CEYLON HOTELS CORPORATION PLC

ANNUAL REPORT 2018/19

# MEMORABLE DESTINATION EXPERIENCES

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# MEMORABLE DESTINATION EXPERIENCES

For over five decades, Ceylon Hotels Corporation has been welcoming travellers to Sri Lanka from all over the world, offering a perfect combination of authentic experiences and heartfelt hospitality.

With the hotels capturing the essence of each locale, from bustling cities to superb beaches or jungle splendors, the most discerning travellers are offered a chance to broaden their horizons, savour adventure, encounter art and culture in the most exotic and fascinating destinations.

# CONTENT



# TIMELESS GRANDEUR

When the first railways of Sri Lanka were being built in 1864, the Ambepussa Rest House served as the living quarters for the British officers in charge of the construction.

EKHO Lake House Polonnaruwa and EKHO Safari Tissamaharama are perched on the banks of reservoirs over a thousand years old that are marvels of medieval technology. And EKHO Sigiriya lies in the shadow of the lion rock- the fabled ancient palace in the skies.

Emperors and Queens have been among those who have enjoyed the hospitality of the Ceylon Hotels Corporation, its various properties steeped in the grandeur of the past and offering its visitors a window into the rich history of Sri Lanka.

# UNFORGETTABLE LOCATIONS

Breathtaking mountain vistas.

Sun drenched golden beaches.

Ancient historical excavations.

Exhilarating wildlife adventures.

One of the most unique aspects of the Ceylon Hotels Corporation, that sets it apart from most other leisure brands is that it can offer travelers an eclectic mix of locations across the country, from which to experience the very best of Sri Lanka.

# EXTRAORDINARY COMFORT

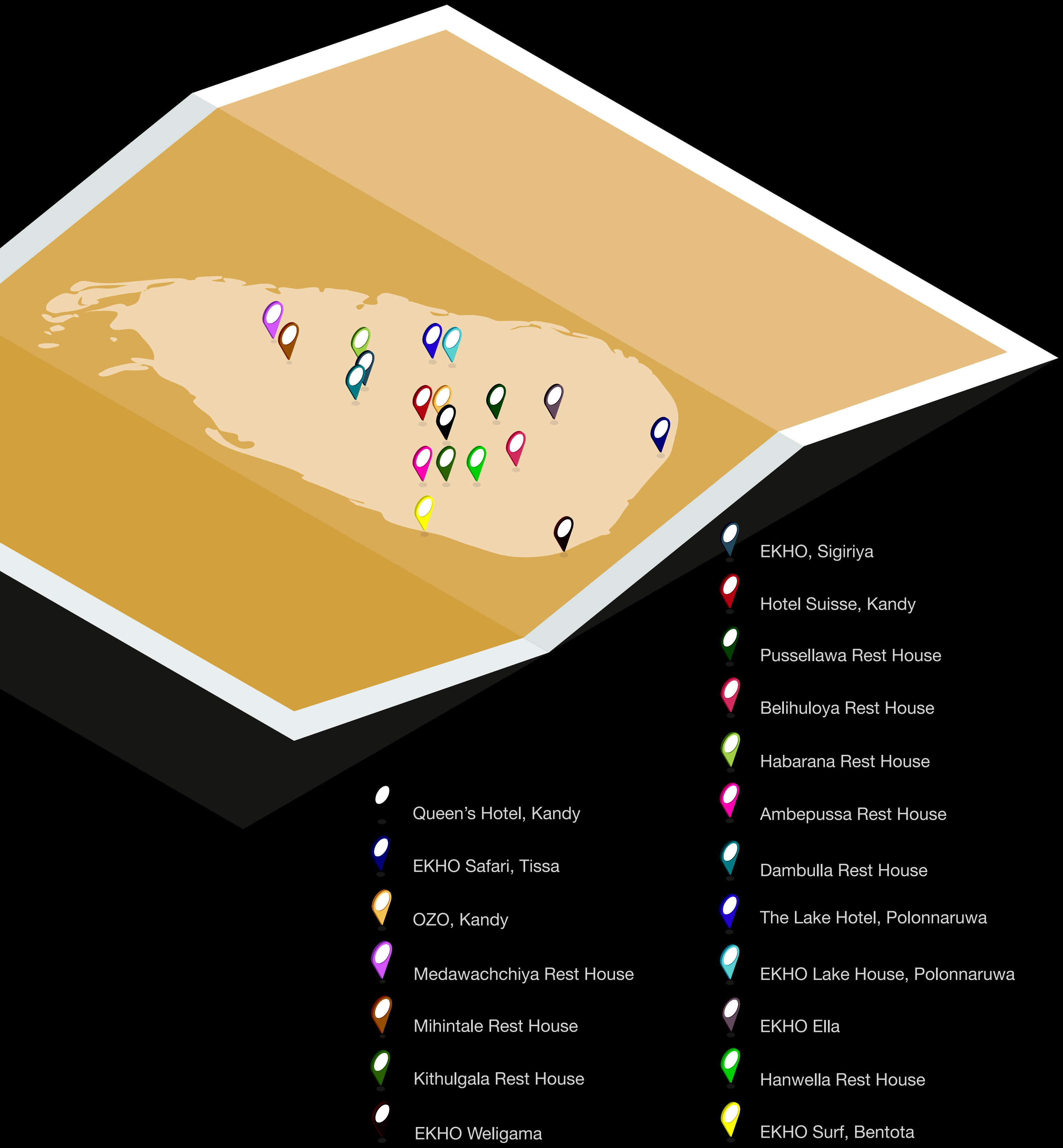
That perfect cup of tea in Kithulgala;

The most amazing rice and curry in Tissamaharama;

The warmest, plushest duvets in Ella;

For over 50 years the Ceylon Hotels Corporation has been at the forefront of the local leisure industry, serving as the mainstay of Sri Lankan family vacations for generations. Though it has now evolved to cater to a more diverse group of visitors including discerning foreign tourists, it continues to take pride in offering visitors an extraordinary level of comfort and hospitality.

# THE GROUP AT A GLANCE




## Heritage Collection

Queen’s Hotel
Hotel Suisse

## Brand EKHO

EKHO Surf
EKHO Safari
EKHO Lake House
EKHO Ella
EKHO Sigiriya
EKHO Weligama
EKHO Anbaara, Maldives (Under Development)

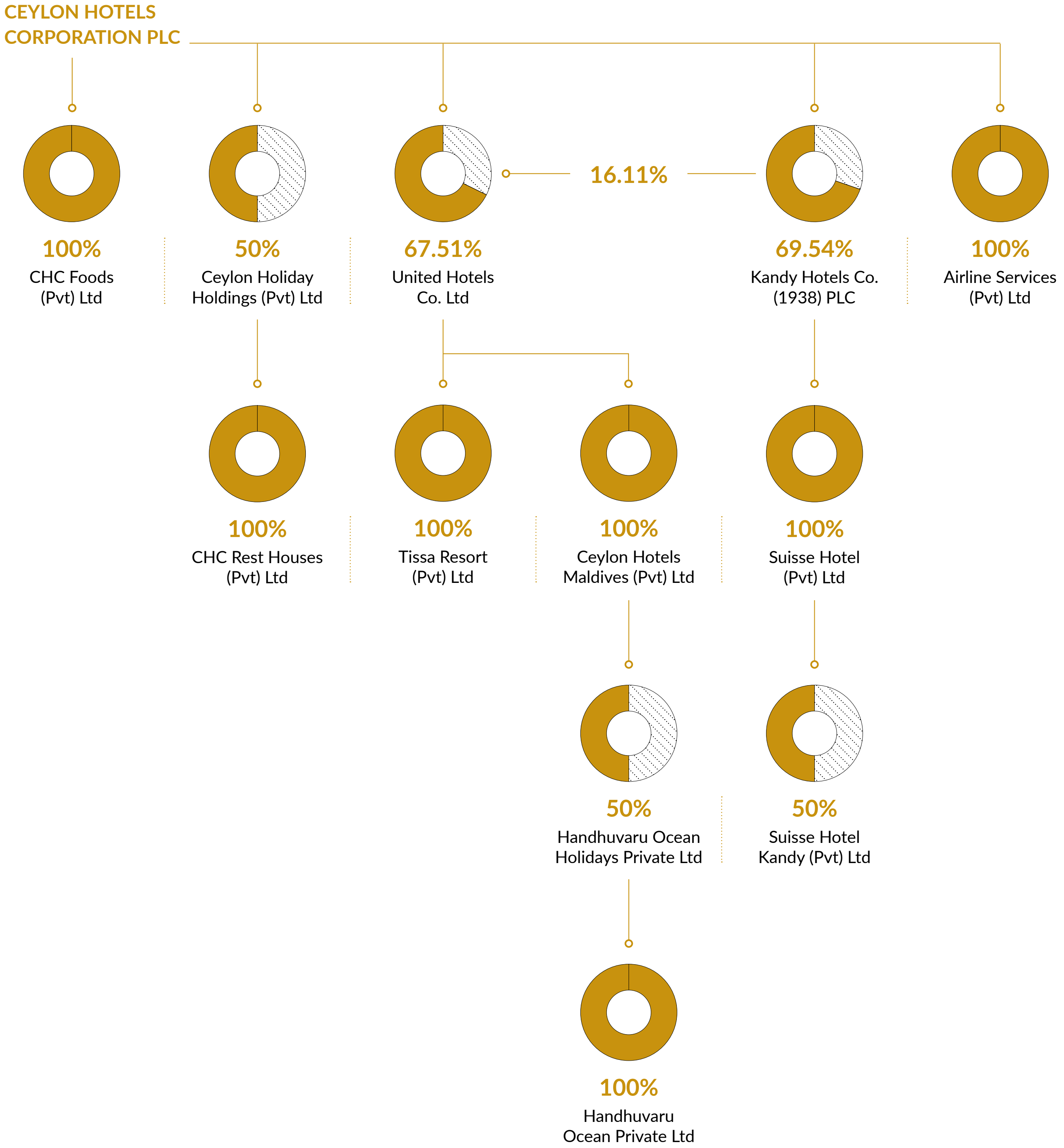
## Hotels, Resorts and Resthouses

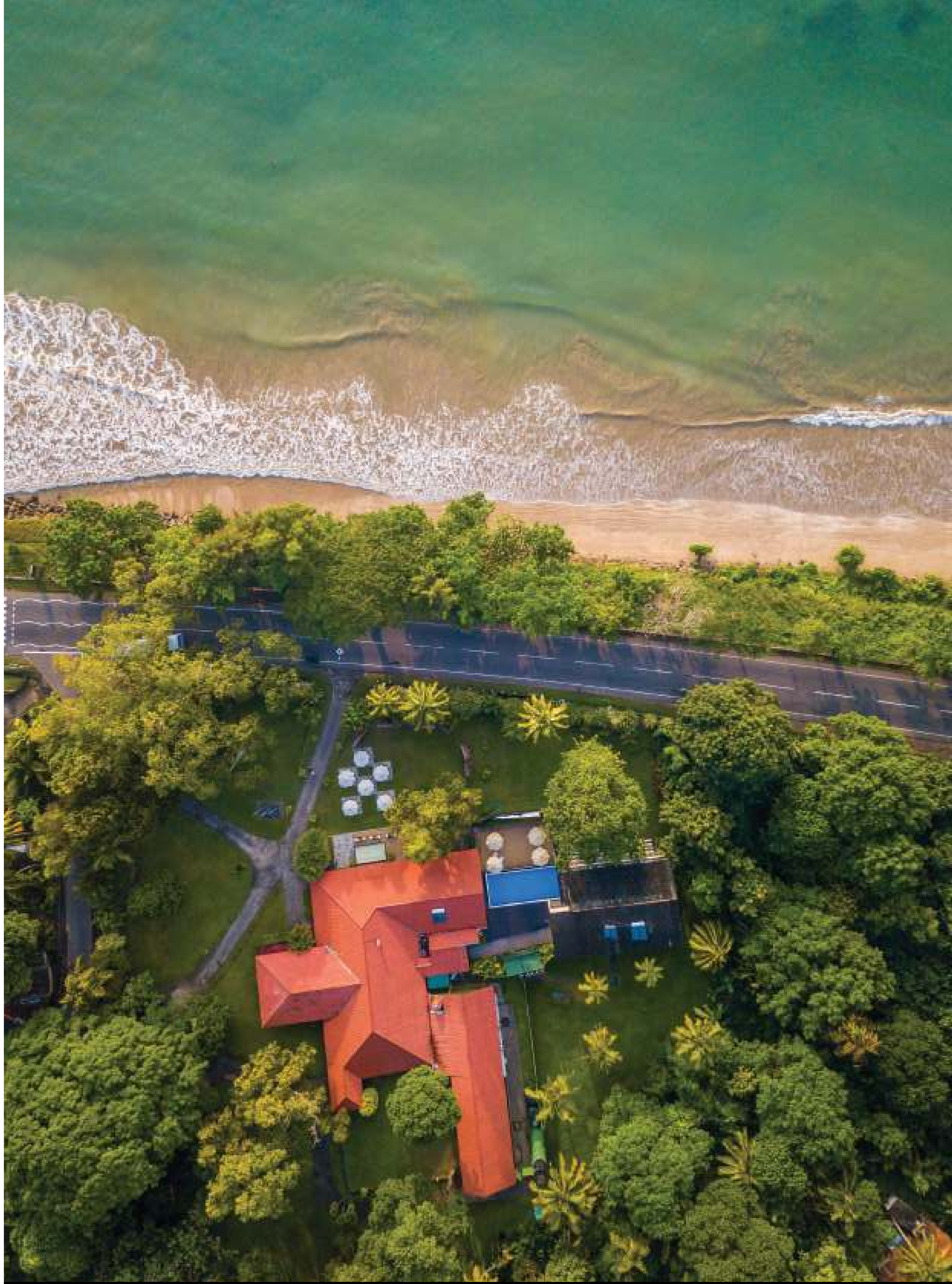
Lake Hotel
Kithulgala
Belihuloya
Pussellawa
Medawachchiya
Habarana
Dambulla
Mihintale
Ambepussa
Hanwella
OZO Hotel Kandy

## MALDIVES

# GROUP STRUCTURE

As at 31st March 2019



# GROUP FINANCIAL AND OPERATIONAL HIGHLIGHTS

| Year ended 31st March | 2019 Rs. | 2018 Rs. |
|---|---|---|
| **Performance for the year ended 31st March** | | |
| Revenue | 1,633,511,759 | 1,543,086,655 |
| Earnings before interest, tax , depreciation & amortization | 765,774,824 | 427,368,005 |
| Profit before tax | 256,424,411 | 68,895,663 |
| Profit/(loss) after tax | 210,713,377 | (11,195,066) |
| Profit/(loss) attributable to equity holders of the company | 205,718,278 | (56,212,923) |
| Earnings/(losses) per share | 1.14 | (0.31) |
| **Financial position as at 31st March** | | |
| Total assets | 11,414,608,701 | 11,269,137,526 |
| Total debt | 1,702,881,901 | 1,578,647,445 |
| Net assets | 8,632,318,776 | 8,517,042,679 |
| Net assets attributable to equity holders | 6,682,985,845 | 6,404,546,346 |
| Net current assets | 907,868,628 | 133,098,014 |
| No of ordinary shares in issue | 180,030,942 | 180,030,942 |
| Net assets per ordinary share | 37.12 | 35.57 |
| Debt to equity ratio (times) | 0.20 | 0.19 |
| Debt/total assets | 14.92% | 14.01% |
| Current ratio (times) | 1.86 | 1.14 |
| **Market/Shareholder information as at 31st March** | | |
| Closing market price per share | 9.20 | 15.00 |
| Market capitalization | 1,656,284,666 | 2,700,464,130 |

# CHAIRMAN'S REVIEW

> YOUR COMPANY CONTINUES TO CREATE VALUE TO ITS STAKEHOLDERS BY BUILDING ON ITS LEGACY AS A REPUTED HOTEL OPERATOR IN SOME OF THE MOST MEMORABLE LOCATIONS ACROSS SRI LANKA.

It is with great pleasure that I warmly welcome our shareholders to the 53rd 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 2019. Despite the many challenges faced during the financial year, your company continues to create value to its stakeholders by building on its legacy as a reputed hotel operator in some of the most memorable locations across Sri Lanka.

## GLOBAL TOURISM

Growth in international tourist arrivals continued to show a positive trend with total arrivals reaching 1,400 million (+6%) in 2018 according to the United Nations World Tourism Organization (UNWTO). The performance was bolstered by international tourist arrivals to Europe (+6) while tourist arrivals to the Asia Pacific also grew by 6% supported by South East Asia (+7%), North East Asia (+6%) and South Asia (+5%). Strong growth was also seen in the African (+7%) and the Middle Eastern (+10%) regions, however, the America's witnessed a modest rate of growth with tourist arrivals increasing by a below average 3%.

## SRI LANKA TOURISM

Sri Lanka Tourism experienced a period of turbulence in 2018 with two events dampening its growth momentum. These events were the communal unrest in February/March 2018 and the constitutional crisis in October 2018. Nevertheless, Sri Lanka Tourism continued to remain resilient and overcame another challenging year to record a 10.3% growth in tourist arrivals.

The total tourist arrivals to Sri Lanka reached 2,333,796 in 2018 where strong growth was seen from UK (+25.9), Germany (+20.5%), Australia (+36.5%) and the US (+31.0%) markets. The largest tourist source market India, grew at a steady pace recording a 10.5% growth, however China, the second largest source market recorded a decline in arrivals of -1.1%. In terms of incremental performance, UK as a tourist source market added the most number of tourists in 2018, with 52,297 tourists followed by India with 40,259 tourists.

Further, the profile of tourists visiting Sri Lanka has also witnessed a shift, with a greater number of young travelers and couples visiting the island. These experiential tourists with varying purchasing power are drawn towards non- traditional accommodation facilities such as homestays and other informal facilities.

Earnings from tourism continued be a major foreign exchange contributor to the economy, recording US$ 4.4 Bn in total earnings for 2018, which is an increase of 11.6% from 2017. The industry is currently the 3rd largest foreign exchange earner accounting for 4.9% of GDP.

## COMPETITIVE ENVIRONMENT

While Tourist arrivals have continued to increase, the degree of competition in the industry has also intensified with a continuous increase in the overall room supply. The gradual drop in the occupancy rates of graded establishments from 74.8% in 2016 to 72.8% in 2018, despite the increase in tourist arrivals is a reflection of this competitive environment driven by the growth in informal establishments. While it is encouraging to see the growth in room supply and the investment flow towards tourism, the burgeoning informal tourist accommodation facilities should not escape industry registration in order to maintain a level playing field for the registered accommodation establishments.

## #1 IN LONELY PLANET

World leading travel publisher, Lonely Planet selected Sri Lanka as the #1 country in the world for travelers for 2019, which was expected to boost the number of tourist arrivals for the coming year. Additionally, UNILAD also named Sri Lanka the #1 destination for 2019 along with BBC ranking Sri Lankan cuisine as the # 1 food trend for 2019. Sri Lanka tourism also commenced several promotional activities along with these positive reviews to entice more travelers to visit the country.

## EASTER SUNDAY ATTACKS

Unfortunately for the tourism industry despite this wave of optimism, an unexpected series of terrorist attacks occurred on Easter

# CHAIRMAN'S REVIEW

THE GROUP WILL CONTINUE ON ITS STRATEGY OF REPOSITIONING ITS PROPERTIES AT THE OPPORTUNE TIME TO UNLOCK VALUE BASED ON THE POTENTIAL OF EVOLVING MARKET NEEDS.

Sunday, 21st April 2019 where the targets included hotels and places of worship across the country. Many lives were lost and multiple people were injured. Our heartfelt sympathies go out to all the people who were affected.

## PERFORMANCE REVIEW

Your company possesses a range of hotels, resorts and rest houses in some of the most memorable locations in the country which caters to a wide range of tourists. The Group will continue on its strategy of repositioning its properties at the opportune time to unlock value based on the potential of evolving market needs. As a part of this strategy, during the financial year, your company was able to upgrade its properties in two key tourist destinations, namely Ella and Weligama, which was rebranded as EKHO Ella and EKHO Weligama.

The consolidated revenue recorded by the group for the period under review was Rs 1,633.5 Million, compared to the 1,543.1 Mn recorded in the previous financial year. It is important to note this growth in revenue was achieved amidst challenging macroeconomic and industry conditions.

The group operating profit recorded for the year under review was Rs 536.7 Mn compared to Rs 226.2 Mn recorded last year. Current year operating profit includes a non-recurring gain of Rs 354.6 Mn, arising from the recognition of the joint venture the Group's subsidiary Ceylon Hotels Maldives (Pvt) Limited entered into with Zhen Hua Engineering Company Limited (A Group company of China Harbour Engineering Company Limited) on 6th February 2018 and recognized in the books of accounts on completion of certain conditions precedent set out in the joint venture agreement in September 2018.

The Group's quick service restaurant business segment had a challenging year where the Board was compelled to re-visit the business model and to restructure this business going forward. The operating results above includes a negative EBITDA of Rs. 35 Million from this business segment during the financial year.

Profit before tax for the group increased from Rs. 68.9 Mn during the previous financial year to Rs 256.4 Mn during the financial year under review.

Profit after tax for the group for the year ended 31st March 2019 was Rs 210.7 Mn compared to a loss of 11.2 Mn recorded during the previous financial year.

Further details pertaining to the group performance is given in the section 'Management Discussion and Analysis'.

## OUTLOOK

The Easter Attacks caused a major blow to the Sri Lankan tourism industry with bookings cancellations, flight cancellations, and the imposition of adverse travel advisories by almost all the major tourist source markets. The after-effects include a steep drop in arrivals by 71% in May 2019 compared to last year.

The event tainted the image of Sri Lanka as a safe tourist destination and disturbed the peace enjoyed by the people since the end of the war in 2009. The tourism industry was brought to a near standstill overnight, affecting all its direct and indirect stakeholders across the island.

However, at present, the strong travel advisories that were initially imposed have been softened with the security situation returning to normalcy. The drop in tourist arrivals have recovered to 47% by July 2019. Sri Lanka continues to be rated as the Best in Travel for 2019 by Lonely Planet. Further, less than 3 months after the attacks, the readers of the US based Travel and Leisure magazine have also rated Sri Lanka as the best island in the world to be visited.

Given these signs of recovery, we remain optimistic about the hospitality industry in Sri Lanka.

## 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 Organization.

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

09th August 2019

# BOARD OF DIRECTORS

## MR. SANJEEV GARDINER

**Group Chairman - Galle Face Group**

Mr. Sanjeev Gardiner was appointed to the Board of Ceylon Hotels Corporation PLC in 1996 and boasts over 30 years of management experience in a variety of business fields.

Mr. Gardiner obtained his higher education from the Royal Melbourne Institute of Technology and Monash University, Australia.

He has been the senior Director of Ceylon Hotels Corporation PLC since 1996 and is a Director in many public quoted and unquoted companies including Cargills (Ceylon) PLC and Dankotuwa Porcelain PLC.

Presently, he is the Group Chairman and Group Chief Executive Officer of the Galle Face Group and the Chairman of Ceylon Hotels Holdings (Pvt) Ltd (the holding company of Ceylon Hotels Corporation PLC), Ambeon Capital PLC, The Kandy Hotels Co. (1938) PLC and United Hotels Co. Ltd. He is also the Co-Chairman of Suisse Hotels Kandy (Pvt) Ltd, the joint venture company of the OZO Hotel Kandy.

