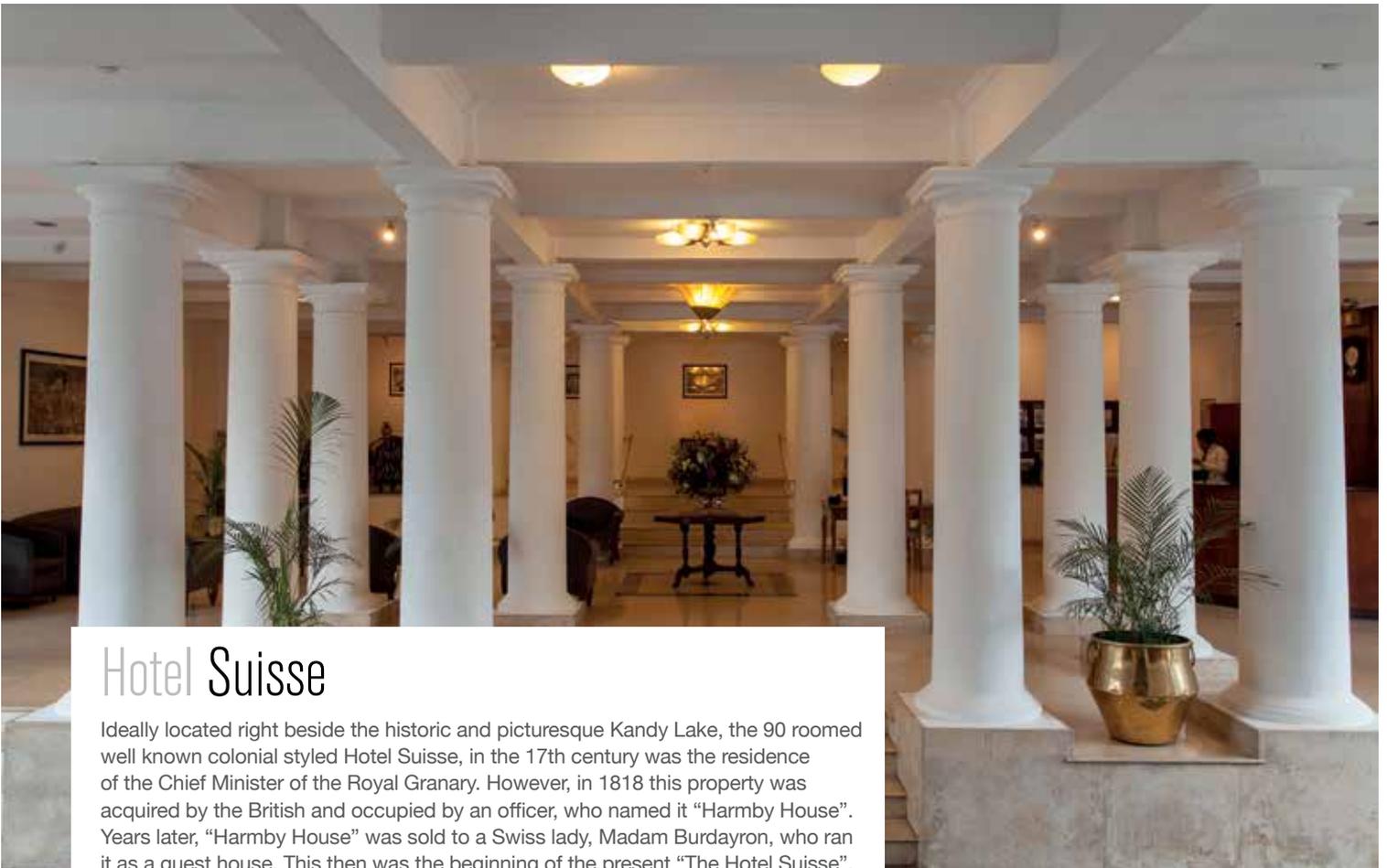






Queen's Hotel

Queen's Hotel is housed in a historical building located across the Kandy Lake and overlooking the temple of the sacred tooth relic. This historical building originally constructed as a residence named the "Dullawe Walawwa" was designed by Devendra Mulachariya on instructions from King Sri Wickrama Raja Singhe the Last King of Ceylon. Subsequently it was converted into the barracks for the Ceylon Rifle Regiment by the British Military. In 1869 it opened under new management, the Queens Hotel Company, and its name was changed to the Queen's Hotel. The hotel offers colonial-style accommodation with an outdoor pool, three dining options and free parking on site.



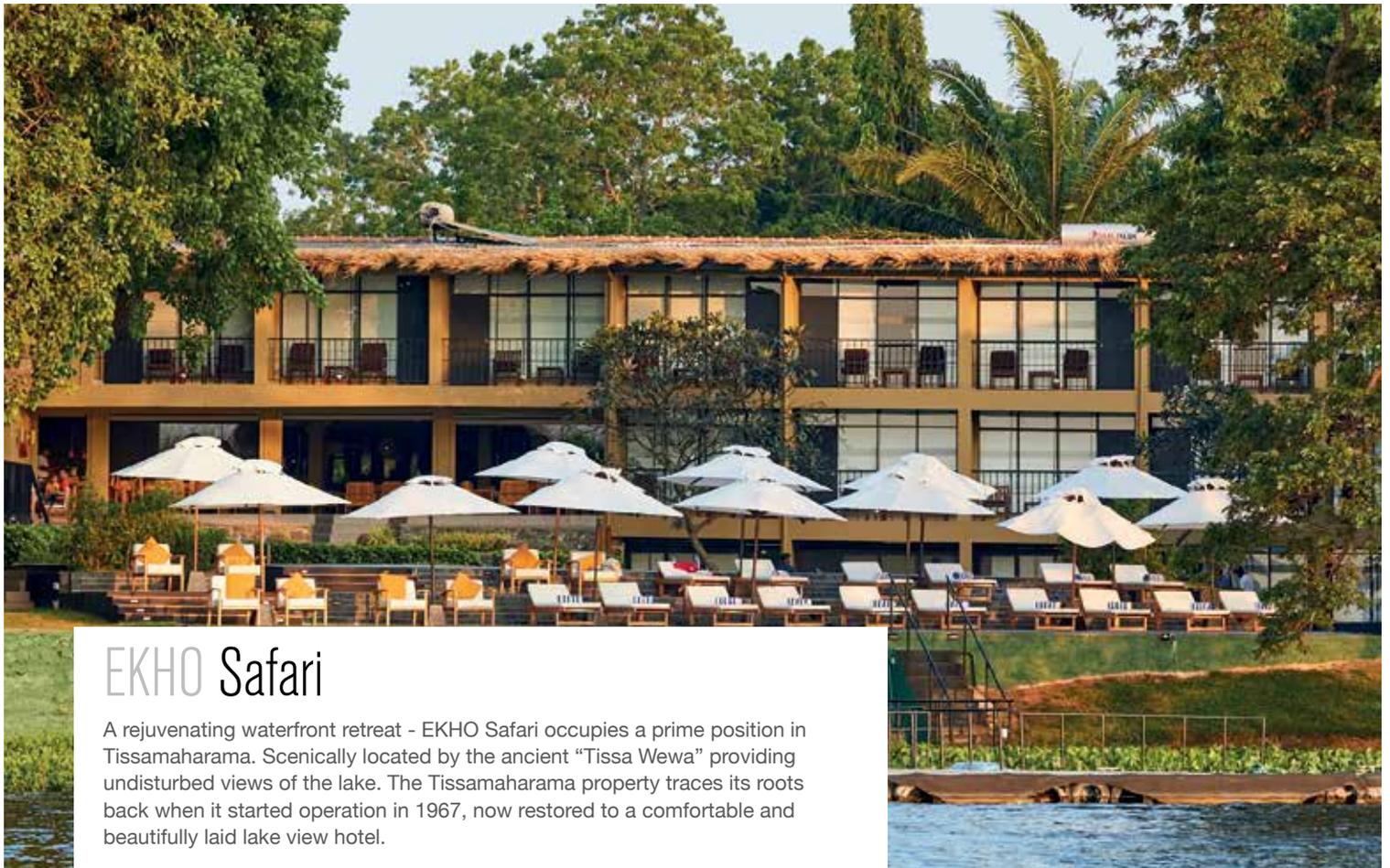
Hotel Suisse

Ideally located right beside the historic and picturesque Kandy Lake, the 90 roomed well known colonial styled Hotel Suisse, in the 17th century was the residence of the Chief Minister of the Royal Granary. However, in 1818 this property was acquired by the British and occupied by an officer, who named it "Harmby House". Years later, "Harmby House" was sold to a Swiss lady, Madam Burdayron, who ran it as a guest house. This then was the beginning of the present "The Hotel Suisse". During the second world war from 1943 to 1945, it was used as the Residence of the South East Asia Command Lord Louis Mountbatten.



EKHO Surf

At EKHO Surf, you are assured of a tropical Sri Lankan beach experience. Located on a kilometer stretch of soft sand, renowned as 'the longest stretch of beach' on the south-west coast of Sri Lanka, edged by the Indian Ocean. EKHO Surf brings together golden sunsets, soft sand and a sprawling lawn with well-appointed rooms and the freshest of seafood, encouraging a truly authentic tropical escape.



EKHO Safari

A rejuvenating waterfront retreat - EKHO Safari occupies a prime position in Tissamaharama. Scenically located by the ancient "Tissa Wewa" providing undisturbed views of the lake. The Tissamaharama property traces its roots back when it started operation in 1967, now restored to a comfortable and beautifully laid lake view hotel.



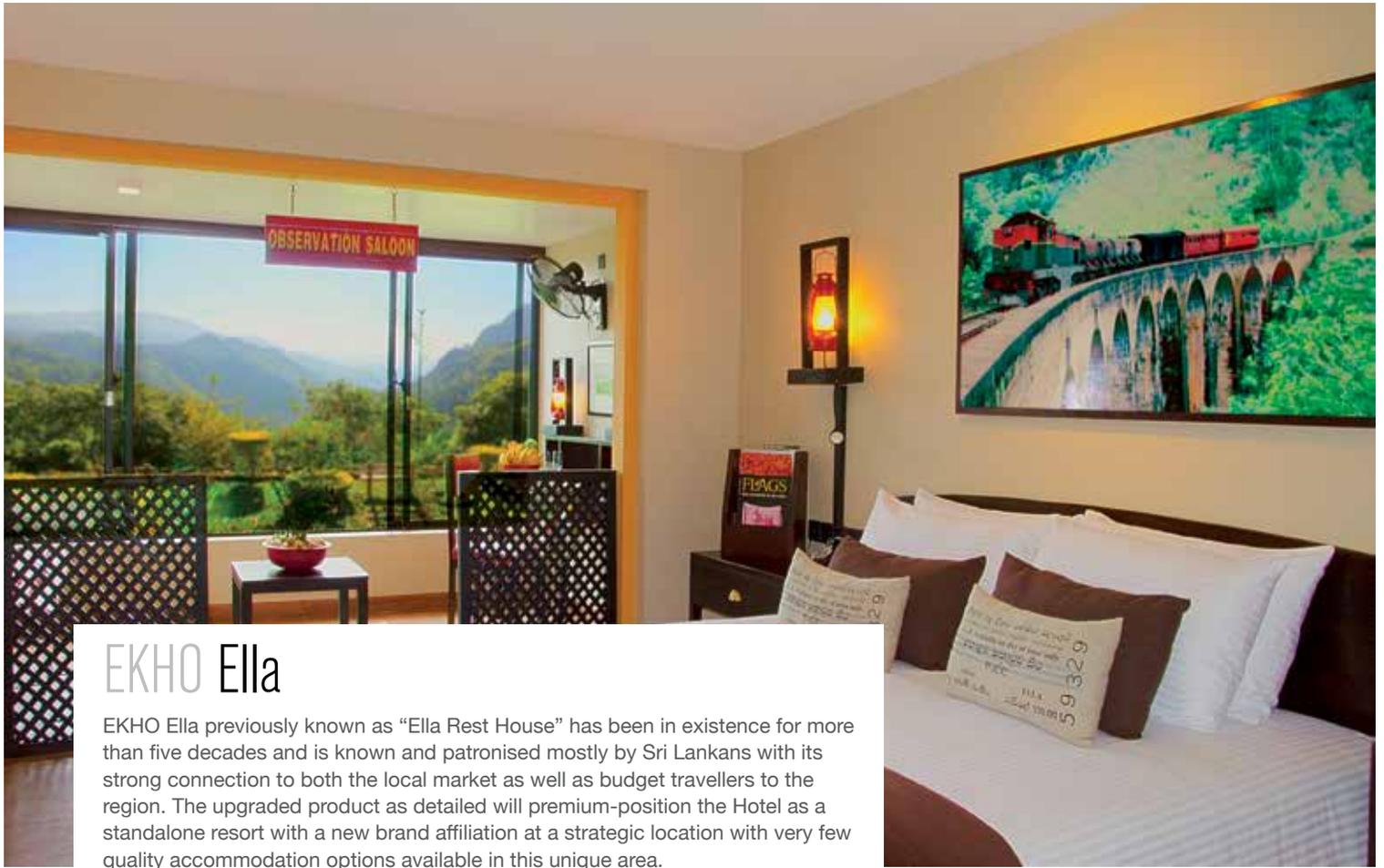
EKHO Sigiriya

Amid the magnificent views of the staggering engineering and design that is Sigiriya, EKHO Sigiriya, sits merely 700 meters away from the rock fortress. The 20 room property ensures elegant Sri Lankan designs and services that showcase local culture, ensures you experience a true Sri Lankan character.



EKHO Lake House

Built-in 1870 as a circuit bungalow for British Government Agents, the Old Polonnaruwa Rest House and once the Queen of England's holiday destination in the 1960's, has now been restored and now renamed EKHO Lake House, Polonnaruwa. Overlooking the panoramic Sea of Parakrama Samudra and offering magnificent views of the historic centre of Polonnaruwa's UNESCO World Heritage site, of Kingdoms past.

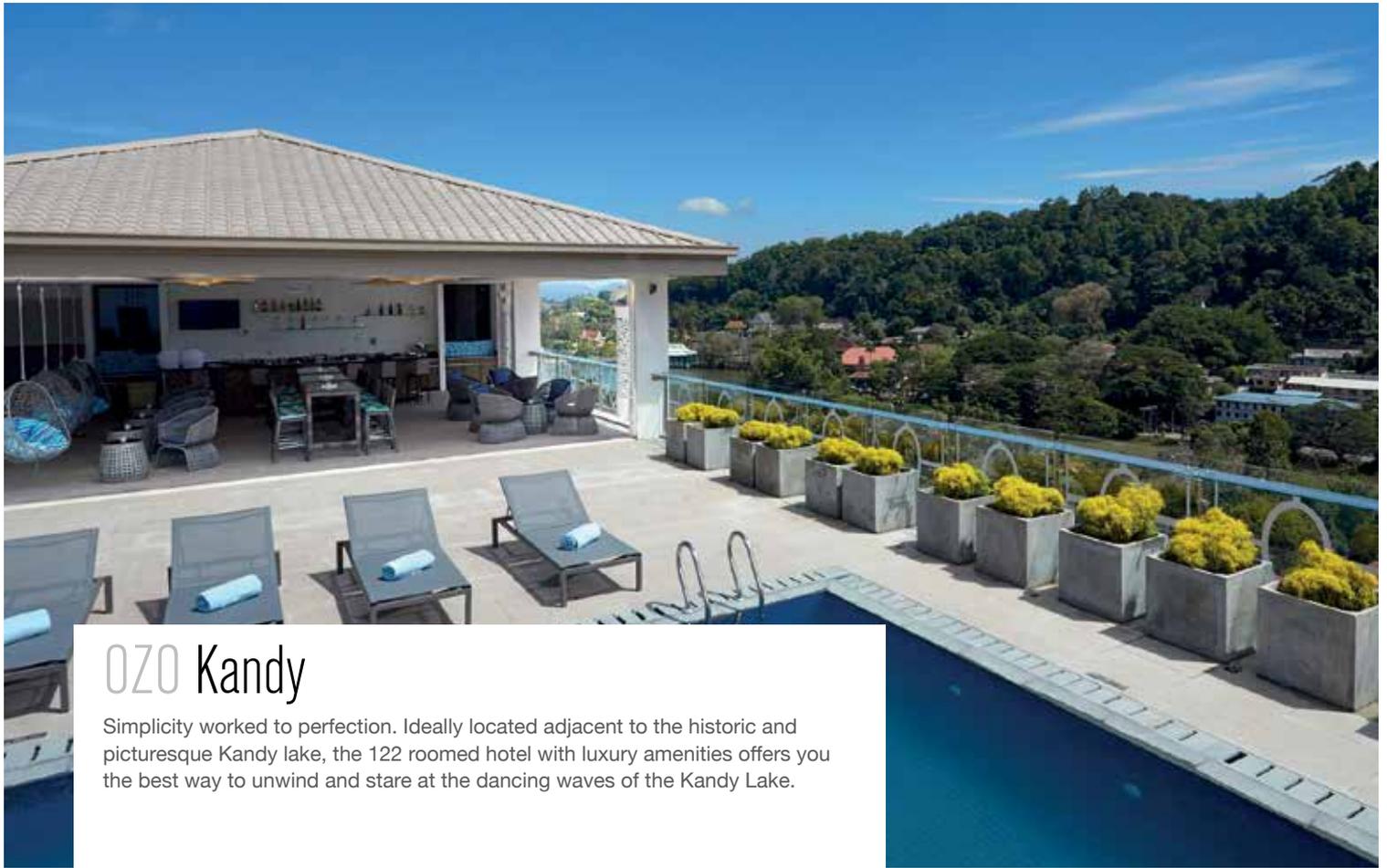


EKHO Ella

EKHO Ella previously known as “Ella Rest House” has been in existence for more than five decades and is known and patronised mostly by Sri Lankans with its strong connection to both the local market as well as budget travellers to the region. The upgraded product as detailed will premium-position the Hotel as a standalone resort with a new brand affiliation at a strategic location with very few quality accommodation options available in this unique area.

EKHO Anbaraa Maldives

An upscale resort with a combined inventory of 85 - 100 villas to be developed in Anbaraa island in Vaavu Atoll, Maldives. The resort will be exclusive in nature creating a value proposition to a segment looking for a private getaway island experience with services and experiences unparalleled.



OZO Kandy

Simplicity worked to perfection. Ideally located adjacent to the historic and picturesque Kandy lake, the 122 roomed hotel with luxury amenities offers you the best way to unwind and stare at the dancing waves of the Kandy Lake.



Lake Hotel

Spread over three acres of landscaped garden and a ten minute walk to the beautiful EKHO Lake House, lies the second property that formulates the Polonnaruwa Resort Collection, the Lake Hotel. It is set at the edge of the Sea of Parakrama, and is located in the historical city of Polonnaruwa enabling you to spend a peaceful holiday amidst a glorious history. The hotel consists of well-equipped deluxe bedrooms spread across two floors while all offer views of the lake and beyond.



CHC Resthouses

The rest houses of Ceylon Hotels Corporation fame are strategically located across the island. These rest houses provide affordable comfort in notable scenic, cultural and religious sites in the island.

Weligama	Medawachchiya
Kithulgala	Dambulla
Belihuloya	Mihintale
Pussellawa	Ambepussa
Habarana	Hanwella



Awanhala

“Awanhala” a trusted Sri Lankan brand that has been synonymous with Sri Lankan food for many generations. The history dates back to 1967, with an origin in Ambepussa - a little town strategically located along Kandy bypass, representing a monumental hospitality arena and an instinctive stop over for all who love Sri Lankan food. On a pursuit to outspread its well preserved culinary know-how, expertise and experiences, “Awanhala” outlets can be presently found in 14 locations across the island.