In addition to his work in the corporate sector, Mr Gardiner is also a Director and council member of Helpage Sri Lanka and a member of many prestigious associations including the elite Young Presidents Organisation.

He holds a keen interest in providing relief to patients suffering from kidney disease. Upon being appointed as an Ambassador for prevention of Chronic Kidney Disease (CKD) in Sri Lanka by H.E. the President Maithripala Sirisena, Mr. Gardiner has undertaken several initiatives towards achieving the desires of the President in connection to this cause.

## MR. LAKSHMAN SAMARASINGHE

**Chairman**

Mr. Lakshman Samarasinghe, was appointed to the Board of Ceylon Hotels Corporation PLC in 2005.

As a Director of The Galle Face Hotel Co. Ltd for over 41 years and a Director of all group companies for over 4 decades, Mr. Samarasinghe is the longest serving Director of the Company and counts for over 49 years of Management experience. He possess a wealth of knowledge and is an invaluable member of the Company.

Mr. Lakshman Samarasinghe served as an Executive Director of Autodrome PLC for a period of 20 years thereafter continued as a Non-Executive Director until 2007 when he opted to retire under the Stock Exchange rules.

He was appointed as the Chairman of Ceylon Hotels Corporation PLC in July 2005 and has continued in that capacity for 14 consecutive years. He is also Director of The Kandy Hotels Co. (1938) PLC and other subsidiary companies of the Ceylon Hotels Corporation PLC.

## MR. PRIYANTHA MADDUMAGE

Mr. Priyantha Maddumage was appointed to the Board of Ceylon Hotels Corporation PLC in 2005.

Mr. Priyantha Madumage holds a Bachelor of Commerce Special Degree from the University of Sri Jayawardenapura and a Master of Business Management from Edith Cowan University in Australia and counts over 26 years of Finance Management experience.

He is an Associate member of the Institute of Chartered Accountants of Sri Lanka, The National Institute of Accountants of Australia, CPA Australia and Institute of Certified Management Accountants of Sri Lanka and also a Fellow member of Institute of Certified Professional Managers of Sri Lanka.

Mr. Priyantha Madumage serves as a Director in all subsidiary Companies of Ceylon Hotels Corporation PLC.

Currently, Mr. Priyantha Maddumage is the Group Chief Investment Officer of the Galle Face Group of Companies.

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

## MR. AJITH DEVASURENDRA

Mr. Ajith Devasurendra has been in the financial services industry in Sri Lanka and counts over 35 years' of experience both overseas and in Sri Lanka. As one of the pioneers in money markets, he was able to bring new dimensions to the local money market industry. He acted as a consultant to Pricewaterhouse Coopers, Bombay on an USAID project.

Mr. Ajith Devasurendra is the Chairman of South Asia Textile Industries Lanka (Private) Limited, EON Tech (Pvt) Ltd, Deputy Chairman of Ambeon Capital PLC, and Dankotuwa Porcelain PLC.

## MR. RANIL PATHIRANA

Mr. Ranil Pathirana was appointed to the Board of Ceylon Hotels Corporation PLC as a Non-Executive Director in January 2016.

He is a Fellow member of the Chartered Institute of Management Accountants, UK (FCMA) and holds a Bachelor of Commerce degree from the University of Sri Jayawardenapura.

Mr. Pathirana possess extensive experience in finance and management. He is currently a Director of Hirdaramani Apparel Holdings (Private) Limited, Hirdaramani Leisure Holdings (Private) Limited and Hirdaramani Investments Holding (Private) Limited. He is also the Managing Director for Hirdaramani International Exports (Private) Limited.

He is also a Non-Executive Director of Sampath Bank PLC, Alumex PLC, Ambeon Capital PLC, and BPPL Holdings PLC.

## MR. WASANTHA WIMALAWEERA

Mr. Wasantha Wimalaweera was appointed to the Board in September 2015.

Counting more than 17 years in the fields of Auditing, Taxation and Finance, he has been the Head of the Finance and Capital Markets division of the Employee's Trust Fund Board for the last eight years.

In his professional career, Mr. Wasantha Wimalaweera has gained in-depth experience in managing investments, and has specialised in services such as portfolio management and corporate valuations.

His expertise has generated significant value to the Employees' Trust Fund Board in transforming its outdated and archaic accounting system into a modern financial reporting system in keeping with international standards.

Mr. Wasantha Wimalaweera is a Fellow 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.

## MR. SHALIKE KARUNASENA

Mr. Shalike Karunasena was appointed to the Board of Ceylon Hotels Corporation PLC in December 2017.

Mr. Shalike Karunasena possess 22 years of experience in financial management, treasury and strategy in the areas of plantations, manufacturing, commodity trading, management services, and leisure/hospitality. He has 15 years of senior management experience within the South East Asian region.

He is a fellow of the Chartered Institute of Management Accountants, UK.

Mr Shalike Karunasena presently serves as the Group Chief Financial Officer of the Galle Face Group of Companies.

# MANAGEMENT DISCUSSION & ANALYSIS

## ECONOMIC ENVIRONMENT

### Sri Lankan Economy

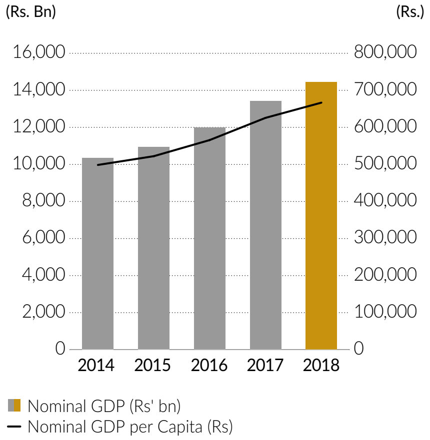
**Real GDP Growth**

The Sri Lankan Real GDP growth rate witnessed a decline during the year from 3.4% in 2017 to 3.2% in 2018. The slowdown in construction, mining and quarrying activities resulted in the Industry sector growing only by 0.9% (4.1% in 2017). However, the Agriculture sector rebounded in 2018 posting a growth rate of 4.8% (-0.4% in 2017) and the Services sector grew at a faster pace of 4.7% compared to 3.6% in 2017.

**Nominal GDP and GDP per Capita**

The nominal GDP of Sri Lanka was Rs 14,450 Bn in 2018 (Rs 13,418 Bn in 2017). In US$ terms, the nominal GDP stood at US$ 88.9 Bn in 2018 vis a vis US$ 88.0 Bn recorded in 2017. However, GDP per capita (nominal) despite increasing from Rs. 625,736 (2017) to Rs. 666,817 (2018) saw a decline in US dollar terms from US$ 4,104 (2017) to US$ 4,102 (2018).

GDP and GDP per capita




*Source: CBSL*

**Trade Account**

Total Imports to the country increased by 6.0%, reaching US$ 22.23 Bn (2018) from US$ 20.98 Bn in 2017. Exports by Sri Lanka grew by 4.7% from US$ 11.36 Bn (2017) to US$ 11.89 Bn (2018). As a result, the trade deficit continued to expand from US$ 9.6 Bn to US$ 10.3 Bn.

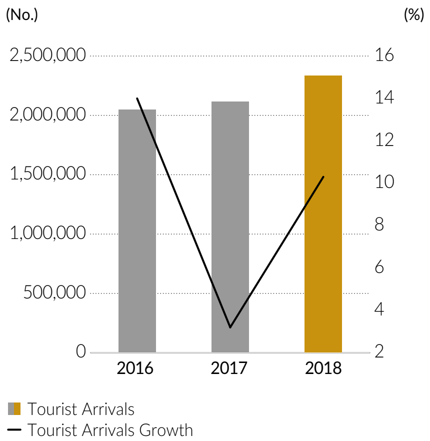
Key contributors towards the rise in imports were vehicles and fuel. However, earnings from tourism which amounted to US$ 4.4 Bn (+11.6%) and worker remittances which amounted to US$ 7.0 Bn (-2.1%) helped offset the trade deficit.

### Industry Environment

**Sri Lanka Tourism**

Tourist arrivals to Sri Lanka grew by 10.3% reaching 2,333,796 (2018). The above growth rate could have been greater if not for the many challenges faced during the year which included the communal unrest in February/March 2018 and the constitutional crisis in October 2018.

Tourist Arrrivals and Growth




*Source: SLTDA*

**Tourist Arrivals by Country of Residence**

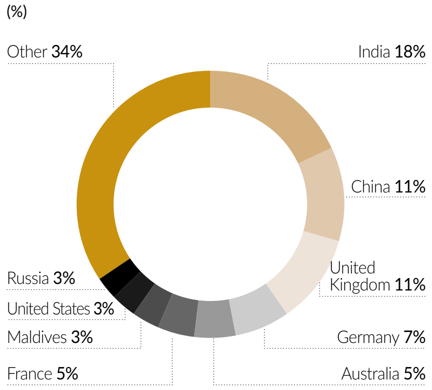
India remained the single largest contributor of tourists to Sri Lanka followed by China and UK. Strong growth in arrivals were also seen from Germany (+20%), Australia (+36%) and the US (+31%).

In terms of incremental performance, UK as a tourist source market added the most number of tourists in 2018, with 52,297 tourists followed by India with 40,259 tourists. China continued to show marginal declines in tourist arrivals with total arrivals declining by 2,987 tourists.

Incremental year on year change in Top Source Markets:

| | 2018 |
|---|---|
| United Kingdom | 52,297 |
| India | 40,259 |
| Australia | 29,647 |
| Germany | 26,661 |
| United States | 17,829 |
| France | 9,167 |
| Russia | 5,306 |
| China | (2,987) |
| Maldives | (3,263) |

Market Share of Tourist Source Markets




Source: SLTDA

**Tourism Earnings**

Tourism earnings recorded a healthy growth rate of 11.6% in 2018 reaching US$ 4.4 Bn compared to US$3.9 Bn recorded in 2017. The growth in earnings continued to be encouraging supported by the increase in tourist arrivals despite many challenges faced by the industry.

**Room Supply**

According to the Sri Lanka Tourism Development Authority (SLTDA) as at March 2019, there were 2,403 registered establishments providing tourist accommodation with a total room inventory of 38,908. As per industry sources, this number could be greater due to the many unregulated establishments that are yet to be brought under SLTDA registration, which presents many challenges for the registered hotels.

In addition to the existing room supply, a total of 366 new tourism accommodation projects with a room capacity of 18,947 rooms have received final approval to commence projects. Whilst this remains an encouraging sign, it is vital the industry grows at a sustainable rate where growth in room supply (formal and informal) mirrors the long term increase in tourist arrivals to the country in order to preserve the profitability of industry participants and encourage much needed foreign direct investment.

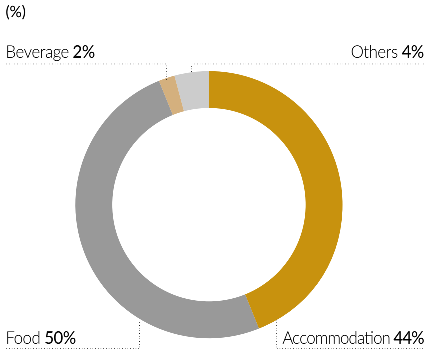
Sri Lanka is also seeing a shift in the demographic profile of its tourist arrivals, where a higher number of young travelers and couples seeking experiential value are exploring non-traditional destination experiences such as homestays and other informal facilities.

### Overview of Financial and Operational Performance

**Revenue and Operating Results**

The Ceylon Hotels Corporation Group revenue reached Rs 1,633.5 Mn during the financial year 2018/2019, compared to Rs 1,543.1 Mn during the previous year.

Revenue composition




Company results could have been better if not for the communal riots in February/March 2018 and the constitutional crisis in October 2018, which adversely affected its performance.

The group operating profit recorded for the year under review was Rs 536.7 Mn compared to Rs 226.2 Mn recorded last year. Current year operating profit includes a non-recurring gain of Rs 354.6 Mn arising from the recognition of the joint venture the Group's subsidiary Ceylon Hotels Maldives (Pvt) Limited entered into with Zhen Hua Engineering Company Limited (A Group company of China Harbour Engineering Company Limited) on 6th February 2018 and recognized in the books of accounts on completion of certain conditions precedent set out in the joint venture agreement in September 2018.

In terms of the joint venture, parties have agreed to develop a resort hotel on Anbaraa Island in Maldives.

The quick service restaurant business segment of the group had a challenging year recording a negative EBITDA of Rs. 35 Million during the financial year. The Board of Directors have re-visited the business model and have decided to rationalize and restructure this business going forward.

Administrative expenses for the year under review includes the recurring expenses pertaining to the upgrade of IT infrastructure and communication systems of the two Kandy properties viz. Hotel Suisse and Queen's Hotel. These hotels migrated to an integrated resource planning system and a property management system during the financial year ended March 31st 2019.

SLFRS 9 was implemented during the financial year where the standard mandates a certain provision to be made on receivables from third parties and related companies. This is a non-cash accounting provisioning, provided as stipulated in the standard, which was approximately Rs 4.5 Mn.

Total depreciation charge for the group during the year under review was Rs 211.6 Mn compared to Rs 185.9 Mn in the financial year ended March 31st 2019. The increase is primarily due to the accelerated depreciation relating to some of the quick service restaurant outlets that were closed during the year under review as a part of a restructuring program.

Finance costs of the Group increased from Rs 188.2 Mn to Rs 217.6 Mn during the financial year under review. The increase was partly due to the continuing rise experienced in interest rates during the year and further, some of the loans that were taken to finance investments were drawn down during end May 2017 with 10 months of interest costs being recorded during the previous financial year compared to interest costs being recorded for a complete 12 months during the period under review. Further, Rs 12 Mn was recorded as a loss on translation of foreign currency loans due to the steep fluctuation of the currency during the financial year.

Finance income during the year under review includes interest income on deposits and also consists of foreign currency translation gains on US$ deposits of the Group of Rs 70.6 Mn (previous year Rs 15 Mn). Accordingly, net finance costs reduced from Rs. (160.6) Mn in FY 2017/18 to Rs. (106.5) Mn in FY 18/19.

Profit before tax for the group (after accounting for a share of loss of Rs 173.8 Mn from joint venture interests, which is elaborated below under the section 'Performance analysis of subsidiaries and joint ventures') increased from Rs 68.9 Mn during the previous financial year to Rs 256.4 Mn during the financial year under review.

Profit after tax for the group (after accounting for results of discontinued operations explained under the notes of financial statements) for the year ended 31st March 2019 was Rs 210.7 Mn compared to a loss of 11.2 Mn in FY 2017/18.

### Performance analysis of subsidiaries and joint ventures

**United Hotels Company Limited.**

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

The UHCL recorded a Revenue of Rs 643.6 Mn for the year ended 31st March 2019 compared to a Revenue of Rs 640.0 Mn during the previous financial year.

**The Kandy Hotels Company (1938) PLC**

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

# MANAGEMENT DISCUSSION & ANALYSIS

The company recorded an operating profit of Rs 224.5 Mn on a Revenue of Rs 703.5 Mn for the year ended 31st March 2019 compared to an operating profit of Rs 238.0 Mn recorded in 2017/2018 with a Revenue of Rs 685.4 Mn.

## Joint Ventures

**Suisse Hotel Kandy (Pvt) Limited (Controlling company of OZO Hotel – Kandy)**

Share of profit from the company's joint venture undertaking, Suisse Hotel Kandy (Pvt) Limited amounted to a loss of Rs (49.7) Mn compared to a profit of Rs 29.5 Mn recorded during the previous financial year. The share of loss recorded during the year under review was primarily due to foreign currency translation losses (on its US$ denominated borrowings) arising from the significant depreciation of the rupee during third quarter of the financial year.

**Ceylon Holidays Holding (Pvt) Limited**

Share of profit from the company's joint venture undertaking, Ceylon Holidays Holding (Pvt) Limited amounted to a loss of Rs (29.3) Mn compared to a loss of Rs (26.6) Mn recorded during the previous financial year. The performance of the company was impacted due to the closure of the hotel properties in Ella and Weligama which were upgraded during the financial year.

**Handhuvaru Ocean Private Limited**

Subsequant to the joint venture arrangement between Ceylon Hotel Maldives (Pvt) Ltd and Zhen Hua Engineering Company Limited (ZHEC) as explained earlier, Handhuvaru Ocean (Pvt) Ltd (HOP) a subsidiary of Handhuvaru Ocean Holidays (Pvt) Ltd (HOH) initiated the liquidation process and transferred the assets and liabilities to its immediate parent, HOH. This is explained in detail under the Notes to Financial Statements.

As a result, the administrative expenses of HOP amounting to Rs. 38.6 Mn recorded during the previous financial year was reclassified and recorded under discountinued operations.

## Financial Position

The total assets of the group increased from Rs. 11.3 Bn to Rs. 11.4 Bn during the financial year under review.

Current Ratio of the group improved from 1.14 (times) to 1.86 (times) during the year ended 31st March 2019.

Total debt of the group as at 31st March 2019 was Rs. 1,703 Mn compared to Rs 1,579 Mn during the previous financial year. The debt to assets ratio was 14.9% as at the current financial year end vis a vis 14.0% during the financial year ended 31st March 2018.

Total equity of the group increased to Rs 8.6 Bn as at 31st March 2019 from Rs 8.5 Bn recorded during the previous financial year.

## Outlook

**Easter Sunday Attacks**

Multiple terrorist attacks occurred on Easter Sunday, 21st April 2019 targeting hotels and places of worship across Sri Lanka. This dealt a severe blow to the image of the country, and tainted its reputation as a safe destination for tourists. Tourist arrivals in the immediate aftermath dropped by 71% (May 2019) on a year on year basis with multiple bookings cancellations, flight cancellations and adverse travel advisories from tourist source markets.

At the moment, the industry has shown signs of recovery with the decline in tourist arrivals being 47% in July 2019 which is an improvement compared to May 2019. Most of the strong travel advisories issued by top tourist source markets have also been softened.

The gradual resumption of cancelled flights along with the proposed reduction in airport & fuel charges for airlines could help contribute towards a better performance in the coming months. Further, Lonely Planet, a leading travel guide book publisher continues to rate Sri Lanka as the Best in Travel for 2019. The readers of the US based Travel and Leisure magazine have also rated Sri Lanka as the best island in the world to be visited.

As per the World Economic Forum, terrorism based activities require 12 - 13 months to recover. We are hopeful that given the initiatives being announced by the government along with a planned global media campaign the industry would be able to recover faster.

**Relief Package by Government**

As a part of a recovery initiative, the government offered a relief package to the tourism industry. This included a one-year moratorium granted on both capital and interest payments, working capital facilities at concessionary rates, along with a reduction in value added tax to 7% from 15% for tourism related industries.



# 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 2019 on the affairs of the Company. Details setout 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.

## 1. PRINCIPAL ACTIVITY THE COMPANY AND ITS SUBSIDIARIES

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

Direct subsidiary companies of the group are listed below.

1. CHC Foods (Private) Limited
2. The Kandy Hotels Co. (1938) PLC
3. United Hotels Company Limited
4. Airline Services (Private) Limited

## 2. ANNUAL REPORT

The Board of Directors on 09th August 2019, 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 15 to 17 describes the Company's affairs and mentions important events that occurred during the year and up to the date of this report. The Management Discussion & Analysis on pages 20 to 22 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 2019 are set out on pages 44 to 103 of the Annual Report.

The net profit after tax of the Group was Rs. 210.7 Mn on a turnover of Rs. 1,633.5 Mn for the year ended 31st March 2019 compared to net loss after tax Rs. 11.2 Mn on a turnover of Rs. 1,543.1 Mn in FY 2017/2018.

## 5. AUDITORS REPORT

The Auditors' Report on the financial statements is given on pages 40 to 43 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 44 to 103 in this annual report.

| In Rs. | Group 2019 | Group 2018 | Company 2019 | Company 2018 |
|---|---|---|---|---|
| Profit attributable to the Equity Holders | 205,718,278 | (56,212,923) | (35,365,556) | (30,339,655) |
| Accumulated Profit brought forward from previous year | 1,347,681,705 | 1,628,171,986 | 152,746,891 | 355,060,244 |
| Adjustment on initial application of SLFRS 09 | (5,129,261) | - | (9,959,091) | - |
| Other Comprehensive Income (expense) | (194,332) | 828,902 | 490,195 | (148,297) |
| Script dividend paid | - | (171,825,401) | - | (171,825,401) |
| Effect of changes in holding percentage without change in control | - | (124,794,865) | - | - |
| Transfer of excess depreciation on revaluation | 69,229,691 | 71,514,006 | - | - |
| Translation reserve on derecognition of investment in subsidiary | 58,035,919 | - | - | - |
| Retained Earnings carried forward | 1,675,342,000 | 1,347,681,705 | 107,912,439 | 152,746,891 |

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

## 7. SIGNIFICANT ACCOUNTING POLICIES

The details of the accounting policies adopted by the Company in preparation of the financial statements and the impact thereon, of changes in the Sri Lanka Accounting Standard made during the year are disclosed on pages 52 to 63 of the Annual Report. There were no changes in Accounting policies adopted by the Company during the year under review other than those disclosed in the financial statements.

## 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 2019.

## 10. STATED CAPITAL AND RESERVES

The Company's stated capital as at 31st March 2019 was Rs.362,610,821/- represented by 180,030,942 ordinary shares and 1,200,000 preference shares @ 6%.

The total capital and reserves for the group stood at Rs. 6,682.9 Mn as at 31st March 2019 (2018 - Rs. 6,404.5 Mn.).

## 11. SHAREHOLDERS' FUNDS

Total reserves of the Group with stated capital as at 31st March 2019 was Rs. 6,682.9 Mn (2018: Rs. 6,404.5 Mn) comprising of retained earnings of Rs. 1,675.3 Mn (2018: Rs. 1,347.7 Mn) and other reserve of Rs. 4,645 Mn (2018: Rs. 4,694.2 Mn). The movements are shown in the Statement of Changes in Equity given on pages 48 to 49 of the annual report.

## 12. PROPERTY, PLANT & EQUIPMENT

The Company has incurred Rs. 14,500 (2018 - Rs. Nil) capital expenditure during the year under review. The movements in property, plant and equipment during the year are set out in Note 14 to the financial statements on pages 68 to 72.

## 13. EXTENTS, LOCATIONS, VALUATIONS AND THE NUMBER OF BUILDINGS OF THE COMPANY'S LAND HOLDINGS AND INVESTMENT 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 69 to 71 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 74 to 80.

### 14.1 Impairment Testing:

All assets classes have been tested for impairment and company has made the provisioning where necessary

## 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 2019 are given in Note 37 to the financial statements on page 91 of the annual report.

## 17. POST BALANCE SHEET EVENTS

Significant events that have occurred after the balance sheet date which would have any material effect on the company that would require adjustments are disclosed in Note 38 of the financial statements on page 92 of the annual report.

## 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. 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 2019 amounting to Rs. 1,193,482 (2018 - Rs. 1,005,667)

## 20. MATERIAL FORESEEABLE RISKS

Risk Management is embedded in the day to day management of the Company and is also part of the corporate governance processes.

## 21. MATERIAL ISSUES PERTAINING TO EMPLOYEES AND INDUSTRIAL RELATIONS OF THE COMPANY

The Company assesses the importance and impact of each stakeholders and accordingly relevant managerial actions are implemented. Being in the leisure sector, the company has wider stakeholder groups who can be significantly affected by its business activities. The Company gives important considerations to its relationship with employees and other stakeholder groups within the market place. Accordingly material issues that can substantially affect the company and its sustainability over the short, medium and long terms are determined through a process and actions are taken accordingly.

## 22. DIRECTORS AS AT 31 MARCH 2019

The Board of Directors of Ceylon Hotels Corporation PLC comprise 10 Directors and 04 of them served as Independent Non-Executive Directors. The qualification and experience of the Directors are given on pages 18 to 19 of the Annual Report.

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

| Name of the Director | Status |
|---|---|
| Mr Lakshman Samarasinghe - Chairman | Non Independent Executive Director |
| Mr Sanjeev Gardiner | Non Independent Executive Director |
| Mr Priyantha Maddumage | Non Independent Executive Director |
| Mr Kuvera De Zoysa | Independent Non Executive Director |
| Mr Mangala Boyagoda | Independent Non Executive Director |
| Mr Kamantha Amarasekera | Independent Non Executive Director |
| Mr Wasantha Wimalaweera | Independent Non Executive Director |
| Mr Ajith Devasurendra | Non Independent Non Executive Director |
| Mr Ranil Pathirana | Non Independent Non Executive Director |
| Mr Shalike Karunasena | Non Independent Executive Director |

The name of the Directors of subsidiary companies are given below:

| Name of the Company | Name of the Directors |
|---|---|
| CHC FOODS (PRIVATE) LIMITED | Mr Lakshman Samarasinghe |
| | Mr Athula Iddawala |
| | Mr Priyantha Maddumage |
| THE KANDY HOTELS CO. (1938) PLC | Mr Sanjeev Gardiner |
| | Mr Charitha Ratwatte |
| | Mr Lakshman Samarasinghe |
| | Mr Priyantha Maddumage |
| | Mr Lakshman Sirimanne |
| | Mr Ranjith Gunatilleke |
| | Mr Nahil Wijesuriya |
| | Mr Chandra Mohotti |
| | Mr Nilanga Dela |
| | Mr Shalike Karunasena (Alternate Director to Mr Priyantha Maddumage) w.e.f. 28th August 2018 |
| UNITED HOTELS COMPANY LIMITED | Mr Sanjeev Gardiner |
| | Mr Lakshman Samarasinghe |
| | Mr Priyantha Maddumage |
| | Mr Kuvera De Zoysa |
| | Mr Mangala Boyagoda |
| | Mr Revantha Devasurendra |
| AIRLINE SERVICES (PRIVATE) LIMITED | Mr Sanjeev Gardiner |
| | Mr Lakshman Samarasinghe |
| | Mr Priyantha Maddumage |

Mr Lakshman Samarasinghe retires in terms of section 210 of the Companies Act No.07 of 2007, and to be re elected as a Director of the Company for a further period of one year from the conclusion of the Annual General Meeting and that the age limit stipulated in section 210 of the Companies Act No. 07 of 2007 shall not be applicable.

The ordinary resolution with regard to the re-election of Mr. Lakshman Samarasinghe has been moved by the company to be proposed at the forthcoming Annual General Meeting and is stated in the Notice of Meeting.

In terms of Article 30 of the Articles of Association 1/3 of the Directors retire by rotation at every annual general meeting of the company. The Directors to retire in every year shall be those who have been longest in office since their last election. Accordingly Messrs Kuvera De Zoysa, Mr. Wasantha Wimalaweera and Mr Kamantha Amarasekera retire by rotation in terms of Articles of Association of the company.

All the Non-Executive Directors have submitted annual declarations regarding their independence or non-independence. Brief resume of all the Directors are given on pages 18 to 19 to the Annual Report.

## 23. BOARD SUB COMMITTEE

In line with the Corporate Governance Code of Colombo Stock Exchange, following three board sub committees function for the group of companies.

1. Audit Committee
2. Remuneration Committee
3. Related Party Transactions Review Committee

Composition and function of each subcommittee are given on pages 29 to 34 of the corporate governance section of this Annual Report.

### 23.1 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

The Audit Committee met 3 times during the year and the report of the Audit Committee on page 36 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.

### 23.2 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 Ranil Pathirana

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

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. The report of the Remuneration Committee is given on page 35 of the annual report.

### 23.3 Related Party Transactions Review Committee

Related Party Transactions Review Committee comprised of following Directors:

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

The committee met three times during the financial year 2018/2019.

#### 23.3.1 Non-recurrent related party transactions

There were no any non-recurrent related party transactions which aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Company as per 31st March 2018 audited financial statements, which required additional disclosures in the 2018/19 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13(c) of the Security Exchange Commission Act.

#### 23.3.2 Recurrent Related Party transactions

There were no any recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31st March 2018 audited financial Statements, which required additional disclosures in the 2018/19 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13(c) of the Security Exchange Commission Act.

The report of the Related Party Transactions Review Committee is given on page 37 in the Annual Report.

#### 23.3.3 Directors' declaration on related party transactions

The Directors declare that they are in compliance with section 9 of the listing rules of the CSE pertaining to Related Party Transactions during the financial year ended 31st March 2019. The Directors of the Company declare that there were no related party transactions required to be disclosed under the listing rules of the CSE other than disclosed in the financial statements.

## 24. DIRECTORS DEALINGS WITH THE SHARES OF THE COMPANY:

Directors shareholding in the company as at 31st March 2019 are as follows:

| Name of the Director | 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 2019, there were 6,962 registered shareholders. The percentage of shares held by the public as per the Colombo Stock Exchange rules as at 31st March 2019 was 28.62% representing 6,954 ordinary shareholders in the company.

## 25. DIRECTORS' MEETINGS

Details of the attendance at meetings of the Board of Directors are given below.

| Name of the Director | Board Meetings |
|---|---|
| Mr Lakshman Samarasinghe | 5/6 |
| Mr Sanjeev Gardiner | 4/6 |
| Mr Priyantha Maddumage | 2/6 |
| Mr Kuvera de Zoysa | 3/6 |
| Mr Mangala Boyagoda | 5/6 |
| Mr Kamantha Amarasekera | 0/6 |
| Mr Wasantha Wimalaweera | 6/6 |
| Mr Ajith Devasurendra | 6/6 |
| Mr Ranil Pathirana | 5/6 |
| Mr Shalike Karunasena | 6/6 |

## 26. DECLARATION BY THE DIRECTORS

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.

## 27. INTEREST REGISTERS

In terms with the Companies Act No.07 of 2007, the Company maintained an Interest Register. The Board of Directors has duly disclosed their directorships in related companies and share dealing with the company and related companies at Board meetings.

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

## 28. REMUNERATION OF DIRECTORS

Remuneration received by the Directors is set out in Note 11 to the financial statements on page 66.

## 29. DIRECTORS INTEREST IN CONTRACTS

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

## 30. INFORMATION ON EARNINGS, NET ASSETS AND MARKET VALUE

Information relating to earnings and net assets is given in "Group Financial and Operational Highlights" on page 14. 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 104 to 107.

## 31. SUBSTANTIAL SHAREHOLDING

Names of the twenty largest shareholders and their respective holdings as at 31st March 2019, are given in the section on "Investor Information" on pages 104 to 107 in the annual report.

## 32. AUDITORS RELATIONSHIP

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

The fees paid to auditors are disclosed in Note 11 to the financial statements.

As far as the Directors are aware, the Auditors do not have any relationship (other than that of an auditor) with the company other than those disclosed above. The auditors also do not have any interest in the Company or its Group Companies. They confirm that they are independent in accordance with the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka.

## 33. ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on 16th September 2019 at 3.00pm at the Auditorium of Ceylon Chamber of Commerce, No. 50, Navam Mawatha, Colombo 02.

## 34. ACKNOWLEDGEMENT OF THE CONTENT OF THE REPORT

As required by the section 168(1)(k) of the Companies Act No. 07 of 2007, the Board of Directors do hereby acknowledge the content of this Annual Report.

Signed in accordance with the resolution of the Board of Directors.

For and on behalf of the Board

(Sgd.)
**Lakshman Samarasinghe**
Chairman

(Sgd.)
**Shalike Karunasena**
Director

By Order of the Board,

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

09th August 2019

# 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 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 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 2019, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then 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 09th August 2019 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 2019, 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, the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka (ICASL) and the Securities and Exchange Commission of Sri Lanka (SEC).

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.

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

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

Secretaries to the Company

09th August 2019



# CORPORATE GOVERNANCE

At Ceylon Hotels Corporation PLC we are committed to sound Corporate Governance practices relying on a comprehensive system of internal controls and best practices to achieve this objective. The Company is in compliance with the continuing listing rules of the CSE, Companies Act No.7 of 2007 and the Code of Best Practice of Corporate Governance jointly issued by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka is described below:

Statement of Compliance of Company's act No 7 of 2007

| Section Reference | Requirement | Annual Report Reference |
|---|---|---|
| 168 (1) (a) | The nature of the business of the Group and the Company together with any change thereof during the accounting period | Annual Report of the Board of Directors |
| 168 (1) (b) | Signed Financial Statements of the Group and the Company for the accounting period completed | Financial Statements |
| 168 (1) (c) | Auditors' Report on Financial Statements of the Group and the Company | Independent Auditors' Report |
| 168 (1) (d) | Accounting Policies and any changes made during the accounting period | Notes to the Financial Statements |
| 168 (1) (e) | Particulars of the entries made in the Interests Register during the accounting period | Annual Report of the Board of Directors |
| 168 (1) (f) | Remuneration and other benefits paid to Directors of the Company during the accounting period | Notes to the Financial Statements |
| 168 (1) (g) | Corporate donations made by the Company during the accounting period | Notes to the Financial Statements |
| 168 (1) (h) | Information on the Directorate of the Company and its Subsidiaries during and at the end of the accounting period | Annual Report of the Board of Directors |
| 168 (1) (i) | Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered during the accounting period | Notes to the Financial Statements |
| 168 (1) (j) | Auditors' relationship or any interest with the Company and its Subsidiaries | Annual Report of the Board of Directors |
| 168 (1) (k) | Acknowledgement of the contents of this Report and Signatures on behalf of the Board | Annual Report of the Board of Directors |

## THE BOARD- PRINCIPLE A OF THE CODE

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 direction, and oversees business and connected affairs of the company and it also formulates the policy frame work for the Company. Majority of Directors are Non Executive Directors, of which 04 act as the Independent Non Executive Directors. Independent Directors meet the criteria set out in the CSE regulations for "independence". Annual declarations are obtained from Non Executive Directors and submitted to the Board. The Board represents extensive industry expertise. Profiles of the Directors are given on pages 18 to 19.

Board composition and Directors Independence as at 31st March 2019.

| Name of the Director | Type | Shareholding |
|---|---|---|
| Mr Lakshman Samarasinghe | Non Independent Executive Director | Yes |
| Mr Sanjeev Gardiner | Non Independent Executive Director | No |
| Mr Priyantha Maddumage | Non Independent Executive Director | Yes |
| Mr Kuvera de Zoysa | Independent Non Executive Director | No |
| Mr Mangala Boyagoda | Independent Non Executive Director | No |
| Mr Kamantha Amarasekera | Independent Non Executive Director | No |
| Mr Wasantha Wimalaweera | Independent Non Executive Director | No |
| Mr Ajith Devasurendra | Non Independent Non Executive Director | No |
| Mr Ranil Pathirana | Non Independent Non Executive Director | No |
| Mr Shalike Karunasena | Non Independent Executive Director | No |

## MEETINGS AND ATTENDANCE

Board meet at least once in every quarter to discuss company's performance and evaluate its strategic direction. There were 06 board meetings held during the year under review and the attendance of the board members are given below.

| Directors Name | Board Meetings |
|---|---|
| Mr Lakshman Samarasinghe | 5/6 |
| Mr Sanjeev Gardiner | 4/6 |
| Mr Priyantha Maddumage | 2/6 |
| Mr Kuvera de Zoysa | 3/6 |
| Mr Mangala Boyagoda | 5/6 |
| Mr Kamantha Amarasekera | 0/6 |
| Mr Wasantha Wimalaweera | 6/6 |
| Mr Ajith Devasurendra | 6/6 |
| Mr Ranil Pathirana | 5/6 |
| Mr Shalike Karunasena | 6/6 |

The Board of Directors demonstrate independent judgement on aspects related to company's corporate strategy, performance and financial evaluation. All the Directors are given fair treatment at board meetings and encouraged to express their views at Board meetings.

Annual Board meeting and sub committee meeting calendar is circulated to the Board well in advance. Board Papers are circulated to the Board in advance, enabling board members to dedicate adequate time and effort in studying the papers. Board members are free to request any additional information on matters that are being discussed at board level.

Currently the Company does not have a Chief Executive Officer (CEO) and the Chairman plays an Executive role. The Chairman ensures that there is a proper balance between Non Executive Directors and Executive Directors.

Senior Management of the company provides all information required for decision making by the Board of Directors, where necessary Directors obtain independent opinion from legal and accounting professionals in order to bring in wider perspectives on matters of importance.

# CORPORATE GOVERNANCE

## DIRECTORS' REMUNERATION - PRINCIPLE B

Names of the remuneration committee members and the report is given on page 35 of the report. The main objective of the remuneration committee is to retain Quality Managerial Staff and reward those who are performing well. The Chairman and Executive Directors, attend the meetings by invitation and provide information to the committee and participate in the deliberations.

## SHAREHOLDER RELATIONS - PRINCIPLE C

Annual General Meeting (AGM) is the main platform for the shareholders to raise queries from the Board. AGM notices and Annual Report in CD form are sent to all the shareholders by giving required statutory notice of the AGM, and shareholders are encouraged to use the AGM to constructively discuss matters. There were no major or material transactions entered into or proposed to be entered into by the company during the period under review.

## ACCOUNTABILITY AND AUDIT - PRINCIPLE D

The Board has the task to present balanced and understandable assessment of the company's performance, financial position and outlook. Directors declaration on the preparation of financial statements are given on page 28 of this report.

The Board of Directors accepts the responsibility for the preparation of the financial statements, maintaining adequate records for safeguarding the assets of the Company, and preventing and detecting fraud and/or other irregularities. The Board of Directors also confirms that the applicable Sri Lanka Accounting Standards have been adhered to, subject to any material departures being disclosed and explained in the notes to the financial statements.

The Board of Directors further confirms that suitable accounting policies consistently applied and supported by reasonable and prudent judgment and estimates, have been applied in the preparation of the financial statements. They further confirm that all known statutory payments have been paid upto 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 the financial statements.

At all Audit Committee meetings and Board meetings, statutory compliance statement showing extent to which the company is compliant with the rules and regulations are circulated amongst the Directors for information of the Board. All the Board members have access to the advice of the Company Secretary, Accounting Systems Secretarial Services (Private) Limited who acts as the registered company secretaries to the company.

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

### Board Sub Committees

Board Sub Committees consist of the Audit, Remuneration and the Related Party Transactions Review Committee.

#### Audit Committee

The composition of the Audit Committee and the committees report is detailed out in page 36 of the Annual Report.

Audit Committee Review the financial reporting process, internal controls and external audit function to ensure the integrity and quality of the financial statements. Audit Committee ensures the Independence of External Auditors, timely delivery of the audited financial statements and review the effectiveness of internal audit procedures. Audit Committee meets at least once in every quarter with the management to review quarterly financial statements prior to release to shareholders and meet with the Internal Auditors to review the internal audit reports and findings. The Audit Committee also meets external auditors to discuss the external audit programme, plan prior to commencement of the external audit and meet with the Auditors post completion of the Audit to discuss the financial statements and key Audit Findings.

Audit Committee has access to both external auditors as well as Internal Auditors.

#### Remuneration Committee

The composition of the Remuneration Committee and the committees report is detailed out in page 35 of the Annual Report.

#### Related Party Transactions Review Committee

The composition of Related Party Transactions Review Committee and the committee report is detailed out in page 37 of the Annual Report.

Related Party Transactions are reviewed by the Related Party Transactions Review Committee on a quarterly basis. Committee updates the board on the related party transactions of the Group on a quarterly basis.

## INSTITUTIONAL SHAREHOLDERS AND INVESTING/DIVESTING DECISION – PRINCIPLE E TO F

Board encourages shareholders to participate at Annual General Meetings (AGM) and make effective dialogue with the Board, and use their voting rights. Shareholders are free to raise any queries on agenda items listed in the notice of AGM.

In addition, the Board is also conscious of its relationship with all stakeholders including the community within which its group operates with sustainable and eco-friendly practices. The hotels of the group enhance and uplift staff standards and morale through regular training and improved facilities. This facilitates improvement in service levels, thereby enriching guest experience. Satisfied guests, apart from providing repeat business, also act as ambassadors for the hotels.

Statement of compliance under section 7.6 of the listing rules of the Colombo Stock Exchange (CSE) on Annual Report Disclosure.

| Requirement | | Reference |
|---|---|---|
| (i) | Names of persons who were Directors of the Entity | Page 25 |
| (ii) | Principal activities of the entity and its subsidiaries during the year, and any changes therein | Page 23 |
| (iii) | The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held | Page 106 and 107 |
| (iv) | The public holding percentage | Page 105 |
| (v) | A statement of each Director's holding and Chief Executive Officer's holding in shares of the Entity at the beginning and end of each financial year | Page 105 |
| (vi) | Information pertaining to material foreseeable risk factors of the Entity and details of material issues pertaining to employees and industrial relations of the Entity During the year 2018/19 | Page 24 |
| (vii) | Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties | Page 71 |
| (viii) | Number of shares representing the Entity's stated capital | Page 84 |
| (ix) | A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings | Page 104 |
| (x) | Financial ratios and market price information | Pages 14, 106 & 108 |
| (xi) | Significant changes in the Company's or its subsidiaries' fixed assets, and the market value of land, if the value differs substantially from the book value as at the end of the year | Pages 69 to 72 |
| (xii) | Details of funds raised through a public issue, rights issue and a private placement during the year | N/A |
| (xiii) | Information in respect of Employee Share Ownership or Stock Option Schemes | N/A |
| (xiv) | Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Listing Rules | Pages 31 to 33 |
| (xv) | Related Party transactions exceeding 10 per cent of the equity or 5 per cent of the total assets of the Entity as per audited financial statements, whichever is lower | Page 94 |

Statement of Compliance under Section 7.10 of the Listing Rules of the CSE.

| Section | Requirement | Compliance Status | Reference |
|---|---|---|---|
| 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 06 Non-Executive 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 | Non-Executive Directors have submitted their confirmation of independence as per the criteria set out by the CSE rules. |
| 7.10.3(a) | The board shall determine 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 | The Board has made such determination and the basis for determination of "Independence" is in line with the definition of the CSE Regulations in force. |

# CORPORATE GOVERNANCE

| Section | Requirement | Compliance Status | Reference |
|---|---|---|---|
| 7.10.3(b) | In the event a director does not qualify as 'independent' against any of the criteria set out in the regulation 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 | Non Executive Directors have declared their independence or non independence. All the new Board appointments were informed to shareholders by making an announcement in Colombo Stock Exchange in compliance with Rule 7.10.3 (d).<br><br>Mr Kuvera de Zoysa has completed 09 years as an Independent Non-Executive Director of the Company. However Board of Directors has resolved that the independence of Mr. de Zoysa has not been impaired, hence he continue to be an Independent Non Executive Director. |
| 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 18 to 19 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/her 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 | Company being the parent company of the group acts as the Remuneration Committee and oversee the functions of both the company and its subsidiary companies, including the listed entity. Composition of the Remuneration Committee is given on page 35 of the Annual Report under Remuneration Committee Report. |
| 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 decision upon consideration of such recommendations | Complied | Remuneration received by the Directors is set out in Note 11 to the Financial Statements on page 66. |
| 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 of the Remuneration Committee are set out on page 35 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.<br><br>The Chief Executive Officer and the Chief Financial Officer of the Listed Entity shall attend audit committee meetings.<br><br>The Chairman or one member of the committee should be a Member of a recognized professional accounting body. | Complied | The Audit Committee consists of 03 independent Non Executive Directors and 01 Non Independent Non Executive Director. Report of the Audit Committee is given on page 36 to the Annual Report.<br><br>The Chief Financial Officer attends the audit committee meetings by invitation.<br><br>Out of the 04 members, two of them are members of a recognized professional accounting body. |

| Section | Requirement | Compliance Status | Reference |
|---|---|---|---|
| 7.10.6(b) | Function of the Audit committee shall include,<br>(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.<br>(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.<br>(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.<br>(iv) Assessment of the independence and performance of the Entity's external auditors.<br>(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 | Report of the Audit Committee set out on page 36 of the Annual Report describes the scope performed by the committee during the year under review. |
| 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 its report is given on page 36 of the Annual Report.<br><br>Statement of Auditors independence is disclosed in page 36 of the Audit Committee report. |

Statement of Compliance under Section 9 of the Listing Rules of the CSE.

| Section | Requirement | Compliance Status | Reference |
|---|---|---|---|
| 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 | Composition of related party transactions review committee is given on page 37 of the related party transactions review committee report. Chairman of the committee is an Independent Non Executive Director. |
| 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 being the parent entity oversee the related party transaction of the subsidiary companies including a listed entity |
| 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 Transaction Review committee is given on page 37 of the Annual Report under Related Party Transactions Review Committee Report. |

| Section | Requirement | Compliance Status | Reference |
|---|---|---|---|
| 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. 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 | Related Party Transactions are disclosed on Note 39 to the Financial Statements. There were no non recurrent related party transactions that require immediate 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 the related information must be presented in the Annual Report: | Complied | There were no non recurrent related party transactions that require disclosure in the financial statements. |
| 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 | Please refer Note 39.2 & 39.3 to the financial statements on pages 92-94. |
| 9.3.2 (c) | Annual Report shall contain a report by the Related Party Transactions Review Committee, setting out the following:<br>• Names of the Directors comprising the Committee;<br>• 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.<br>• The policies and procedures adopted by the Committee for reviewing the Related Party Transactions.<br>• The number of times the Committee has met during the Financial Year.<br>• 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 and the rationale for entering into the transactions). | Complied | Please refer report of the Related Party Transaction Review Committee on page 37 of the Annual Report. |
| 9.3.2 (d) | A declaration by the Board of Directors in the Annual Report as an affirmative statement of the compliance with these Rules pertaining to Related Party Transactions or a negative statement in the event the Entity has not entered into any Related Party Transaction/s. | Complied | Affirmative statement is included on page 26 of the Annual Report. |

# REPORT OF THE REMUNERATION COMMITTEE

In terms of Rule 7.10.5 (a) of the listing rule of the Colombo Stock Exchange, the remuneration committee comprises of the following members:

1. Mr. Kuvera de Zoysa (Chairman)
   Independent Non Executive Director
2. Mr. Mangala Boyagoda
   Independent Non Executive Director
3. Mr. Ranil Pathirana
   Non-Independent Non Executive Director

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

(Sgd.)

**Kuvera de Zoysa**
Chairman – Remuneration Committee

09th August 2019

# REPORT OF THE AUDIT COMMITTEE

## AUDIT COMMITTEE

In accordance with the Colombo Stock Exchange Listing Rules, the Audit Committee comprises the following Board members.