The Group at a Glance

Heritage Collection

- Queen's Hotel
- Hotel Suisse

Brand EKHO

- EKHO Surf
- EKHO Safari
- EKHO Lake House
- EKHO Sigiriya
- EKHO Ella (Under Refurbishment)
- EKHO Anbaraa, Maldives (Under Development)

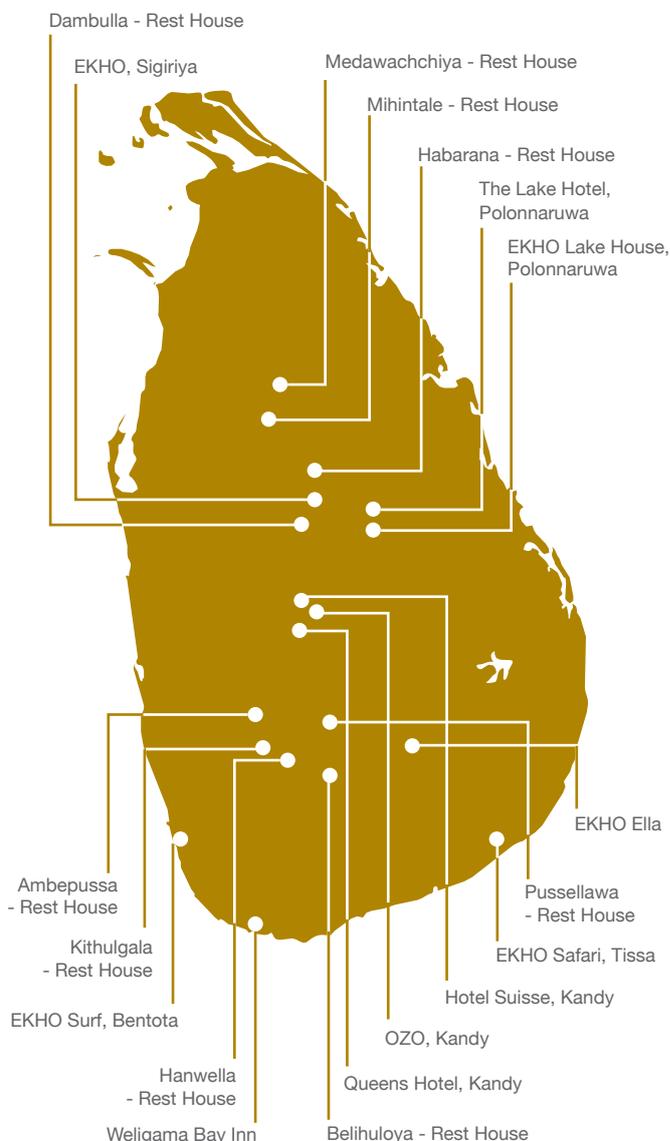
Hotels, Motels, Resorts & Rest Houses

- | | |
|-----------------|--------------------|
| • OZO - Kandy | • Dambulla |
| • Lake Hotel | • Mihintale |
| • Kithulgala | • Ambepussa |
| • Belihuloya | • Hanwella |
| • Pussellawa | • Weligama Bay Inn |
| • Medawachchiya | |
| • Habarana | |

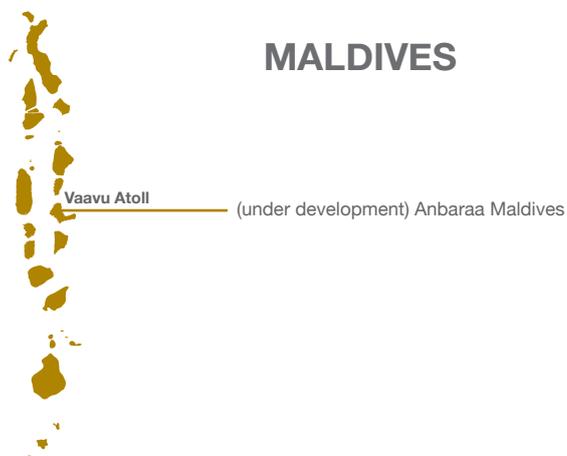
Awanhala

'Awanhala' outlets can be found in 14 locations across the island

SRI LANKA

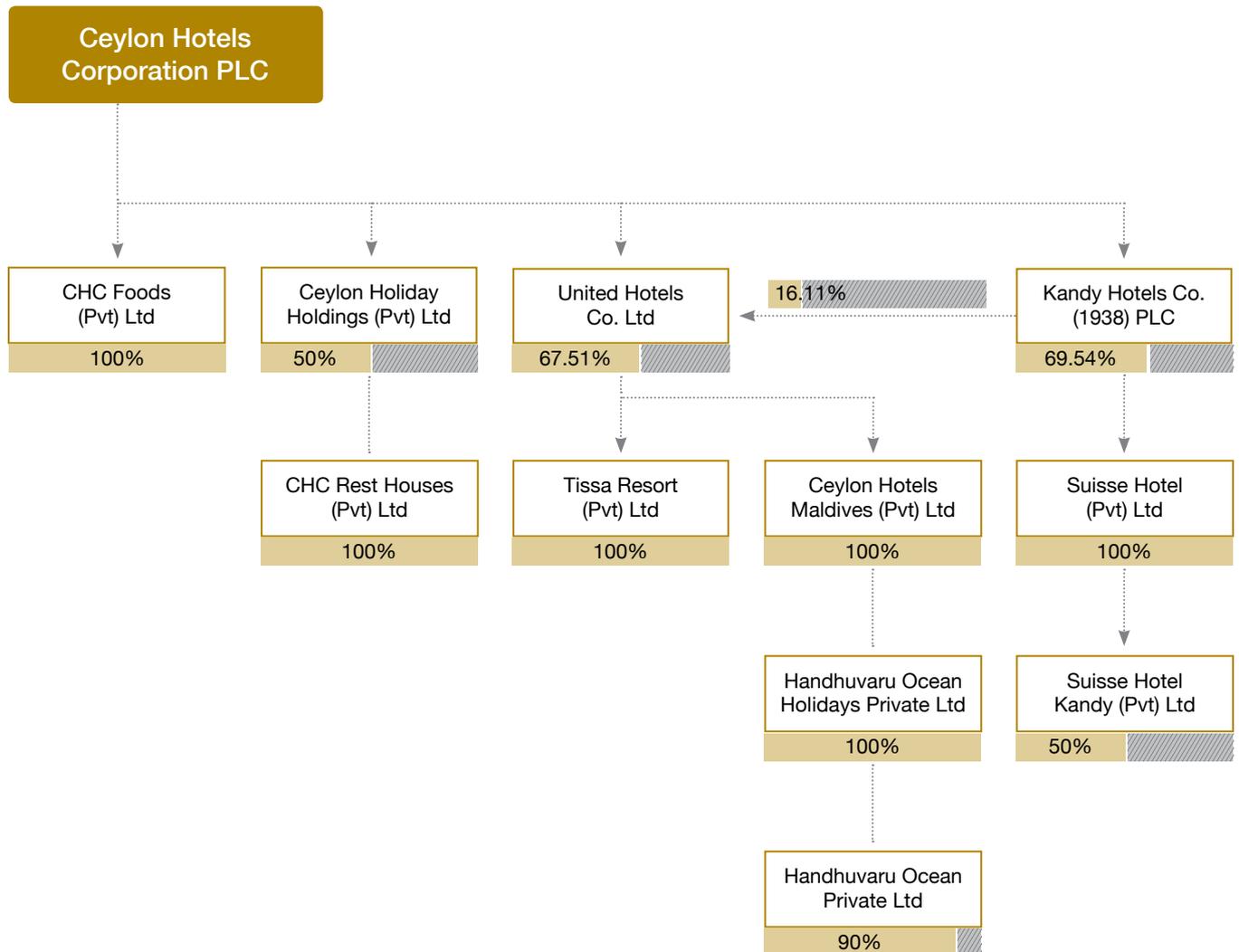


MALDIVES



Group Structure

As at 31st March 2018



Financial Highlights

	Group		Company	
	2018	2017	2018	2017
	Restated			
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Results for the year				
Gross revenue	1,543,087	1,514,277	8,447	9,906
Cost of sales	(409,630)	(411,423)	(8,401)	(9,821)
Operation profit before interest & tax	187,603	98,041	29,547	293,496
Interest expense	(188,205)	(95,968)	(69,597)	(45,852)
Profit / (loss) before tax	30,279	(7,870)	(28,757)	247,643
Income tax	(41,474)	(39,669)	(1,583)	(37)
Profit / (loss) after tax	(11,195)	(47,540)	(30,340)	247,606
Profit / (loss) attributable to shareholders	(56,212)	(99,834)	(30,340)	247,606
Financial position at the end of the year				
Shareholders funds (stated capital & reserves)	6,404,546	6,846,546	894,371	933,646
Total assets	11,269,138	10,734,450	1,832,763	1,605,299
Number of shares in issue	180,031	180,031	180,031	180,031
Information per ordinary shares				
Earnings / (loss) per share (Rs.)	(0.31)	(0.55)	(0.17)	1.38
Net assets per share (Rs.)	35.65	37.83	4.97	5.19

Chairman's Review

It is with great pleasure that I warmly welcome our Shareholders to the 52nd Annual General Meeting of Ceylon Hotels Corporation PLC and present to you the annual report and the audited financial statements for the year ended 31st March 2018.

Global Tourism

Global tourist arrivals grew by 7% in 2017 to 1,322 million arrivals which was an increase of 87 million tourists from 2016. The strong growth momentum is projected to continue in 2018, albeit at a moderate pace according to the United Nations World Tourism Organization (UNWTO). Many destinations witnessed a sustained growth shaped by a strong outbound demand created from many traditional and emerging source markets in line with the global economic upswing.

Sri Lanka Tourism

Tourist arrivals to Sri Lanka grew at a year on year growth rate of 3.2%, reaching 2,116,407 arrivals in the calendar year 2017. This modest growth, lowest since 2009, was a result of numerous challenges, such as the partial closure of the Bandaranaike International Airport during January to April 2017 followed by floods and a dengue epidemic. However, arrivals during the fourth quarter of the financial year met industry expectations until a sudden escalation of communal unrest during March 2018, which the authorities managed to arrest and bring normalcy to the industry. However, this weighed on the momentum in tourist arrivals specially to the Kandy region, where your group has a significant room inventory with three of the properties located in the Central Hills.

Arrivals from India, continued to be the main source market reaching 384,528 and accounting for 18.2% of all tourist arrivals. China remained the second largest source market with 268,952 tourist arrivals. However, the Chinese market witnessed a marginal drop by 1%

“Your company is able to adapt to these changing tourism dynamics as it possesses a wide range of hotels, resorts, motels and rest houses in strategic tourist locations across the Island, which provides flexibility to cater to a wide variety of clientele.”

even though the global outbound Chinese traveller market grew at a steady pace. Western Europe as a region accounted for 32.2% of total tourist arrivals led by traditional markets such as the United Kingdom, Germany and France. While the region grew at a sustained pace, however, arrivals from Germany recorded a marginal drop which could be attributed to the challenges faced during the year that was highlighted above.

Cumulative tourism earnings grew at an encouraging pace of 11.6% reaching US\$ 3.9 Bn in 2017. The growth rate achieved is notable as it outpaced the growth rate recorded in tourist arrivals. Tourism continues to be third largest exporter for Sri Lanka and is a vital industry to the balance of payments of the country.

As a travel destination Sri Lanka has been growing in popularity over the last few years. In 2013, Lonely Planet nominated Sri Lanka as the #1 destination in the world to visit. In 2015 Forbes magazine ranked the Island among “top ten coolest countries” to visit. Numerous other global publications such as Conde Nast Traveller, Rough Guides, The Guardian and the New York Times have identified Sri Lanka as a top tourism destination. However, as highlighted in the Sri Lanka Tourism Strategic Plan Vision 2017 – 2020, this growth in the tourism sector has primarily being driven organically via

increase in tourist arrivals, investments and international interest. If a coordinated plan is executed with the contribution from all key stakeholders, the industry has the potential to offer greater growth and investment returns and reach the envisioned target of US\$ 7 Bn in total foreign exchange earnings by 2020.

Given the attractiveness of the industry, the competitive environment remains intense with new investments cum room supply being continuously added. In addition to these formal tourist accommodation developments, the tourism industry also consists of an informal tourist room supply that has increased during the recent past. This has resulted in new competition for existing hotel players as occupancy levels and average daily room rates continue to be challenged given the growth in room supply. However it is important that a level playing field is maintained, as at present only the formal sector is contributing to the industry via taxes and employee benefits. It is encouraging to note that the Tourism Ministry has recognised this issue and is actively involved in registering the informal sector.

Key Developments – 2017 / 2018

Further to the market announcement made on 6th February 2018, our subsidiary, United Hotels Co. Ltd through its fully owned subsidiary Ceylon Hotels

Chairman's Review

Maldives (Pvt) Ltd (CHML) has entered into a 50:50 joint venture with Zhen Hua Engineering Company Ltd (ZHEC), a Group Company of the China Harbour Engineering Company Ltd. China Harbour is currently the developer of the Port City Project in Colombo. In terms of the aforesaid Joint Venture, CHML and ZHEC have agreed to develop a 85-100 Room Resort on Anbaraa Island in Vaavu Atoll in the Maldives with an investment of approximately USD 50 Million.

Maldives is a key tourist destination, that shows significant promise, where your group expects to generate significant value in the long run. Similarly, over the last two years, including the financial year under review we have been reinvesting / investing in select hotel properties such as The Surf, Lake House, Safari, Sigiriya and Ella by upgrading the properties in order to capture the potential demand from respective market segments into these destinations.

Our quick service restaurant business segment under the 'Awanhala' brand has gained momentum during the financial year under review with the total number of outlets reaching 14 as of date. The key challenge faced by the business segment is the absence of a level playing field resulting from the existing indirect tax environment (VAT and NBT) of the country.

Performance Review

The consolidated revenue recorded by the group for the period under review was Rs 1,543.1 Million, compared to the Rs 1,514.3 Million recorded in the previous financial year. The growth in revenue though marginal was achieved amidst competitive supply side industry dynamics.

The group's operating profit for the year under review was Rs.187.6 Million, compared to Rs 98.0 Million recorded last year. The previous year's results include a fair value impairment expense of



“Furthermore, as your company embarks on a journey of expanding its footprint overseas, it continues to seek opportunities to unlock value in its existing properties as done in the past, where select properties would be identified and upgraded at the opportune time to create maximum value to its shareholders.”

Rs 114.6 Million as explained in detail in the audited financial statements enclosed.

The Group ended up with a consolidated post tax loss of Rs 11.2 Million for the year ended 31st March 2018 compared to a post tax loss of Rs 47.5 Million during the previous financial year.

The post tax loss during the financial year is primarily attributable to the increased finance costs as a result of the group's

investment in Maldives which is to generate cashflows in the medium term.

Outlook

The Sri Lanka Tourism Ministry is targeting 2.5 million tourist arrivals for the calendar year 2018, which is to be supported by numerous promotional initiatives including global media campaigns. The tourist arrivals growth rates for 2018 has already shown signs of a rebound with tourist arrivals increasing by 15.3% during the first half of 2018.

As highlighted above, growing competition from informal tourist accommodations presents a significant challenge to the formal hotel sector. However, the additional competition presented by the informal sector occurs within an unfair platform as only the formal sector contributes to the industry and its stakeholders through taxes and employee benefits. We are thankful to the initiatives taken by the Tourism Ministry and the Sri Lanka Tourism Development Authority that have recognised this important issue and is actively engaged in registering all tourist accommodations.

Your company is able to adapt to these changing tourism dynamics as it possesses a wide range of hotels, resorts, motels and rest houses in strategic tourist locations across the Island, which provides flexibility to cater to a wide variety of clientele.

Furthermore, as your company embarks on a journey of expanding its footprint overseas, it continues to seek opportunities to unlock value in its existing properties as done in the past, where select properties would be identified and upgraded at the opportune time to create maximum value to its shareholders.

Appreciation

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

I would like to place on record our appreciation for the immense contribution provided by Dr. Dennis Aloysius, who retired with effect from 20th October 2017 after serving the Company for 12 years.

The Board also wishes to thank Mr. Chethiya Perera who served the Board for a short period of 20 months as Managing Director and resigned on 31st December 2017. He continues to be responsible for strategic development and Head of Operations.

Dr. Chris Nonis was not re-elected at the last Annual General Meeting. The Board wishes to thank him for his service.

I also wish to thank my Fellow Directors personally for the assistance and co-operation rendered during the year.

I also thank our valued Guests, Travel Agents, Suppliers, Bankers, Auditors, and our Secretaries for the invaluable support at all times.

Finally, a special word of thanks goes to our Shareholders for their continued trust and confidence placed on the Board.

(Sgd.)
Lakshman Samarasinghe
Chairman

27th August 2018

Board 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 Hotel Holdings (Pvt) Ltd. (holding company of Ceylon Hotels Corporation PLC), United Hotels Co. 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 Ambeon Capital 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 a 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 40 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 48 years of Management experience.

Mr Priyantha Maddumage

Mr Maddumage who was co-opted to the Boards of Ceylon Hotels Corporation PLC and The Kandy Hotels Co (1938) PLC in 2005 is the Group Chief Investment Officer of the Galle Face Hotel Group of Companies and counts over 25 years of financial 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.

Mr Shalike Karunasena

Mr Shalike Karunasena presently serves as the Group Chief Financial Officer of the Galle Face Hotels Group of Companies. Mr. Karunasena has over 20 years of experience in financial management, treasury and strategy in the fields of overseas plantations, manufacturing, trading, management services, and leisure/hospitality with over 14 years of senior management experience functioning within the South East Asian region. He is a fellow of the Chartered Institute of Management Accountants, UK.

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 32 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 Mangala Boyagoda

Mr. Mangala Boyagoda has many years of experience in the fields of banking and treasury management having worked at DFCC Bank, Standard Chartered Bank, Union Bank and Bank of Ceylon.

Chairman of Wealth Lanka Management (Pvt) Limited. Director of Wealth Trust Securities Limited, SAFE Holdings (Pvt) Limited, Asset Trust Management (Pvt) Limited, Dankotuwa Porcelain PLC, Ceylinco General Insurance Limited, Sierra Construction (Pvt) Limited, Cargills Bank Limited, Royal Fernwood Porcelain Limited, Faber Capital (Pvt) Limited, United Hotel Co. Limited, C A Crushing (Pvt) Limited, Sri Lanka Gateway Industries (Pvt) Limited, Chemanex PLC, Asset Holding Pvt Ltd and Dhamma Parami Trust.

Mr. Boyagoda holds a MBA from Irish University – European Union.

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. Ranil Pathirana

Mr. Pathirana was appointed to the Board of Ceylon Hotels Corporation PLC in January 2016. He 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 the Managing Director for Hirdaramani International Exports (Private) Limited. A Director of Star Packaging (Private) Limited and Windforce (Private) Limited Mr. Pathirana is a Non-Executive Director

of Sampath Bank PLC, Ambeon Holdings PLC, BPPL Holdings PLC, ODEL PLC and Alumex PLC. He 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 16 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 four years. During his professional career, Mr. Wimalaweera gained experience as a competent investment head, and has specialised 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 recognised and modern financial reporting system. Mr. Wimalaweera is a Fellow 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.

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.

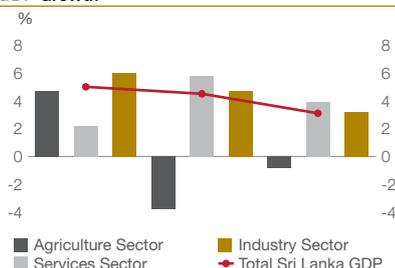
Operations Review

Economic Environment

Sri Lankan Economy

The Sri Lankan economy decelerated to 3.1% in 2017 from 4.5% recorded in 2016 as industry related activities such as construction, mining and quarrying activities witnessed reduced economic activity. Adverse weather conditions also contributed towards lower agricultural yields which affected the performance of the agricultural sector. However, the Central Bank of Sri Lanka anticipates growth to marginally increase in 2018 towards 4% led by a recovery in agriculture and industrials sectors.

GDP Growth



On the external front, the trade balance widened in 2017 due to the increase in imports outpacing export earnings. However, tourism continued to play a key role in cushioning this impact as the third largest foreign exchange earner to the country.

Industry Environment

Global Tourism

Global tourist arrivals reached 1.3 Bn arrivals in 2017 growing at a year on year rate of 7%. This growth momentum is expected to moderate and grow at a sustained rate of 4 – 5% per annum as per the United Nations World Tourism Organization. Europe which account for more than 50% of global tourist arrivals recorded a strong growth rate of 8% followed by Africa and the Asia Pacific. Breakdown of tourist arrivals by regions and respective year on year growth rates achieved in 2017 are depicted in the above table.

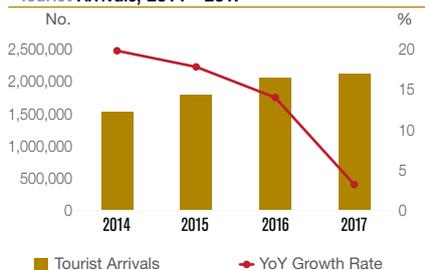
Region	No. of Arrivals (Mn)	YoY %
Europe	671	8%
Asia Pacific	324	6%
Americas	207	3%
Africa	62	8%
Middle East	58	5%

Source: UNWTO

Sri Lanka Tourism

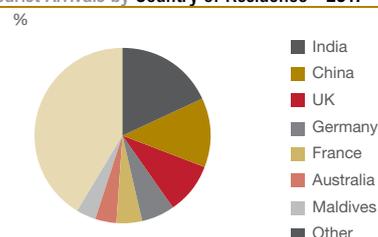
Tourist arrivals to Sri Lanka increased to 2,116,407 in 2017 at a growth rate of 3.2% from 2016. The modest growth rate can be attributed to the partial closure of the Bandaranaike International Airport coupled with floods and the outbreak of dengue fever during the year. 2018 is witnessing an uptick in tourist arrivals, with the first half of the year recording an increase of 15.3% in tourist arrivals. This growth momentum is expected to continue with the Tourism Ministry targeting to achieve 2.5 Mn tourist arrivals by the end of 2018 supported by global media campaigns and other promotional initiatives.

Tourist Arrivals, 2014 - 2017



India continues to be the single largest contributor of tourists to Sri Lanka, accounting for 18.2% of all arrivals in 2017. This is followed by China and the United Kingdom that contributes 12.7% and 9.5% of tourist arrivals respectively. Out of the top five source markets, India and UK showed steady growth, while China and Germany recorded marginal declines in tourist arrivals compared to 2016.

Tourist Arrivals by Country of Residence - 2017



Tourism earnings recorded a healthy growth rate of 11.6% in 2017 reaching US\$ 3.9 Bn compared to US\$3.5 Bn recorded in 2016. The growth in earnings is encouraging given the modest growth rate recorded in tourist arrivals and the many challenges faced during 2017.

YoY Growth in Tourist Arrivals and Tourism Earnings



Room Supply

According to the Sri Lanka Tourism Development Authority (SLTDA) as at June 2018, there are 2,164 registered establishments providing tourist accommodation with a total room inventory of 36,381. However, as per the prevailing sentiment of industry participants many other establishments that provide tourist rooms are yet to be brought under the registered umbrella of the SLTDA, which results in unfair competition towards the regulated players.

In addition to the existing room supply, a total of 326 new tourism accommodation projects with a room capacity of 18,364 rooms have received final approval to commence projects as per the Q2 2018 industry report published by the SLTDA.

While it is encouraging to note the degree of investment and optimism surrounding the tourism industry, it is vital that tourist arrivals continue to grow at a sustained pace, in order to ensure the growing room supply (formal and informal) won't create a glut in the industry by outpacing future room demand.

Overview of Financial and Operational Performance

Key Events during the Financial Year 2017 / 2018

Further to the market announcement made on 6th February 2018, our subsidiary, United Hotels Co. Ltd through its fully owned subsidiary Ceylon Hotels Maldives (Pvt) Ltd (CHML) has entered into a 50:50 joint venture with Zhen Hua Engineering Company Ltd (ZHEC), a Group Company of the China Harbour Engineering Company Ltd. China Harbour is currently the developer of the Port City Project in Colombo. In terms of the aforesaid Joint Venture CHML and ZHEC have agreed to develop a 85-100 Room Resort on Anbaraa Island in Vaavu Atoll in the Maldives with an investment of approximately USD 50 Million.