1. Mr. Kuvera de Zoysa (Chairman) - Independent Non Executive Director
2. Mr. Mangala Boyagoda - Independent Non Executive Director
3. Mr. Kamantha Amarasekara - Independent Non Executive Director
4. Mr. Ranil Pathirana - Non Independent Non Executive Director

## MEETINGS OF THE AUDIT COMMITTEE

During the financial year 2018/19 the Committee met on three occasions to review the interim financial statements and the year-end financial statements and to recommend them to the Board for approval prior to these statements being released to the Stock Exchange.

The attendance of the committee during the year was as follows;

| Directors Name | Meetings Attended (out of 3) |
|---|---|
| Mr. Kuvera de Zoysa | 1/3 |
| Mr. Mangala Boyagoda | 3/3 |
| Mr. Kamantha Amarasekara | 0/3 |
| Mr. Ranil Pathirana | 3/3 |

The Audit Committee invites the Group Chief Financial Officer and Financial Controllers when 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 Ceylon Hotels Corporation PLC have been reviewed by the Audit Committee Members at Audit Committee Meetings. Draft Financial Statements of Ceylon Hotels Corporation PLC for the year ended 31st March 2019 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 also met external auditors to discuss the external audit programme and plan prior to commencement of the year end audit.

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 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, four (04) internal audit cycles are carried out on subsidiaries 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 2020, subject to the approval of the shareholders of Ceylon Hotels Corporation PLC at the Annual General Meeting.

(Sgd.)

Kuvera de Zoysa
Chairman – Audit Committee

09th August 2019



# RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

In accordance with the Colombo Stock Exchange Listing Rules, following are the names of the directors comprising Related Party Transactions Review Committee.

1. Mr. Kuvera de Zoysa (Chairman) - Independent Non Executive Director
2. Mr. Mangala Boyagoda - Independent Non Executive Director
3. Mr. Kamatha Amarasekara - Independent Non Executive Director
4. Mr. Ranil Pathirana - Non Independent Non Executive Director

The committee met three times during the financial year 2018/2019 to review the related party transactions entered into by the company and has made recommendations to the Board.

The attendance of the related party transaction review committee is as follows:

| Directors Name | Meetings Attended (out of 3) |
|---|---|
| Mr. Kuvera de Zoysa | 1/3 |
| Mr. Mangala Boyagoda | 3/3 |
| Mr. Kamantha Amarasekara | 0/3 |
| Mr. Ranil Pathirana | 3/3 |

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

1. 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
2. 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.
3. 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, are disclosed under Note 39 on pages 92 to 94 to the Financial Statements.

**Recurrent transactions with related parties**

There were no any recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31st March 2018 audited financial Statements, which required additional disclosures in the 2018/19 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13(c) of the Security Exchange Commission Act.

**Non- recurrent transactions with related parties**

There were no any non-recurrent related party transactions which aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Company as per 31st March 2018 audited financial statements, which required additional disclosures in the 2018/19 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13(c ) of the Security Exchange Commission Act.

## DECLARATION

Declarations are obtained from each Key Management Personal (KMP) of the Company and its subsidiaries for the purpose of identifying related parties on a quarterly and annual basis, to determine Related Party Transactions and to comply with the disclosure requirements, if any.

(Sgd.)

Kuvera de Zoysa
Chairman – Related Party Transactions Review Committee

09th August 2019

# FINANCIAL REPORTS

# INDEPENDENT AUDITORS' REPORT

KPMG
(Chartered Accountants)
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## 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 31st March 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, and a summary of significant accounting policies and other explanatory information set out in pages 44 to 103.

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 31st March 2019, 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.

### 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the company financial statements and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### 01. Adoption of SLFRS 15 - Revenue from Contracts with Customers

Refer note 07 to the consolidated financial statements

| Risk Description | Our Response |
|---|---|
| The Group has adopted SLFRS 15 from 01st April 2018 as explained in note 4.2 to the financial statements.<br><br>Due to the significance of the activities which the Group adopted in determining the impact of SLFRS 15, especially the application of principal versus agent consideration in the contracts related to revenue, resulted in us considering such, as a key audit matter. | Our audit procedures included;<br>• Reviewing the work carried out by component auditors where necessary.<br>• Assessing the Group's implementation process of SLFRS 15, changes to accounting policies, disclosures and systems to support the revenue recognition.<br>• Obtaining a copy of management's impact assessment and examined a sample of customer contracts to assess whether method for recognition of revenue was relevant and consistent with SLFRS 15 and applied consistently.<br>• In addition, we evaluated the overall appropriateness of the related financial statement disclosures in Notes 4.2, 7 and 43. |

#### 02. Impairment assessment of Goodwill and Investment in Subsidiaries

Refer note 15.2 and 17 to the financial statements

| Risk Description | Our Response |
|---|---|
| The Group holds Investment in Subsidiaries amounting to LKR 909Mn and Goodwill amounting to LKR 451,859 as at 31st March 2019.<br><br>Management allocated goodwill to the respective cash-generating units ("CGUs") as disclosed in Note 3.7 to the financial statements. The recoverable amounts of the identified CGUs have been determined based on value-in-use calculations. Investments which do not generate adequate returns are an indicator of impairment. Management performed the impairment assessment for subsidiaries with indicators of impairment and determined their recoverable amounts based on value-in-use calculation.<br><br>We have identified the impairment assessment of goodwill and investments as a key audit matter due to the significance of the carrying amounts of goodwill and investments in the financial statements as at 31st March 2019.<br><br>In addition, these areas were significant to our audit because the impairment assessment process involves significant management judgement and required the management to make various assumptions in the underlying cash flow forecasts. | Our audit procedures included,<br>• Assessing the impairment indications of investments made in subsidiaries based on net assets valuation and review of future business plans.<br>• Assessing management's forecasted revenues, growth rates, profit margins and 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.<br>• Discussions with Group and Component Management with regard to recoverability of the investments and goodwill.<br>• Assessing the adequacy of disclosures in respect of goodwill and investment in subsidiaries and related impairment in the Financial Statements. |

#### 03. Valuation of Investment in Equity Accounted Investees

Refer note 17.6 to the consolidated financial statements

| Risk Description | Our Response |
|---|---|
| The Group holds Investment in Equity Accounted Investees amounting to Rs. 1,029Mn as at 31st March 2019. Company's investments in Joint Venture is held in shares where no quoted market price is available.<br><br>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 them as an error may result in a material misstatement.<br><br>We have identified the valuation of Investment in Equity Accounted Investees as a key audit matter due to the significance of the carrying amounts and the complexity involved in the valuation. | Our audit procedures included,<br>• 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.<br>• Discussions with Group and Component Management regarding the recoverability of the investments and challenge Group management's assessment of valuation of the unquoted investments.<br>• Assessing the adequacy of disclosures in respect of unquoted investments and the effect of changing one or more inputs to reasonably possible alternative valuation assumptions. |

KPMG

### 04. Completeness, Measurement, and Disclosure of Related Party Transactions

Refer note 35 and 39 to the consolidated financial statements

| Risk Description | Our Response |
|---|---|
| Related party transactions of The Kandy Hotels Co. (1938) PLC consist of interest bearing receivable from its parent company amounting to LKR 865Mn. Moreover, the parent company, Ceylon Hotels Corporation PLC has incurred LKR 73Mn of interest expense on the said loans for the year ended 31st March 2019.<br><br>Due to the magnitude and the higher inherent risk attached to related party transactions, we considered this to be a key audit matter. | Our audit procedures included;<br>• Reviewing the work carried out by component auditors where necessary.<br>• Evaluating the appropriateness of management's process for identifying and recording related party transactions.<br>• Reading the contracts and agreements with related parties to understand the nature of the transactions.<br>• Throughout the performance of our audit procedures, we remained alert for any related party transactions outside the normal course of business.<br>• Recalculating the interest expense and interest rates used for the year ended 31st March 2019.<br>• Assess the adequacy of financial statements disclosures. |

### 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of 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
09th August 2019

KPMG, a Sri Lankan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

| | | |
|---|---|---|
| M.R. Mihular FCA | P.Y.S. Perera FCA | C.P. Jayatilake FCA |
| T.J.S. Rajakarier FCA | W.W.J.C. Perera FCA | Ms. S. Joseph FCA |
| Ms. S.M.B. Jayasekara ACA | W.K.D.C Abeyrathne FCA | S.T.D.L. Perera FCA |
| G.A.U. Karunaratne FCA | R.M.D.B. Rajapakse FCA | Ms. B.K.D.T.N. Rodrigo FCA |
| R.H. Rajan ACA | M.N.M. Shameel ACA | Ms. C.T.K.N. Perera ACA |

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| For the Year Ended 31 March, | Notes | Group 2019 Rs. | Group 2018 Rs. | Company 2019 Rs. | Company 2018 Rs. |
|---|---|---|---|---|---|
| **Revenue** | 7 | 1,633,511,759 | 1,543,086,655 | 8,561,856 | 8,446,754 |
| Cost of sales | | (458,840,129) | (409,629,573) | (8,440,168) | (8,400,714) |
| **Gross profit** | | 1,174,671,630 | 1,133,457,082 | 121,688 | 46,040 |
| Other income | 8 | 356,209,345 | 5,905,181 | 39,231,734 | 40,426,176 |
| Distribution expenses | | (72,567,943) | (70,747,357) | - | - |
| Administrative expenses | | (921,597,871) | (842,395,109) | (8,467,723) | (10,625,116) |
| Other operating expenses | 9 | - | - | (9,805,000) | (300,000) |
| **Profit from operations** | | 536,715,161 | 226,219,797 | 21,080,699 | 29,547,100 |
| Finance income | | 111,108,064 | 27,556,222 | 18,033,989 | 11,292,855 |
| Finance costs | | (217,603,731) | (188,204,760) | (74,480,244) | (69,596,619) |
| **Net finance costs** | 10 | (106,495,667) | (160,648,538) | (56,446,255) | (58,303,764) |
| Share of gain/(loss) of equity accounted investees (net of tax) | 17.6.2 | (173,795,083) | 3,324,404 | - | - |
| **Profit/(loss) before income tax** | 11 | 256,424,411 | 68,895,663 | (35,365,556) | (28,756,664) |
| Income tax | 12 | (32,595,227) | (41,474,159) | - | (1,582,991) |
| **Profit/(loss) from continuing operations** | | 223,829,184 | 27,421,504 | (35,365,556) | (30,339,655) |
| **Discontinued operations** | | | | | |
| Loss from discontinued operations, net of tax | 17.4 | (13,115,807) | (38,616,570) | - | - |
| **Profit/(loss) for the year** | | 210,713,377 | (11,195,066) | (35,365,556) | (30,339,655) |

Figures in brackets indicate deductions
The Notes on pages 52 to 103 are an integral part of these Financial Statements.

| For the Year Ended 31 March, | Notes | Group 2019 Rs. | Group 2018 Rs. | Company 2019 Rs. | Company 2018 Rs. |
|---|---|---|---|---|---|
| Profit/(loss) for the year | | 210,713,377 | (11,195,066) | (35,365,556) | (30,339,655) |
| **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 | | (95,707) | 17,699,209 | - | - |
| Deferred tax on revaluation surplus | | - | (373,280,950) | - | - |
| Actuarial gain/(loss) | | (502,705) | 1,155,644 | 490,195 | (148,297) |
| Deferred Tax effect on actuarial gain/(loss) | | 120,116 | (182,551) | - | - |
| **Other comprehensive income from discontinued operations** | | | | | |
| **Items that are or may be reclassified to profit or loss** | | | | | |
| Effect of translation of foreign operations | | 99,262,353 | 4,232,585 | - | - |
| **Total comprehensive income for the year, net of tax** | | 309,497,434 | (361,571,129) | (34,875,361) | (31,559,886) |
| **Profit/(loss) attributable to:** | | | | | |
| Equity holders of the company | | 205,718,278 | (56,212,923) | (35,365,556) | (30,339,655) |
| Non controlling interest | | 4,995,099 | 45,017,856 | - | - |
| **Profit for the year** | | 210,713,377 | (11,195,066) | (35,365,556) | (30,339,655) |
| **Total comprehensive Income attributable to :** | | | | | |
| Owners of the Company | | 283,568,761 | (299,497,781) | (34,875,361) | (31,559,886) |
| Non controlling Interest | | 25,928,673 | (62,073,348) | - | - |
| **Total comprehensive income for the year** | | 309,497,434 | (361,571,129) | (34,875,361) | (31,559,886) |
| **Earnings/(Losses) per share** | | | | | |
| Earnings/(losses) per share (Rs). | 13 | 1.14 | (0.31) | (0.20) | (0.17) |

Figures in brackets indicate deductions
The Notes on pages 52 to 103 are an integral part of these Financial Statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| As at 31 March, | Notes | Group 2019 Rs. | Group 2018 Rs. | Company 2019 Rs. | Company 2018 Rs. |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-Current Assets** | | | | | |
| Property, plant and equipment | 14 | 8,384,653,888 | 8,701,844,169 | 34,653 | 23,951 |
| Intangible assets | 15 | 32,506,858 | 515,507,972 | - | - |
| Lease hold right over land | 16 | 590,179 | 324,270,343 | - | - |
| Investments in subsidiaries | 17 | - | - | 909,348,216 | 909,348,216 |
| Investment in equity accounted investees | 17.6 | 1,028,523,742 | 459,548,050 | 329,497,174 | 329,497,174 |
| Deferred conversion fee | 19 | - | 177,446,233 | - | - |
| Investment property | 18 | - | - | 146,759,998 | 156,564,998 |
| **Total non-current assets** | | 9,446,274,667 | 10,178,616,767 | 1,385,640,041 | 1,395,434,339 |
| **Current Assets** | | | | | |
| Inventories | 20 | 88,738,727 | 81,890,414 | - | - |
| Trade & other receivables | 21 | 278,475,168 | 348,030,633 | 9,712,483 | 5,153,997 |
| Amounts due from related companies | 22 | 411,430,914 | 248,626,577 | 388,770,198 | 344,375,695 |
| Advances pending capitalisation | 23 | 269,955,309 | - | - | - |
| Income tax recoverable | 24 | 1,356,305 | 1,286,586 | - | - |
| Asset held for sale | 25 | 86,178,102 | 86,178,102 | 86,178,102 | 86,178,102 |
| Cash & cash equivalents | 26 | 832,199,509 | 324,508,447 | 23,620 | 1,620,639 |
| **Total current assets** | | 1,968,334,034 | 1,090,520,759 | 484,684,403 | 437,328,433 |
| **Total assets** | | 11,414,608,701 | 11,269,137,526 | 1,870,324,444 | 1,832,762,772 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity** | | | | | |
| Stated capital | 27 | 362,610,821 | 362,610,821 | 362,610,821 | 362,610,821 |
| Reserves | 28 | 4,645,033,024 | 4,694,253,820 | 379,013,425 | 379,013,425 |
| Accumulated Profit/(Losses) | | 1,675,342,000 | 1,347,681,705 | 107,912,439 | 152,746,891 |
| **Total equity attributable to equity holders of the company** | | 6,682,985,845 | 6,404,546,346 | 849,536,685 | 894,371,137 |
| Non controlling interest | | 1,949,332,931 | 2,112,496,333 | - | - |
| **Total equity** | | 8,632,318,776 | 8,517,042,680 | 849,536,685 | 894,371,137 |

| As at 31 March, | Notes | Group 2019 Rs. | Group 2018 Rs. | Company 2019 Rs. | Company 2018 Rs. |
|---|---|---|---|---|---|
| **Non-Current Liabilities** | | | | | |
| Interest-bearing-borrowings | 29 | 1,081,766,888 | 1,078,959,566 | - | - |
| Employee benefits | 30 | 18,269,714 | 16,540,858 | 7,000,392 | 6,534,996 |
| Lease rent equalization account | 31 | - | 69,015,776 | - | - |
| Deferred tax liabilities | 33 | 621,787,917 | 630,155,900 | - | - |
| **Total Non-Current Liabilities** | | 1,721,824,519 | 1,794,672,100 | 7,000,392 | 6,534,996 |
| **Current Liabilities** | | | | | |
| Trade and other payables | 34 | 292,673,904 | 273,110,295 | 9,208,928 | 9,179,740 |
| Contract Liabilities | | 4,331,405 | - | - | - |
| Interest-bearing-borrowings due within one year | 29 | - | 263,229,219 | - | - |
| Non interest-bearing-borrowings due within one year | 32 | - | 1,802,200 | - | 1,522,200 |
| Amounts due to related companies | 35 | 133,937,429 | 168,154,294 | 138,008,030 | 89,015,562 |
| Related Party Interest-bearing-borrowings | 35.1 | - | - | 865,751,036 | 830,525,716 |
| Income tax payable | 36 | 8,407,655 | 14,668,078 | 13,303 | 1,582,375 |
| Bank overdrafts | 26 | 621,115,013 | 236,458,660 | 806,070 | 31,046 |
| **Total current liabilities** | | 1,060,465,406 | 957,422,746 | 1,013,787,367 | 931,856,639 |
| **Total Equity & Liabilities** | | 11,414,608,701 | 11,269,137,526 | 1,870,324,444 | 1,832,762,772 |

The Notes on pages 52 to 103 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
09th August 2019

# STATEMENT OF CHANGES IN EQUITY

| Group | Stated Capital | Revaluation Reserve | Capital Reserve | General Reserve | Translation Reserve | Accumulated Profit/(Loss) | Total | Non Controlling Interest | Total Equity |
|---|---|---|---|---|---|---|---|---|---|
| | Attributable to Equity Holders of the Company | | | | | | | | |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| **Balance as at 1st April 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 |
| **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) | (107,091,205) | (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) | 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-(6% 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 31st 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 | 8,517,042,680 |
| SLFRS 9 Adjustment | - | - | - | - | - | (5,129,261) | (5,129,261) | - | (5,129,261) |
| **Restated Balance as at 1st April 2018** | 362,610,821 | 4,508,269,722 | 8,128,011 | 167,079,660 | 10,776,427 | 1,342,552,444 | 6,399,417,085 | 2,112,496,333 | 8,511,913,417 |
| **Total comprehensive income** | | | | | | | | | |
| Profit for the year | - | - | - | - | - | 205,718,278 | 205,718,278 | 4,995,099 | 210,713,377 |
| Other comprehensive income (expense) | - | - | - | - | 78,044,815 | (194,332) | 77,850,483 | 20,933,574 | 98,784,057 |
| **Total comprehensive income for the year** | - | - | - | - | 78,044,815 | 205,523,946 | 283,568,761 | 25,928,673 | 309,497,434 |
| **Transactions with owners of the company** | | | | | | | | | |
| Ordinary Share dividend paid to minority | - | - | - | - | - | - | - | (17,590,652) | (17,590,652) |
| Dividends-(6% Cumulative preference shares) | - | - | - | - | - | - | - | (11,423) | (11,423) |
| Transfer of excess depreciation on revaluation | - | (69,229,691) | - | - | - | 69,229,691 | - | - | - |
| Derecognition of investment in subsidiary | - | - | - | - | (58,035,919) | 58,035,919 | - | (171,490,000) | (171,490,000) |
| **Total transactions with owners of the company** | - | (69,229,692) | - | - | (58,035,919) | 127,265,610 | - | (189,092,075) | (189,092,075) |
| **Balance as at 31st March 2019** | 362,610,821 | 4,439,040,030 | 8,128,011 | 167,079,660 | 30,785,323 | 1,675,342,000 | 6,682,985,845 | 1,949,332,931 | 8,632,318,776 |

Figures in brackets indicate deductions
The Notes on pages 52 to 103 are an integral part of these Financial Statements.

| Company | Stated Capital | Capital Reserve | FVOCI Reserve | General Reserve | Accumulated Profit/(Loss) | Total |
|---|---|---|---|---|---|---|
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| **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 | - | - | - | - | (30,339,655) | (30,339,655) |
| Other comprehensive income | - | - | (1,071,934) | - | (148,297) | (1,220,231) |
| **Total comprehensive income for the year** | - | - | (1,071,934) | - | (30,487,952) | (31,559,886) |
| **Transactions with owners of the company, recognized directly in equity** | | | | | | |
| Transfers from reserves | - | - | - | - | | - |
| 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 |
| SLFRS 9 Adjustment | - | - | - | - | (9,959,091) | (9,959,091) |
| **Restated balance as at 1st April 2018** | 362,610,821 | 8,128,011 | 204,167,021 | 166,718,393 | 142,787,800 | 884,412,046 |
| **Total comprehensive income** | - | - | - | - | - | - |
| Profit for the year | - | - | - | - | (35,365,556) | (35,365,556) |
| Other comprehensive income | - | - | - | - | 490,195 | 490,195 |
| **Total comprehensive income for the year** | - | - | - | - | (34,875,361) | (34,875,361) |
| **Balance as at 31st March 2019** | 362,610,821 | 8,128,011 | 204,167,021 | 166,718,393 | 107,912,439 | 849,536,685 |

Figures in brackets indicate deductions
The Notes on pages 52 to 103 are an integral part of these Financial Statements.