Revenue and Operating Results

The Ceylon Hotels Corporation Group revenue reached Rs 1,543.1 Million during the financial year 2017/2018 compared to Rs 1,514.3 Million recorded in the previous year amid a challenging environment given the partial closure of the Bandaranaike International Airport followed by floods and a dengue epidemic.

The group's operating profit for the year under review was Rs.187.6 Mn, compared to Rs 98.0 Mn recorded last year. The previous year's results include a fair value impairment expense of Rs 114.6 Million as explained in detail in the audited financial statements enclosed.

The operating expenses for the financial year under review includes Rs 26.4 Mn (Rs 21.2 Mn in 2016 / 2017) on account of amortization of lease rights of the Anbaraa Island which is a part of the group's Maldives subsidiary Handhuvaru Ocean (Pvt) Limited over the lease period of 50 years as per the relevant financial reporting standards. The group envisages to develop a 85 – 100 room hotel property in the Anbaraa Island in collaboration with Zhen Hua Engineering Company Ltd (ZHEC) as explained above, at which point the amortization charges will be capitalised as part of the project costs and related expenses as permitted by the financial reporting standards.

Net financing costs for the year ended 31st March 2018 increased to Rs 160.6 Mn from Rs 88.3 Million recorded during the previous financial year. The increase is primarily due to Group borrowings in order to finance the Maldives investment for the development of the Anbaraa Island by United Hotels Company Limited.

Share of Profit from the company's two joint venture undertakings, Suisse Hotel Kandy (Pvt) Limited (owning company of the OZO Hotel, Kandy) and the CHC Rest Houses (Pvt) Limited amounted to Rs 3.3 Million which improved from a loss of Rs 17.6 Million recorded during the previous financial year.

The consolidated profit before tax for the year ended 31st March 2018 was Rs. 30.3 Mn compared to a loss of Rs. 7.9 Mn during the previous financial year. The Group Tax Expense was Rs 41.5 Mn compared to Rs 39.7 Mn recorded in the financial year 2016 / 2017.

Performance analysis of subsidiaries

United Hotels Company Limited.

The United Hotels Company Limited are the owners of EKHO Surf, EKHO Safari, EKHO Lake House, the Lake Hotel and the Anbaraa Island, Maldives.

The company recorded an operating profit of Rs 30.5 Mn on a revenue of Rs 640.0 Mn for the year ended 31st March 2018 compared to an operating profit of Rs 48.3 Mn recorded in 2016 / 2017 with a revenue of Rs 624 Mn.

The Kandy Hotels Company (1938) PLC

The Kandy Hotels Company (1938) PLC are the owners of the Queens Hotel and Hotel Suisse.

The company recorded an operating profit of Rs 238.1 Mn on a revenue of Rs 685.4 Mn for the year ended 31st March 2018 compared to an operating profit of Rs 239.8 Mn recorded in 2016 / 2017 with a revenue of Rs 681.2 Mn.

CHC Foods (Pvt) Limited

CHC Foods (Pvt) Limited are the owners of the quick service restaurant business segment under the 'Awanhala' brand.

The company recorded an operating loss of Rs 20 Mn on a revenue of Rs 213.3 Mn for the year ended 31st March 2018 compared to an operating loss of Rs 32.4 Mn recorded in 2016 / 2017 with a revenue of Rs 204.5 Mn.

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 2018 on the affairs of the Company. Details set out herein provide the pertinent information required by the Companies Act No.7 of 2007, Listing Rules of the Colombo Stock Exchange(CSE) and recommended best accounting practices.

The Annual Report was approved by the Directors at a meeting held on 27th August 2018.

1. Principal Activity of the Company

The principal activity of the Company is holding investments in companies that are engaged in the hospitality trade.

2. Annual Report

The Board of Directors on 27th August 2018, approved the Company's financial statements together with the reviews which

form part of the Annual Report. The appropriate number of copies of the Report would be submitted to the Colombo Stock Exchange, Sri Lanka Accounting and Auditing Standards Monitoring Board and the Registrar General of Companies within the given time frames.

3. Review of the year

Chairman's review on pages 13 to 15 describes the Company's affairs and mentions important events that occurred during the year, and up to the date of this report. The Operations Review on pages 18 to 19 elaborates the financial results of the Company and the Group. These reports together with the audited financial statements reflect the state of the affairs of the Company and the Group.

4. Financial Results

The financial statements which include consolidated statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and the notes to the financial statements of the Company & Group for the year ended 31st March 2018 are set out on pages 40 to 100 of the Annual Report.

The net profit before tax of the Group was Rs. 30.3 Mn on a turnover of Rs 1,543.1 Mn for the year ended 31st March 2018 compared to net loss Rs. 7.9 Mn on a turnover of Rs. 1,514.3 Mn in 2016/2017.

5. Auditors Report

The Auditors' Report on the financial statements is given on pages 36 to 39 of this Annual Report.

6. Financial Statements

The financial statements prepared in compliance with the requirements of Section 151 of the Companies Act No 7 of 2007 are given on pages 40 to 100 in this annual report.

For the Year Ended 31 March,	Group		Company	
	2018 Rs.	2017 Rs. (Restated)	2018 Rs.	2017 Rs.
Profit / (Loss) attributable to the equity holders	(56,212,923)	(99,833,718)	(30,339,655)	247,606,272
Profit / (Loss) brought forward from previous year	1,628,171,986	(17,691,071)	355,060,244	(1,021,956,788)
Other comprehensive income	828,902	1,787,991	(148,297)	(272,542)
Script dividend paid	(171,825,401)	-	(171,825,401)	-
Effect of changes in holding percentage without change in control	(124,794,865)	548,794,188	-	-
Transfer of excess depreciation on revaluation	71,514,006	173,188,847	-	107,757,554
Reduction in share capital	-	1,021,925,748	-	1,021,925,748
Retained earnings carried forward	1,347,681,705	1,628,171,986	152,746,891	355,060,244

7. Significant Accounting Policies

The Accounting Policies adopted in preparation of the financial statements are given on pages 49 to 60. There were no changes in Accounting Policies adopted by the Company during the year under review.

8. 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.

9. Dividends

The Board of Directors do not recommend a dividend for the year ended 31st March 2018.

10. Stated Capital and Reserves

The Company's stated capital as at 31st March 2018 was Rs.362,610,821/- represented by 180,030,942 ordinary shares and 1,200,000 preference shares @ 6%.

During the year Company paid a Rs. 1/- per share (gross dividend) in the form of scrip dividend and as a result stated capital of the Company increased to Rs. 362.6 Mn (2017 - Rs. 198.5 Mn)

The total capital and reserves for the group stood at Rs. 6,404.5 Mn as at 31st March 2018. (2017 - Rs. 6,846.6 Mn.)

11. Shareholders' funds

Total reserves of the Company with stated capital as at 31st March 2018 was Rs. 894.4 Mn (2017: Rs. 933.6 Mn) comprising of retained earnings of Rs. 152.74 Mn (2017: Rs. 355.1 Mn) and other reserve of Rs. 379.1 Mn (2017: Rs. 380.0 Mn). The movements are shown in the Statement of Changes in Equity given on pages 44 to 46.

12. Property, Plant & Equipment

The Company has not incurred any capital expenditure during the year under review. The movements in property, plant and equipment during the year are set out in Note 14.2 to the financial statements.

13. Market Value of Properties

Freehold land and building of the group was revalued by an independent professional valuer in 2017. The valuation basis/ techniques and the assumptions used there in have been deliberated and agreed by the management. The details of freehold land valuation are given in Note 14.1.7 on pages 66 to 68 to the financial statements.

14. Investments

Details of long-term Investments held by the Company are given in Note 17 to the financial statements on pages 71 to 76.

15. 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.

16. Contingent Liabilities and Capital Commitment

The Contingent Liabilities and Capital Commitment made on account of capital expenditure as at 31st March 2018 are given in Note 37 to the financial statements.

17. 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.

18. 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.

19. Directors as at 31 March 2018

The Board of Directors of Ceylon Hotels Corporation PLC comprise 10 Directors and 04 of them serves as Independent Non- Executive Directors. The qualification and experience of the Directors are given on pages 16 to 17 of the Annual Report.

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

Name Of The Director	Status
Mr Sanjeev Gardiner	Executive Non Independent
Mr Lakshman Samarasinghe (Chairman)	Executive Non Independent
Mr Priyantha Maddumage	Executive Non Independent
Mr Mangala Boyagoda	Independent Non Executive
Mr Kuvera De Zoysa	Independent Non Executive
Mr Ajith Devasurendra	Non Executive Non Independent
Mr Ranil Pathirana	Non Executive Non Independent
Mr Wasantha Wimalaweera	Independent Non Executive
Mr Kamantha Amarasekara	Independent Non Executive
Mr Shalike Karunasena	Executive Non Independent

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 as a Director until the next Annual General Meeting of the Company.

Dr. Chirs Nonis was not re-elected as a Director at the AGM held on 27th September 2017. Dr Dennis Aloysius resigned on 20th October 2017 and Mr. Chethiya Perera resigned on 31st December 2017.

Mr. Shalike Karunasena was appointed to the Board on 23rd December 2017.

In terms of Articles 30 of the Articles of Association 1/3 of the Director shall retire by rotation. The Directors to so retire in every year shall be those who have been longest in office since their last election. Accordingly Mr. Sanjeev Gardiner and Mr. Mangala Boyagoda retire by rotation and are eligible for re-election. Mr. Shalike Karunasena who was appointed to the Board during the year, offers himself for election as a Director at this Annual General Meeting.

Directors Dealings with the Shares of the Company:

Directors shareholding in the company as at 31st March 2018 are as follows:

Names of Directors	Shareholding
Mr. Lakshman Samarasinghe	5,590
Mr. Sanjeev Gardiner	NIL
Mr. Priyantha Maddumage	01
Mr. Kuvera De Zoysa	NIL
Mr Mangala Boyagoda	NIL
Mr. Kamantha Amarasekera	NIL
Mr. Wasantha Wimalaweera	NIL
Mr. Ajith Devasurendra	NIL
Mr. Ranil Pathirana	NIL
Mr. Shalike Karunasena	NIL

As at 31st March 2018, there were 6,978 registered shareholders. The percentage of shares held by the public as per the Colombo Stock Exchange rules as at 31st March 2018 was 28.62% 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 endeavors 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.

Directors meetings

Details of the meetings of the Board of Directors are presented on pages 26 to 30 under Corporate Governance.

20. 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.

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.

21. Board Committees

In terms of rules of Colombo Stock Exchange on Corporate Governance, there are three mandatory Board sub committees, ie. Audit Committee, Remuneration Committee and Related Party Transactions Review Committee.

21.1 Audit Committee

Following are the names of the Directors comprising the Audit Committee of the Company:

1. Mr Kuvera De Zoysa (Chairman)
2. Mr Mangala Boyagoda
3. Mr Kamantha Amarasekara
4. Mr Ranil Pathirana
(Appointed w.e.f 24th May 2018)

The report of the Audit Committee on page 32 set out the manner of compliance by the Company in accordance with the requirements of the Rule 7.10.6 (c) of the Rules of the Colombo Stock Exchange on Corporate Governance.

21.2 Remuneration Committee

Following are the Directors comprising the Remuneration Committee of the Company.

1. Mr Kuvera De Zoysa (Chairman)
2. Mr Mangala Boyagoda
3. Mr Priyantha Maddumage

The primary objective of the Remuneration Committee is to lead and establish a formal and transparent procedure for the development of a remuneration policy and the establishment of a remuneration structure.

21.3 Related Party Transactions Review Committee

Related Party Transactions Review Committee comprised of following Directors:

1. Mr Kuvera de Zoysa (Chairman)
2. Mangala Boyagoda
3. Mr Kamantha Amarasekara
4. Mr Ranil Pathirana (appointed w.e.f 24th May 2018)

The committee met four times during the financial year 2017/2018.

21.3.1 Non-recurrent related party transactions

Non recurrent related party transactions, which in aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the company as per Audited Financial Statements of 31st March 2018 (if any) is disclosed in Note 39 on pages 90 to 93 to the financial statements as required in section 9.3.2 of the listing rules.

21.3.2 Recurrent Related Party Transactions

All the Recurrent Related Party Transactions which in aggregate value exceeds 10% of the revenue of the Company as per Audited Financial Statements of 31st March 2018 are disclosed under Note 39 on pages 90 to 93 to the financial statements, as required by Colombo Stock Exchange listing rule 9.3.2.

The report of the Related Party Transactions Review Committee is given on page 33 in the Annual Report.

22. Information on Earnings, Net Assets and Market Value

Information relating to earnings, net assets is given in "Financial Highlights" on page 12. Information on market value per share movement and the number of shares represented by the stated capital of the company is given in the section on "Investor Information" on pages 101 to 103.

23. Substantial Shareholding

Names of the twenty largest shareholders and their respective holdings as at 31st March 2018, are given in the section on "Investor Information" on pages 101 to 103 in the annual report.

24. Remuneration of Directors

Remuneration received by the Directors is set out in Note 11 to the financial statements on page 62.

25. Directors Interest in Contracts

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

26. 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

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

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.

27. Contributions to Charity

There were no donations made during the year by the Company and the sum of contributions made to charities by the Group during the financial year ended 31 March 2018 amounting to Rs. 1,005,667.

28. Annual General Meeting

The Annual General Meeting of the Company will be held on Friday 28th September 2018 at 2pm at the Sri Lanka Foundation Institute, No: 100, Independence Square, Colombo 07.

For and on behalf of the Board

(Sgd.)
Lakshman Samarasinghe
Chairman

(Sgd.)
Shalike Karunasena
Director

By Order of the Board,

(Sgd.)
Accounting Systems Secretarial Services
(Private) Limited,
Secretaries to the Company,
27th August 2018
Colombo

Statement of Directors' Responsibility for the Preparation of Financial Statements

The responsibility of the Directors, in relation to the Financial Statements of Ceylon Hotels Corporation PLC (CHC) and its subsidiaries is set out in this Statement.

In terms of Sections 150 (1), 151, 152 and 153 (1) & (2) of the Companies Act No. 07 of 2007, the Directors of the CHC are responsible for ensuring that the CHC keep proper books of account of all the transactions and prepare Financial Statements that give a true and fair view of the financial position of the CHC and its subsidiaries as at end of each financial year and of the financial performance of the CHC for each financial year and place them before a general meeting. The Financial Statements comprise of the Statement of Financial Position as at 31st March, 2018, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year ended and Notes thereto.

Accordingly, the Directors confirm that the Financial Statements of the CHC and the Group give a true and fair view of:

- (a) the financial position of the CHC as at Reporting date;
- and
- (b) the financial performance of the CHC for the financial year ended on the Reporting date.

In terms of Section 150(1)(b) and Section 152(1)(b) of the Companies Act these Financial Statements of the CHC have been certified by the CHC's Financial Controller, the Officer responsible for their preparation. In addition, the Financial Statements of the CHC and the Group have been signed by two Directors of the CHC on 27th August 2018 as required by the Sections 150 (1) (c) and 152 (1) (c) of the Companies Act and other regulatory requirements. In terms

of Section 148 (1) of the Companies Act, the Directors are also responsible for ensuring that proper accounting records which correctly record and explain the CHC's transactions are maintained to facilitate proper audit of the Financial Statements. Accordingly the Directors have taken reasonable steps to ensure that the CHC and the Group maintain proper books of account and review the financial reporting system through the Board Audit Committee.

The Board of Directors also approves the Interim Financial Statements prior to their release to the Colombo Stock Exchange, upon a review and recommendation by the Board Audit Committee.

The Directors confirm that these Financial Statements for the year ended 31st March 2018, prepared and presented in this Annual Report are in agreement with

- a) appropriate accounting policies selected and applied in a consistent manner and material departures if any have been disclosed and explained.
- b) all applicable accounting standards that are relevant, have been followed.
- c) judgments and estimates have been made which are reasonable and prudent.

The Directors also confirm that the underlying books of account are in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Listing Rules of the Colombo Stock Exchange.

The Directors also have taken reasonable measures to safeguard the assets of the CHC and to prevent and detect frauds and other irregularities. In this regard, the Directors have instituted an effective

and comprehensive system of internal controls comprising of internal audit function directly reporting to the Board Audit Committee.

The Directors are also of the view that the Company has adequate resources to continue in operation and have applied the going concern basis in preparing these Financial Statements.

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by CHC, all contributions, levies and taxes payable on behalf of and in respect of the employees of CHC, and all other known statutory dues as were due and payable by CHC and its Subsidiary as at the Reporting date have been paid or, where relevant, provided for.

By Order of the Board of Directors of Ceylon Hotels Corporation PLC

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

27th August 2018
Colombo

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 2018

Name of Director	Type	Shareholding
Sanjeev Gardiner	Non Independent Executive	No
Lakshman Samarasinghe	Chairman and Non Independent Executive	Yes
Priyantha Maddumage	Non Independent Executive	Yes
Mangala Boyagoda	Non Executive & Independent	No
Kuvera De Zoysa	Non Executive & Independent	No
Ajith Devasurendra	Non Executive & Non Independent	No
Ranil Pathirana	Non Executive & Non Independent	No
Wasantha Wimalaweera	Non Executive & Independent	No
Kamantha Amarasekara	Non Executive & Independent	No
Shalike Karunasena	Non Independent Executive	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 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

Board Meetings 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.

Name of Director	Attendance
Sanjeev Gardiner	5/6
Lakshman Samarasinghe	6/6
Priyantha Maddumage	5/6
Mangala Boyagoda	5/6
Kuvera De Zoysa	2/6
Ajith Devasurendra	6/6
Ranil Pathirana	5/6
Wasantha Wimalaweera	6/6
Kamantha Amarasekara	0/6
Shalike Karunasena (appointed on 23/12/2017)	3/3
D. J. Aloysius (resigned on 20/10/2017)	0/2
Mr. Chethiya Perera (resigned on 31/12/2017)	4/4

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

7.10.1(a)	The Board of Directors of a listed Entity shall include at least, - two Non-Executive Directors; or - such number of Non-Executive Directors equivalent to one third of the total number of Directors whichever is higher.	Complied	Out of 10 Directors, company has 06 Non Executive Directors.
7.10.2(a)	Two or 1/3 of Non-Executive Directors appointed to the Board of Directors, whichever is higher shall be 'independent'.	Complied	Out of 10 Directors, company has 04 Independent Non Executive Directors
7.10.2(b)	The Board shall require each Non-Executive Director to submit a signed and dated declaration annually of his/her independence or non independence against the specified criteria	Complied	All Non-Executive Directors have submitted their confirmation of independence as per the criteria set by the CSE rules, which is in line with the regulatory requirements.
7.10.3(a)	The Board shall make a determination annually as to the independence or non-independence of each Non-Executive Director based on such declaration and other information available to the Board and shall set out in the annual report the names of directors determined to be 'independent'	Complied	Board has determined independence and non executive independence of each Director. Names of Independent Directors given on pages 26.
7.10.3(b)	In the event a Director does not qualify as 'independent' against any of the criteria set out in CSE regulations but if the Board, taking account all the circumstances, is of the opinion that the director is nevertheless 'independent', the Board shall specify the criteria not met and the basis for its determination in the Annual Report.	Complied	There were no circumstances that independence of a Non Executive Directors is impaired.
7.10.3(c)	The Board shall publish in its annual report a brief resume of each Director on its Board which includes information on the nature of his/her expertise in relevant functional areas.	Complied	Brief resume of each Director is given on pages 16 to 17 of the Annual Report.
7.10.3(d)	Upon appointment of a new Director to its Board, the Entity shall forthwith provide to the exchange a brief resume of such Director for dissemination to the public.	Complied	Whenever there is a new Director appointed to the Board, announcement is made to Colombo Stock Exchange together with his brief resume.
7.10.5(a)	The remuneration committee shall comprise; of a minimum of two Independent Non-Executive Directors (in instances where an Entity has only two Directors on its Board); or of Non-Executive Directors a majority of whom shall be Independent, whichever shall be higher. In a situation where both the parent company and the subsidiary are 'listed Entities', the remuneration committee of the parent company may be permitted to function as the remuneration committee of the subsidiary.	Complied	Remuneration committee comprise of 2 Independent Non Executive Directors and names of the members of the remuneration committee are given on page 31 of the report.

Corporate Governance

7.10.5(b)	The Remuneration Committee shall recommend the remuneration payable to the Executive Directors and Chief Executive Officer of the listed Entity and/or equivalent position thereof, to the board of the listed Entity which will make the final determination upon consideration of such recommendations	Complied	Remuneration committee annually review the performance of Executive Directors & Senior Management when recommending their remuneration package.
7.10.5(c)	The annual report should set out the names of Directors (or persons in the parent company's committee in the case of a group company) comprising the Remuneration Committee, contain a statement of the remuneration policy and set out the aggregate remuneration paid to executive and non-executive directors.	Complied	The names of the Directors on the remuneration committee are set out on page 31 of this report.
7.10.6(a)	The Audit Committee shall comprise; of a minimum of two Independent Non-Executive Directors (in instances where a Entity has only two Directors on its board); or of Non-Executive Directors a majority of whom shall be independent, whichever shall be higher. In a situation where both the parent company and the subsidiary are 'listed Entities', the audit committee of the parent company may function as the audit committee of the subsidiary.	Complied	The Audit Committee consists of 03 Independent Directors and 01 Non-Independent Non Executive Director. Report of the Audit Committee is given on page 32 to the Annual Report
7.10.6(b)	Function of the Audit Committee shall include, <ul style="list-style-type: none"> (i) Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements of a listed Entity, in accordance with Sri Lanka Accounting Standards. (ii) Overseeing of the Entity's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements. (iii) Overseeing the processes to ensure that the Entity's internal controls and risk management, are adequate, to meet the requirements of the Sri Lanka Auditing Standards. (iv) Assessment of the independence and performance of the Entity's external auditors. (v) To make recommendations to the Board pertaining to appointment, re-appointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors. 	Complied	Functions of the Audit Committee during the year is given in the Report of the Audit Committee.
7.10.6(c)	The names of the Directors (or persons in the parent company's committee in the case of a group company) comprising the Audit Committee should be disclosed in the annual report. The committee shall make a determination of the independence of the auditors and shall disclose the basis for such determination in the annual report. The annual report shall contain a report by the Audit Committee, setting out the manner of compliance by the Entity in relation to the above, during the period to which the annual report relates.	Complied	Name of the Directors on the Audit Committee and Audit Committee report is given on page 32 of the Annual Report.

9.2.1 & 9.2.2	All Related Party Transactions should be reviewed by the “Related Party Transactions Review Committee. The Committee should comprise a combination of Non-Executive Directors and Independent Non-Executive Directors. The composition of the Committee may also include Executive Directors, at the option of the listed Entity. One independent Non-Executive Director shall be appointed as Chairman of the Committee.	Complied	Names of the Directors on the Related Party Transactions Review Committee are given on page 33 of this report.
9.2.3	In a situation where both the parent company and the subsidiary are listed Entities, the Related Party Transactions Review Committee of the parent company may be permitted to function as the Related Party Transactions Review Committee of the subsidiary.	Complied	Company has its own Related Party Transactions Review Committee.
9.2.4	The Committee shall meet at least once a calendar quarter. The Committee shall ensure that the minutes of all meetings are properly documented and communicated to the Board of Directors.	Complied	Attendance of the Related Party Transactions Review Committee is given on page 33 this report.
9.3.1	A listed Entity shall make an immediate announcement to the Exchange; - of any non-recurrent Related Party Transaction with a value exceeding 10% of the Equity or 5% of the Total Assets whichever is lower, of the Entity as per the latest Audited Financial Statements. OR - of the latest transaction, if the aggregate value of all non-recurrent Related Party Transactions entered into with the same Related Party during the same financial year amounts to 10% of the Equity or 5% of the Total Assets whichever is lower, of the Entity as per the latest Audited Financial Statements. (ii) listed Entity shall disclose subsequent non-recurrent transactions which exceed 5% of the Equity of the Entity, entered into with the same Related Party during the financial year.	Complied	There were no non-recurrent transactions which require announcement to Colombo Stock Exchange.
9.3.2 (a)	In the case of non-recurrent Related Party Transactions, if aggregate value of the non-recurrent Related Party Transactions exceeds 10% of the Equity or 5% of the Total Assets, whichever is lower, of the listed Entity as per the latest Audited Financial Statements information must be presented in the Annual Report:	Complied	Details of recurrent transactions during the year are given on pages 90 to 93 of this report.
9.3.2 (b)	In the case of recurrent Related Party Transactions, if the aggregate value of the recurrent Related Party Transactions exceeds 10% of the gross revenue/income (or equivalent term in the Income Statement and in the case of group entity consolidated revenue) as per the latest Audited Financial Statements, the listed Entity must disclose the aggregate value of recurrent Related Party Transactions entered into during the financial year in its Annual Report.	Complied	Details of Related Party Transactions are given on pages 90 to 93 of this report.

Corporate Governance

9.3.2 (c)	Annual Report shall contain a report by the Related Party Transactions Review Committee, setting out the following: <ul style="list-style-type: none">• Names of the Directors comprising the Committee;• A statement to the effect that the Committee has reviewed the Related Party Transactions during the financial year and has communicated the comments/ observations to the Board of Directors.• The policies and procedures adopted by the Committee for reviewing the Related Party Transactions.• The number of times the Committee has met during the Financial Year, Name of the Related Party Relationship, Value of the Related Party Transactions entered into during the financial year, Value of Related Party Transactions as a % of Equity and as a % of Total Assets Terms and Conditions of the Related Party Transactions, The rationale for entering into the transactions.	Complied	Report of the Related Party Transactions Review Committee is give on page 33 of this report.
-----------	--	----------	--

Report of the Remuneration Committee

The Remuneration Committee comprises of the following directors of the Company.

1. Mr Kuvera De Zoysa
2. Mr Mangala Boyagoda
3. Mr Priyantha Maddumage

The purpose of the Remuneration Committee is to ensure that remuneration for the staff of group is commensurate with their skills and expertise and also on par with industry standards. The Chairman, Executive Directors and the Financial Controller attend meetings by invitation and provide information to the Committee to assist the Committee on the deliberations and decision making. The main objective of the remuneration package is designed to retain quality managerial staff and reward those who are performing well.

Remuneration Committee met four times during the financial year 2017/2018.

(Sgd)

Kuvera De Zoysa

Chairman – Remuneration Committee

27th August 2018

Report of the Audit Committee

In accordance with the Colombo Stock Exchange Listing Rules, the Audit Committee of Ceylon Hotels Corporation PLC comprises of the following members.

1. Mr. Kuvera de Zoysa (Chairman)
2. Mr. Mangala Boyagoda
3. Mr. Kamantha Amarasekara
4. Mr Ranil Pathirana
- Appointed w.e.f 24th May 2018

Meetings of the Audit Committee

Audit Committee held Four (04) Meetings during the financial year to discuss matters relating to the Company. The attendance of the Members of the Committee was as follows:

	Meetings Attended (out of 4)
1. Mr. Kuvera de Zoysa	4
2. Mr. Mangala Boyagoda	4
3. Mr. Kamantha Amarasekara	0
4. Mr Ranil Pathirana	1
- Appointed w.e.f 24th May 2018	

During the financial year 2017/18 the Committee met on four occasions to review the interim financial statements and the year-end financial statements and recommend them to the Board for approval prior to these statements being released to the Stock Exchange.

The Audit Committee invites the General Managers of Hotels and the Financial Controller as required to attend these meetings. This enables issues (including Internal Audit Reports) to be discussed and rectifying measures agreed on expeditiously.

Purpose of the Audit Committee

To assist the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control over financial reporting, the audit process and the Company's process for monitoring compliance with laws and regulations, Company policies and procedures and the code of conduct.

To ensure that the internal audit activity is well managed, so that it adds value to the organization by being objective in providing relevant assurance, contributing to the effectiveness and efficiency of governance, risk management and control processes.

Financial Statements

The interim financial statements of the Ceylon Hotels Corporation PLC have been reviewed by the Audit Committee Members at Audit Committee Meetings. The draft financial statements of the Ceylon Hotels Corporation PLC for the year ended 31st March 2018 were also reviewed at a meeting of the Audit Committee Members, together with the External Auditors, Messrs. KPMG, prior to release of same to the Regulatory Authorities and to the Shareholders.

The Audit Committee Members were provided with confirmations and declarations as required that the said financial statements were prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) and the information required by the Companies Act No. 7 of 2007 therein and presented a true and fair view of the Company's as at that date and the Company's activities during the year under review.

Internal Audit

In accordance with the recommendation of the Audit Committee, internal audits are carried out Quarterly.

External Audit

The Members of the Audit Committee have determined that Messrs. KPMG, Chartered Accountants were independent based on written representation and the Committee has reviewed the external audit plan, as well as the management letter and followed up on issues raised.

The members of the Audit Committee have concurred to recommend to the Board of Directors the re-appointment of Messrs. KPMG, Chartered Accountants, as Auditors for the financial year ending 31st March 2019, subject to the approval of the Shareholders of the Ceylon Hotels Corporation PLC at the Annual General Meeting.

(Sgd.)
Kuvera de Zoysa
Chairman – Audit Committee

27th August 2018

Related Party Transactions Review Committee

In accordance with the Colombo Stock Exchange Listing Rules, the Related Party Transactions Review Committee (RPTRC) of Ceylon Hotels Corporation PLC comprises of the following members.

1. Mr Kuvera de Zoysa (Chairman)
2. Mr Mangala Boyagoda
3. Mr Kamantha Amarasekara
4. Mr Ranil Pathirana

Meetings of the RPTRC Committee

RPTRC held Four (04) Meetings during the financial year to discuss matters relating to the Company. The attendance of the Members of the Committee is as follows:

	Meetings Attended (out of 4)
1. Mr. Kuvera de Zoysa	4
2. Mr. Mangala Boyagoda	4
3. Mr Kamantha Amarasekara	0
4. Mr Ranil Pathirana	1

The policies and procedures adopted by the Committee for reviewing the Related Party Transactions are as follows:

- To review all Related Party Transactions pertaining to transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged and making a decision if the transaction needs the approval of the Board of Directors prior to entering to the transaction.
- When reviewing a transaction, the RPTRC would decide whether the proposed transaction is carried out on an arm's length basis irrespective of whether it is recurrent or non-recurrent in nature.

- Details of transactions exceeding 10% of the Company's equity or 5% of the total assets of the Company are promptly disclosed to the Colombo Stock Exchange for transparency.
- The members of the Board of Directors and their close family members are identified and information pertaining to them for the purpose of identifying parties related to them. The information is shared with the Company Secretaries in order to fulfil the regulatory requirements.

All recurrent related party transactions, which in aggregate value exceeds 10% of the revenue of the Group as per Audited Financial Statements of 31st March 2018 are disclosed under Note 39 on pages 90 to 93 to the Financial Statements as required in section 9.3.2 of the listing rules.

The self-declarations from the Directors and Key Management Personnel are obtained for the purpose of identifying parties related to them

The Related Party Transactions of the Company for the period 1st April 2017 to 31st March 2018 have been reviewed by the Members of the RPTRC and the comments and observations of the Committee have been communicated to the Board of Directors of the Company.

(Sgd)
Kuvera De Zoysa
Chairman – Related Party Transactions Review Committee

27th August 2018





Financial Reports

Independent Auditors' Report



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
+94 - 11 244 6058
Internet : www.kpmg.com/lk

TO THE SHAREHOLDERS OF CEYLON HOTELS CORPORATION PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ceylon Hotels Corporation PLC (“the Company”) and the consolidated financial statements of the Company and its subsidiaries (“the Group”), which comprise the statement of financial position as at March 31, 2018, and the statement of profit or loss and comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, and a summary of significant accounting policies and other explanatory information set out in pages 40 to 100.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group

as at March 31, 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

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

Emphasis of Matter - Restatement of Comparative Balances

We draw attention to Note 43.1, 43.2 and Note 43.3 to the financial statements which indicate that the comparative information presented as at and for the year ended 31st March 2016 and 31st March 2017 has been restated respectively and disclosed as comparatives in this financial statement. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the company financial statements and the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the company financial statements and the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

01. Impairment of Investment in Subsidiaries

Risk Description	Our Response
Company holds Investments in subsidiaries as detailed in the note 17 in the financial statements the value amounts to Rs. 909,348,216/- as at March 31, 2018, Refer Note No. 3.1 for accounting policies.	Our Audit procedures included, <ul style="list-style-type: none"> Assessing the impairment indications of investments made in subsidiaries based on net assets valuation and review of future business plans.
Investments which doesn't generate adequate returns is an indication of Impairment. Due to Investments being material to the Company it will have a significant impact on financial performance & position of the Company.	<ul style="list-style-type: none"> Discussions with Group Management & Component Management with regard to recoverability of the investments.
We have identified the impairment of investments in subsidiaries as a key audit matter due to Investment being material to the Company and if impaired will have a significant impact to the financial position of the Company.	<ul style="list-style-type: none"> Challenging management's forecasted revenues, growth rates, profit margins, tax rates based on our knowledge of the CGUs' operations, and compared them against historical forecasts and performance, regional indices and Industry benchmarks. This included obtaining an understanding of management's planned strategies around business expansion, revenue stream growth strategies and cost initiatives, the progress of negotiations with target customers.

02. Valuation of Investment in Joint Venture

Risk Description	Our Response
<p>Company holds Investment in Joint Venture as detailed in the Note No. 17.4.2 in the financial statements and the value amounts to Rs. 329,497,174/- as at March 31, 2018.</p> <p>Company's investments in Joint Venture is held in Joint Venture shares where no quoted market price is available. Unquoted investments are measured at fair value, which is established using Discounted forecasted cash-flow method. There is a significant risk over the valuation of these investments given the subjective nature of the valuations, an error in the valuation of such investment could result in a material misstatement.</p> <p>We have identified the valuation of investment in Joint Venture as a key audit matter due to Investment being material and complexity involved in the valuation.</p>	<p>Our Audit procedures included,</p> <ul style="list-style-type: none"> Evaluating the assumptions used in deriving at the forecasted cash-flows by comparing key underlying financial data inputs and obtaining Investee Company audited financial statements and management information as applicable. Documenting and assessing the design & implementation of the processes and operating effectiveness of key controls in place over unlisted investment valuation. Discussions with Group Management & Component Management with regard to recoverability of the investments and challenge Group management assessment of valuation of unlisted investment. Assessing the adequacy of financial statements disclosure in respect of unquoted investments and the effect of changing one or more inputs to reasonably possible alternative valuation assumptions.

03. Valuation of Property, Plant and Equipment

Risk Description	Our Response
<p>The Group carries, Property, Plant and Equipment at fair value amounts to Rs. 8,701,844,169/- as detailed in the Note 14 respectively. Refer Note No. 3.5 for accounting policies.</p> <p>Property plant and equipment is stated at fair value, determined based on valuations by professional external valuers engaged by the Group.</p> <p>The valuation of the properties requires the application of significant judgment and estimation in the selection of the appropriate valuation methodology to be used and in estimating the key assumptions applied. These key assumptions include perch price, value per square foot, market comparable used, taking into consideration for differences such as location, size and tenure. A change in the key assumptions will have an impact on the valuation.</p>	<p>We involved componenet auditors of hotel sector to perform following procedure,</p> <ul style="list-style-type: none"> Understanding and evaluating the process & procedures adopted by the Management in ascertaining the fair value. Evaluating the appropriateness of the method used and assessing the reasonableness of the range of values per perch & per square foot prices, in comparison to available market data. Assessing the adequacy of the disclosures in the financial statements.

Independent Auditors' Report

04. Assessment of impairment of Goodwill

Risk Description	Our Response
<p>The Group has recognized a Goodwill of 477,130,937/- as at the reporting date as detailed in the note 15.2. Refer Note No 3.6 for accounting policies.</p> <p>The annual impairment testing of goodwill is significant to the Group due to the complexity of the accounting requirements and the significant judgment required in determining the assumptions to be used to estimate the recoverable amount.</p> <p>Given the significance of the balances in the financial statements of the Group and the significant judgments noted above, we consider the assessment of impairment of goodwill, as a key audit matter.</p>	<p>Our Audit procedures included,</p> <ul style="list-style-type: none"> Evaluating the appropriateness of the assumptions applied to key inputs such as sales and prices, operating costs, inflation and long-term growth rates, which included comparing these inputs with externally derived data as well as our own assessments based on our knowledge of the client and the industry. Verifying the arithmetical accuracy of Goodwill impairment calculation performed by the management. Evaluating the appropriateness of the discount rates applied, which included comparing the weighted-average cost of capital with averages for the relevant markets in which the CGUs operate.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk

of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and

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

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is [2618].

CHARTERED ACCOUNTANTS

Colombo, Sri Lanka
27th August 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 March,	Notes	Group		Company	
		2018 Rs.	2017 Rs. Restated	2018 Rs.	2017 Rs.
Revenue	7	1,543,086,655	1,514,277,124	8,446,754	9,906,211
Cost of sales		(409,629,573)	(411,423,332)	(8,400,714)	(9,820,781)
Gross profit		1,133,457,082	1,102,853,792	46,040	85,430
Other income	8	5,905,181	15,117,816	40,426,176	445,802,071
Distribution expenses		(70,747,357)	(70,581,379)	-	(910,327)
Administrative expenses		(881,011,679)	(825,175,527)	(10,625,116)	(8,249,818)
Other operating expenses	9	-	(124,173,609)	(300,000)	(143,231,617)
Profit from operations		187,603,227	98,041,093	29,547,100	293,495,739
Finance income		27,556,222	7,660,193	11,292,855	-
Finance costs		(188,204,760)	(95,967,514)	(69,596,619)	(45,852,302)
Net finance costs	10	(160,648,538)	(88,307,321)	(58,303,764)	(45,852,302)
Share of Profit/(loss) of equity accounted investees (net of tax)	17.4.1	3,324,404	(17,604,378)	-	-
Profit/(loss) before income tax	11	30,279,093	(7,870,606)	(28,756,664)	247,643,437
Income tax	12	(41,474,159)	(39,669,288)	(1,582,991)	(37,165)
Profit/(loss) for the year		(11,195,066)	(47,539,894)	(30,339,655)	247,606,272

Figures in brackets indicate deductions

The Accounting Policies and Notes on pages 49 to 100 are an integral part of these Financial Statements.

For the Year Ended 31 March,	Notes	Group		Company	
		2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
			Restated		
Profit/(Loss) for the year		(11,195,066)	(47,539,894)	(30,339,655)	247,606,272
Other comprehensive income					
Items that will never be reclassified to profit or loss					
Fair value loss on financial assets available for sale		-	-	(1,071,934)	-
Net result from equity accounted investees		17,699,209	93,997	-	-
Revaluation of property, plant & equipment		-	848,048,765	-	-
Deferred tax on revaluation surplus		(373,280,950)	21,761,793	-	-
Actuarial gain/(loss)		1,155,644	2,607,061	(148,297)	(309,707)
Deferred Tax effect on actuarial gain/loss		(182,551)	(312,847)	-	37,165
Items that are or may be reclassified to profit or loss					
Effect of translation of foreign operations		4,232,585	11,075,873	-	-
Total comprehensive income for the year, net of tax		(361,571,129)	835,734,748	(31,559,886)	247,333,730
Profit/(Loss) attributable to:					
Equity holders of the company		(56,212,923)	(99,833,718)	(30,339,655)	247,606,272
Non Controlling Interest		45,017,856	52,293,824	-	-
Profit for the year		(11,195,066)	(47,539,894)	(30,339,655)	247,606,272
Total Comprehensive Income attributable to :					
Owners of the Company		(299,497,781)	538,800,087	(31,559,886)	247,333,730
Non Controlling Interest		(62,073,348)	296,934,661	-	-
Total comprehensive income for the year		(361,571,129)	835,734,748	(31,559,886)	247,333,730
Earnings/(Loss) per share					
Basic earnings/(loss) per share (Rs).	13	(0.31)	(0.55)	(0.17)	1.38

Figures in brackets indicate deductions

The Accounting Policies and Notes on pages 49 to 100 are an integral part of these Financial Statements.

Consolidated Statement of Financial Position

As at 31 March	Note	Group			Company	
		2018 Rs.	2017 Rs. Restated	2016 Rs. Restated	2018 Rs.	2017 Rs.
ASSETS						
Non-Current Assets						
Property, plant and equipment	14	8,701,844,169	8,722,561,803	7,774,159,181	23,951	666,673
Intangible assets	15	515,507,972	486,544,477	480,287,102	-	-
Lease hold right over land	16	324,270,343	293,404,743	263,230,176	-	-
Investments in subsidiaries	17	-	-	-	909,348,216	909,648,216
Investment in joint venture	17.4	459,548,050	410,743,216	382,079,400	329,497,174	302,787,887
Deferred conversion fee	19	177,446,233	177,717,627	173,504,228	-	-
Investment property	18	-	-	-	156,564,998	156,564,998
Total Non-Current Assets		10,178,616,767	10,090,971,866	9,073,260,087	1,395,434,339	1,369,667,774
Current Assets						
Inventories	20	81,890,414	84,192,096	66,415,748	-	-
Trade & other receivables	21	348,030,633	340,727,607	281,652,813	5,153,997	7,248,611
Amounts due from related companies	22	248,626,577	40,358,885	251,431,512	344,375,695	136,696,840
Income tax recoverable	23	1,286,586	521,865	704,159	-	-
Asset held for sale	24	86,178,102	86,178,102	200,770,724	86,178,102	86,178,102
Short term investments	25	-	19,939,411	273,400,464	-	-
Cash & cash equivalents	26	324,508,447	71,560,100	71,478,235	1,620,639	5,507,708
Total current assets		1,090,520,759	643,478,066	1,145,853,655	437,328,433	235,631,261
Total Assets		11,269,137,526	10,734,449,932	10,219,113,742	1,832,762,772	1,605,299,035
EQUITY AND LIABILITIES						
Equity						
Stated capital	27	362,610,821	198,500,000	1,220,425,748	362,610,821	198,500,000
Reserves	28	4,694,253,820	5,019,874,063	4,934,263,769	379,013,425	380,085,359
Accumulated Profit/ (Loss)		1,347,681,705	1,628,171,986	(17,691,071)	152,746,891	355,060,244
Total equity attributable to equity holders of the company		6,404,546,346	6,846,546,049	6,136,998,446	894,371,137	933,645,603
Non controlling interest		2,112,496,333	2,057,384,413	1,639,045,841	-	-
Total Equity		8,517,042,680	8,903,930,462	7,776,044,288	894,371,137	933,645,603

As at 31 March	Note	Group			Company	
		2018	2017	2016	2018	2017
		Rs.	Rs.	Rs.	Rs.	Rs.
		Restated	Restated			
Non-Current Liabilities						
Interest-bearing-borrowings	29	1,078,959,566	695,742,619	435,518,696	-	-
Employee benefits	30	16,540,858	15,703,324	16,921,305	6,534,996	6,243,085
Lease rent equalisation account	31	69,015,776	52,877,003	39,636,342	-	-
Deferred tax liabilities	33	630,155,900	263,251,106	302,529,143	-	-
Total Non-Current Liabilities		1,794,672,100	1,027,574,052	794,605,486	6,534,996	6,243,085
Current Liabilities						
Trade and other payables	34	273,110,294	349,155,625	1,237,858,014	9,179,740	10,167,715
Interest-bearing-borrowings due within one year	29	263,229,219	179,433,730	170,648,340	-	-
Non interest-bearing-borrowings due within one year	32	1,802,200	1,802,200	1,802,200	1,522,200	1,522,200
Amounts due to related companies	35	168,154,294	161,620,907	119,182,674	89,015,562	87,358,869
Related Party Interest-bearing-borrowings	35.1	-	-	53,380,282	830,525,716	565,810,065
Income tax payable	36	14,668,078	21,755,990	20,556,912	1,582,375	120,941
Bank overdrafts	26	236,458,660	89,176,966	45,035,546	31,046	430,557
Total current liabilities		957,422,745	802,945,418	1,648,463,968	931,856,639	665,410,347
Total Equity & Liabilities		11,269,137,526	10,734,449,932	10,219,113,742	1,832,762,772	1,605,299,035

The Accounting Policies and Notes on pages 49 to 100 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 Controller

The 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

(Sgd.)