# CONSOLIDATED STATEMENT OF CASH FLOW

| As at 31 March, | Group 2019 Rs. | Group 2018 Rs. | Company 2019 Rs. | Company 2018 Rs. |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Profit/(loss) Before Tax from continue operations | 256,424,412 | 68,895,663 | (35,365,557) | (28,756,664) |
| Loss before income tax from discontinued operations | (13,115,807) | (38,616,570) | - | - |
| Profit/(loss) before income tax from continued operations | 243,308,605 | 30,279,093 | (35,365,557) | (28,756,664) |
| **Adjustment for:** | | | | |
| Depreciation on property, plant and equipment | 211,609,037 | 185,932,598 | 3,798 | 212,373 |
| Provision for retiring gratuity | 4,168,604 | 4,217,474 | 1,247,100 | 1,312,569 |
| Provision/(reversal) off for bad & doubtful debts | 4,126,736 | (6,082,544) | - | - |
| Provision for slow moving stocks | 3,086 | - | - | - |
| Lease rent equalisation charge | 15,061,563 | 15,021,333 | - | - |
| Income tax receivable written off | - | 68,680 | - | - |
| Loss on disposal of intangible assets | - | 90,769 | - | - |
| Loss on foreign currency transactions | 68,883,260 | 2,440,155 | - | - |
| Dividend Received | - | - | (34,534,784) | (36,141,053) |
| Amortization of lease hold right over land | 5,852,235 | 9,383,376 | - | - |
| Amortization of Intangible assets | 9,666,612 | 1,946,855 | - | - |
| (Profit)/loss on disposal of property plant & equipment | (52,580) | 2,080,844 | - | 430,402 |
| Share of result of equity accounted investee | 173,795,083 | (3,324,404) | - | - |
| Impairment of Investment | - | - | - | 300,000 |
| Interest income | (111,108,064) | (27,556,222) | (18,033,989) | (11,292,855) |
| Interest expenses | 217,603,731 | 188,204,760 | 74,480,244 | 69,596,619 |
| Non-interest- bearing borrowings write off during the year | (1,802,200) | - | (1,522,200) | - |
| Change in fair value of investment property | - | - | 9,805,000 | - |
| Lease rent equalisation account - charged to the capital work in progress | 3,764,712 | - | - | - |
| Gain on derecognition of investment in subsidiary | (354,601,082) | - | - | - |
| Amortization of deferred conversion fee | 1,931,779 | 3,885,379 | - | - |
| **Operating profit before working capital changes** | 492,211,117 | 406,588,146 | (3,920,388) | (4,338,609) |
| (Increase)/decrease in inventories | (6,851,399) | 2,301,682 | - | - |
| (Increase)/decrease in trade and other receivables | 13,814,201 | (13,829,810) | (4,558,486) | 2,094,614 |
| (Increase)/decrease in amounts due from related companies | 119,851,410 | (208,267,692) | (54,353,594) | (207,678,908) |
| (Increase)/decrease in advances on pending capitalization | (269,955,309) | - | - | - |
| Increase/(decrease) in trade & other payables | 67,329,937 | (76,045,330) | 29,189 | (987,975) |
| Increase/(decrease) in contract liabilities | 4,331,405 | - | - | - |
| Increase/(decrease) in amounts due to related companies | 228,059,705 | 6,533,387 | 48,992,468 | 1,656,693 |
| **Cash generated from operating activities** | 648,791,067 | 117,280,383 | (13,810,811) | (209,254,185) |
| Interest Paid | (205,582,840) | (188,204,760) | (74,480,244) | (69,596,619) |
| Taxes paid | (47,173,236) | (50,224,562) | (1,569,072) | (121,557) |
| Retiring gratuity amount paid | (2,942,453) | (2,224,297) | (291,509) | (1,168,955) |
| **Net cash flow generated from operating activities** | 393,092,538 | (123,373,236) | (90,151,636) | (280,141,316) |

| As at 31 March, | Group 2019 Rs. | Group 2018 Rs. | Company 2019 Rs. | Company 2018 Rs. |
|---|---|---|---|---|
| **Cash flows from investing activities** | | | | |
| Interest received | 40,520,159 | 27,556,222 | 18,033,989 | 11,292,855 |
| Proceeds from sale of property plant & equipment | 191,033 | 252,752 | - | - |
| Proceeds from derecognition of investment in subsidiary | 733,016,902 | - | - | - |
| Acquisition of property, plant and equipment | (48,345,547) | (164,878,845) | (14,500) | - |
| Investment in joint venture | (668,227,731) | (27,781,221) | - | (27,781,221) |
| Addition of Intangible assets | (3,344,576) | (31,001,119) | - | - |
| Acquisition of lease hold right over land | - | (34,302,938) | - | - |
| Proceeds from sale of investments in REPO | - | 19,939,411 | - | - |
| Share application fund | (35,527,849) | - | - | - |
| Dividend income | - | - | 34,534,784 | 36,141,053 |
| **Net cash used in investing activities** | 18,282,390 | (210,215,738) | 52,554,273 | 19,652,687 |
| **Cash flows from financing activities** | | | | |
| Tax on scrip dividend | - | (7,714,580) | - | (7,714,580) |
| Loans received during the year | 51,736,890 | 655,000,000 | 35,225,320 | 264,715,651 |
| Dividends paid to minority | (17,602,075) | (17,602,073) | - | - |
| Loans settled during the year | (322,475,033) | (190,427,719) | - | - |
| **Net cash generated from/(used in) financing activities** | (288,340,218) | 439,255,628 | 35,225,320 | 257,001,071 |
| **Net increase/(decrease) in cash & cash equivalents** | 123,034,709 | 105,666,654 | (2,372,043) | (3,487,558) |
| **Cash & cash equivalents at the beginning** | 88,049,787 | (17,616,867) | 1,589,593 | 5,077,151 |
| **Cash & cash equivalents at the end** | 211,084,496 | 88,049,787 | (782,450) | 1,589,593 |
| **Analysis of cash & cash equivalents** | | | | |
| Cash at banks and in hand | 832,199,509 | 324,508,447 | 23,620 | 1,620,639 |
| Bank overdrafts | (621,115,013) | (236,458,660) | (806,070) | (31,046) |
| **Cash & cash equivalents at the end** | 211,084,496 | 88,049,787 | (782,450) | 1,589,593 |

Figures in brackets indicate deductions

The Notes on pages 52 to 103 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 Company (Pvt) Ltd, Tissa Resort (Pvt) Ltd, CHC Foods (Pvt) Ltd, Kandy Hotels Co. (1938) PLC, Suisse Hotels (Pvt) Limited, Air Line Services Limited and Ceylon Hotels Maldives (Pvt) Ltd (together referred to as the "Group"), whose financial statements have been consolidated.

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

### 1.3. Principal activity and Nature of the Operations

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

### 2.2. Approval of Financial Statements

These financial statements were authorized for issue in accordance with a resolution of the Board of Directors on 09th August 2019.

### 2.3. Going Concern

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

### 2.4. Functional and Presentation Currency

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

### 2.5. Basis of Measurement

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

Land and Buildings - Revalued amounts

Financial assets measured at Amortised 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.

| | | |
|---|---|---|
| Note 14 | – | Revaluation of Land and Buildings |
| Note 15 | – | Measurement of Intangible Assets |
| Note 17.5 | – | 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. Changes in Accounting Policies

The Group has applied SLFRS 15 and SLFRS 9 during the year and the nature and effect of the changes as a result of adoption of these new accounting standards are described below.

#### a) SLFRS 15 –Revenue from Contracts with Customers

The Group has applied SLFRS 15 "Revenue from contracts with customers" with a date of initial application of 1 April 2018.

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced LKAS 18 Revenue, LKAS 11 Construction Contracts and related interpretations. Under SLFRS 15 revenue from contracts with customers, an entity should recognize as revenue the amount that reflects the consideration to which the entity expects to be entitled in exchange for services excluding amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control over goods or service to a customer. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Group has applied SLFRS 15 using the cumulative transition effect method – i.e. by recognizing the cumulative effect of initially applying SLFRS 15 as an adjustment to the opening balance of equity at 1 April 2018 and therefore the comparative information has not been restated and continues to be reported under LKAS 18. Based on the assessment performed the Group, concluded that SLFRS 15 does not have a material impact on consolidated financial statements as the current accounting practice does not differ significantly from SLFRS 15. Therefore there was no adjustment to Retained earnings on the transition as at 1 April 2018.

#### Contract Liabilities – classification change

According to SLFRS 15, advances received from customers on future bookings have been reclassified from the trade payables and presented separately as "Contract Liabilities" in the statement of financial position.

#### b) SLFRS 9 – Financial Instruments

SLFRS 9 Financial Instruments replaces LKAS 39 Financial Instruments: Recognition and Measurement, bringing together all three aspects of the accounting for financial instruments: classification and measurement impairment; and hedge accounting. The Group has applied SLFRS 9 using the cumulative transition effect method – i.e. by recognizing the cumulative effect of initially applying SLFRS 9 as an adjustment to the opening balance of equity at 1 April 2018 and therefore the comparative information has not been restated.

### 3.2. 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 preexisting 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 Handhuvaru Ocean Holidays Ltd and Handhuvaru 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.

## 3.3. Foreign Currency

### 3.3.1. Foreign currency transactions

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

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

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

- Investments valued at fair value through OCI (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.

### 3.3.2. 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.

## 3.4. Financial Instruments

a) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

b) Classification and subsequent measurement

*Financial assets - Policy applicable from 1 April 2019*

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI - debt investment; FVOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount of outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - Business model assessment:

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for de recognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 April 2019

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets - Subsequent measurement and gains and losses: Policy applicable from 1 April 2019

| | |
|---|---|
| Financial assets at FVTPL | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. |
| Financial assets at amortised | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. |
| Debt investments at FVOCI | These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. |

| | |
|---|---|
| Equity investments at FVOCI | These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss. |

Financial assets - Policy applicable prior to 1 April 2019

The Company classified its financial assets into one of the following categories:

- loans and receivables;
- held to maturity;
- available for sale; and
- at FVTPL, and within this category as:
  - o held for trading
  - o derivative hedging instruments; or
  - o designated as at FVTPL

Financial assets - Subsequent measurement and gains and losses: Policy applicable prior to 1 April 2019

| | |
|---|---|
| Financial assets at FVTPL | Measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss. |
| Held-to-maturity financial assets | Measured at amortised cost using the effective interest method. |
| Loans and receivables | Measured at amortised cost using the effective interest method. |
| Available-for-sale financial assets | Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss. |

Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

c) Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial 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 in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

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

Impairment policy: applicable from 1 April 2019

Non-derivative financial assets

Financial instruments and contract assets

Loss allowances for trade receivables is always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 365 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 365 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 180 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market tor a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 365 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures to recovery of amounts due.

Impairment Policy: applicable prior to 1 April 2019

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### Impairment Policy: Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, 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. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset 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. For the purpose of impairment testing, assets that cannot be tested individually 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.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss in respect of other assets, recognised in prior periods is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's 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.

## 3.5. Stated 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.

## 3.6. Property, Plant & Equipment

### 3.6.1. 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 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.

## 3.7. 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.

### 3.7.1. Other intangible assets

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

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

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

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

## 3.8. 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.

## 3.9. 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.

## 3.10. 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 |

## 3.11. Employee Benefits

**a) Defined contribution plans**

A defined contribution plan is a post employment benefit 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.

**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 other comprehensive income.

The liability was not externally funded.

## 3.12. Liabilities and Provisions

**3.12.1. 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.

**3.12.2. 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.

**3.12.3. 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. Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

a) represents a separate major line of business or geographic area of operations;

b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or

c) is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

## 4.2. Revenue

**4.2.1. Revenue from Contract with customers**

In SLFRS 15 revenue from contracts with customers is recognized when the customer obtain the control of goods or services at amount that shows the consideration to which the group expects to be entitled in exchange for goods and services. The group has initially adopted SLFRS 15 from 2018 April onwards.

**a) Revenue recognition**

According to the SLFRS 15, Group recognizes, in the contract interception, whether it has full fill its performance obligation over time or at a point in time. In an occasion where the performance obligation full fills overtime then the company recognize the revenue overtime based on the progress towards satisfaction of that performance obligation.

**b) Disaggregation of recognition**

The disaggregated revenue is presented with reportable segments based on the revenue recognition timing of revenue recognition and geographical region in the operating segment information section which comes under Note 07(a).

**c) Contract Balances**

Contract liabilities are considered to be the hotel's obligation to transfer goods and services to a customer for which the company has received consideration from the customer. Short-term advances includes in the contract liabilities which is received to render certain services. Contract liabilities of the group have been disclosed in other current liabilities Note 07(a).

**d) Performance obligations and revenue recognition policies**

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognizes revenue when it transfers control over a good or services to a customer.

The Group considers services in the each contract as one performance obligation for packages offered to customers. Revenue in relation to package services are usually recognizes during the period of stay of the customer. The transaction price is determined in the context of the contracts. Further, the Group recognize individual identified services offered to customers as separate performance obligation and the revenue is recognized at the point of satisfying the performance obligations.

Following nature of revenues from contract with customers are involved in the Group operations;

1. Apartment revenue
2. Food and beverages revenue
3. Other hotel related revenue (Spa income, Laundry income etc.)

However based on the Impact Analysis carried out by the Board of Directors, they are of the view that the Group do not have a material impact on SLFRS 15 as the current accounting practice does not differ significantly from SLFRS 15.

**4.2.2. Other revenue**

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

a) Dividend income from investments is recognized when the right to receive is established.

b) Interest income is recognized on an accrual basis.

## 4.3. 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 & equipment.

## 4.4. 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.

## 4.5. 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.

## 4.6. 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. The Group then recognizes other borrowing costs as an expense in the period in which it incurs them.

## 4.7. 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.

## 4.8. 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 if 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. 24 of 2017, and subsequent amendments thereto. The Company and its subsidiaries qualify for a concessionary tax rates.

b) Deferred tax

Deferred tax is provided using the balance sheet liability method, providing for the tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of assets and liabilities, which is the amount attributed to those assets and liabilities for tax purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted by the reporting date.

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

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

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

## 4.9. 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.

## 4.10. 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. SRI LANKA ACCOUNTING STANDARDS (SLFRS) ISSUED BUT NOT YET EFFECTIVE AS AT REPORTING DATE

New standards and amendments to standards which have been issued but not yet effective as at the Reporting date have not been applied in preparing these Financial Statements. Accordingly, these Accounting Standards have not been applied in preparing these financial statements. The Group intends to adopt those standards when they become effective.

| New or amended Standard | Summary of the Requirement | Possible impact on consolidated financial statements |
|---|---|---|
| SLFRS 16 Leases | SLFRS 16 eliminates the current dual accounting model for lessees which distinguishes between On-Balance Sheet finance leases and Off-Balance Sheet operating leases. Instead, there will be a single On-Balance Sheet accounting model that is similar to current finance lease accounting<br><br>SLFRS 16 is effective for reporting periods beginning on or after 1 January 2019. | The Group is assessing the potential impact on its Financial Statements resulting from the application of SLFRS 16. The impact on the implementation of the above standard is yet to be quantified. |

## 6.1 Other standards

The following amended standards and the interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

*Effective Date -1 January 2019*

- IFRIC 23 Uncertainty over Tax Treatments.
- Prepayment features with negative compensation (Amendments to SLFRS 9).
- Long- term interests in Associates and Joint Ventures (Amendments to LKAS 28).
- Plan Amendment, Curtailment or settlement (Amendment to LKAS 19).
- Annual Improvements to SLFRS Standards 2015-2017 Cycle- various standards.
- Annual Improvements to SLFRS 3-Business combinations, SLFRS 11 – Joint Arrangements, LKAS12 Income Taxes.

*Effective Date -1 January 2020*

- Amendments to References to Conceptual Framework in SLFRS standards
- Amendments to LKAS 1 and LKAS 8
- Amendments to SLFRS 3

*Effective Date -1 January 2022*

- IFRS 17 Insurance Contracts

## 7 REVENUE

| For the Year Ended 31 March, | Group 2019 Rs. | Group 2018 Rs. | Company 2019 Rs. | Company 2018 Rs. |
|---|---|---|---|---|
| Accommodation income | 723,066,636 | 695,504,607 | - | - |
| Food income | 820,021,195 | 713,633,378 | - | - |
| Beverage income | 26,000,537 | 73,948,237 | - | - |
| Others | 64,423,391 | 60,000,433 | 8,561,856 | 8,446,754 |
| | 1,633,511,759 | 1,543,086,655 | 8,561,856 | 8,446,754 |

a) Disaggregation of revenue from contract with customers

| For the Year Ended 31 March, | Group 2019 Rs. | Group 2018 Rs. | Company 2019 Rs. | Company 2018 Rs. |
|---|---|---|---|---|
| **Major products/Service lines** | | | | |
| Room Revenue | 723,066,636 | 695,504,607 | - | - |
| Food and Beverage revenue | 846,021,732 | 787,581,615 | - | - |
| Other revenue | 64,423,391 | 60,000,433 | 8,561,856 | 8,446,754 |
| **Total Revenue** | 1,633,511,759 | 1,543,086,655 | 8,561,856 | 8,446,754 |
| **Timing of revenue recognition** | | | | |
| Products & services transferred at a point in time | 883,014,196 | 820,578,586 | - | - |
| Products & services transferred over time | 723,066,636 | 695,504,607 | - | - |
| Other revenue | 27,430,927 | 27,003,462 | 8,561,856 | 8,446,754 |
| **Total revenue** | 1,633,511,759 | 1,543,086,655 | 8,561,856 | 8,446,754 |

**Contract Liabilities**

According to SLFRS 15, advances received from customers on future bookings have been reclassified from the trade payables and presented separately as "Contract Liabilities" in the statement of financial position. Contract Liabilities for the Group was amounting to Rs. 4,331,405 as at 31st March 2019.

## 8 OTHER INCOME

| For the Year Ended 31 March, | Group 2019 Rs. | Group 2018 Rs. | Company 2019 Rs. | Company 2018 Rs. |
|---|---|---|---|---|
| Rent Income | 865,096 | 1,257,553 | 4,696,950 | 4,652,700 |
| Gain on derecognition of investment in subsidiary | 354,601,082 | - | - | - |
| Dividend income | - | 7,876 | 34,534,784 | 36,141,053 |
| Profit/(Loss) on disposal of property plant and equipment | 52,580 | (2,080,844) | - | (430,402) |
| Sundry income | 690,587 | 6,720,596 | - | 62,825 |
| | 356,209,345 | 5,905,181 | 39,231,734 | 40,426,176 |

## 9 OTHER OPERATING EXPENSES

| For the Year Ended 31 March, | Group 2019 Rs. | Group 2018 Rs. | Company 2019 Rs. | Company 2018 Rs. |
|---|---|---|---|---|
| Loss of Fair Value of Investment Property (Note 18) | - | - | 9,805,000 | - |
| Impairment of investment in subsidiary (Note 17) | - | - | - | 300,000 |
| | - | - | 9,805,000 | 300,000 |

## 10 NET FINANCE COST

| For the Year Ended 31 March, | Group 2019 Rs. | Group 2018 Rs. | Company 2019 Rs. | Company 2018 Rs. |
|---|---|---|---|---|
| **Finance income** | | | | |
| Interest income on intercompany loan | 26,564,870 | 11,292,855 | 18,033,989 | 11,292,855 |
| Interest income From FDs, Savings Accounts & etc. | 13,955,289 | 1,208,066 | - | - |
| Gain on translation of foreign currency denominated deposits and receivables | 70,587,905 | 15,055,302 | - | - |
| | 111,108,064 | 27,556,222 | 18,033,989 | 11,292,855 |
| **Finance Costs** | | | | |
| Interest on over drafts | 22,768,045 | 13,140,382 | 776,061 | 438,114 |
| Loss on translation of foreign currency borrowings | 12,020,891 | 13,134 | - | - |
| Interest on loans | 182,814,795 | 175,051,244 | 73,704,183 | 69,158,505 |
| | 217,603,731 | 188,204,760 | 74,480,244 | 69,596,619 |
| **Net Finance (Cost)/Income** | (106,495,667) | (160,648,538) | (56,446,255) | (58,303,764) |

## 11 PROFIT BEFORE INCOME TAX

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

| | Group | | Company | |
|---|---|---|---|---|
| For the Year Ended 31 March, | 2019<br>Rs. | 2018<br>Rs. | 2019<br>Rs. | 2018<br>Rs. |
| Directors' emoluments | 3,340,000 | 3,940,647 | 3,340,000 | 3,940,647 |
| Auditors' remuneration - statutory audit | 3,607,671 | 2,503,786 | 650,000 | 600,000 |
| Auditors' remuneration - non audit services | 930,000 | 1,585,070 | 315,000 | 292,680 |
| Depreciation on property, plant & equipment | 211,609,037 | 185,932,598 | 3,798 | 212,373 |
| Amortization of lease hold right over land | 5,852,235 | 9,383,376 | - | - |
| Amortization of intangible assets | 9,666,612 | 1,946,855 | - | - |
| Provision/(reversal) for bad & doubtful debts | 150,000 | (6,082,544) | - | - |
| Provision made with the adoption of SLFRS 9 | 3,976,736 | - | - | - |
| Lease rent equalization charge | 15,061,563 | 15,021,333 | - | |
| Donations | 1,193,482 | 1,005,667 | - | - |
| Professional fees & legal fee | 2,566,578 | 4,324,848 | 531,250 | 610,190 |
| Staff costs (Note 11.1) | 342,753,486 | 316,497,187 | 9,759,269 | 9,785,373 |

### 11.1 Staff costs

| | | | | |
|---|---|---|---|---|
| Wages ,salaries and staff expenses | 314,262,339 | 289,546,190 | 7,452,880 | 7,400,875 |
| Defined contribution plan cost- EPF & ETF | 24,322,543 | 22,733,523 | 1,059,289 | 1,071,929 |
| Defined benefit plan cost- Retiring gratuity | 4,168,604 | 4,217,474 | 1,247,100 | 1,312,569 |
| | 342,753,486 | 316,497,187 | 9,759,269 | 9,785,373 |

## 12 INCOME TAX

| | Group | | Company | |
|---|---|---|---|---|
| For the Year Ended 31 March, | 2019<br>Rs. | 2018<br>Rs. | 2019<br>Rs. | 2018<br>Rs. |
| **Current tax** | | | | |
| Income tax expense for the year (Note 12.1) | 35,192,447 | 44,533,034 | - | 2,055,300 |
| Withholding Tax on Dividends Paid by Subsidiaries | 5,650,647 | 4,044,375 | - | - |
| Under/(Over) provision in respect of previous year | - | (544,544) | - | (472,309) |
| | 40,843,094 | 48,032,865 | - | 1,582,991 |
| **Deferred tax** | | | | |
| Origination & Reversal of temporary differences (Note 12.2) | (8,247,867) | (6,558,706) | - | - |
| Charge for the year | 32,595,227 | 41,474,159 | - | 1,582,991 |

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

| | Group | | Company | |
|---|---|---|---|---|
| For the Year Ended 31 March, | 2019<br>Rs. | 2018<br>Rs. | 2019<br>Rs. | 2018<br>Rs. |
| Profit/(Loss) before income tax | 256,424,411 | 68,895,663 | (35,365,556) | (28,756,664) |
| Non business income | (73,451,018) | (79,553,384) | - | (10,862,453) |
| Adjustment on disallowable expenses | 191,804,931 | 145,470,525 | 875,794 | 1,524,943 |
| Adjustment on allowable expenses | (35,117,380) | (114,723,091) | (6,453,726) | (13,375,984) |
| Exempt income | (356,459,050) | (37,364,201) | (56,778,106) | (36,141,053) |
| Taxable profit on sale/transfer of PPE | 31,500 | (288,603) | - | (320,103) |
| Tax Profit/(loss) for the period | (16,766,605) | (17,563,091) | (97,721,594) | (87,931,314) |
| Adjustment of tax losses incurred | 194,742,790 | 210,682,984 | 97,721,594 | 87,931,314 |
| Taxable other income | 91,432,426 | 80,051,982 | 18,033,989 | 11,292,855 |
| Tax losses utilized | (18,033,989) | (4,335,868) | (18,033,989) | (3,952,499) |
| Taxable income | 251,374,621 | 268,836,007 | - | 7,340,356 |
| Taxable income under concessionary rate 14% | 251,374,621 | 192,131,550 | - | - |
| Taxable income from other sources 28% | - | 76,704,457 | - | 7,340,356 |
| | 251,374,621 | 268,836,007 | - | 7,340,356 |
| Tax loss brought forward | 1,157,255,435 | 951,993,776 | 551,831,882 | 467,853,067 |
| Adjustments to b/f balance | - | (1,085,457) | - | - |
| Tax losses utilized during the year | (18,033,989) | (4,335,868) | (18,033,989) | (3,952,499) |
| Loss incurred during the year | 194,742,790 | 210,682,984 | 97,721,594 | 87,931,314 |
| Tax losses carried forward | 1,333,964,236 | 1,157,255,435 | 631,519,487 | 551,831,882 |
| Income tax @ 14% | 35,192,447 | 23,055,786 | - | - |
| Income tax @ 28% | - | 21,477,248 | - | 2,055,300 |
| Income tax on current year profits | 35,192,447 | 44,533,034 | - | 2,055,300 |

### 12.2 Deferred tax charged to

| | Group | | Company | |
|---|---|---|---|---|
| For the Year Ended 31 March, | 2019<br>Rs. | 2018<br>Rs. | 2019<br>Rs. | 2018<br>Rs. |
| Profit or loss | (8,247,867) | (6,558,706) | - | - |
| Other Comprehensive income | (120,116) | 373,463,501 | - | - |
| | (8,367,983) | 366,904,795 | - | - |