Shalike Karunasena

Director

Colombo
27th August 2018

Consolidated Statement of Changes in Equity

Group	Attributable to Equity Holders of the Company									
	Stated Capital	Revaluation Reserve	Capital Reserve	AFS Reserve	General Reserve	Translation Reserve	Accumulated Profit/(Loss)	Total Non controlling Interest	Total Equity	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1st April 2017	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
Impact of correction of Investment in Subsidiary (Note 43)	-	-	-	-	-	-	-	-	6,326,075	6,326,075
Impact of correction of share of profit from equity accounted investees (43)	-	-	-	-	-	-	(13,815,344)	(13,815,344)	(7,363,351)	(21,178,695)
Restated Balance as at 1st April 2017	1,220,425,748	4,759,318,679	8,128,011	-	167,079,660	(262,581)	(17,691,071)	6,136,998,446	1,639,045,841	7,776,044,288
Total comprehensive income										
Profit for the year	-	-	-	-	-	-	(99,833,718)	(99,833,718)	52,293,824	(47,539,894)
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	(98,045,727)	538,800,087	296,934,661	835,734,748
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)
Dividends - (15% Cumulative preference shares)	-	-	-	-	-	-	-	-	(37,500)	(37,500)
Reduction in share capital (Note 27.1)	(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
Restated Balance as at 31 March 2017	198,500,000	4,836,582,874	8,128,011	-	167,079,660	8,083,518	1,628,171,986	6,846,546,049	2,057,384,412	8,903,930,461
Restated Balance as at 1st April 2018	198,500,000	4,836,582,874	8,128,011	-	167,079,660	8,083,518	1,628,171,986	6,846,546,049	2,057,384,412	8,903,930,461

Group	Attributable to Equity Holders of the Company									
	Stated Capital	Revaluation Reserve	Capital Reserve	AFS Reserve	General Reserve	Translation Reserve	Accumulated Profit/(Loss)	Total Non controlling Interest	Total Equity	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Total comprehensive income										
Profit for the year	-	-	-	-	-	(56,212,923)	(56,212,923)	45,017,856	(11,195,067)	
Other comprehensive income	(247,254,575)				3,140,815	828,902	(243,284,858)	(107,091,206)	(350,376,063)	
Total comprehensive income for the year	-	(247,254,575)	-	-	3,140,815	(55,384,021)	(299,497,781)	(62,073,349)	(361,571,130)	
Transactions with owners of the company										
Effect of changes in holding percentage without change in control	-	(9,544,571)	-	-	-	(447,906)	(124,794,865)	(134,787,342)	-	
Transfer to retained earnings	-	(71,514,006)	-	-	-	-	71,514,006	-	-	
Ordinary Share dividend paid to minority	-	-	-	-	-	-	-	(17,590,650)	(17,590,650)	
Dividends-(15% Cumulative preference shares)	-	-	-	-	-	-	-	(11,423)	(11,423)	
Script dividend paid	164,110,821	-	-	-	-	(171,825,401)	(7,714,580)	-	(7,714,580)	
Total transactions with owners of the company	164,110,821	(81,058,577)	-	-	-	(447,906)	(225,106,260)	(142,501,922)	117,185,269	(25,316,653)
Balance as at 31 March 2018	362,610,821	4,508,269,722	8,128,011	-	167,079,660	10,776,427	1,347,681,705	6,404,546,346	2,112,496,333	8,517,042,678

Figures in brackets indicate deductions

The Accounting Policies and Notes on pages 49 to 100 are an integral part of these Financial Statements.

Consolidated Statement of Changes in Equity

Company	Stated Capital	Revaluation Reserve	Capital Reserve	AFS Reserve	General Reserve	Accumulated Profit/ (Loss)	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
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	-	-	-	-	-	(272,542)	(272,542)
Total comprehensive income for the year	-	-	-	-	-	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 27.1)	(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
Balance as at 1st April 2017	198,500,000	-	8,128,011	205,238,955	166,718,393	355,060,244	933,645,603
Total comprehensive income							
Profit for the year	-	-	-	-	-	(80,339,655)	(80,339,655)
Other comprehensive income	-	-	-	(1,071,934)	-	(148,297)	(1,220,231)
Total comprehensive income for the year	-	-	-	(1,071,934)	-	(80,487,952)	(81,559,886)
Transactions with owners of the company, recognized directly in equity							
Script dividend paid	164,110,821	-	-	-	-	(171,825,401)	(7,714,580)
Total transactions with owners of the company	164,110,821	-	-	-	-	(171,825,401)	(7,714,580)
Balance as at 31st March 2018	362,610,821	-	8,128,011	204,167,021	166,718,393	152,746,891	894,371,137

Figures in brackets indicate deductions

The Notes on pages 49 to 100 are an integral part of these Financial Statements.

Consolidated Statement of Cash Flows

For the Year Ended 31 March,	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
	Restated			
Cash flows from operating activities				
Profit/(Loss) before income tax	30,279,093	(7,870,606)	(28,756,664)	247,643,437
Adjustment for:				
Depreciation on property, plant and equipment	185,932,598	189,669,484	212,373	211,411
Provision for retiring gratuity	4,217,474	4,285,343	1,312,569	1,200,054
Reversal for bad & doubtful debts	(6,082,544)	(9,874,404)	-	-
Lease rent equalisation charge	15,021,333	11,328,201	-	-
Provision/Written off for inventory	-	(351,175)	-	-
Income Tax Receivable written off	68,680	250,456	-	-
Loss on disposal of intangible assets	90,769	-	-	-
Loss on foreign currency transactions	2,440,155	7,069,918	-	-
Dividend received	-	-	(36,141,053)	(94,679,602)
Amortization of lease hold right over land	9,383,376	7,146,066	-	-
Amortization of intangible assets	1,946,855	2,688,378	-	16,031
Profit / Loss on disposal of property, plant & equipment	2,080,844	(34,249)	430,402	-
Share of result of equity accounted investee	(3,324,404)	17,604,378	-	-
Impairment of assets held for sales	-	114,592,622	-	125,598,986
Impairment of investment	-	-	300,000	-
Interest income	(27,556,222)	(681,624)	(11,292,855)	-
Interest expenses	188,204,760	62,946,250	69,596,619	45,852,302
Loss on investment property revaluation	-	-	-	17,632,631
Gain on disposal of investment in subsidiary	-	-	-	(337,348,931)
Amortization of deferred conversion fee	3,885,379	2,828,659	-	-
Operating profit before working capital changes	406,588,146	401,597,696	(4,338,609)	6,126,319
(Increase)/decrease in inventories	2,301,682	(17,776,348)	-	-
(Increase)/decrease in trade and other receivables	(13,829,810)	(78,764,510)	2,094,614	1,765,408
(Increase)/decrease in amounts due from related companies	(208,267,692)	211,072,627	(207,678,908)	(62,268,608)
Increase/(decrease) in trade & other payables	(76,045,330)	(865,187,864)	(987,975)	(9,302,186)
Increase/(decrease) in amounts due to related companies	6,533,387	(10,942,049)	1,656,693	93,049,115
Cash generated from operating activities	118,890,190	(360,000,448)	(209,254,185)	29,370,047
Interest paid	(188,204,760)	(62,946,250)	(69,596,619)	(45,852,302)
Taxes paid	(50,224,562)	(56,367,462)	(121,557)	(850,899)
Retiring gratuity amount paid	(2,224,297)	(2,896,263)	(1,168,955)	(1,392,844)
Net cash flow generated from operating activities	(123,373,236)	(482,210,423)	(280,141,316)	(18,725,996)

Consolidated Statement of Cash Flow

For the Year Ended 31 March,	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
		Restated		
Cash flows from investing activities				
Interest received	27,556,222	681,624	11,292,855	-
Acquisition of subsidiary	-	-	-	(370,633,516)
Proceeds from sale of property, plant and equipment	252,752	3,019,586	-	-
Proceeds from sale of shares in subsidiary	-	337,490,134	-	337,490,134
Acquisition of property, plant and equipment	(164,878,845)	(291,685,177)	-	-
Investment in joint venture	(27,781,221)	(46,174,198)	(27,781,221)	(46,174,198)
Addition of Intangible assets	(31,001,119)	(8,945,753)	-	-
Acquisition of Lease hold right over land	(34,302,938)	(26,297,089)	-	-
Proceeds from sale of investments in REPO	19,939,411	273,400,464	-	-
Investment in REPO	-	(19,939,411)	-	-
Dividend income	-	-	36,141,053	94,679,602
Net cash used in investing activities	(210,215,738)	221,550,180	19,652,687	15,362,022
Cash flows from financing activities				
Tax on scrip dividend	(7,714,580)	-	(7,714,580)	-
Loans received during the year	655,000,000	420,000,000	264,715,651	-
Dividends paid to minority	(17,602,073)	(45,338,708)	-	-
Loans settled during the year	(190,427,719)	(158,060,605)	-	-
Net cash generated from / (used in) financing activities	439,255,628	216,600,687	257,001,071	-
Net increase / (decrease) in cash & cash equivalents	105,666,654	(44,059,555)	(3,487,558)	(3,363,975)
Cash & cash equivalents at the beginning	(17,616,867)	26,442,689	5,077,151	8,441,126
Cash & cash equivalents at the end	88,049,787	(17,616,866)	1,589,593	5,077,151
Analysis of cash & cash equivalents				
Cash at banks and in hand	324,508,447	71,560,100	1,620,639	5,507,708
Bank overdraft	(236,458,660)	(89,176,966)	(31,046)	(430,557)
Cash & cash equivalents at the end	88,049,787	(17,616,866)	1,589,593	5,077,151

Figures in brackets indicate deductions

The Accounting Policies and Notes on pages 49 to 100 are an integral part of these Financial Statements.

Notes to the Consolidated Financial Statements

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 Co. 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 ultimate 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 Hotel Corporation PLC, comprise the statement of financial position, statement of comprehensive income & other comprehensive income, cash flow statement, 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 27th August 2018.

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 prepared based on the historical cost convention except as explained below.

Land and Buildings - Revalued amounts

Financial assets classified as Loans & Receivables - Amortized Cost

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.

Notes to the Consolidated Financial Statements

- Note 14 - Revaluation of Land and Buildings
- Note 15 - Measurement of Intangible Assets
- Note 17.4 - Investment in Joint Venture
- Note 18 - Classification of Investment Property
- Note 30 - Measurement of Retirement benefit obligations
- Note 33 - Measurement of Deferred tax liabilities
- Note 37 - Commitments and Contingencies

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.

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 joint ventures.

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.

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 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.

(g) 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 Handhuvuru Ocean Holidays Ltd and Handhuvuru Ocean Ltd which have the financial year ending 31st December.

(h) Significant transactions and events during the period between date of financial statements of subsidiaries and date of financial statements of the group

No adjustments to the results of subsidiary companies have been made as they were not significant.

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.

Nonmonetary 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:

- 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.

Notes to the Consolidated Financial Statements

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

Company's Available-for-sale financial investments include Investment in Joint Venture. 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 Company 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 Company 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 Company 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 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:

- 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.

Notes to the Consolidated Financial Statements

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
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.

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 company 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.

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.

Notes to the Consolidated Financial Statements

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. 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 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 measured at 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.

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 advances. 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% & 9% respectively on the salary of each employee respectively to the Employee Provident Fund.

Notes to the Consolidated Financial Statements

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.

b. Defined benefit plans - Retiring Gratuity

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 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.

- 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.

Notes to the Consolidated Financial Statements

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 ordinary shareholders 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.

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 Standards which is not applicable for the current financial period.

Accordingly, these Standards have not been applied in preparing these financial statements.

- **SLFRS 15 – Revenue from contract with customers**
SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance LKAS 18 Revenue, LKAS 11 Construction Contracts.

SLFRS 15 is effective for annual reporting period beginning on or after 1st January 2017, with early adoption permitted. However, IASB has deferred the adoption of IFRS 15 which corresponds to SLFRS 15 to be adopted from financial reporting periods beginning on or after 1st January 2018.

- **SLFRS 9 - Financial Instruments: Classification and Measurement**

The objective of this SLFRS is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

An entity shall apply this SLFRS to all items within the scope of LKAS 39 Financial Instruments: recognition and measurement. SLFRS 9 is effective for annual reporting periods beginning on or after 1st January 2018, with early adoption permitted.

- **SLFRS 16 – Lease**

SLFRS 16 provides a single lessee accounting model, requiring leases to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value even though lessor accounting remains similar to current practice.

This supersedes: 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. Earlier application is permitted for entities that apply SLFRS 15 Revenue from Contracts with customers.

SLFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019. The impact on the implementation of the above Standard has not been quantified yet.

For the Year Ended 31 March,	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
	Restated			
7 REVENUE				
Accommodation income	695,504,607	702,585,076	-	-
Food income	713,633,378	663,078,029	-	-
Beverage income	73,948,237	88,798,334	-	-
Others	60,000,433	59,815,685	8,446,754	9,906,211
	1,543,086,655	1,514,277,124	8,446,754	9,906,211
8 OTHER INCOME				
Rent income	1,257,553	-	4,652,700	5,403,256
Tour income	-	5,120,532	-	5,120,532
Dividend income	7,876	-	36,141,053	94,679,602
Profit or (loss) on disposal of property, plant and equipment	(2,080,844)	34,249	(430,402)	-
Profit from disposal of investments	-	-	-	337,348,931
Sundry income	6,720,596	9,963,035	62,825	3,249,750
	5,905,181	15,117,816	40,426,176	445,802,071
9 OTHER OPERATING EXPENSES				
Impairment of assets held for sale (Note 24)	-	114,592,622	-	125,598,986
Fair value of investment property (Note 18)	-	-	-	17,632,631
Impairment of investment in subsidiary (Note 17)	-	-	300,000	-
Others	-	9,580,987	-	-
	-	124,173,609	300,000	143,231,617
10 NET FINANCE COST				
Finance Income				
Interest income on intercompany loan	11,292,855	-	11,292,855	-
Interest income on Fixed Deposits and Savings Accounts	1,208,066	1,606,252	-	-
Interest income on re-purchase agreements	-	4,670,799	-	-
Gain on translation of foreign currencies	15,055,302	1,383,142	-	-
	27,556,222	7,660,193	11,292,855	-

Notes to the Consolidated Financial Statements

For the Year Ended 31 March,	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Finance Costs				
Interest on bank over drafts	13,140,382	3,497,014	438,114	-
Loss on translation of foreign currencies	13,134	5,333,941	-	-
Interest on bank loans	175,051,244	59,432,759	69,158,505	45,852,302
Others	-	27,703,800	-	-
	188,204,760	95,967,514	69,596,619	45,852,302
Net finance cost	160,648,538	88,307,321	58,303,764	45,852,302
11 PROFIT/(LOSS) BEFORE INCOME TAX				
Profit/(loss) before income tax is stated after charging all expenses including the following:				
Directors' emoluments	3,940,647	3,550,000	3,940,647	3,550,000
Auditors' remuneration - statutory audit	2,503,786	2,210,983	600,000	550,000
Auditors' remuneration - non audit services	1,585,070	1,139,939	292,680	251,840
Depreciation on property, plant & equipment	185,932,598	189,669,484	212,373	211,411
Amortization of leasehold rights over land	9,383,376	7,146,066	-	-
Amortization of intangible assets	1,946,855	2,688,378	-	16,031
Lease rent equalization charge	15,021,333	11,328,201	-	-
Provision for bad & doubtful debts/(write back)	(6,082,544)	(9,874,402)	-	-
Donations	1,005,667	862,530	-	-
Staff costs (Note 11.1)	316,497,187	313,451,584	9,785,283	13,374,360
11.1 Staff costs				
Wages ,salaries and staff expenses	289,546,190	286,167,240	7,400,785	10,732,824
Defined contribution plan cost- EPF & ETF	22,733,523	22,999,001	1,071,929	1,441,483
Defined benefit plan cost- Retiring gratuity	4,217,474	4,285,343	1,312,569	1,200,053
	316,497,187	313,451,584	9,785,283	13,374,360

12 INCOME TAX

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.

Handhuvaru Ocean Holidays (Pvt) Ltd and Handhuvaru Ocean (Pvt) Ltd incorporated in Maldives are liable for income tax at the rate of 15% on its business profit and other sources of income.

For the Year Ended 31 March,	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Current tax				
Income tax expense for the year (Note 12.1)	44,533,034	46,705,157	2,055,300	-
Deem dividend tax paid by subsidiaries	-	91,516	-	-
Withholding Tax on Dividends Paid by Subsidiaries	4,044,375	10,701,705	-	-
Under/(Over) provision in respect of previous year	(544,544)	-	(472,309)	-
	48,032,865	57,498,378	1,582,991	-
Deferred tax				
Origination & Reversal of temporary differences (Note 12.2)	(6,558,706)	(17,829,090)	-	37,165
Charge for the year	41,474,159	39,669,288	1,582,991	37,165
12.1 Reconciliation between accounting profit and income tax on current year profit				
Profit/(Loss) before income tax	30,279,093	(7,870,606)	(28,756,664)	247,643,437
Non business income	(79,553,384)	(51,425,145)	(10,862,453)	-
Adjustment on disallowable expenses	184,087,095	317,414,769	1,524,943	144,676,232
Adjustment on allowable expenses	(192,346,043)	(185,085,931)	(13,375,984)	(14,831,065)
Exempt income	(37,364,201)	(435,219,765)	(36,141,053)	(432,028,533)
Taxable profit on sale / transfer of PPE	(288,603)	34,249	(320,103.00)	-
Net Tax Profit / (loss) for the year	(95,186,043)	(362,152,429)	(87,931,314)	(54,539,929)
Consolidation adjustments	288,305,936	658,288,998	87,931,314	-
Taxable other income	80,051,978	52,073,910	11,292,855	-
Tax Losses utilised	(4,335,864)	(28,432,719)	(3,952,499)	-
Taxable Income	268,836,007	319,777,760	7,340,356	(54,539,929)
Taxable income under concessionary rate 12%	192,131,550	267,703,850	-	-
Taxable income from other sources 28%	76,704,457	52,073,910	7,340,356	-
	268,836,007	319,777,760	7,340,356	-
Tax Loss brought forward	927,896,925	708,812,861	467,853,067	413,313,138
Adjustments to b/f balance	(1,085,457)	90,887,541	-	-
Tax Losses utilized during the year	(4,335,864)	(28,432,719)	(3,952,499)	-
Loss incurred during the year	210,682,984	156,629,242	87,931,314	54,539,929
Tax Losses carried forward	1,133,158,584	927,896,925	551,831,882	467,853,067
Statutory tax rate	12%	12%	12%	12%
Income tax expenses	23,055,786	32,124,462	-	-
Statutory tax rate	28%	28%	28%	28%
Income tax expenses	21,477,248	14,580,695	2,055,300	-
Income tax on current year profits	44,533,034	46,705,157	2,055,300	-

Notes to the Consolidated Financial Statements

For the Year Ended 31 March,	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
12.2 Deferred Tax Charged to				
Profit or loss (Note 33)	(6,558,706)	(17,829,090)	-	37,165
Other comprehensive income (Note 33)	373,463,501	(21,448,946)	-	(37,165)
	366,904,795	(39,278,036)	-	-

13 EARNINGS/(LOSS) PER SHARE

Earnings/(Loss) per ordinary share has been calculated by dividing the earning/(loss) attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

For the Year Ended 31 March,	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
		Restated		
Profit / (Loss) attributable to equity holders of the Company	(56,212,923)	(99,833,718)	(30,339,655)	247,606,272
Weighted average number of ordinary shares in issue	180,030,942	180,030,942	180,030,942	180,030,942
Earnings / (Loss) per share	(0.31)	(0.55)	(0.17)	1.38

14 PROPERTY, PLANT AND EQUIPMENT

14.1 Group

For the Year Ended 31 March,	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	Freehold Land	Free hold buildings	Building on leasehold land/leasehold Buildings	Plant and machinery	Furniture and office equipments	Motor vehicles	Equipments	Computers	Swimming pool	WIP	Total 2018		
Cost/ valuation													
As at 1st April 2017	4,622,555,000	1,452,010,317	1,910,849,734	140,782,164	251,198,122	463,999	235,658,764	30,096,179	34,294,705	55,706,201	8,733,615,185		
Additions	-	475,000	28,611,660	9,388,711	4,464,431	20,128,811	11,289,876	10,714,822	1,257,509	78,588,025	164,878,845		
Revaluations	-	-	-	-	-	-	-	-	-	-	-		
Transfers	-	-	-	-	-	-	-	-	-	-	-		
Disposals	-	-	-	(230,921)	(1,014,640)	-	(2,078,514)	(124,763)	-	-	(3,448,838)		
Effect of movement in exchange rates	-	-	-	-	-	52,455	-	-	-	2,617,260	2,669,715		
As at 31st March 2018	4,622,555,000	1,452,485,317	1,939,461,394	149,919,954	254,647,913	20,645,265	244,850,126	40,686,238	35,552,214	136,911,486	8,897,714,907		
Accumulated depreciation													
As at 1st April 2017	-	-	3,644,098	180,402	937,224	-	4,975,915	1,315,742	-	-	11,053,382		
Charge for the year	-	30,327,403	67,416,921	15,241,578	22,079,267	61,939	37,546,383	9,571,604	3,687,503	-	185,932,598		
Disposals	-	-	-	(2,404)	(256,957)	-	(824,448)	(31,433)	-	-	(1,115,242)		
Depreciation on Revaluation	-	-	-	-	-	-	-	-	-	-	-		
As at 31st March 2018	-	30,327,403	71,061,019	15,419,576	22,759,534	61,939	41,697,850	10,855,913	3,687,503	-	195,870,738		
Net Book Value													
As at 31st March 2018	4,622,555,000	1,422,157,914	1,868,400,375	134,500,378	231,888,379	20,583,326	203,152,276	29,830,325	31,864,711	136,911,486	8,701,844,169		
As at 31st March 2017	4,622,555,000	1,452,010,317	1,907,205,636	140,601,762	250,260,898	463,999	230,682,849	28,780,437	34,294,705	55,706,201	8,722,561,803		

Notes to the Consolidated Financial Statements

- 14.1.1 Based on the assessment carried out internally by the management is of the view that no provision was required for the potential impairment of fixed assets as at 31 March 2018.
- 14.1.2 There were no capitalized borrowing costs related to the acquisition of property, plant and equipment during the year (2016/2017 - nil).
- 14.1.3 There were no restrictions on the title of the property, plant and equipment as at 31 March 2018.
- 14.1.4 There were no items of property, plant and equipment pledged as security as at 31 March 2018 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 2018 was Nil. (31st March 2017 - Nil)
- 14.1.7 The following table provides the fair value measurement hierarchy of the Group's Non financial assets.

As at 31 March 2018						
Name of the Company	Asset Category	Date of valuation	Level 1	Level 2	Level 3	Total
The Kandy Hotels Company (Pvt) Ltd	Freehold land	31 March 2017	-	-	4,622,555,000	4,622,555,000
	Freehold buildings	31 March 2017	-	-	1,483,753,534	1,483,753,534
	Other plant and equipments	31 March 2017	-	-	242,527,691	242,527,691
United Hotels Co. Ltd	Buildings on Lease Hold Land	31 March 2017	-	-	1,101,674,819	1,101,674,819
	Swimming Pool	31 March 2017	-	-	23,570,018	23,570,018
	Other Plant & Equipment	31 March 2017	-	-	203,350,744	203,350,744
Tissa Resort (Pvt) Ltd	Buildings on Lease Hold Land	31 March 2017	-	-	272,380,675	272,380,675
	Swimming Pool	31 March 2017	-	-	3,500,000	3,500,000
	Other Plant & Equipment	31 March 2017	-	-	50,731,494	50,731,494
CHC Foods (Pvt) Ltd	Buildings on Lease Hold Land	31 March 2017	-	-	65,030,270	65,030,270
	Other Plant & Equipment	31 March 2017	-	-	42,431,375	42,431,375

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.

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 (1938) PLC	Freehold land		Market comparable method	S Sivaskantha, Fellow Member of Institute of Valuation, 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)
			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.			
	Building	Hotel Suisse at 30, Sangaraja Mawatha, Kandy	Depreciated replacement cost method	S Sivaskantha, Fellow Member of Institute of Valuation, 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)
	Building	Queen's Hotel at D S Senanayake Veediya, Kandy	Depreciated replacement cost method	S Sivaskantha, Fellow Member of Institute of Valuation, Incorporated Valuer	Range Rs.6,500/= to Rs.13,500/= per sq. ft	Estimated fair value would increase/ (decrease) if ; - Price per perch increases/ (decreases)
United Hotels Co. Ltd	Building	Lake house hotel* Parakrama Samudraya Pedesa, Polonnaruwa	Depreciated replacement cost method	S Sivaskantha, Fellow Member of Institute of Valuation 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 Valuation 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)
		The Lake at Pothgul Pedesa, New Town, Polonnaruwa	Depreciated replacement cost method	S Sivaskantha, Fellow Member of Institute of Valuation of Sri Lanka, Incorporated Valuer	Range Rs.7,500/= to Rs.15,000/= per sq. ft	Estimated fair value would increase/ (decrease) if ; - Price per perch increases/ (decreases)

Notes to the Consolidated Financial Statements

Name of the Company	Non financial assets	Location	Valuation technique	Property Valuer & Qualification	Significant unobservable inputs	Sensitivity of the input to the fair value
CHC Foods (Pvt) Ltd	Building	Hanwella Rest House, Low Level Road, Hanwella	Depreciated replacement cost method	S Sivaskantha, Fellow Member of Institute of Valuation 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	The Safari at Kataragama Road, Tissamaharama	Depreciated replacement cost method	S Sivaskantha, Fellow Member of Institute of Valuation of Sri Lanka, Incorporated Valuer	Range Rs.5,000/= to Rs.16,500/= per sq. ft	Estimated fair value would increase/ (decrease) if ; - Price per perch increases/ (decreases)
Ceylon Hotel Corporation PLC	Building	The Heritage * Kandy Rd, Ambepussa Warakapola	Depreciated replacement cost method	S Sivaskantha, Fellow Member of Institute of Valuation of Sri Lanka, Incorporated Valuer	Range Rs.3,000/- 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 in the group and in the company this is included under investment property.

14.1.8 Value of land and building and ownership

Name of the Company	Location	Property	Ownership	Extent	Carrying value As at 31st March 2018
The Kandy Hotels Co. (1938) PLC	Hotel Suisse - No 30, Sangaraja Mawathe, Kandy.	Land	Freehold	2A 2R 24.13P	2,149,250,000
		Building	Freehold	79,257.5 Sq.ft	663,779,187
	Hotel Queen's - No 04, Dalada Vidiya, Kandy.	Land	Freehold	1A 1R 15.07P	2,473,305,000
		Building	Freehold	93,636.5 Sq.ft	849,826,750
United Hotels Co. Ltd	The Lake Hotel - Pothgul Pedesa, New Town, Polonnaruwa	Building	Lease Hold	31,533 Sq ft	172,300,000
	The Lake House Hotel - 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
	Hanwella Rest House - Low Level Road, Hanwella	Building	Lease Hold	9,531 Sq ft	18,350,000
Tissa Resort (Pvt) Ltd	The Safari - Kataragama Road, Tissamaharama	Building	Lease Hold	48,497 Sq ft	286,716,500

14.2 Company

For the Year Ended 31 March,	Furniture fittings and fixtures Rs.	Equipments Rs.	Computers Rs.	Total 2018 Rs.
Cost/ Valuation				
As at 1st April	652,171	698,764	32,010	1,382,945
Disposals	(616,000)	(698,764)	(32,010)	(1,346,774)
As at 31st March	36,171	-	-	36,171
Accumulated Depreciation				
As at 1st April	167,633	524,152	24,486	716,271
Charge for the year	65,217	140,209	6,947	212,373
Disposals	(220,630)	(664,361)	(31,433)	(916,424)
As at 31st March	12,220	-	-	12,220
Carrying Amount				
As at 31st March 2018	23,951	-	-	23,951
As at 31st March 2017	484,538	174,612	7,524	666,673

14.2.1 Based on the assessment carried out internally, the Board of Directors is of the view that no provision was required for the potential impairment of fixed assets as at 31st March 2018.

14.2.2 There were no capitalized borrowing costs related to the acquisition of Property Plant and Equipment during the year (2016/2017 - nil).

14.2.3 There were no restrictions on the title of the Property, Plant and Equipment as at 31st March 2018.

Notes to the Consolidated Financial Statements

As at 31st March,	Group			Company	
	2018	2017	2016	2018	2017
	Rs.	Rs.	Rs.	Rs.	Rs.
		Restated	Restated		
15 INTANGIBLE ASSETS					
Computer Software (15.1)	38,377,035	9,413,540	3,156,165	-	-
Goodwill on Acquisition (15.2)	477,130,937	477,130,937	477,130,937	-	-
Total	515,507,972	486,544,477	480,287,102	-	-

For the Year Ended 31 March,	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
15.1 Computer Software				
Cost				
At the beginning of the year	19,988,103	11,042,350	23,460	23,460
Acquired/incurred during the year	31,001,119	8,945,753	-	-
Disposed During the year	(90,769)	-	-	-
As at 31st March	50,898,453	19,988,103	23,460	23,460
Amortization				
At the beginning of the year	10,574,563	7,886,185	23,460	7,429
Amortization for the year	1,946,855	2,688,378	-	16,031
As at 31st March	12,521,418	10,574,563	23,460	23,460
Net book Value as at 31st March	38,377,035	9,413,540	-	-

15.1.1 Computer software as at the reporting date has been tested for impairment and no impairment was found in carrying value.

	Group		
	2018	2017	2016
	Rs.	Rs.	Rs.
		Restated	Restated
15.2 Goodwill on Acquisition			
Ceylon Hotels Maldives (Pvt) Ltd	451,859	451,859	451,859
Handhuvaru Ocean Holidays (Pvt) Ltd (15.2.1)	430,751,302	430,751,302	430,751,302
Handhuvaru Ocean (Pvt) Ltd	45,927,776	45,927,776	45,927,776
	477,130,937	477,130,937	477,130,937

As at 31st March,	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
16 LEASEHOLD RIGHT OVER LAND				
Balance at the beginning of the Period	293,404,744	263,230,122	-	-
Additions	34,302,938	26,297,089	-	-
Amortization during the period	(9,383,376)	(7,146,066)	-	-
Effect of movement in exchange rates	5,946,037	11,023,598	-	-
Balance at the end of the Period	324,270,343	293,404,743	-	-

16.1 On 20 August 2013, the government of Maldives and Handhuvaru Ocean (Pvt) Limited entered into an agreement accordingly the lease hold right of the island of Anbaraa in Vaavu atoll held By Handhuvaru Ocean Holidays (Pvt) Limited has been assigned to Handhuvaru Ocean Holidays (Pvt) Limited.

16.2 Ceylon Hotels Corporation PLC obtained leasehold rights to land situated in Bentota for 50 years from Ceylon Tourist Board by the agreement dated 13 July 1969. As at 31 March 2012 the Ceylon Hotel Corporation PLC has transferred the lease hold right to United Hotels Company Ltd.

17 INVESTMENTS IN SUBSIDIARIES

As at 31st March,	Market Value	No. of Shares in Company		Effective Holding %		Cost	
	2018	2018	2017	2018	2017	2018	2017
	Rs.					Rs.	Rs.
Direct - Subsidiaries							
Kandy Hotels Co. (1938) PLC.	2,128,306,425	401,567,250	401,567,250	69.5%	69.5%	1,402,654	1,402,654
United Hotels Co. Ltd.		30,374,967	30,374,967	67.5%	80.5%	837,945,552	837,945,552
Air Line Services Ltd.		150,003	-	100%	100%	300,000	300,000
CHC Foods (Pvt) Ltd.		7,000,001	7,000,001	100%	100%	70,000,010	70,000,010
Sub - Subsidiaries							
Tissa Resort (Pvt) Ltd.				78.7%	80.5%	-	-
Ceylon Hotel Maldives (Pvt) Ltd				78.7%	80.5%	-	-
Suisse Hotel (Pvt) Ltd				69.5%	69.5%	-	-
Handhuvaru Ocean Holidays				78.7%	80.5%	-	-
Handhuvaru Ocean Pvt Ltd				70.8%	72.4%	-	-
						909,648,216	909,648,216
Provision for impairment (17.1)						(300,000)	-
						909,348,216	909,648,216

Notes to the Consolidated Financial Statements

As at 31st March,	2018	2017
	Rs.	Rs.
17.1 Provision for Impairment		
At the beginning of the year	-	-
Provision for the year	300,000	-
As at 31st March	300,000	-

The Provision is in respect of the company's investment in Airline Services (Pvt) Ltd as the said Company has not been in operation for a period of time.

17.2 Principal Subsidiaries

The following disclosure highlights the group composition and the proportion of ownership interests held by "Non Controlling Interest" as at 31st March 2018.

Company and Country of Incorporation/Operation	Principal Activities	Class of Shares Held	Proportion of interest held by the Company	2018		2017		
				Group Interest (%)	Non-controlling interest (%)	Proportion of interest held by the Company	Group Interest (%)	Non-controlling interest (%)
Sri Lanka								
United Hotels Co. Ltd	Hotel Services	Ordinary	67.51%	78.71%	21.29%	80.5%	80.5%	19.5%
Tissa Resort (Pvt) Ltd	Hotel Services	Ordinary	0.00%	78.71%	21.29%	0.0%	80.5%	19.5%
Kandy Hotels Co.(1938) PLC	Hotel Services	Ordinary	69.54%	69.54%	30.46%	69.5%	69.5%	30.5%
Suisse Hotel (Pvt) Ltd	Hotel Services	Ordinary	0.00%	69.54%	30.46%	0.0%	69.5%	30.5%
Ceylon Hotels Maldives (Pvt) Ltd	Hotel Services	Ordinary	0.00%	78.71%	21.29%	0.0%	80.5%	19.5%
CHC Foods (Pvt) Ltd	Hospitality Services	Ordinary	100.00%	100.00	0.0%	100.0%	100.0%	0.0%
Maldives								
Handhuvaru Ocean Holidays (Pvt) Ltd	Hotel Services	Ordinary	0.0%	78.71%	21.29%	0.0%	80.5%	19.5%
Handhuvaru Ocean (Pvt) Ltd	Hotel Services	Ordinary	0.0%	70.84%	29.16%	0.0%	72.4%	27.6%

17.3 Summary financial information for subsidiaries that have non-controlling (NCI) 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 2018	United Hotels Co. 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	21.29%	21.29%	21.29%	29.16%	30.46%	30.46%
Total Assets	3,123,862,200	363,485,916	1,026,710,249	713,014,074	8,318,668,854	361,385,238
Total Liabilities	934,253,410	226,873,660	237,786,735	642,304,123	1,426,200,294	11,086,954
Net Assets	2,189,608,790	136,612,256	788,923,514	70,709,951	6,892,468,560	350,298,284
Net Assets attributable to NCI	466,104,344	29,080,796	167,938,985	20,619,729	2,099,759,217	106,716,780
Revenue	497,548,877	142,429,613	-	-	685,379,722	-
Profit/(Loss)	(42,672,102)	(32,345,962)	(4,788,080)	(33,828,490)	194,822,000	(101,488)
OCI	797,229	183,384	932,764	3,299,821	(373,445,447)	-
Total comprehensive income	(41,874,873)	(32,162,578)	(3,855,316)	(30,528,669)	(178,623,447)	(101,488)
Profit/(Loss) attributable to NCI	(9,083,656)	(6,885,519)	(1,019,244)	(9,864,726)	59,351,637	(30,918)
OCI attributable to NCI	169,707	39,037	198,558	962,261	(113,768,458)	-
Cash flows from operating activities	18,344,479	44,311,031	282,760,333	117,762,747	184,344,479	(98,254)
Cash flows from investment activities	(854,405,959)	(1,324,263)	-	(132,163,272)	(854,405,959)	-
Cash flows from financing activities	542,212,500	(40,620,000)	282,760,333	-	542,212,500	-
Net increase (decrease) in cash and cash equivalents	(293,848,980)	2,366,768	-	(14,400,525)	(127,848,981)	(98,254)
Dividends paid to NCI during the year					17,590,650	

Notes to the Consolidated Financial Statements

As at 31st March 2017	United Hotels Co. 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	(4,176,650)	(83,378)	(5,794,646)	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	-

17.4 Investment in Equity Accounted Investees

17.4.1 Principal joint Venture

As at 31st March 2018

Principal Joint Ventures and the proportion of ownership interests held by the Company and the Group are highlighted below.

Company and Country of Incorporation/Operation	Principal Activities	Class of Shares Held	2018		2017	
			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%	34.8%	0%	34.8%
Ceylon Holiday Holdings (Pvt) Limited	Hotel Services	Ordinary	50%	50%	50%	50%

Group	Suisse Hotel Kandy (Pvt) Limited			Ceylon Holiday Holdings (Pvt) Limited			Total		
	2018 (Rs.)	2017 (Rs.) Restated	2016 (Rs.) Restated	2018 (Rs.)	2017 (Rs.)	2016 (Rs.)	2018 (Rs.)	2017 (Rs.) Restated	2016 (Rs.) Restated
As at 31st March,									
No of Shares	142,130,001	142,130,001	142,130,001	482,644,365	455,363,144	198,800,129			
Group interest	34.8%	34.8%	38%	50%	50%	50%			
Opening Balance	282,978,374	284,553,985	287,215,231	127,764,843	97,525,415	99,634,303	410,743,216	382,079,400	386,849,534
During the year investment	-	-	-	27,781,221	46,174,198	6,613,689	27,781,221	46,174,198	6,613,689
Operating profit/(loss) for the year	29,883,647	(1,560,939)	(93,034,588)	(26,559,243)	(16,043,439)	(8,595,442)	3,324,404	(17,604,378)	(101,630,030)
Other Comprehensive income net of tax	17,699,209	(14,672)	90,373,342	-	108,669	(127,135)	17,699,209	93,997	90,246,207
	330,561,230	282,978,374	284,553,985	128,986,821	127,764,843	97,525,415	459,548,050	410,743,216	382,079,400
Share of Joint Venture's Balance Sheet									
Current Asset	67,383,551	93,481,757	64,420,984	50,851,635	45,546,675	52,936,664	118,235,186	139,028,432	117,357,648
Non Current Asset	920,690,083	914,495,172	950,884,713	180,147,513	168,282,215	104,830,957	1,100,837,595	1,082,777,387	1,055,715,670
Current Liabilities	(165,351,435)	(172,720,978)	(155,644,470)	(56,783,410)	(58,695,815)	(52,280,228)	(222,134,845)	(231,416,793)	(207,924,698)
Non Current Liabilities	(492,160,969)	(552,277,578)	(575,107,241)	(45,228,918)	(27,368,232)	(7,961,979)	(537,389,886)	(579,645,810)	(583,069,220)
	330,561,230	282,978,374	284,553,985	128,986,821	127,764,843	97,525,415	459,548,050	410,743,216	382,079,400
Share of Joint Venture's Revenue and Loss									
Revenue	289,751,643	281,852,435	151,215,495	76,571,391	74,927,651	77,720,166	366,323,034	356,780,085	228,935,661
Profit/(Loss) before income tax	29,883,647	(1,560,939)	(93,007,202)	(26,513,006)	(16,043,439)	(8,468,307)	3,370,641	(17,604,378)	(101,475,509)
Income tax	-	-	(27,386)	(46,237)	-	(127,135)	(46,237)	-	(154,521)
Profit/(Loss) after tax	29,883,647	(1,560,939)	(93,034,588)	(26,559,243)	(16,043,439)	(8,595,442)	3,324,404	(17,604,378)	(101,630,030)
Other comprehensive income net of tax	17,699,209	(14,672)	90,373,342	-	108,669	(127,135)	17,699,209	93,997	90,246,207
Total comprehensive income for the year	47,582,856	(1,575,611)	(2,661,246)	(26,559,243)	(15,934,771)	(8,722,577)	21,023,613	(17,510,381)	(11,383,823)
Retained Earnings at the beginning	(46,192,540)	(44,616,930)	(41,955,685)	30,215,911	46,150,681	54,873,258	(15,976,630)	1,533,751	12,917,573
Retained Earnings at the end	1,390,316	(46,192,540)	(44,616,931)	3,656,668	30,215,911	46,150,681	5,046,983	(15,976,630)	1,533,750

Notes to the Consolidated Financial Statements

As at 31st March,	Company	
	2018	2017
	Rs.	Rs.
17.4.2 Investments in Joint Venture		
Ceylon Holiday Holdings (Pvt) Limited		
Opening balance	302,787,887	256,613,689
During the year investment	27,781,221	46,174,198
Fair Value Loss	(1,071,934)	-
Closing balance	329,497,174	302,787,887

Type	Valuation Technique	Significant unobservable inputs	Inter relationship between significant unobservable inputs and fair value measurement	OCI Increase/ (Decrease)
Investment In Joint Venture	Discounted Cash Flows		The estimated fair value increase /(decrease) if:	
	The valuation model considers the present value of expected net cash flows from the investment discounted using a risk adjusted discount rate. The expected cash flows are derived based on the budgeted cash flow forecasts of those investments determined by considering the sensible probability of the forecast EBITDA.	Forecast annual revenue growth rate (4% - 6%)	the annual revenue growth rate were higher /(lower) - 1%	11,172,346/ (9,476,476)
		Forecast annual EBITDA growth rate (2%-9%)	the EBITDA margin were higher /(lower) - 1%	10,609,559/- (13,110,914)
		Discount Rate (16%)	The discount rate were lower/ (higher) - 1%	27,213,315 / (26,314,117)

As at 31 March	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
	Restated			
18 INVESTMENT PROPERTY				
Opening Balance	-	-	156,564,998	174,197,629
Change in Fair Value	-	-	-	(17,632,631)
Closing Balance	-	-	156,564,998	156,564,998

18.1 Investment Property Details as follows

- 18.1.1 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.
- 18.1.2 Rental Income earned from Investment Property by the Company amounted to Rs. 4,652,700/- (2016/2017 Rs. 5,403,256/-)
- 18.1.3 Direct operating expenses incurred with regard to investment property by the company amounted to Rs.166,120/- (2016/2017 108,870)
- 18.1.4 The Investment property is carried at fair value based on independent valuation carried out by a professional valuer. The fair valuation of investment property as at 31st March 2017 was Rs. 156,564,998. Accordingly a valuation carried out by Messrs. S. Sivaskantha a fellow valuer of the Institute of Valuation of Sri Lanka at 31st March 2018, confirms that the value at 31st March 2018 approximates the fair valuation done as at 31st March 2017.
- 18.1.5 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 2018.

Location	Property	Valuation technique	Property valuer & Qualification	Significant unobservable inputs	Sensitivity of the input to the fair value
Lake house hotel Bund Road, Old Town, Polonnaruwa	Building	Depreciated replacement cost method	S Sivaskantha, Fellow Member of Institute of Valuation of Sri Lanka, Incorporated valuer	Range Rs.22,500/= per sq. ft	Estimated fair value would increase/ (decrease) if ; - Price per perch increases/ (decreases)
The Heritage Kandy Rd, Ambepussa Warakapola	Building	Depreciated replacement cost method	S Sivaskantha, Fellow Member of Institute of Valuation of Sri Lanka, Incorporated valuer	Range Rs.3,000/- Rs.5,500/= per sq. ft	Estimated fair value would increase/ (decrease) if ; - Price per perch increases/ (decreases)

18.2 Investment Property Details as follows

18.2.1 Leasehold property

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

Notes to the Consolidated Financial Statements

For the Year Ended 31 March,	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
19 DEFERRED CONVERSION FEE				
Gross carrying amount at cost				
conversion fees on the operating lease (note 19.1)	194,778,745	190,886,095	-	-
Accumulated amortization	(17,332,511)	(13,168,468)	-	-
Net book value	177,446,233	177,717,627	-	-

19.1 On 21st 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 Anbaraa in Vaavu Atoll.

On 20 August 2013, the Government of Maldives and Handhuvaru Ocean (Pvt) Limited entered into an agreement. Accordingly the lease hold rights of the island of Anbaraa 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 and paid to the Government of Maldives.