## 13 EARNINGS/(LOSS) PER SHARE

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

| | Group | | Company | |
|---|---|---|---|---|
| For the Year Ended 31 March, | 2019<br>Rs. | 2018<br>Rs. | 2019<br>Rs. | 2018<br>Rs. |
| Profit/(loss) attributable to equity holders of the Company | 205,718,278 | (56,212,923) | (35,365,556) | (30,339,655) |
| Weighted average number of ordinary shares in issue | 180,030,942 | 180,030,942 | 180,030,942 | 180,030,942 |
| Earnings/(loss) per share (Rs.) | 1.14 | (0.31) | (0.20) | (0.17) |

## 14 PROPERTY PLANT AND EQUIPMENT

### 14.1 Group

| For the Year Ended 31 March, | Freehold Land Rs. | Free hold buildings Rs. | Building on leasehold land Rs. | Plant and machinery Rs. | Furniture and office equipments Rs. | Freehold motor vehicles Rs. | Equipments Rs. | Computers Rs. | Swimming pool Rs. | WIP Rs. | Total 2019 Rs. | Total 2018 Rs. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cost/valuation** | | | | | | | | | | | | |
| As at 1st April 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 | 8,733,615,185 |
| Additions | - | - | 5,973,283 | 4,764,104 | 11,339,911 | - | 13,954,823 | 5,624,756 | 221,850 | 6,466,820 | 48,345,547 | 164,878,845 |
| Transfers | - | - | 2,948,717 | - | - | 2,003,735 | 2,233,288 | - | - | (125,872,718) | (118,686,978) | - |
| Disposals | - | - | (23,930,965) | (44,275) | (129,250) | - | - | - | - | - | (24,104,490) | (3,448,838) |
| Derecognition of investment in subsidiary | - | - | - | - | - | - | (22,224,152) | - | - | (13,168,599) | (35,392,751) | |
| Effect of movement in exchange rates | - | - | - | - | - | - | - | - | - | - | - | 2,669,715 |
| **As at 31st March 2019** | 4,622,555,000 | 1,452,485,317 | 1,924,452,429 | 154,639,783 | 265,858,574 | 22,649,000 | 238,814,085 | 46,310,994 | 35,774,064 | 4,336,989 | 8,767,876,235 | 8,897,714,907 |
| **Accumulated depreciation** | | | | | | | | | | | | |
| **As at 1st April 2018** | - | 30,327,403 | 71,061,020 | 15,419,576 | 22,759,535 | 61,939 | 41,697,849 | 10,855,913 | 3,687,503 | - | 195,870,738 | 11,053,382 |
| Charge for the year | - | 30,281,619 | 87,262,260 | 16,908,652 | 23,991,859 | 92,800 | 37,447,328 | 11,945,693 | 3,678,826 | - | 211,609,037 | 185,932,598 |
| Derecognition of investment in subsidiary | - | - | - | - | - | - | (291,391) | - | - | - | (291,391) | |
| Disposals | - | - | (23,930,965) | (24,323) | (10,749) | - | - | - | - | - | (23,966,037) | (1,115,242) |
| **As at 31st March 2019** | - | 60,609,022 | 134,392,315 | 32,303,905 | 46,740,645 | 154,739 | 78,853,786 | 22,801,606 | 7,366,329 | - | 383,222,347 | 195,870,738 |
| **As at 31st March 2019** | 4,622,555,000 | 1,391,876,295 | 1,790,060,114 | 122,335,878 | 219,117,929 | 22,494,261 | 159,960,299 | 23,509,388 | 28,407,735 | 4,336,989 | 8,384,653,888 | 8,701,844,169 |
| 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 |

**14.1.1** Based on the assessment carried out internally, by the Board Of Directors no provision was required for the potential impairment of fixed assets as at 31 March 2019.

**14.1.2** There were no capitalized borrowing costs related to the acquisition of property, plant and equipment during the year (2017/2018 - nil).

**14.1.3** There were no restrictions on the title of the property, plant and equipment as at 31 March 2019.

**14.1.4** There were no items of property, plant and equipment pledged as security as at 31 March 2019 other than disclosed in Note 29.2.

**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 2019 was nill.

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

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

**Valuation techniques and significant unobservable inputs**

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

| Name of the Company | Non Financial Assets | No of Buildings | Location | Valuation Technique | Property Valuer & Qualification | Significant unobservable inputs | Sensitivity of the input to the fair value |
|---|---|---|---|---|---|---|---|
| The Kandy Hotels Co. (1938) PLC | Freehold land | | | Open market value method<br>This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for difference in size, nature and location of the property. | S Sivaskantha, Fellow Member of Institute of 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) |
| | Building | 01 | 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 | 01 | 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 | 01 | EKHO 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 | 03 | EKHO 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) |
| | | 02 | 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) |

| Name of the Company | Non Financial Assets | No of Buildings | Location | Valuation Technique | Property Valuer & Qualification | Significant unobservable inputs | Sensitivity of the input to the fair value |
|---|---|---|---|---|---|---|---|
| CHC Foods (Pvt) Ltd | Building | 01 | Hawella 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) |
| | Building | 03 | Heritage Ambepussa & Avanhala - Kandy road, Ambepussa, Warakapola | 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 | 02 | 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 Hotels Corporation PLC | Building | 01 | 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 ownership

| Name of the Company | Location | Property | Ownership | Extent | Carrying value as at 31st March 2019 |
|---|---|---|---|---|---|
| The Kandy Hotels Co. (1938) PLC | Hotel Suisse No 30, Sangaraja Mawatha, Kandy. | Land | Freehold | 2A 2R 24.13P | 2,149,250,000 |
| | | Building | Freehold | 80,861.5 Sq.ft | 650,969,884 |
| | Hotel Queen's No 04, Dalada Vidiya, Kandy. | Land | Freehold | 1A 1R 15.07P | 2,473,305,000 |
| | | Building | Freehold | 114,885.5 Sq.ft | 832,783,650 |
| United Hotels Co. Ltd | The Lake Hotel Pothgul Pedesa, New Town, Polonnaruwa | Building | Lease Hold | 31,533 Sq ft | 152,253,063 |
| | The Lake House Hotel, Parakrama Samudraya Pedesa, Polonnaruwa | Building | Lease Hold | 15,344 Sq ft | 113,729,693 |
| | The Surf Hotel, Beach Road, Bentota | Building | Lease Hold | 82,334 Sq ft | 797,447,072 |
| Tissa Resort (Pvt) Ltd | The Safari, Kataragama Road, Tissamaharama | Building | Lease Hold | 48,497 Sq ft | 258,042,767 |
| CHC Foods (Pvt) Ltd | Heritage Ambepussa & Avanhala - Kandy road, Ambepussa, Warakapola | Building | Lease Hold | 22,259 Sq ft | 62,622,644 |
| | Hanwella Rest House - Low Level Road, Hanwella | Building | Lease Hold | 9,531 Sq ft | 16,515,000 |

### 14.2 Company

| For the Year Ended 31 March, | Furniture fittings and fixtures Rs. | Computers Rs. | Total 2019 Rs. | Total 2018 Rs. |
|---|---|---|---|---|
| **Cost/Valuation** | | | | |
| As at 1st April | 36,171 | - | 36,171 | 1,382,945 |
| Additions | - | 14,500 | 14,500 | - |
| Disposals | | | - | (1,346,774) |
| **As at 31st March** | 36,171 | 14,500 | 50,671 | 36,171 |
| **Accumilated Depreciation** | | | | |
| As at 1st April | 12,220 | - | 12,220 | 716,271 |
| Charge for the year | 3,655 | 143 | 3,798 | 212,373 |
| Disposals | | | - | (916,424) |
| **As at 31st March** | 15,875 | 143 | 16,018 | 12,220 |
| **Carrying Amount** | | | | |
| **As at 31st March 2019** | 20,296 | 14,357 | 34,653 | 23,951 |
| As at 31st March 2018 | 23,951 | - | | 23,951 |

**14.2.1** Based on the assessment carried out internally, by the Board of Directors no provision was required for the potential impairment of fixed assets as at 31st March 2019.

**14.2.2** There were no capitalized borrowing costs related to the acquisition of property, plant and equipment during the year (2017/2018 - nil).

**14.2.3** There were no restrictions on the title of the property, plant and equipment as at 31st March 2019.

## 15 INTANGIBLE ASSETS

| | Group | | Company | |
|---|---|---|---|---|
| As at 31st March, | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| Computer software (15.1) | 32,054,999 | 38,377,035 | - | - |
| Goodwill on acquisition (15.2) | 451,859 | 477,130,937 | - | - |
| **Total** | 32,506,858 | 515,507,972 | - | - |

### 15.1 Computer Software

| | Group 2019 Rs. | Group 2018 Rs. | Company 2019 Rs. | Company 2018 Rs. |
|---|---|---|---|---|
| **Cost** | | | | |
| At the beginning of the year | 50,898,453 | 19,988,103 | 23,460 | 23,460 |
| Acquired/incurred during the year | 3,344,576 | 31,001,119 | - | |
| Disposed during the year | - | (90,769) | - | - |
| As at 31st March | 54,243,029 | 50,898,453 | 23,460 | 23,460 |
| **Amortization** | | | | |
| At the beginning of the year | 12,521,418 | 10,574,563 | 23,460 | 7,429 |
| Amotization for the year | 9,666,612 | 1,946,855 | - | 16,031 |
| At the end of the year | 22,188,030 | 12,521,418 | 23,460 | 23,460 |
| Net book value as at 31st March | 32,054,999 | 38,377,035 | - | - |

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

### 15.2 Goodwill

| | Group | |
|---|---|---|
| As at 31st March, | 2019 Rs. | 2018 Rs. |
| Ceylon Hotels Maldives (Pvt) Ltd (Note 15.2.1) | 451,859 | 451,859 |
| Handhuvaru Ocean Holidays (Pvt) Ltd (Note 15.2.2) | - | 430,751,302 |
| Handhuvaru Ocean (Pvt) Ltd (Note 15.2.2) | - | 45,927,776 |
| | 451,859 | 477,130,937 |

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

**15.2.2** Goodwill with relates to Handhuvaru Ocean Holidays (Pvt) Ltd and Handhuvaru Ocean (Pvt) Ltd have been derecognised from investment in subsidiary and recognised as equity accounted investee during the year ended 31st March 2019. Details of the derecognition from investment in subsidiary and subsequent recognition as a joint venture have been disclosed in Note 17.3.

## 16 LEASEHOLD RIGHT OVER LAND

| As at 31st March, | Group 2019 Rs. | Group 2018 Rs. | Company 2019 Rs. | Company 2018 Rs. |
|---|---|---|---|---|
| Balance at the beginning of the period | 324,270,343 | 293,404,744 | | - |
| Additions | - | 34,302,938 | | - |
| Amortization during the period | (5,852,235) | (9,383,376) | | - |
| Effect of movement in exchange rates | - | 5,946,037 | | - |
| Transferred subsequent to derecognition of investment in subsidiary | (317,827,929) | - | | |
| Balance at the end of the period | 590,179 | 324,270,343 | - | - |

16.1 On 20 August 2013, the government of Maldives and Handhuvaru Ocean Private Limited entered into an agreement accordingly the lease hold right of the island of Ambaraa in Vaavu atoll held By Handhuvaru Ocean Holidays (Pvt) Ltd has been assigned to the Joint venture Company, Handhuvaru Ocean Holidays (Pvt) Ltd. Further, Handhuaru Ocean (Pvt) Ltd has agreed to pay USD 1,874,000/= to the company as acquisition fee.

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 Co. Ltd.

## 17 INVESTMENTS IN SUBSIDIARIES

| As at 31st March, | Market Value 2019 Rs. | No. of shares Company 2019 Rs. | No. of shares Company 2018 Rs. | Effective Holding % 2019 Rs. | Effective Holding % 2018 Rs. | Company 2019 Rs. | Company 2018 Rs. |
|---|---|---|---|---|---|---|---|
| **Direct - Subsidiaries** | | | | | | | |
| The Kandy Hotels Co. (1938) PLC. | 2,128,306,425 | 401,567,250 | 401,567,250 | 69.54% | 69.54% | 1,402,654 | 1,402,654 |
| United Hotels Co. Ltd. | | 30,374,967 | 30,374,967 | 67.51% | 67.51% | 837,945,552 | 837,945,552 |
| Air Line Services Ltd. | | 150,003 | 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. | | | | 78.71% | 78.71% | - | - |
| Ceylon Hotel Maldives (Pvt) Ltd. | | | | 78.71% | 78.71% | - | - |
| Suisse Hotel (Pvt) Ltd. | | | | 69.54% | 69.54% | - | - |
| Handuwaru Ocean Holidays (Pvt) Ltd. | | | | 0.00% | 78.71% | - | - |
| Handhuvaru Ocean (Pvt) Ltd. | | | | 0.00% | 70.84% | - | - |
| | | | | | | 909,648,216 | 909,648,216 |
| Provision for impairment (17.1) | | | | | | (300,000) | (300,000) |
| | | | | | | 909,348,216 | 909,348,216 |

### 17.1 Provision for impairment

| As at 31st March, | 2019 Rs. | 2018 Rs. |
|---|---|---|
| At the beginning of the year | 300,000 | - |
| Provision for the year | - | 300,000 |
| As at 31st March | 300,000 | 300,000 |

Investment in Airline services (Pvt) Ltd amounting Rs.300,000/- has been provided fully for impairment during the year ended 31st march 2018 as the operations of the said entity has been cesased.

### 17.2 Principal subsidiaries

The following disclosure excerpt highlights the group composition and the proportion of ownership interests held by NCI as at 31st March 2019.

| Company and Country of Incorporation/ Operation | Principal Activities | Class of Shares Held | 2019 Proportion of interest held by the Company | 2019 Group Interest (%) | 2019 Non-controlling interest (%) | 2018 Proportion of interest held by the Company | 2018 Group Interest (%) | 2018 Non-controlling interest (%) |
|---|---|---|---|---|---|---|---|---|
| **Sri Lanka** | | | | | | | | |
| United Hotels Co. Ltd | Hotel Services | Ordinary | 67.51% | 78.71% | 21.29% | 67.5% | 78.7% | 21.29% |
| Tissa Resort (Pvt) Ltd | Hotel Services | Ordinary | - | 78.71% | 21.29% | - | 78.7% | 21.29% |
| Kandy Hotels Co.(1938) PLC | Hotel Services | Ordinary | 69.54% | 69.54% | 30.46% | 69.5% | 69.5% | 30.46% |
| Suisse Hotel (Pvt) Ltd | Hotel Services | Ordinary | - | 69.54% | 30.46% | - | 69.5% | 30.46% |
| Ceylon Hotels Maldives (Pvt) Ltd | Hotel Services | Ordinary | - | 78.71% | 21.29% | - | 78.7% | 21.29% |
| **Maldives** | | | | | | | | |
| Handhuvaru Ocean Holidays (Pvt) Ltd (Note 17.3) | Hotel Services | Ordinary | - | - | - | - | 78.7% | 21.29% |
| Handhuvaru Ocean (Pvt) Ltd (Note 17.3) | Hotel Services | Ordinary | - | - | - | - | 70.8% | 29.16% |

## 17.3 Derecognition of investment in subsidiary

17.3.1 As has been informed to shareholders through the Market announcement made, Ceylon Hotels Maldives (Pvt) Ltd (CHML), subsidiary of the Group, entered into a Joint Venture Agreement (JVA) with Zhen Hua Engineering Co Ltd (ZHEC), a group company of China Harbour Engineering Co Ltd (CHEC), on 06th February 2018. The JVA was to jointly develop a Resort in Anbara Island now owned by Handhuvaru Ocean Holidays (Pvt) Ltd (HOH). As per the JVA, ZHEC were to own 50% of the equity of HOH which was up to this point owned 100% by CHML. This transaction was recognized in the books of account after having completed all conditions precedents, in September 2018. Accordingly, the Group has derecognized HOH as a subsidiary to an equity accounted investee (joint venture company)

17.3.1.1 As part of this arrangement the Group has transferred the leasehold rights of the Anbara island from Handhuvaru Ocean Private Limited (HOP), (fully own subsidiary of HOH) to HOH and to wind down the operations of HOP. Consequently, HOP, initiated the liquidation process and transferred assets and liabilities to its immediate parent, HOH.

Please refer Note 17.4 for the results of discontinued operations.

The management has initiated the plan in early 2018 and was not previously classified as held-for-sale or as a discontinued operation. Further, HOH and HOP was the only internationally operated geographical area in the Group. Accordingly, comparative consolidated statement of profit or loss and OCI has been represented to show the discontinued operation separately from continuing operations.

Tabulated below is the net impact of the transactions outlined in 17.3.1 above.

| | Handuwaru Ocean Holidays (Pvt) Ltd Rs. | Handuwaru Ocean (Pvt) Ltd Rs. | Total Rs. |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 35,101,360 | - | 35,101,360 |
| Operating Leasehold Right | 668,734,108 | - | 668,734,108 |
| Investments in subsidiaries | 165,214,635 | - | 165,214,635 |
| Trade & other receivables | 55,741,264 | - | 55,741,264 |
| Amounts due from related companies | 55,801,721 | 1,833,560 | 57,635,281 |
| Cash & cash equivalents | 219,646,269 | 667,677 | 220,313,946 |
| **Total Assets** | 1,200,239,357 | 2,501,237 | 1,202,740,594 |
| **Liabilities** | | | |
| Lease rent equalization account | 87,842,051 | - | 87,842,051 |
| Trade and other payables | 47,285,459 | 480,869 | 47,766,328 |
| Amounts due to related companies | 262,276,570 | - | 262,276,570 |
| | 397,404,080 | 480,869 | 397,884,949 |
| **Less -** Investment in Handuwaru Ocean (Pvt) Ltd consequent to winding down HOP | | | (165,214,635) |
| **Total identifiable Net assets as at disposal date** | | | 639,641,010 |

| | | Total Rs. |
|---|---|---|
| 17.3.2 | **Gain on derecognition of investment of subsidiary** | |
| | Fair value of the Consideration received (net of costs) | 631,203,439 |
| | Total identifiable Net assets of subsidiaries (Note 17.3.1) | (639,641,010) |
| | Goodwill (Note 15.2) | (476,679,078) |
| | Non Controlling Interest | 171,490,000 |
| | Fair value of the remaining investment (equity accounted investee*) | 668,227,731 |
| | **Gain on derecognition of investment in subsidiary** | 354,601,082 |

*Share of investment in Handhuvaru Ocean Holidays Private Ltd (HOH) stated at fair value.

The Company obtained the services of independent professionals to validate the fair valuation of the reaming investment in HOH. Accordingly, best estimate fair value equates the cost of the investment.

## 17.4 Discontinued Operations

| Results of Discontinued Operation | Handuwaru Ocean Holidays (Pvt) Ltd 2019 Rs. | Handuwaru Ocean (Pvt) Ltd 2019 Rs. | Total 2019 Rs. | Handuwaru Ocean Holidays (Pvt) Ltd 2018 Rs. | Handuwaru Ocean (Pvt) Ltd 2018 Rs. | Total 2018 Rs. |
|---|---|---|---|---|---|---|
| Revenue | - | - | - | - | - | - |
| Other income | 3,211,124 | 2,888,432 | 6,099,555 | - | - | - |
| Expenses | (955,100) | (18,260,262) | (19,215,362) | (4,788,080) | (33,828,490) | (38,616,570) |
| Profit/(Loss) before tax from discontinued operations | 2,256,023 | (15,371,830) | (13,115,807) | (4,788,080) | (33,828,490) | (38,616,570) |
| Income tax expenses | - | - | - | - | - | - |
| Profit/(Loss) after tax from discontinued operations | 2,256,023 | (15,371,830) | (13,115,807) | (4,788,080) | (33,828,490) | (38,616,570) |
| **Profit/(loss) attributable to;** | | | | | | |
| Owners of the Company | 1,775,781 | (10,889,251) | (9,113,470) | (3,768,836) | (23,963,764) | (27,732,600) |
| Non Controlling Interest | 480,242 | (4,482,579) | (4,002,337) | (1,019,244) | (9,864,726) | (10,883,970) |
| | 2,256,023 | (15,371,830) | (13,115,807) | (4,788,080) | (33,828,490) | (38,616,570) |

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

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

| As at 31st March 2019, | United Hotels Co. Ltd Rs. | Tissa Resort (Pvt) Ltd Rs. | The Kandy Hotels Co. (1938) PLC Rs. | Suisse Hotel (Pvt) Ltd Rs. |
|---|---|---|---|---|
| NCI percentage | 21.29% | 21.29% | 30.46% | 30.46% |
| **Total Assets** | 3,082,943,116 | 342,118,257 | 8,364,874,975 | 359,404,592 |
| **Total Liabilities** | 931,058,649 | 237,097,586 | 1,359,392,478 | 9,252,321 |
| Net Assets | 2,151,884,467 | 105,020,671 | 7,005,482,497 | 350,152,271 |
| Net Assets attributable to NCI | 458,073,927 | 22,355,862 | 2,134,188,397 | 106,672,298 |
| Revenue | 525,021,273 | 118,619,939 | 703,479,627 | - |
| Profit/(Loss) | (22,335,042) | (31,115,486) | 175,443,333 | (146,013) |
| OCI | (1,155,463) | (27,388) | 37,368 | - |
| **Total Comprehensive Income** | (23,490,505) | (31,142,874) | 175,480,701 | (146,013) |
| Profit attributable to NCI | (4,754,484) | (6,623,586) | 53,448,014 | (44,482) |
| OCI attributable to NCI | (245,965) | (5,830) | 11,384 | - |
| Cash flows from operating activities | (13,282,219) | 35,254,548 | 120,271,818 | 3,777,492 |
| Cash flows from investment activities | (24,493,673) | (750,991) | 6,357,680 | - |
| Cash flows from financing activities | (160,798,142) | (35,520,000) | (132,487,507) | - |
| Net increase (decrease) in cash and cash equivalents | (198,574,034) | (1,016,444) | (5,858,010) | 3,777,492 |
| Dividends paid to NCI during the year | | - | (17,590,652) | - |

| As at 31st March 2018, | United Hotels Co. Ltd Rs. | Tissa Resort (Pvt) Ltd Rs. | Handhuvaru Ocean Holidays (Pvt) Ltd Rs. | Handhuvaru Ocean (Pvt) Ltd Rs. | Kandy Hotels Co.(1938) PLC Rs. | Suisse Hotel (Pvt) Ltd 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 | 8,318,668,855 | 361,385,238 |
| **Total Liabilities** | 934,253,410 | 226,873,660 | 237,786,735 | 642,304,123 | 1,426,200,295 | 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 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 | 322,788,050 | 117,762,747 | 184,344,479 | (98,254) |
| Cash flows from investment activities | (854,405,959) | (1,324,263) | (54,431,749) | (132,163,272) | (854,405,959) | - |
| Cash flows from financing activities | 542,212,500 | (40,620,000) | - | - | 542,212,500 | - |
| Net increase (decrease) in cash and cash equivalents | (293,848,980) | 2,366,768 | 268,356,301 | (14,400,526) | (127,848,981) | (98,254) |
| Dividends paid to NCI during the year | | | | | (17,590,652) | |