For the Year Ended 31 March,	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
20 INVENTORIES				
Food	11,729,469	12,339,008	-	-
Beverages	8,246,228	9,473,157	-	-
Crockery, linen and glassware	42,473,122	43,318,832	-	-
Sundry stock	19,506,568	19,126,072	-	-
	81,955,387	84,257,069	-	-
Provision for slow moving stocks	(64,973)	(64,973)	-	-
	81,890,414	84,192,096	-	-
21 TRADE & OTHER RECEIVABLES				
Accounts receivables (21.1)	228,216,511	191,089,395	-	333,399
Other receivables (21.2)	119,814,122	149,638,212	5,153,997	6,915,211
	348,030,633	340,727,607	5,153,997	7,248,610
21.1 Accounts receivables				
Trade receivable	228,216,511	197,171,939	-	333,399
Less: Provision for bad & doubtful debts	-	(6,082,544)	-	-
	228,216,511	191,089,395	-	333,399
21.2 Other Receivables				
Advances and deposits	92,288,393	98,947,217	-	-
Others	31,247,154	54,412,420	5,153,997	6,915,211
Less: Provision for bad & doubtful debts	(3,721,425)	(3,721,425)	-	-
	119,814,122	149,638,212	5,153,997	6,915,211

For the Year Ended 31 March,	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
		Restated		
22 AMOUNTS DUE FROM RELATED COMPANIES				
United Hotels Co. Ltd	-	-	76,257,692	96,337,955
The Galle Face Hotel Co Ltd	14,547,207	-	-	-
CHC Foods (Pvt) Ltd	-	-	11,507,774	-
Tissa Resort (Pvt) Ltd	-	-	22,862,418	-
CHC Rest Houses (Pvt) Ltd	33,622,956	36,433,837	33,291,397	36,433,837
Ceylon Holiday Holdings (pvt) Ltd	1,463,561	1,425,050	1,463,561	1,425,050
Ceylon Hotel Holdings (Pvt) Ltd	198,992,853	2,499,998	198,992,853	2,499,998
	248,626,577	40,358,885	344,375,695	136,696,840

For the Year Ended 31 March,	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
23 INCOME TAX RECOVERABLE				
Balance at the beginning of the period	521,865	704,159	-	-
Over Provision for the period	-	68,162	-	-
Write offs during the period	(68,680)	(250,456)	-	-
Payment made during the period	833,401	-	-	-
Balance at the end of the year	1,286,586	521,865	-	-

For the Year Ended 31 March,	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
		Restated		
24 ASSETS HELD FOR SALE				
Balance at the beginning of the period	86,178,102	200,770,724	86,178,102	211,777,088
Impairment of Assets Held for Sale	-	(114,592,622)	-	(125,598,986)
Balance at the end of the year	86,178,102	86,178,102	86,178,102	86,178,102

- 24.1** Company has classified land and buildings located in Dambulla, Weligama, Madawachchiya & Mihintale 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.

Notes to the Consolidated Financial Statements

For the Year Ended 31 March,	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
25 SHORT TERM INVESTMENTS				
Investments in re-purchase agreements	-	19,939,411	-	-
	-	19,939,411	-	-
26 CASH & CASH EQUIVALENTS				
Cash at banks	317,029,094	68,311,693	1,620,639	5,507,708
Cash in hand	7,479,353	3,248,407	-	-
	324,508,447	71,560,100	1,620,639	5,507,708
Bank Overdrafts	(236,458,660)	(89,176,966)	(31,046)	(430,557)
Cash & cash equivalents for cash flow purpose	88,049,787	(17,616,866)	1,589,593	5,077,151
27 STATED CAPITAL				
Ordinary shares (180,030,942)	360,210,821	196,100,000	360,210,821	196,100,000
6% Preference shares (1,200,000 Shares)	2,400,000	2,400,000	2,400,000	2,400,000
	362,610,821	198,500,000	362,610,821	198,500,000

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 special resolution passed by the shareholders at the extraordinary general meeting held on 26th September 2016.

27.2 The Company has issued 8,205,541 shares as scrip dividend to its shareholders on 6th October 2017.

27.3 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.

27.4 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.

For the Year Ended 31 March,	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
28 RESERVES				
Revaluation reserve	4,508,269,722	4,836,582,874	-	-
Capital reserve	8,128,011	8,128,011	8,128,011	8,128,011
AFS Reserve	-	-	204,167,021	205,238,955
Foreign Currency Equalization Reserve	10,776,427	8,083,518	-	-
General reserve	167,079,660	167,079,660	166,718,393	166,718,393
	4,694,253,820	5,019,874,063	379,013,425	380,085,359

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 sale financial assets until the assets are derecognise or impaired.

28.4 Foreign Currency Equalization 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.

As at 31st March,	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
29 INTEREST BEARING BORROWINGS				
Analysis of interest bearing borrowings				
Balance at the beginning of the year	875,176,349	606,167,036	-	-
Obtained during the year	655,000,000	420,000,000	-	-
Exchange loss	2,440,155	7,069,918	-	-
Repayments during the year	(190,427,719)	(158,060,605)	-	-
Balance at the end of the period	1,342,188,785	875,176,349	-	-
Payable after one year	1,078,959,566	695,742,619	-	-
Payable within one year	263,229,219	179,433,730	-	-

Notes to the Consolidated Financial Statements

29.1 Interest bearing borrowing (Cont....)

Financial institution	Repayment terms	Principal (Rs)	Rate	Security	Annual Capital Payment for March 2018 Rs.	Closing balance as at 31st March 2018 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 6 months- @ Rs 2.55 Mn plus final month.	216,500,000	1% +AWPLR*	Leasehold rights over the "The Safari" property.	30,600,000	89,020,000
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.	10,020,000	39,980,000
						129,000,000
United Hotels Co. Ltd.						
Hatton National Bank PLC (Term Loan)	31 monthly installments	250,000,000	2%+ 3 M AWDR*	Registered Primary Floating Mortgage Bond for Rs 50Mn over the lease hold rights of The Surf hotel property located at Bentota, together with buildings constructed and equipment installed therein	57,072,911	26,539,325
Hatton National Bank PLC (Term Loan)	48 monthly installments	200,000,000	1%+ 1 M 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.	44,200,000	74,400,000
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.	48,534,808	87,249,460

Financial institution	Repayment terms	Principal (Rs)	Rate	Security	Annual Capital Payment for March 2018 Rs.	Closing balance as at 31st March 2018 Rs.
Commercial Bank of Ceylon PLC (Term Loan)	60 equal monthly installments of Rs 1.25 Mn (As at 31st 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	-	75,000,000
Cargills Bank Limited (Term Loan)	36 equal principal installments (commencing from March 2019)	350,000,000	3%+ 1 W AWPLR	Corporate guarantee from Ceylon Hotels Corporation PLC for Rs. 350 Mn.	-	350,000,000
						613,188,785
Kandy Hotels Co. (1938) PLC						
Sampath Bank PLC	In 71 equal monthly installments of Rs 8.3 Mn and final installments of Rs 10.7 Mn after a grace period of 12 months	600,000,000	2% + AWPLR	Share certificates of United Hotels Co. Ltd (48,000,000 no of shares) and a corporate guarantee from Ceylon Hotels Corporation PLC for Rs. 600 Mn.		600,000,000
						600,000,000
Total Group						1,342,188,785

* AWPLR - Average Weighted Primary Lending Rate

** AWDR - Average Weighted Deposit Rate

*** LIBOR - London Interbank Offered Rate

Notes to the Consolidated Financial Statements

For the Year Ended 31 March,	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
30 EMPLOYEE BENEFITS				
At the beginning of the year	15,703,325	16,921,305	6,243,085	6,126,168
Current service cost	2,254,559	2,508,604	532,184	556,806
Interest cost on benefit obligation	1,962,915	1,776,739	780,385	643,248
Payments made during the year	(2,224,297)	(2,896,263)	(1,168,955)	(1,392,844)
Actuarial (Gain)/Loss	(1,155,644)	(2,607,061)	148,297	309,707
At the end of the year	16,540,858	15,703,324	6,534,996	6,243,085
(a) The amounts recognised in the Balance Sheet are as follows.				
Present value of the unfunded obligations	16,540,858	15,703,324	6,534,996	6,243,085
Recognised liability for defined benefit obligations	16,540,858	15,703,324	6,534,996	6,243,085
(b) Net Benefit Expense				
Included in Profit or Loss				
Interest cost	1,962,915	1,776,739	780,385	643,248
Current service cost	2,254,559	2,508,604	532,184	556,806
	4,217,474	4,285,343	1,312,569	1,200,054
Included in other comprehensive income				
Actuarial Gain/(Loss) on obligations	(1,155,644)	(2,607,061)	148,297	309,707
	(1,155,644)	(2,607,061)	148,297	309,707
Net Benefit Expense	3,061,830	1,678,282	1,460,866	1,509,761
(c) Gratuity liability is based on the actuarial valuation carried out by Messrs. Actuarial and Management Consultants (Private) Limited, Actuaries, on 31 March 2018.				
Principal actuarial assumptions used for the Group and the Company are as follows :				

	Company	
	% Per Annum	
	2018	2017
a) Discount Rate	11%	12.5%
b) Salary Increase	10%	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.

For the Year Ended 31 March,	Company	
	2018 Rs.	2017 Rs.
Discount Rate - (1% Increase)	(11,107,518)	(6,276,575)
Discount Rate - (1% decrease)	11,872,500	6,815,927
Salary Increment Rate - (1% Increase)	11,857,848	6,809,259
Salary Increment Rate - (1% decrease)	(11,101,984)	(6,278,789)

For the Year Ended 31 March,	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
31 LEASE RENT EQUALISATION ACCOUNT				
Balance as at 01st April	52,877,003	39,636,342	-	-
Charge to P & L	15,021,333	11,328,201	-	-
Effect of movement in Exchange rates	1,117,440	1,912,460	-	-
Balance as at 31st March	69,015,776	52,877,003	-	-

31.1 On 20 August 2013, the lease hold rights of the island of Anbaraa 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.

Difference in lease payments specified in the island lease agreement and the charge to the income statement as recommended by LKAS 17 are adjusted through the lease account.

As at 31st March,	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
32 NON-INTEREST- BEARING BORROWINGS				
Non-interest- bearing loan	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

Notes to the Consolidated Financial Statements

As at 31st March,	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
33 DEFERRED TAX LIABILITIES				
Balance at the beginning of the period	263,251,105	302,529,142	-	-
Origination /(Reversal) of temporary differences- P & L	(6,558,706)	(17,829,090)	-	37,165
Origination /(Reversal) of temporary differences- OCI	373,463,501	(21,448,946)	-	(37,165)
Balance at the end of the period	630,155,900	263,251,106	-	-

33.1 Deferred tax impact on revaluation

As per the new inland revenue act No 24 of 2017 which is effective from 01 April 2018, Business assets including land will attract income tax at the corporate tax rate applicable to the group, at the time of realization of such assets. Accordingly, land carried under revaluation model in the financial statements has now been considered as a business asset and subjected to taxable temporary differences. Accordingly a deferred tax liability amounted to Rs. 373,280,950/- has recognized through other comprehensive income (OCI) and charged to revaluation reserve.

33.2 The new Inland Revenue Act has introduced a new tax rate of 14% (previously 12%) for tourism industry. The new tax rate will be applicable to the subsidiary companies except for Handhuvaru Ocean Holidays (Pvt) Ltd and Handhuvaru Ocean (Pvt) Ltd from 01st April 2018. Accordingly the revised rate of 14% has been applied for deferred tax computation of the said companies for the year ended 31 March 2018.

For the Year Ended 31 March,	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
33.3 Temporary Differences				
On Property Plant and Equipment	5,059,760,359	2,621,402,909	-	34,951,090
On Retirement Benefit Obligation	(10,865,502)	(7,898,552)	-	(6,243,085)
On Carried Forward Tax Losses	(547,781,286)	(419,745,148)	-	(28,708,005)
	4,501,113,571	2,193,759,210	-	-
Balance at the end of the period	630,155,900	263,251,106	-	-

33.4 Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items, because its not probable that future taxable profits will be available against which the company can utilize the benefits therefrom. The deferred tax asset has been recognized in the financial statements to the extent of deferred tax liability.

Company	Group							
	2018		2017		2018		2017	
	Temporary Differences	Tax Effect						
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
On Property Plant and Equipment	(23,066,682)	(6,458,671)	-	-	(23,066,682)	(6,458,671)	-	-
On Retirement Benefit Obligation	(6,534,995)	(1,829,799)	-	-	(6,534,995)	(1,829,799)	-	-
On Carried Forward Tax Losses	(585,377,297)	(158,538,377)	(452,208,320)	(124,528,208)	(551,831,882)	(154,512,927)	(439,145,062)	(122,960,617)
	(614,978,974)	(166,826,846)	(452,208,320)	(124,528,208)	(581,433,559)	(162,801,396)	(439,145,062)	(122,960,617)

Deferred Tax Asset amounting to Rs.162,801,396/- (2017- Rs. 122,960,617/-) has not been recognized for the above deductible temporary differences as the management is of the opinion that the reversal of the taxable asset will not be crystallized in the foreseeable future.

As at 31st March,	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
34 TRADE & OTHER PAYABLES				
Accounts payable	76,471,981	92,654,219	193,450	1,342,168
Accrued expenses	48,680,193	50,388,688	2,440,817	2,098,402
Accrued rent	21,493,799	13,621,460	-	-
Conversion fees payable	-	72,537,055	-	-
Other payables	126,464,322	119,954,203	6,545,473	6,727,145
	273,110,295	349,155,625	9,179,740	10,167,715

Notes to the Consolidated Financial Statements

As at 31st March,	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
35 AMOUNTS DUE TO RELATED COMPANIES				
GFH Management Co (Pvt) Ltd	68,113,721	58,843,187	2,356,519	-
Galleface Hotel 1994 (Pvt) Ltd	-	16,599,618	-	-
The Galle Face Hotel Co Ltd	2,862,471	-	-	-
CHC Foods (Pvt) Ltd	-	-	-	449,826
Airline Services (Pvt) Ltd	-	-	480,941	730,941
CHC Rest House (Pvt) Ltd	86,178,102	86,178,102	86,178,102	86,178,102
Suisse Hotel (Pvt) Ltd	11,000,000	-	-	-
	168,154,294	161,620,907	89,015,562	87,358,869
35.1 Related Party Interest-bearing-borrowings				
Kandy Hotels Co. (1938) PLC	-	-	830,525,716	549,891,886
Tissa Resort (Pvt) Ltd	-	-	-	15,918,179
	-	-	830,525,716	565,810,065

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

For the Year Ended 31 March,	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
36 INCOME TAX PAYABLE				
Balance as at 01 April	21,755,990	20,556,912	120,941	971,840
Provision for the year	44,533,033	46,705,157	2,055,300	-
Over Provision in respect of previous year	(544,544)	-	(472,309)	-
WHT & ESC Recoverable	(1,685,240)	-	-	-
Payment Made During the year	(49,391,161)	(45,506,079)	(121,557)	(850,899)
Balance at the end of the period	14,668,078	21,755,990	1,582,375	120,941

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
K.A.D. Saranga Fernando	Labour	LT 4/G/18/2015- Colombo

37.2 Corporate Gurantees

The Company has issued following Corporate Guarantees on behalf of its subsidiaries:

Subsidiary	In favour of	Amount - Rs'000
Kandy Hotels Co (1938) PLC	Sampath Bank PLC	600,000
United Hotels Co Ltd	Commercial Bank PLC	75,000
United Hotels Co Ltd	Cargills Bank Ltd	350,000

37.3 Group

There were no material contingent liabilities for the Group other than those disclosed below, as at the balance sheet 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 2018.

37.3.1 Pending litigations - The Kandy Hotels Co. (1938) PLC

Name	Nature	Case No.
H.M. Dingiri Menike	Tenant	RE 2645
Tourist Shopping Centre	Tenant	DSP/0009/18

Notes to the Consolidated Financial Statements

38 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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 TRANSACTIONS - RECURRENT

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 31.03.2018 Rs.	Year ended 31.03.2017 Rs.	Aggregate Value of RPT as & of Group Net Revenue	
The Galle Face Hotel Company (GFH)	Ultimate parent	Mr. Sanjeev Gardiner	Funds Transfer to GFH	-	32,598,218	-	
		Mr. Lakshman Samarasinghe					
Kandy Hotels Co. (1938) PLC (KHCL)	Subsidiary	Mr. Sanjeev Gardiner	Expenses paid by CHC on behalf of KHCL	863,194	1,660,859	0%	
		Mr. Lakshman Samarasinghe	Reimbursement of expenses paid by CHC	(771,505)	(1,660,859)	0%	
		Mr. Priyantha Maddumage	Funds Transfer to (from) KHCL	(212,150,000)	(101,033,615)	14%	
			Interest expenses on loan given from KHCL	(68,575,520)	(44,522,998)	4%	
United Hotels Co. Ltd (UHCL)	Subsidiary	Mr. Sanjeev Gardiner	Expenses paid by CHC on behalf of UHCL	18,878,237	17,457,370	1%	
		Mr. Priyantha Maddumage	Rent Income	2,793,000	3,417,712	0%	
		Mr. Mangala Boyagoda	Funds transferred to UHCL	96,400,000	385,990,066	6%	
		Mr. Lakshman Samarasinghe	Reimbursement of expenses paid by CHC on behalf of UHCL	(20,370,435)	(21,215,956)	1%	
		Mr. Kuwera De Soysa	Share Issue	-	(300,633,516)		
			Settlement of related party balance	(117,499,824)	-	8%	
CHC Foods (Pvt) Ltd	Subsidiary	Mr. Priyantha Maddumage	Reimbursement of expenses paid by CHC on behalf of CHC Foods	(8,021,324)	(8,151,416)	1%	
		Mr. Lakshman Samarasinghe	Expenses paid by CHC on behalf of CHC Foods	6,519,224	6,372,947	0%	
			Rent expenses	1,859,700	1,985,544	0%	
			Funds transfer to CHC Foods	14,600,000	47,000,000	1%	
			Settlement of related party balance	(3,000,000)	-	0%	
			Share issue	-	(70,000,000)	-	

Company Name	Nature of Relationship	Name of the Director	Nature of Transaction	Year ended 31.03.2018 Rs.	Year ended 31.03.2017 Rs.	Aggregate Value of RPT as & of Group Net Revenue
Tissa Resort (Pvt) Ltd	Subsidiary	Mr. Priyantha Maddumage				
		Mr. Lakshman Samarasinghe	Expenses paid by CHC on behalf of Tissa Resort	5,639,475	5,323,447	0%
			Reimbursement of Expenses paid by CHC on behalf of Tissa Resort	(5,156,365)	(7,182,726)	0%
			Interest expenses loan given to CHC	-	(1,331,613)	-
			Expenses paid by Tissa Resort on behalf of CHC	(202,512)		0%
			Related Party balance settlement	38,500,000	27,400,000	2%
			Funds Transfer from Tissa Resort (Pvt) Ltd	-	(4,000,000)	-
CHC Rest Houses (Pvt) Ltd	Joint Venture	Mr. Priyantha Maddumage	Settlement of Related Party Balance	(3,142,440)		0%
		Mr. Lakshman Samarasinghe				
Ceylon Holiday Holdings (Pvt) Ltd	Joint Venture	Mr. Mohandas Lakshman Samarasinghe	Funds Transferred to Ceylon Hotel Holdings (Pvt) Ltd	27,819,732	46,174,198	2%
		Mr. Priyantha Pushpakumara Maddumage	Shares Invested in CHH	(27,781,221)	(46,174,198)	2%
Ceylon Hotels Holdings (Pvt) Ltd.	Affiliate	Mr. Sanjeev Gardiner	Funds Transferred to Ceylon Hotel Holdings (Pvt) Ltd	185,200,000	19,000,000	12%
		Mr. Lakshman Samarasinghe	Settlement of Intercompany balance	-	(16,500,000)	-
		Mr.S.H. Amarasekera	Interest Income loan given to Ceylon Hotel Holdings (Pvt) Ltd	11,292,855		1%
		Mr. Priyantha Maddumage Mr. Ajith Devasurendra				

Notes to the Consolidated Financial Statements

Company Name	Nature of Relationship	Name of the Director	Nature of Transaction	Year ended 31.03.2018 Rs.	Year ended 31.03.2017 Rs.	Aggregate Value of RPT as & of Group Net Revenue
Air Line Services (Pvt) Ltd	Subsidiary	Mr. Sanjeev Gardiner	Funds Transferred to Air Line Services	250,000	150,000	0%
		Mr. Lakshman Samarasinghe				
		Mr. Priyantha Maddumage				
Galle Face Hotel 1994 (Pvt) Ltd	Affiliate	Mr. Sanjeev Gardiner	Expenses paid by CHC on behalf of GFH 1994 (Pvt) Ltd	2,894	5,922	0%
		Mr. Lakshman Samarasinghe	Reimbursement of Expenses paid by CHC on behalf of GFH 1994 (Pvt) Ltd	-	(5,922)	-
			Funds transferred from GFH 1994 (Pvt) Ltd	(2,200,000)	(5,300,000)	0%
			Funds transferred to GFH 1994 (Pvt) Ltd	-	2,396,031	-
			Settlement of Related party balance	2,197,107	-	0%
GFH Management Co (Pvt) Ltd	Affiliate	Mr. Sanjeev Gardiner (Chairman)	Expenses paid by GFHM on behalf of CHC	(3,895,013)	-	0%
		Mr. Lakshman Samarasinghe	Reimbursement of Expenses paid by GFHM on behalf of CHC	2,831,000	-	0%
		Mr Priyantha Maddumage				

This note should be read in conjunction with the note 22 and 35 Related party receivable and Related party payable respectively.

Ceylon Hotels Corporation PLC	CHC
The Galle Face Hotel Co. Ltd	GFH
United Hotels Co. Ltd	UHCL
Ceylon Hotels Holdings (Pvt) Ltd	CHH
Kandy Hotels Co. (1938) PLC	KHCL
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 and are at arm's length price. Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash.