## 17.6 Investment in equity accounted investees

### 17.6.1 Principal joint venture

As at 31st March 2019,

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

| Company and Country of Incorporation/Operation | Principal Activities | Class of Shares Held | 2019 Proportion held by the Company | 2019 Group Interest (%) | 2018 Proportion of class held by the Company | 2018 Group Interest (%) |
|---|---|---|---|---|---|---|
| **Sri Lanka** | | | | | | |
| Suisse Hotel Kandy (Pvt) Limited | Hotel Services | Ordinary | - | 35% | - | 35% |
| Ceylon Holiday Holdings (Pvt) Limited | Hotel Services | Ordinary | 50% | 50% | 50% | 50% |
| **Maldives** | | | | | | |
| Handuwaru Ocean Holidays (Pvt) Ltd | Hotel Services | Ordinary | - | 39% | - | - |

### 17.6.2 Share of gain/(loss) of equity accounted investees (net of tax)

| As at 31st March, | Handuwaru Ocean Holidays (Pvt) Ltd 2019 Rs. | Suisse Hotel Kandy (Pvt) Limited 2019 Rs. | Suisse Hotel Kandy (Pvt) Limited 2018 Rs. | Ceylon Holidays Holdings (Pvt) Limited 2019 Rs. | Ceylon Holidays Holdings (Pvt) Limited 2018 Rs. | Total 2019 Rs. | Total 2018 Rs. |
|---|---|---|---|---|---|---|---|
| No of shares | 2,294,535 | 142,130,001 | 142,130,001 | 198,800,129 | 198,800,129 | | |
| Share holding | 39% | 34.8% | 34.8% | 50% | 50% | | |
| Opening balance | | 330,561,230 | 282,978,374 | 128,986,821 | 127,764,843 | 459,548,050 | 410,743,217 |
| During the year investment | *668,227,731 | - | - | 35,527,850 | 27,781,221 | 703,755,581 | 27,781,221 |
| **Operating profit/(losses) for the year** | (94,428,073) | (49,672,271) | 29,883,647 | (29,310,098) | (26,559,243) | (173,795,083) | 3,324,404 |
| Other comprehensive income net of tax | 39,110,902 | (142,984) | 17,699,209 | 47,277 | - | 39,015,195 | 17,699,209 |
| | 612,910,560 | 280,361,334 | 330,561,230 | 135,251,850 | 128,986,821 | 1,028,523,742 | 459,548,050 |
| **Share of joint venture's Balance sheet** | | | | | | | |
| Current asset | 173,659,280 | 64,006,163 | 67,383,551 | 92,228,531 | 50,851,635 | 329,893,974 | 118,235,186 |
| Non current asset | 390,926,981 | 888,256,022 | 920,690,083 | 256,330,121 | 180,147,513 | 1,535,513,124 | 1,100,837,595 |
| Current liabilities | (1,153,791) | (137,002,548) | (165,351,435) | (118,594,069) | (56,783,410) | (256,750,408) | (222,134,845) |
| Non current liabilities | (217,332,029) | (534,898,303) | (492,160,969) | (94,712,734) | (45,228,918) | (846,943,066) | (537,389,886) |
| Group's share of net assets | 346,100,441 | 280,361,334 | 330,561,230 | 135,251,850 | 128,986,821 | 761,713,623 | 459,548,050 |
| Goodwill | 266,810,119 | - | - | - | - | 266,810,119 | - |
| Share of net asset attributable to equity accounted investee | 612,910,560 | 280,361,334 | 330,561,230 | 135,251,850 | 128,986,821 | 1,028,523,742 | 459,548,050 |
| **Share of joint venture's revenue and loss** | | | | | | | |
| Revenue | - | 280,728,166 | 289,751,643 | 73,378,510 | 74,927,651 | 354,106,676 | 364,679,294 |
| Profit/(loss) before income tax | (94,428,073) | (49,672,271) | 29,883,647 | (29,310,098) | (26,513,006) | (173,795,083) | 3,370,641 |
| Income tax | - | - | - | - | (46,237) | - | (46,237) |
| **Profit/(loss) after tax** | (94,428,073) | (49,672,271) | 29,883,647 | (29,310,098) | (26,559,243) | (173,795,083) | 3,324,404 |
| **Other comprehensive income net of tax** | 39,110,902 | (142,984) | 17,699,209 | 47,277 | | 39,015,195 | 17,699,209 |
| Total comprehensive income for the year | (55,317,171) | (49,672,271) | 47,582,856 | (29,262,821) | (26,559,243) | (134,779,888) | 21,023,613 |
| Retained earnings at the beginning | - | 1,390,317 | (46,192,540) | 3,656,668 | 30,215,911 | 5,046,985 | (15,976,629) |
| Retained earnings at the end | (55,317,171) | (48,809,579) | 1,390,317 | (25,606,154) | 3,656,668 | (129,732,904) | 5,046,984 |

* Please refer Note 17.3.2

**17.6.2 Suisse Hotel Kandy (Pvt) Ltd**

The share of loss recorded during the year under review was primarily due to foreign currency translation losses amounted to Rs. 138.82 Mn (on its US$ denominated borrowings) arising from the significant depreciation of the rupee during the third quarter of the financial year.

**Ceylon Holidays Holdings (Pvt) Ltd**

The performance of the company was impacted due to the closure of the hotel properties in Ella and Weligama which were upgraded during the financial year.

**17.6.3 Investments in joint venture**

| As at 31st March, | Company 2019 Rs. | Company 2018 Rs. |
|---|---|---|
| **Ceylon Holiday Holdings (Pvt) Limited** | | |
| Opening balance as at 31st March | 329,497,174 | 302,787,887 |
| During the year investment | - | 27,781,221 |
| Fair Value Loss | - | (1,071,934) |
| **Closing balance as at 31st March** | 329,497,174 | 329,497,174 |

**17.6.3.1 Valuation technique and significant unobservable inputs**

Following table shows the valuation technique used in measuring level 3 fair value of the Investment in Joint Venture and as well as the significant unobservable inputs used, including a sensitivity analysis on possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, on Other comprehensive income.

| Valuation Technique | Significant unobservable inputs | Inter relationship between significant unobservable inputs and fair value measurement | OCI Increase/ (Decrease) (Rs.) |
|---|---|---|---|
| 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/ (9,476,467) |
| | 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) |

## 18 INVESTMENT PROPERTY

| As at 31st March, | Group 2019 Rs. | Group 2018 Rs. | Company 2019 Rs. | Company 2018 Rs. |
|---|---|---|---|---|
| Opening Balance | - | - | 156,564,998 | 156,564,998 |
| Change in Fair Value | - | - | (9,805,000) | - |
| **Closing Balance** | - | - | 146,759,998 | 156,564,998 |

| | As at 31st March, | Company 2019 Building | 2019 Other Assets | 2019 Total | 2018 Building | 2018 Other Assets | 2018 Total |
|---|---|---|---|---|---|---|---|
| 18.1 | Balance as at 1st April 2018 | 85,534,999 | 71,029,999 | 156,564,998 | 85,534,999 | 71,029,999 | 156,564,998 |
| | Change in fair value | - | (9,805,000) | (9,805,000) | - | - | - |
| | Balance as at 31st March 2019 | 85,534,999 | 61,224,999 | 146,759,998 | 85,534,999 | 71,029,999 | 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.

18.1.2 Rental income earned from Investment Property by the Company amounted to Rs. 4,696,950/- (2017/2018 Rs. 4,652,700).

18.1.3 Direct operating expenses incurred with regard to investment property by the company amounted to Rs. 149,305/- (2017/2018 - 166,120/-)

18.1.4 Fair value of the Investment property was ascertained by an independent valuation carried out by S. Sivaskantha, Fellow Member of Institute of Valuation of Sri Lanka was as at 31st March 2019. Accordingly a fair value loss of Rs. 9,805,000 was recognised during the year.

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 2019.

| Location | Property | Valuation technique | Property valuer & Qualification | Significant unobservable inputs | Sensitivity of the input to the fair value |
|---|---|---|---|---|---|
| EKHO 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 |
|---|---|---|---|
| **EKHO Lake House**<br>Land is situated on border of "Parakrama Samudrya" | Buildings area-<br>15,344 sq.ft | Investment property | Property, plant and equipment |
| **The Heritage Ambepussa**<br>Land is situated on 58 Km from Colombo in Kandy - Colombo A 1 Main Road | Buildings area-<br>22,259 sq.ft | Investment property | Property, plant and equipment |

## 19 DEFERRED CONVERSION FEE

| For the Year Ended 31 March, | Group 2019 Rs. | Group 2018 Rs. | Company 2019 Rs. | Company 2018 Rs. |
|---|---|---|---|---|
| **Gross carrying amount at cost** | | | | |
| Conversion fees on the operating lease (note 19.1) | 177,446,233 | 194,778,745 | - | - |
| Accumulated amortization | - | (17,332,512) | - | - |
| Charge to statement of comprehensive income | (1,931,779) | - | - | - |
| Transferred subsequent to derecognition as subsidiary | (175,514,454) | - | - | - |
| Net book value | - | 177,446,233 | - | - |

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

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

## 20 INVENTORIES

| For the Year Ended 31 March, | Group 2019 Rs. | Group 2018 Rs. | Company 2019 Rs. | Company 2018 Rs. |
|---|---|---|---|---|
| Food | 18,644,602 | 11,729,469 | - | - |
| Beverages | 6,406,717 | 8,246,228 | - | - |
| Crockery, linen and glassware | 51,520,407 | 42,473,122 | - | - |
| Sundry stock | 12,235,060 | 19,506,568 | - | - |
| | 88,806,786 | 81,955,387 | - | - |
| Provision for slow moving stocks | (68,059) | (64,973) | - | - |
| | 88,738,727 | 81,890,414 | - | - |

## 21 TRADE & OTHER RECEIVABLES

| For the Year Ended 31 March, | Group 2019 Rs. | Group 2018 Rs. | Company 2019 Rs. | Company 2018 Rs. |
|---|---|---|---|---|
| Trade receivables (21.1) | 197,455,960 | 228,216,511 | - | - |
| Other receivables (21.2) | 81,019,168 | 119,814,122 | 9,712,483 | 5,153,997 |
| | 278,475,168 | 348,030,633 | 9,712,483 | 5,153,997 |

### 21.1 Trade receivables

| | Group 2019 Rs. | Group 2018 Rs. | Company 2019 Rs. | Company 2018 Rs. |
|---|---|---|---|---|
| Trade receivable | 201,432,696 | 228,216,511 | - | - |
| Less: Provision for bad & doubtful debts on the adoption of SLFRS 9 | (3,976,736) | - | - | - |
| | 197,455,960 | 228,216,511 | - | - |

| For the Year Ended 31 March, | Group 2019 Rs. | Group 2018 Rs. | Company 2019 Rs. | Company 2018 Rs. |
|---|---|---|---|---|
| **21.2 Other receivables** | | | | |
| Advances and deposits | 38,904,284 | 92,288,393 | - | - |
| Others | 45,986,309 | 31,247,154 | 9,712,483 | 5,153,997 |
| **Less:** Provision for bad & doubtful debts | (3,871,425) | (3,721,425) | - | - |
| | 81,019,168 | 119,814,122 | 9,712,483 | 5,153,997 |

## 22 AMOUNTS DUE FROM RELATED COMPANIES

| For the Year Ended 31 March, | Group 2019 Rs. | Group 2018 Rs. | Company 2019 Rs. | Company 2018 Rs. |
|---|---|---|---|---|
| United Hotels Co. Ltd | - | - | 39,714,935 | 76,257,692 |
| The Galle Face Hotel Co Ltd | - | 14,547,207 | - | - |
| CHC Foods (Pvt) Ltd | - | - | 10,198,786 | 11,507,774 |
| Tissa Resort (Pvt) Ltd | - | - | 37,850,830 | 22,862,418 |
| CHC Rest Houses (Pvt) Ltd | 31,197,133 | 33,622,956 | 30,536,094 | 33,291,397 |
| Ceylon Holiday Holdings (pvt) Ltd | 1,374,894 | 1,463,561 | 36,902,744 | 1,463,561 |
| Ceylon Hotels Holdings (Pvt) Ltd | 378,858,887 | 198,992,853 | 243,140,796 | 198,992,853 |
| **Less:** Provision for amounts due from related companies | - | - | (9,573,987) | - |
| | 411,430,914 | 248,626,577 | 388,770,198 | 344,375,695 |

## 23 ADVANCES PENDING CAPITALISATION

| | Group 2019 Rs. | Group 2018 Rs. | Company 2019 Rs. | Company 2018 Rs. |
|---|---|---|---|---|
| Handhuvaru Ocean Holidays pvt Ltd | 269,955,309 | - | - | - |
| | 269,955,309 | - | - | - |

## 24 INCOME TAX RECOVERABLE

| For the Year Ended 31 March, | Group 2019 Rs. | Group 2018 Rs. | Company 2019 Rs. | Company 2018 Rs. |
|---|---|---|---|---|
| Balance at the beginning of the period | 1,286,586 | 521,865 | - | - |
| Over Provision for the period | 69,719 | - | - | - |
| Write offs during the period | - | (68,680) | - | - |
| Payment made during the period | - | 833,401 | - | - |
| Balance at the end of the period | 1,356,305 | 1,286,586 | - | - |

## 25 ASSETS HELD FOR SALE

| For the Year Ended 31 March, | Group 2019 Rs. | Group 2018 Rs. | Company 2019 Rs. | Company 2018 Rs. |
|---|---|---|---|---|
| Balance at the beginning of the period | 86,178,102 | 86,178,102 | 86,178,102 | 86,178,102 |
| Balance at the end of the period | 86,178,102 | 86,178,102 | 86,178,102 | 86,178,102 |

25.1 Company has classified land and buildings located in Weligama, Medawachchiya & Mihintale as financial assets valued at FVOCI 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.

## 26 CASH & CASH EQUIVALENTS

| For the Year Ended 31 March, | Group 2019 Rs. | Group 2018 Rs. | Company 2019 Rs. | Company 2018 Rs. |
|---|---|---|---|---|
| Cash at banks | 826,382,588 | 317,029,094 | 23,620 | 1,620,639 |
| Cash in hand | 5,816,921 | 7,479,353 | - | - |
| | 832,199,509 | 324,508,447 | 23,620 | 1,620,639 |
| Bank Overdrafts | (621,115,013) | (236,458,660) | (806,070) | (31,046) |
| Cash & cash equivalents for cash flow purpose | 211,084,496 | 88,049,787 | (782,450) | 1,589,593 |

## 27 STATED CAPITAL

| For the Year Ended 31 March, | Group 2019 Rs. | Group 2018 Rs. | Company 2019 Rs. | Company 2018 Rs. |
|---|---|---|---|---|
| Ordinary shares ( 180,030,942) | 360,210,821 | 360,210,821 | 360,210,821 | 360,210,821 |
| 6% Preference shares (1,200,000 Shares) | 2,400,000 | 2,400,000 | 2,400,000 | 2,400,000 |
| | 362,610,821 | 362,610,821 | 362,610,821 | 362,610,821 |

27.1 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.

27.2 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.

## 28 RESERVES

| For the Year Ended 31 March, | Group 2019 Rs. | Group 2018 Rs. | Company 2019 Rs. | Company 2018 Rs. |
|---|---|---|---|---|
| Revaluation reserve | 4,439,040,030 | 4,508,269,722 | - | - |
| Capital reserve | 8,128,011 | 8,128,011 | 8,128,011 | 8,128,011 |
| FVOCI reserve | - | - | 204,167,021 | 204,167,021 |
| Foreign Currency Equalization Reserve | 30,785,323 | 10,776,427 | - | - |
| General reserve | 167,079,660 | 167,079,660 | 166,718,393 | 166,718,393 |
| | 4,645,033,024 | 4,694,253,820 | 379,013,425 | 379,013,425 |

### 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 FVOCI Reserve

The fair value through other comprehensive income reserve comprises the cumulative net change in the fair value of financial assets valued at fair value through OCI until the assets are derecognized or impaired.

### 28.4 Foreign Currency Equlization Reserve

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

### 28.5 General reserve

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

## 29 INTEREST BEARING BORROWINGS

| For the Year Ended 31 March, | Group 2019 Rs. | Group 2018 Rs. | Company 2019 Rs. | Company 2018 Rs. |
|---|---|---|---|---|
| **Analysis of interest bearing borrowings** | | | | |
| Balance at the beginning of the year | 1,342,188,785 | 875,176,349 | - | - |
| Obtained during the year | 51,736,890 | 655,000,000 | - | - |
| Exchange loss | 10,316,246 | 2,440,155 | - | - |
| Repayments during the year | (322,475,033) | (190,427,719) | - | - |
| Balance at the end of the period | 1,081,766,888 | 1,342,188,785 | - | - |
| **Payable after one year** | 1,081,766,888 | 1,078,959,566 | - | - |
| **Payable within one year** | - | 263,229,219 | - | - |

### 29.1 Capital Moratorium on Term Loans

Companies of the Group received a capital and interest moratorium (from April 2019 to March 2020) on the existing term loans and overdrafts in accordance with the financial relief package announced by the Government to the Tourism industry, in the aftermath of the 21st April 2019 terror attacks.

Accordingly there will be no capital repayment due within the next 12 months period from April 2019 to March 2020 on all term loans of the Group and statement of financial position have been reclassified to reflect the same.

### 29.2 Interest bearing borrowing

| Financial institution | Repayment terms | Principal (Rs) | Rate | Security | Closing balance as at 31st March 2019 |
|---|---|---|---|---|---|
| **Tissa Resort (Pvt) Ltd** | | | | | |
| Commercial Bank of Ceylon PLC (Term Loan) | 21 equal monthly installments of Rs. 2.55 Mn commence from April 2020. | 216,500,000 | 1% +AWPLR* | Leasehold rights over the "The Safari"property. | 63,520,000 |
| Commercial Bank of Ceylon PLC (Term Loan) | 24 equal monthly installements of Rs 0.835 Mn and Final installement of Rs 0.735 Mn commence from April 2020. | 50,000,000 | 2.5% + AWPLR | Leasehold rights over the "The Safari" property. | 29,960,000 |
| **United Hotels Co. Ltd** | | | | | |
| Commercial Bank of Ceylon PLC (Term Loan) | 47 equal monthly installements of Rs 1.25 Mn commence from April 2020. | 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 "EKHO Lake House" Polonnaruwa. | 61,250,000 |
| Cargills Bank Limited (Term Loan) | 78 equal monthly installements of USD 3,731 commence from April 2020. | 51,736,890 (USD 291,000) | 6 months LIBOR + 4.1% | Leasehold rights over the "EKHO Surf" property. Corporate guarantee from Ceylon Hotels Corporation PLC for Rs 295 Mn. | 51,736,889 |
| Cargills Bank Limited (Term Loan) | 60 equal monthly installments of Rs. 5.83 Mn commence from April 2020 | 350,000,000 | 3%+ AWPLR* | Corporate guarantee from Ceylon Hotels Corporation PLC for Rs. 350 Mn. | 350,000,000 |
| **The Kandy Hotels Co (1938) PLC** | | | | | |
| Sampath Bank PLC (Term Loan) | Capital Repayment of 61 equal monthly installments of Rs 8,300,000 and final installment of Rs. 10,700,000 to be commenced from April 2020. | 600,000,000 | 2% + AWPLR | Share Certificates of United Hotels Co. Ltd (48,000,000 no. shares) and Corporate Guarantee from Ceylon Hotels Corporation PLC for Rs. 600 Mn. | 525,299,999 |
| Total Group | | | | | 1,081,766,888 |

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

## 30 EMPLOYEE BENEFITS

| For the Year Ended 31 March, | Group 2019 Rs. | Group 2018 Rs. | Company 2019 Rs. | Company 2018 Rs. |
|---|---|---|---|---|
| At the beginning of the year | 16,540,858 | 15,703,325 | 6,534,996 | 6,243,085 |
| Current service cost | 2,349,110 | 2,254,559 | 528,251 | 532,184 |
| Interest cost on benefit obligation | 1,819,494 | 1,962,915 | 718,849 | 780,385 |
| Payments made during the year | (2,942,453) | (2,224,297) | (291,509) | (1,168,955) |
| Acturial (Gain)/Losses | 502,705 | (1,155,644) | (490,195) | 148,297 |
| **At the end of the year** | 18,269,714 | 16,540,858 | 7,000,392 | 6,534,996 |

**a) The amounts recognised in the Balance Sheet are as follows.**

| | | | | |
|---|---|---|---|---|
| Present value of the unfunded obligations | 18,269,714 | 16,540,858 | 7,000,392 | 6,534,996 |
| Recognised liability for defined benefit obligations | 18,269,714 | 16,540,858 | 7,000,392 | 6,534,996 |

**b) Net benefit expense**

| | | | | |
|---|---|---|---|---|
| **Included in profit or loss** | | | | |
| Interest cost | 1,819,494 | 1,962,915 | 718,849 | 780,385 |
| Current service cost | 2,349,110 | 2,254,559 | 528,251 | 532,184 |
| | 4,168,604 | 4,217,474 | 1,247,100 | 1,312,569 |
| **Included in other comprehensive income** | | | | |
| Actuarial Losses/(Gains) on Obligations | 502,705 | (1,155,644) | (490,195) | 148,297 |
| | 502,705 | (1,155,644) | (490,195) | 148,297 |
| Net benefit expense | 4,671,309 | 3,061,830 | 756,905 | 1,460,866 |

**c)** Gratuity liability is based on the actuarial valuation carried out by Messrs. Actuarial and Management Consultants (Private) Limited, Actuaries, on 31 March 2019.

Principal actuarial assumptions used for the Group and the Company are as follows :

| For the Year Ended 31 March, | Group % Per Annum 2019 Rs. | Group 2018 Rs. | Company % Per Annum 2019 Rs. | Company 2018 Rs. |
|---|---|---|---|---|
| a) Discount Rate | 11.00% | 11% | 11% | 11.0% |
| b) Salary Increase | 8% - 10% | 10% | 8% | 10% |

**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 acturial assumptions, holding other assumptions constant, would affect the defined benefit obligation by the amounts shown below.

| For the Year Ended 31 March, | Company 2019 Rs. | Company 2018 Rs. |
|---|---|---|
| Discount Rate - (1% Increase) | (6,735,109) | (11,107,518) |
| Discount Rate - (1% decrease) | 7,288,120 | 11,872,500 |
| Salary Increment Rate - (1% Increase) | 7,288,141 | 11,857,848 |
| Salary Increment Rate - (1% decrease) | (6,731,194) | (11,101,984) |

## 31 LEASE RENT EQUALISATION ACCOUNT

| | Group | | Company | |
|---|---|---|---|---|
| For the Year Ended 31 March, | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| Balance as at 01st April | 69,015,776 | 52,877,003 | - | - |
| Charge to P & L | 15,061,563 | 15,021,333 | - | - |
| Transferred to Handhuvaru Ocean Holidays (Pvt) Ltd | (84,077,339) | - | - | - |
| Transferred from Handhuvaru Ocean (Pvt) Ltd | 84,077,339 | - | - | - |
| Charged to the Capital Work in Progress | 3,764,712 | - | - | - |
| Effect of movement in Exchange rates | - | 1,117,440 | - | - |
| Transferred subsequent to derecognition as subsidiary | (87,842,051) | - | - | - |
| Balance as at 31st March | - | 69,015,776 | - | - |

31.1 On 20 August 2013, the lease hold rights of the island of Ambaraa in vaavu atoll held by Handhuvaru Ocean Holidays (Pvt) Ltd has been assigned to Handhuvaru Ocean (Pvt) Ltd for period of 50 years commencing from 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.