39.1.1 Terms and Conditions related to inter company borrowings/lendings

Lender	Repayment	Interest Rate
Kandy Hotels Co. (1938) Ltd.	On demand	AWDR % p.a.
Ceylon Hotel Corporation PLC	On demand	AWDR % p.a.

39.2 Transactions with related Companies - Non Recurrent – Group

During the year, The Kandy Hotels CO (1938) PLC (KHCL)- a subsidiary of Ceylon Hotels Corporation PLC) made an investment in the United Hotels Co Ltd (a Subsidiary of Ceylon Hotels Corporation PLC) by acquiring 48 Mn shares (16.11%) at Rs 12.50 per share costing Rs 600 Mn. Market announcement in this regard made on 25th May 2017 by the Kandy Hotels Co (1938) PLC.

Name of the Company	Relationship	Amount (Rs)	Value of the RPT as % of	
			Equity of KHCL Equity	Total Assets
United Hotels Co. Ltd	Subsidiary	600 Mn	8.71%	7.21%

39.3 Compensation paid to key management personnel

According to Sri Lanka Accounting Standard 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 (including executive and non-executive Directors) have been classified as Key Management Personnel of the Company. Emoluments paid to key management personnel have been disclosed in note 11.

39.4 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.

Notes to the Consolidated Financial Statements

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.

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.

For the Year Ended 31 March,	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Trade and other receivable	348,030,632	340,727,607	5,153,997	7,248,611
Amount due from related parties	248,626,577	40,358,885	344,375,695	136,696,840
Short term investment	-	19,939,411	-	-
Cash and cash equivalents	324,508,447	71,560,100	1,620,639	5,507,708
	921,165,656	472,586,003	351,150,331	149,453,159

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;

For the Year Ended 31 March,	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Neither past due nor impaired				
Past due				
01–29 days	114,820,995	99,538,029	-	333,399
30–60 days	72,918,802	58,482,456	-	-
61–90 days	32,335,878	23,517,885	-	-
91–120 days	4,435,609	6,569,184	-	-
121–180 days	3,705,227	9,064,426	-	-
	228,216,511	197,171,981	-	333,399
Impaired				
Gross carrying value				
Individually assessed impairment provision	-	(6,082,543)	-	-
Total	228,216,511	191,089,438	-	333,399

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. 324.5 Mn as at 31 March 2018 (2017 - Rs. 71.5 Mn).

Notes to the Consolidated Financial Statements

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.

For the Year Ended 31 March,	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
40.3.1 Net (debt)/cash				
Short term investments	-	19,939,411	-	-
Cash in hand and at bank	324,508,447	71,560,100	1,620,639	5,507,708
Total liquid assets	324,508,447	91,499,511	1,620,639	5,507,708
Interest bearing loans and borrowings	1,342,188,785	875,176,349	-	-
Bank overdrafts	236,458,660	89,176,966	31,046	430,557
Total liabilities	1,578,647,445	964,353,315	31,046	430,557
Net (debt)/cash	(1,254,138,998)	(872,853,804)	1,589,593	5,077,151

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 31 March 2017 based on contractual undiscounted payments.

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2018 based on contractual undiscounted payments.

	Within 1 Year	Between 1-2 Years	Between 2-3 years	More Than 3 Years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Interest bearing borrowings	263,229,219	354,738,455	269,106,667	455,114,444	1,342,188,785
Trade and other payables	273,110,294	-	-	-	273,110,294
Amounts due to related parties	168,154,294	-	-	-	168,154,294
Non-Interest borrowings	1,802,200	-	-	-	1,802,200
Bank overdrafts	236,458,660	-	-	-	236,458,660

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.

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.

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 March,	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Total liabilities	2,752,094,846	1,830,519,470	938,391,635	671,653,432
Less:				
Cash and cash equivalents	324,508,447	71,560,100	1,620,639	5,507,708
Net debts	2,427,586,399	1,758,959,370	936,770,996	666,145,724
Total equity	8,517,042,680	8,903,930,462	894,371,137	933,645,603
Net debt to equity ratio (Times)	0.2843	0.1973	1.0474	0.7135

Notes to the Consolidated Financial Statements

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	Loans and receivables	Other Financial Liabilities	Total
2018	Rs.	Rs.	Rs.
Financial assets not measured at fair value			
Trade and other receivables	348,030,513	-	348,030,514
Amounts due from related companies	248,626,577	-	248,626,577
Short term investments	-	-	-
Cash and cash equivalents	317,029,094	-	317,029,094
	913,686,184	-	913,686,185
Financial liabilities not measured at fair value			
Bank overdrafts	-	236,458,660	236,458,660
Trade payables	-	224,430,101	224,430,102
Interest bearing borrowings	-	1,342,188,785	1,342,188,785
Related party interest bearing borrowings	-	-	-
Non interest bearing borrowings	-	1,802,200	1,802,200
Amounts due to related companies	-	168,154,294	168,154,294
	-	1,973,034,040	1,973,034,041

Group	Loans and receivables	Other Financial Liabilities	Total
2017	Rs.	Rs.	Rs.
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
	463,564,740	-	463,564,740
Financial liabilities not measured at fair value			
Bank overdrafts	-	89,176,966	89,176,966
Trade payables	-	322,281,464	322,281,464
Interest bearing borrowings	-	875,176,349	875,176,349
Related party interest bearing borrowings	-	-	-
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

Company	Loans and receivables Rs.	Available-for-sale Rs.	Other Financial Liabilities Rs.	Total Rs.
2018				
Financial assets measured at fair value				
Investment in joint venture	-	329,497,174	-	329,497,174
Financial assets not measured at fair value				
Trade and other receivables	5,153,997	-	-	5,153,997
Amounts due from related companies	344,375,695	-	-	344,375,695
Cash and cash equivalents	1,620,639	-	-	1,620,639
	351,150,331	329,497,174	-	680,647,505
Financial liabilities not measured at fair value				
Trade payables	-	-	6,738,923	6,738,923
Interest bearing borrowings	-	-	-	-
Related party interest bearing borrowings	-	-	830,525,716	830,525,716
Non interest bearing borrowings	-	-	1,522,200	1,522,200
Amounts due to related companies	-	-	89,015,562	89,015,562
	-	-	927,802,401	927,802,401
2017				
Financial assets measured at fair value				
Investment in Joint Venture	-	302,787,887	-	302,787,887
Financial assets not measured at fair value				
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				
Bank overdrafts	-	-	-	-
Trade payables	-	-	8,069,313	10,602,624
Interest bearing borrowings	-	-	-	-
Related party interest bearing borrowings	-	-	565,810,065	473,060,775
Non interest bearing borrowings	-	-	1,522,200	1,522,200
Amounts due to related companies	-	-	87,358,869	87,059,043
	-	-	662,760,447	572,244,642

42 NUMBER OF EMPLOYEES

The total number of employees of the company as at 31st March 2018 was 55 (31st March 2017 - 67).

43 RESTATEMENTS

43.1 During the financial year ended 31 March 2018, Ceylon Hotel Maldives Limited, a subsidiary of Ceylon Hotel Corporation PLC (CHC PLC) discovered that the Company has recognized an inter-company fund transfer as investment in subsidiary. Accordingly, in the Consolidated Financial statements of CHC PLC for the year ended 31st March 2018 the amount recognized as Goodwill on acquisition of Handhuvaru Ocean (Pvt) Ltd had been overstated by Rs. 22,961,308/- and corresponding impact for NCI and had been overstated by Rs. 6,326,075/-.

The opening balance of NCI and Goodwill adjusted and comparatives are restated to reflect the correction of the error.

43.2 During the financial year ended 31 March 2018, the group discovered that the depreciation of Rs. 11,006,364/- recognized for the year ended 31st March 2015 against Assets held for sale in the consolidated Financial Statements had not been revised at the time of impairment test of the same asset during the year ended 31st March 2017. The impairment should have been recognized as 114,592,622/- accordingly. The comparative profit or loss statement is adjusted to reflect the correction of error as the misstatement is material.

Notes to the Consolidated Financial Statements

43.3 During the financial year ended 31 March 2018, the Group discovered that the share of loss from equity accounted investee (EAI) recognised in the financial statement for the year ended 31 March 2015 is Rs. 22,432,362/-. However, as per the audited financial statements of EAI, the share of loss should have been recognised as a loss of Rs. 43,611,057/-. Accordingly, the consolidated financial statements had been overstated by Rs. 21,178,695/-. The opening accumulated profit/ (loss) is adjusted and comparatives are restated to reflect the correction of error as the misstatement is material.

The following table summarise the impacts on the Group's Consolidated financial statements.

Consolidated Statement of Financial Position	Impact of Correction of Errors		
	As previously reported	Adjustments	As restated
	Rs.	Rs.	Rs.
As at 31st March 2016			
Goodwill	500,092,245	(22,961,308)	477,130,937
Investment In Joint Venture	403,258,094	(21,178,695)	382,079,400
Trade and Other Receivables	252,365,430	29,287,383	281,652,813
Others	9,078,250,592	-	9,078,250,592
Total Assets	10,233,966,361	(14,852,620)	10,219,113,742
Accumulated Profit/ (Losses)	1,234,241,092	(13,815,344)	1,220,425,748
Non Controlling Interest	4,933,226,493	(1,037,276)	4,934,263,769
Others	1,621,354,771	-	1,621,354,771
Total Equity	7,788,822,355	(14,852,620)	7,776,044,288
Total Liabilities	2,445,144,006	-	2,443,069,454
Total Equity and Liabilities	10,233,966,361	(14,852,620)	10,219,113,742

As at 31st March 2017			
Goodwill	500,092,245	(22,961,308)	477,130,937
Investment In Joint Venture	431,921,910	(21,178,695)	410,743,216
Trade and Other Receivables	311,440,224	29,287,383	340,727,607
Assets Held for Sale	75,171,738	11,006,364	86,178,102
Others	9,419,670,070	-	9,419,670,070
Total Assets	10,730,603,676	(3,846,256)	10,734,449,932
Accumulated Profit/ (Losses)	1,625,363,006	(2,808,980)	1,628,171,986
Non Controlling Interest	1,640,083,117	(1,037,276)	1,639,045,841
Others	5,634,638,083	-	5,636,712,634
Total Equity	8,900,084,206	(3,846,256)	8,903,930,462
Total Liabilities	1,830,519,470	-	1,830,519,470
Total Equity and Liabilities	10,730,603,676	(3,846,256)	10,734,449,932

Consolidated statement of profit or loss and OCI	Impact of Correction of Errors		
	As previously reported	Adjustments	As restated
	Rs.	Rs.	Rs.
As at 31st March 2017			
Other Operating Expenses	(135,179,973)	11,006,364	(124,173,609)
Others	76,633,715	-	76,633,715
Loss	(58,546,258)	11,006,364	(47,539,894)
Total Comprehensive Income	824,728,384	11,006,364	835,734,748

Investor Information

SUMMARY OF SHAREHOLDING AS AT 31ST MARCH 2018

Share Range	Resident			Non Resident			Total	
	No. of Shareholders	No. of Shares	Holding %	No. of Shareholders	No. of Shares	Holding %	No. of Shares	Holding %
1 - 1000	6,087	852,914	0.470	29	5,763	0.000	858,677	0.470
1001 - 5000	570	1,087,579	0.600	5	6,716	0.000	1,094,295	0.600
5001 - 10000	143	914,602	0.510	3	16,009	0.010	930,611	0.520
10001 - 50000	96	1,804,822	1.000	6	170,134	0.090	1,974,956	1.090
50001 - 100000	15	1,016,477	0.560	0	0	0.000	1,016,477	0.560
100001 - 500000	12	2,474,769	1.370	1	192,855	0.110	2,667,624	1.480
500001 - 1000000	0	0	0.000	1	723,173	0.400	723,173	0.400
1000001 - & Above	10	170,765,129	94.850	0	0	0.000	170,765,129	94.850
Totals	6,933	178,916,292	99.360	45	1,114,650	0.610	180,030,942	100.000

Share Range	Company			Individual			Total	
	No. of Shareholders	No. of Shares	Holding %	No. of Shareholders	No. of Shares	Holding %	No. of Shares	Holding %
1 - 1000	32	7,448	0.000	6,084	851,229	0.470	858,677	0.470
1001 - 5000	23	60,654	0.030	552	1,033,641	0.570	1,094,295	0.600
5001 - 10000	8	60,760	0.030	138	869,851	0.480	930,611	0.510
10001 - 50000	18	367,899	0.200	84	1,607,057	0.890	1,974,956	1.090
50001 - 100000	8	602,575	0.330	7	413,902	0.230	1,016,477	0.560
100001 - 500000	9	1,880,305	1.040	4	787,319	0.440	2,667,624	1.480
500001 - 1000000	0	0	0.000	1	723,173	0.400	723,173	0.400
1000001 - & Above	10	170,765,129	94.850	0	0	0.000	170,765,129	94.850
Totals	108	173,744,770	96.480	6,870	6,286,172	3.480	180,030,942	100.000

Investor Information

TOP 20 SHAREHOLDERS (ORDINARY VOTING) AS AT 31ST MARCH 2018

Shareholder Name	No. of Ordinary Voting Shares	Holding %
1 National Development Bank PLC/Ceylon Hotel Holdings (Pvt) Ltd	60,245,919	33.46
2 Ceylon Hotel Holdings (Pvt) Ltd	37,994,096	21.1
3 Employees Provident Fund	21,519,334	11.95
4 Rosewood (Pvt) Limited-Account No.1	18,763,003	10.42
5 Seylan Bank PLC/ARRC Capital(Pvt) Limited (Collateral)	10,791,878	5.99
6 Seylan Bank Ltd/The Galle Face Hotel Company Limited	10,365,500	5.76
7 Bank Of Ceylon-No2 A/C	5,008,269	2.78
8 National Savings Bank	3,975,017	2.21
9 Associated Electrical Corporation Ltd	1,053,883	0.59
10 Hotel International (Private) Limited	1,048,230	0.58
11 Mrs. C.A.D.S. Woodward	723,173	0.4
12 Sithlanka (Private) Limited	447,706	0.25
13 Mr. K.N. Karunaratne	409,704	0.23
14 Seylan Bank PLC/ARRC Capital (Pvt) Ltd	267,178	0.15
15 Sunshine Holdings PLC	234,662	0.13
16 Phoenix Ventures Private Limited	209,551	0.12
17 Rockport Limited	192,855	0.11
18 Union Bank of Colombo PLC/Mr.Sithampalam Abishek	148,572	0.08
19 Mr. S.M. Hassan Mohamed	139,146	0.08
20 Cocoshell Activated Carbon Company Limited	133,589	0.07
SUB TOTAL	173,671,265	96.47
Balance Held by Others	6,359,677	3.53
TOTAL	180,030,942	100

Public Shareholding as at 31st March 2018	2018	2017
Percentage of Public Shareholding	28.62%	28.62%

Share Price Information for the Year as at 31st March 2018

Highest Market Price	Rs. 22.50	Rs. 25.70
Lowest Market Price	Rs. 14.00	Rs. 17.00
Last Traded Price	Rs. 15.00	Rs. 19.20

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

Shareholder Name	No. of Ordinary Voting Shares	Holding %
1 National Development Bank PLC/Ceylon Hotel Holdings (Pvt) Ltd	57,500,000	33.46
2 Ceylon Hotel Holdings (Pvt) Ltd	36,262,382	21.1
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) Limited	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 (Private) Limited	1,000,453	0.58
10 Associated Electrical Corporation Ltd	840,849	0.49
11 Mrs. C.A.D.S. Woodward	723,173	0.42
12 Sithlanka (Private) Limited	427,300	0.25
13 Mr. K.N. 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 Private Limited	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. S.M. Hassan Mohamed	132,804	0.08
TOTAL	165,592,077	96.37

Five Year Summary

	2018		2017		2016		2015		2014	
	Group	Company								
	Rs.									
Year ended 31st March	Rs.'000									
Trading Results										
Turnover Net of Tax	1,543,087	8,447	1,514,277	9,906	1,448,040	9,648	1,307,993	12,893	1,327,326	31,684
Operating Profit/(Loss) before Interest Expenses and Other Income	181,698,046	(10,879,076)	82,923	(152,306)	268,169	(56,620)	86,804	(132,166)	125,890	(42,722)
Profit/(Loss) before Taxation	30,279	(28,757)	(7,871)	247,643	123,177	12,707	125,183	(58,891)	(15,262)	(56,006)
Taxation Provision	41,474	1,583	39,669	37	60,519	390	39,167	15,711	25,850	2,781
Profit after Taxation on Ordinary Activities	(11,195)	(30,340)	(47,540)	247,606	62,659	12,317	86,015	(74,602)	(41,112)	(58,787)
Share Capital & Reserve										
Issued Share Capital	362,611	362,611	198,500	198,500	1,220,426	1,220,426	1,220,426	1,220,426	1,220,426	1,220,426
Capital & Revaluation Reserves	4,527,174	212,295	4,852,794	213,367	4,767,184	321,125	4,928,090	432,617	5,097,359	338,180
General Reserves	167,080	166,718	167,080	166,718	167,080	166,718	167,080	166,718	170,019	166,718
Accumulated Losses	1,347,682	152,747	1,628,172	355,060	(17,691)	(1,021,957)	(464,532)	(1,146,468)	(684,596)	(1,179,192)
Total Equity	6,404,546	894,371	6,846,546	933,646	6,136,998	686,312	5,851,063	673,293	5,803,208	546,132
Assets Employed										
Current Assets	1,090,521	437,328	643,478	235,631	1,145,853	303,660	552,052	270,266	598,806	104,884
Current Liabilities	(957,423)	(931,857)	(802,945)	(665,410)	(1,648,464)	(582,084)	(932,654)	(600,350)	(939,493)	(600,242)
Working Capital	133,098	(494,528)	(159,467)	(429,779)	(502,611)	(278,423)	(380,602)	(330,083)	(340,687)	(495,358)
Property, Plant and Equipment	8,701,844	24	8,722,562	667	7,774,159	878	7,905,803	2,382	8,470,439	129,340
Non-Current Liabilities	1,794,672	6,535	1,027,574	6,243	794,605	6,126	984,664	93,705	1,374,958	291,320
Ratio & Statistics										
Market Price per Share	15.02	15.00	19.20	19.20	24.00	24.00	23.60	23.60	15.70	15.70
Earnings/(Loss) per Share	(0.31)	(0.17)	(0.55)	1.38	(0.62)	1.44	0.29	(0.43)	(0.43)	(0.34)
Net Assets per Share	35.57	4.97	38.03	5.19	38.03	5.43	34.05	3.92	33.77	3.18

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Ceylon Hotels Corporation PLC will be held on Friday 28th September 2018 at 2pm 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 2018 and the Report of the Auditors.
2. To re-elect Mr.Sanjeev Gardiner who retires by rotation in terms of Articles of Association.
3. To re-elect Mr Mangala Boyagoda who retires by rotation in terms of Articles of Association.
4. To elect as a Director Mr Shalike Karunasena who was appointed to the Board on 23rd December 2017 pursuant to the Articles of Association of the Company.
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.
6. To re-appoint Messrs. KPMG., the retiring Auditors and authorize the Directors to fix their remuneration.
7. To authorize the Directors to determine donations for the year 2018/2019 and up to the date of the next Annual General Meeting.
8. To transact any other business that may properly be brought before the meeting.

By order of the Board of

(Sgd.)
CEYLON HOTELS CORPORATION PLC
 Accounting Systems Secretarial Services
 (Private) Limited
Company Secretaries

Colombo, this 27 Day of August 2018

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.

“RESOLVED that Mr Lakshman Samarasinghe who has reached the age of 75 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.

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. Priyantha Maddumage	of Colombo	(or failing him)
Mr. Kuvera De Zoysa	of Colombo	(or failing him)
Mr. Mangala Boyagoda	of Colombo	(or failing him)
Mr. Kamantha Amarasekara	of Colombo	(or failing him)
Mr. Wasantha Wimalaweera	of Colombo	(or failing him)
Mr. Ajith Devasurendra	of Colombo	(or failing him)
Mr. Ranil Pathirana	of Colombo	(or failing him)
Mr. Shalike Karunasena	of Colombo	(or failing him)

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 28th September 2018 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, the Audited Financial Statements for the year ended 31st March 2018 and Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr.Sanjeev Gardiner who retires by rotation in terms of Articles of Association.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr Mangala Boyagoda who retires by rotation in terms of Articles of Association.	<input type="checkbox"/>	<input type="checkbox"/>
4. To elect as a Director Mr. Shalike Karunasena who was appointed to the Board during the year.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Mr. Lakshman Samarasinghe, in terms of section 210 of the Companies Act No. 7 of 2007.	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-appoint Messrs, KPMG the retiring Auditors and authorise the Directors to fix their remuneration	<input type="checkbox"/>	<input type="checkbox"/>
7. To authorise the Directors to determine donations for the Year 2018/2019 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 Eighteen.

.....
 Signature

Notes:* Instructions as to completion appear below.

Please indicate with and "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.

Form of Proxy

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 limited liability company listed in the Colombo Stock Exchange

Directors

Mr Sanjeev Gardiner
Mr Lakshman Samarasinghe
Mr Priyantha Maddumage
Mr Mangala Boyagoda
Mr Kuvera De Zoysa
Mr Ajith Devasurendra
Mr Ranil Pathirana
Mr Wasantha Wimalaweera
Mr Kamantha Amarasekara
Mr Shalike Karunasena

Registered Office

327, Union Place, Colombo 02

Secretaries

Accounting Systems Secretarial Services (Pvt) Limited
Level 3, No. 11,
Castle Lane,
Colombo 04

Registrars

Accounting Systems Secretarial Services (Pvt) Limited
Level 3, No. 11,
Castle Lane,
Colombo 04

Auditors

KPMG
No 32A, Sir Mohamed Macan Makar Mawatha,
Colombo 03

Internal Auditors

Ernst & Young Advisory Services (Pvt) Limited
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 of Ceylon PLC
Hatton National Bank PLC

E Mail

info@ceylonhotels.net

Websites

www.ekhohotels.com
www.chcresthouses.com
www.queenshotel.lk
www.hotelsuisse.lk