## 32 NON-INTEREST- BEARING BORROWINGS

| | Group | | Company | |
|---|---|---|---|---|
| As at 31st March, | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| Treasury Loan | - | 1,802,200 | - | 1,522,200 |
| | - | 1,802,200 | - | 1,522,200 |
| Payable after one year | - | - | - | - |
| Payable within one year | - | 1,802,200 | - | 1,522,200 |

## 33 DEFERRED TAX LIABILITIES

| | Group | | Company | |
|---|---|---|---|---|
| As at 31st March, | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| Balance at the beginning of the period | 630,155,900 | 263,251,105 | - | - |
| Origination/(Reversal) of temporary differences- P & L | (8,247,867) | (6,558,706) | - | - |
| Origination/(Reversal) of temporary differences- OCI | (120,116) | 373,463,501 | - | - |
| **Balance at the end of the period** | 621,787,917 | 630,155,900 | - | - |

### 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 during 2017/18.

33.2 The inland revenue act No 24 of 2017 affects a tax rate of 14% (previously 12%) for the tourism industry. The tax rate will be applicable to all subsidiary companies other than 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 2019.

### 33.3 Temporary Differences

| | Group | | Company | |
|---|---|---|---|---|
| For the Year Ended 31 March, | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| On property plant and equipment | 5,020,929,588 | 5,059,760,359 | - | - |
| On retirement benefit obligation | (10,385,503) | (10,865,502) | - | - |
| On carried forward tax losses | (569,201,810) | (547,781,286) | - | - |
| | 4,441,342,275 | 4,501,113,572 | - | - |
| Balance at the end of the period | 621,787,917 | 630,155,900 | | - |

### 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.

| | Group | | | | Company | | | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | | 2018 | | 2019 | | 2018 | |
| | Temporary Differences | Tax Effect | Temporary Differences | Tax Effect | Temporary Differences | Tax Effect | Temporary Differences | Tax Effect |
| On property plant and equipment | 14,881,708 | (247,755) | (23,066,682) | (6,458,671) | (16,651,387) | (4,662,388) | (23,066,682) | (6,458,671) |
| On retirement benefit obligation | (8,576,061) | (2,180,704) | (6,534,995) | (1,829,799) | (7,000,392) | (1,960,110) | (6,534,995) | (1,829,799) |
| On carried forward tax losses | (771,068,072) | (196,362,258) | (581,424,799) | (159,209,285) | (631,519,487) | (176,825,456) | (551,831,882) | (154,512,927) |
| | (764,762,425) | (198,790,717) | (611,026,476) | (167,497,755) | (655,171,266) | (183,447,954) | (581,433,559) | (162,801,396) |

Deferred Tax Asset amounting to 198.790,717/- (2018 - 167,497,755/-) 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.

## 34 TRADE & OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| As at 31st March, | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| Accounts payable | 92,091,065 | 76,471,981 | 225,719 | 193,450 |
| Accrued expenses | 43,757,446 | 48,680,193 | 2,381,886 | 2,440,817 |
| Accrued rent | 21,601,922 | 21,493,799 | - | - |
| Other payables | 135,223,471 | 126,464,322 | 6,601,323 | 6,545,473 |
| | 292,673,904 | 273,110,295 | 9,208,928 | 9,179,740 |

According to SLFRS 15, advances received from customers on future bookings have been reclassified from the trade payables and presented separately as "Contract Liabilities" in the statement of financial position. Accordingly, advances amounting to Rs. 4,331,405/- have been separately presented in the statement of financial position.

## 35 AMOUNTS DUE TO RELATED COMPANIES

| | Group | | Company | |
|---|---|---|---|---|
| As at 31st March, | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| GFH Management Co (Pvt) Ltd | 24,617,904 | 68,113,721 | - | 2,356,519 |
| The Galle Face Hotel Co Ltd | 4,150,000 | 2,862,471 | 4,150,000 | - |
| Airline Services (Pvt) Ltd | - | - | 480,941 | 480,941 |
| CHC Rest House (Pvt) Ltd | 86,758,537 | 86,178,102 | 86,178,102 | 86,178,102 |
| Suisse Hotel (Pvt) Ltd | - | 11,000,000 | - | - |
| Suisse Hotel Kandy (Pvt) Ltd | 9,113,954 | - | - | - |
| The Kandy Hotels Company (1938) PLC | - | - | 47,198,987 | - |
| Handhuvaru Ocean Holidays Private Limited | 9,297,034 | - | - | - |
| | 133,937,429 | 168,154,294 | 138,008,030 | 89,015,562 |

### 35.1 Related Party Interest-bearing-borrowings

| | Group | | Company | |
|---|---|---|---|---|
| As at 31st March, | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| The Kandy Hotels Co. (1938) PLC | - | - | 865,751,036 | 830,525,716 |
| | - | - | 865,751,036 | 830,525,716 |

### 35.2

Related party Interest bearing borrowings are at pre-determined interest rates and terms which disclosed in Note 39.1.2.

## 36 INCOME TAX PAYABLE

| | Group | | Company | |
|---|---|---|---|---|
| For the Year Ended 31 March, | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| Balance as at 01 April | 14,668,078 | 21,755,990 | 1,582,375 | 120,941 |
| Provision for the year | 35,192,448 | 44,533,033 | - | 2,055,300 |
| Over provision in respect of previous year | (275) | (544,544) | (1,569,072) | (472,309) |
| WHT & ESC recoverable | - | (1,685,240) | - | - |
| Payment made during the year | (41,452,596) | (49,391,161) | - | (121,557) |
| **Balance at the end of the period** | 8,407,655 | 14,668,078 | 13,303 | 1,582,375 |

## 37 CONTINGENT LIABILITIES

### 37.1 Company

**Corporate Guarantees**

The Company has issued following Corporate Guarantees on behalf of subsidiaries.

| Subsidiary | In favour of | Amount (Rs'000) |
|---|---|---|
| The Kandy Hotels Co (1938) PLC | Sampath Bank PLC | 600,000 |
| The Kandy Hotels Co (1938) PLC | Commercial Bank PLC | 100,000 |
| United Hotels Co Ltd | Commercial Bank PLC | 75,000 |
| United Hotels Co Ltd | Cargills Bank Ltd | 640,000 |

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

i) Arbitration Case involving 26 employees - A 3655
ii) Appeals filed against the High Court in respect of termination of employment (Pending Proceedings) - HC/ALT/81/2017 and HC/ALT/79/2017

### 37.2 Group

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

The Group 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 2019.

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

| Name | Nature | Case No. |
|---|---|---|
| H.M . Dingiri Menike | Tenant | RE 2645 |
| Tourist Shopping Centre | Tenant | DSP/00014/19 |

**37.2.2. Pending litigations - United Hotels Co. Ltd**

| Name | Nature | Case No. |
|---|---|---|
| D.K. Fernando | Labour | LT/4/G/146/2018 |

**37.2.3. Pending litigations - Tissa Resort (Pvt) Ltd**

| Name | Nature | Case No. |
|---|---|---|
| Matara Labour | Labour | LT/M/26/105/18 |

## 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 other than Note 29.1 in the Financial statements.

## 39 RELATED PARTY TRANSACTIONS

### 39.1 Recurrent related party transactions

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.

Refer Note 22 and 35 for outstanding balances at the year end and following denotes the transactions during the year.

| Company Name | Nature of Relationship | Name of the Director | Nature of Transaction | Note | Year ended 31.03.2019 Rs. | Year ended 31.03.2018 Rs. |
|---|---|---|---|---|---|---|
| The Kandy Hotels Company (1938) PLC | Subsidiary | Mr. Sanjeev Gardiner | Expenses paid by CHC on behalf of KHCL | A | 123,327 | 91,690 |
| | | Mr. Lakshman Samarasinghe | **Intercompany borrowings:** | | | |
| | | Mr. Priyantha Maddumage | Advance from KHCL | 39.1.2 | (9,229,171) | (212,150,000) |
| | | | Interest expenses on loan given from KHCL | 39.1.2 | (73,318,463) | (68,575,520) |
| United Hotels Company Ltd | Subsidiary | Mr. Sanjeev Gardiner | Expenses paid by CHC on behalf of UHCL | A | (2,922,489) | (1,492,197) |
| | | Mr. Priyantha Maddumage | Rent Income | C | 2,837,250 | 2,793,000 |
| | | Mr. Mangala Boyagoda | Temporary advance from CHC TO UHCL | B | (450,000) | 96,400,000 |
| | | Mr. Lakshman Samarasinghe | Settlement of related party balance | | (36,007,518) | (117,499,824) |
| | | Mr .Kuwera De Soysa | Expenses paid by UHCL on behalf of CHC | A | - | (281,243) |
| CHC Foods (Pvt) Ltd | Subsidiary | Mr. Priyantha Maddumage | Settlement of expenses by CHC on behalf of CHC Foods | A | (831,592) | (1,502,100) |
| | | Mr. Lakshman Samarasinghe | Rent expenses | C | 1,859,700 | 1,859,700 |
| | | | Temporary advance to CHC Foods | B | 8,470,000 | 14,600,000 |
| | | | Settlement of related party balance | | (10,807,096) | (3,000,000) |
| Tissa Resort (Pvt) Ltd | Subsidiary | Mr. Priyantha Maddumage | Expenses paid by CHC on behalf of Tissa Resort | A | 6,300,440 | 280,597 |
| | | Mr. Lakshman Samarasinghe | Settlement of related party balance | | 4,687,972 | 38,500,000 |
| | | | Temporary advance to Tissa Resort | B | 4,000,000 | - |

| Company Name | Nature of Relationship | Name of the Director | Nature of Transaction | Note | Year ended 31.03.2019 Rs. | Year ended 31.03.2018 Rs. |
|---|---|---|---|---|---|---|
| CHC Rest Houses (Pvt) Ltd | Joint Venture | Mr. Priyantha Maddumage | Expenses paid by CHC RH on behalf of CHC | A | 505,303 | - |
| | | Mr. Lakshman Samarasinghe | Settlement of Related Party Balance | | (2,250,000) | (5,000,000) |
| Ceylon Holiday Holdings (Pvt) Ltd | Joint Venture | Mr. Lakshman Samarasinghe | Temporary advance to Ceylon Holiday Holdings (Pvt) Ltd | B | 35,439,183 | 27,819,732 |
| | | Mr. Priyantha Maddumage | Shares Invested In Ceylon Holiday Holdings (Pvt) Ltd | | - | (27,781,221) |
| Ceylon Hotels Holdings (Pvt) Ltd. | Parent | Mr. Sanjeev Gardiner | Temporary advance to Ceylon Hotels Holdings (Pvt) Ltd | 39.1.2 | 26,113,954 | 185,200,000 |
| | | Mr. Lakshman Samarasinghe | Interest Income loan given to Ceylon Hotels Holdings (Pvt) Ltd | 39.1.2 | 18,033,989 | 11,292,855 |
| | | Mr. Priyantha Maddumage | | | | |
| | | Mr. Ajith Lasantha Devasurendra | | | | |
| The Galle Face Hotel Co. Ltd | Ultimate Parent | Mr. Sanjeev Gardiner | Expenses paid by CHC on behalf of GFH Co. Ltd | A | - | 2,894 |
| | | Mr. Lakshman Samarasinghe | Temporary advance from GFH Co. Ltd | B | (4,150,000) | (2,200,000) |
| GFH Management Co (Pvt) Ltd | Affiliate | Mr. Sanjeev Gardiner | Settlement of Expenses paid by GFHM on behalf of CHC | A | 1,176,098 | 2,831,000 |
| | | Mr. Lakshman Samarasinghe | Settlement of Related party balance | | (3,532,617) | |
| | | Mr Priyantha Maddumage | | | | |

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

**Note A**

Transactions carried out in the ordinary course of business and charge at the face value of the expenses.

**Note B**

Temporary advances given in the ordinary course of business and no interest charge on the outstanding balances. Payable on demand and short term in nature.

**Note C**

These relates to the rental income on account of the investment properties detailed in Note 18. Transactions are carried out in the ordinary course of business and are at arm's length price.

**39.1.1 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, other than borrowings/lending disclosed in Note 39.1.2.

39.1.2 Terms and Conditions related to inter company borrowings/lendings

| Company | Party | Repayment | Interest Rate |
|---|---|---|---|
| Kandy Hotels Co. (1938) Ltd. | Lender | On demand | AWDR p.a. |
| Ceylon Hotel Corporation PLC | Borrower | On demand | AWDR p.a. |
| Ceylon Hotel Corporation PLC | Lender | On demand | AWDR p.a. |
| Ceylon Hotel Holdings (Pvt) Ltd. | Borrower | On demand | AWDR p.a. |

### 39.2 Recurrent transactions with related parties

There were no any recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31st March 2018 audited financial Statements, which required additional disclosures in the 2018/19 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13(c) of the Security Exchange Commission Act.

### 39.3 Non- recurrent transactions with related parties

There were no any non-recurrent related party transactions which aggregate value exceeds 10% of the equity or 5% of the total assets which ever is lower of the Company as per 31st March 2018 audited financial statements, which required additional disclosures in the 2018/19 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13(c ) of the Security Exchange Commission Act.

### 39.4 Compensation paid to key management personnel (KMP)

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.

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

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

## 40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

**Overview**

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

- Credit risk
- Liquidity risk
- Market risk

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

**Risk management framework**

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

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

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

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

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

### 40.2 Credit risk

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

**40.2.1 Credit risk exposure**

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

| | Group | | Company | |
|---|---|---|---|---|
| For the Year Ended 31 March, | 2019<br>Rs. | 2018<br>Rs. | 2019<br>Rs. | 2018<br>Rs. |
| Trade and other receivable | 278,475,168 | 348,030,632 | 9,712,483 | 5,153,997 |
| Amount due from related parties | 411,430,914 | 248,626,577 | 388,770,198 | 344,375,695 |
| Cash and cash equivalents | 832,199,509 | 324,508,447 | 23,620 | 1,620,639 |
| | 1,522,105,591 | 921,165,656 | 398,506,301 | 351,150,331 |

**40.2.2 Trade and other receivables**

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

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

**Impairment losses**

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

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

| | Group | | Company | |
|---|---|---|---|---|
| For the Year Ended 31 March, | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| **Neither past due nor impaired** | | | | |
| 01–29 days | 92,697,874 | 114,820,995 | - | - |
| 30–60 days | 66,802,782 | 72,918,802 | - | - |
| 61–90 days | 20,576,060 | 32,335,878 | - | - |
| 91–120 days | 11,642,751 | 4,435,609 | - | - |
| 121–180 days | 9,713,229 | 3,705,227 | - | - |
| | 201,432,696 | 228,216,511 | - | - |
| **Impaired** | | | | |
| **Gross carrying value** | | | | |
| Less: Impairment provision | | | | |
| Provision made with the adoption of SLFRS 9 | (3,976,736) | - | - | - |
| **Total** | 197,455,960 | 228,216,511 | - | - |

**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 operates with reputed banks with good credit standards. The Group held cash and cash equivalents of Rs. 832 Mn as at 31 March 2019 (2018 - Rs. 324 Mn).

## 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 for refurbishments and improvements to hotel assets 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.

**40.3.1 Net (debt)/cash**

| | Group | | Company | |
|---|---|---|---|---|
| For the Year Ended 31 March, | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| Cash in hand and at bank | 832,199,509 | 324,508,447 | 23,620 | 1,620,639 |
| **Total liquid assets** | 832,199,509 | 324,508,447 | 23,620 | 1,620,639 |
| Interest bearing loans and borrowings | 1,081,766,888 | 1,342,188,785 | - | - |
| Bank overdrafts | 621,115,013 | 236,458,660 | 806,070 | 31,046 |
| **Total liabilities** | 1,702,881,901 | 1,578,647,445 | 806,070 | 31,046 |
| **Net (debt)/cash** | (870,682,392) | (1,254,138,998) | (782,450) | 1,589,593 |

**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 2019 based on contractual undiscounted payments.

| Group | Within 1 year Rs. | Between 1-2 years Rs. | Between 2-3 years Rs. | More than 3 years Rs. | Total Rs. |
|---|---|---|---|---|---|
| Interest bearing borrowings | - | 269,106,667 | 626,652,444 | 186,007,777 | 1,081,766,888 |
| Trade and other payables | 292,673,904 | - | - | - | 292,673,904 |
| Amounts due to related parties | 133,937,429 | - | - | - | 133,937,429 |
| Bank overdrafts | 621,115,013 | - | - | - | 621,115,013 |

### 40.4 Market risk

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

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market prices comprise three types of risk:

- Interest rate risk
- Currency risk
- Price risk

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

The sensitivity analyses in the following sections relate to the position as at 31 March in 2019.

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

The sensitivity of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 March 2018 and 2019.

#### 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 Group'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 Group 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;

| | Group | | Company | |
|---|---|---|---|---|
| For the Year Ended 31 March, | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| Interest-bearing-borrowings - Non Current | 1,081,766,888 | 1,078,959,566 | - | - |
| Interest-bearing-borrowings - Current | - | 263,229,219 | - | - |
| Bank Overdraft | 621,115,013 | 236,458,660 | 806,070 | 31,046 |
| **Total debts** | 1,702,881,901 | 1,578,647,445 | 806,070 | 31,046 |
| **Total equity** | 8,632,318,776 | 8,517,042,679 | 849,536,685 | 894,371,137 |
| **Debt to Equity ratio (Times)** | 0.20 | 0.19 | 0.00 | 0.00 |

## 41 ACCOUNTING CLASSIFICATION AND FAIR VALUE

The following table shows the carrying amounts of financial assets and financial liabilities by category as defined in SLFRS 9- Financial Instruments, including their levels in the fair value hierarchy. The carrying value approximates the fair value of these balances.

Group

| 2019 | Amortized cost | Total |
|---|---|---|
| **Financial assets measured at fair value** | | |
| Trade and other receivables | 278,475,168 | 278,475,168 |
| Amounts due from related companies | 411,430,914 | 411,430,914 |
| Cash at bank | 826,382,588 | 826,382,588 |
| | 1,516,288,670 | 1,516,288,670 |
| **Financial liabilities not measured at fair value** | | |
| Bank overdrafts | 621,115,013 | 621,115,013 |
| Trade payables | 92,091,065 | 92,091,065 |
| Interest bearing borrowings | 1,081,766,888 | 1,081,766,888 |
| Amounts due to related companies | 133,937,429 | 133,937,429 |
| | 1,928,910,395 | 1,928,910,395 |

| 2018 | Loans and receivables | Other Financial Liabilities | Total |
|---|---|---|---|
| **Financial assets measured at fair value** | | | |
| Trade and other receivables | 348,030,633 | - | 348,030,633 |
| Amounts due from related companies | 248,626,577 | - | 248,626,577 |
| Cash at bank | 317,029,094 | - | 317,029,094 |
| | 913,686,304 | - | 913,686,304 |
| **Financial liabilities not measured at fair value** | | | |
| Bank overdrafts | - | 236,458,660 | 236,458,660 |
| Trade payables | - | 76,471,981 | 76,471,981 |
| Interest bearing borrowings | - | 1,342,188,785 | 1,342,188,785 |
| Non interest bearing borrowings | - | 1,802,200 | 1,802,200 |
| Amounts due to related companies | - | 168,154,294 | 168,154,294 |
| | - | 1,825,075,920 | 1,825,075,920 |

Company

| 2019 | Fair Value through OCI | Amortized cost | Total |
|---|---|---|---|
| **Financial assets not measured at fair value** | | | |
| Trade and other receivables | - | 9,712,483 | 9,712,483 |
| Amounts due from related companies | - | 388,770,198 | 388,770,198 |
| Cash at bank | - | 23,620 | 23,620 |
| | 329,497,174 | 398,506,301 | 728,003,475 |
| **Financial liabilities not measured at fair value** | | | |
| Trade payables | - | 225,719 | 225,719 |
| Related party interest bearing borrowings | - | 865,751,036 | 865,751,036 |
| Amounts due to related companies | - | 138,008,030 | 138,008,030 |
| | - | 1,003,984,785 | 1,003,984,785 |

| 2018 | Loans and receivables | Available- for- sale | Other Financial Liabilities | Total |
|---|---|---|---|---|
| **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 at bank | 1,620,639 | - | - | 1,620,639 |
| | 351,150,331 | 329,497,174 | - | 680,647,505 |
| **Financial liabilities not measured at fair value** | | | | |
| Trade payables | - | - | 193,450 | 193,450 |
| 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 |
| | - | - | 921,256,928 | 921,256,928 |

## 42 NUMBER OF EMPLOYEES

The total number of employees of the company as at 31st March 2019 was 54. (31st March 2018 - 55)

## 43. INITIAL APPLICATION OF SLFRS 15 AND SLFRS 9

### 43.1 Impact on Adoption of New Standards

The Company and Group has initially applied SLFRS 15 (Note 43.1.1) and SLFRS 9 (Note 43.1.2) from 01st April 2018. A number of other standards are also effective from 01st April 2018 but they do not have a material effect on the Company and Group's financial statements.

Due to the transition methods chosen by the Company and Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

### 43.1.1 SLFRS 15 - Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced LKAS 18 Revenue, LKAS 11 Construction Contract and related interpretations. Under SLFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control - at a point in time or over time - requires judgement.

The Company and Group has adopted SLFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 01st April 2018). Accordingly, the information presented for 2017/18 has not been restated- i.e. it is presented, as previously reported, under LKAS 18, LKAS 11 and related interpretations. Additionally, the disclosure requirements in SLFRS 15 have not generally been applied to comparative information.

However based on the Impact Analysis carried out by the Board of Directors they are of the view that there won't be any changes to the existing revenue recognition criteria of the Company and Group. Therefore adopting SLFRS 15 does not have any impact on the Group's statement of financial position as at 31st March 2019 and its statement of profit or loss and OCI and statement of cash flows for the year then ended 31st March 2019.

### 43.1.2 SLFRS 09 - Financial Instruments

SLFRS 09 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The standard replaces LKAS 39 Financial Instruments: Recognition and Measurement.

SLFRS 9 contains three principle classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under SLFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SLFRS 9 eliminates the previous LKAS 39 categories of held to maturity, loans and receivables and available for sale. SLFRS 9 largely retains the existing requirements in LKAS 39 for the classification and measurement of financial liabilities.

#### 43.1.2.1 Impact of Adopting SLFRS 9 on Opening Balance

The following table summarises the impact, net of tax, of transition to SLFRS 9 on the opening balance of reserves and retained earnings.

| Retained Earnings | Impact to Opening Balance Rs. |
|---|---|
| Recognition of Expected Credit Losses under SLFRS 09 | 5,129,261 |
| | 5,129,261 |

43.1.2.2 Classification and measurement of financial assets and financial liabilities

The following table and the accompanying notes below explain the original measurement categories under LKAS 39 and the new measurement categories under SLFRS 9 for each class of the Company and Group's financial assets and financial liabilities as at 01st April 2018.

The effect of adopting SLFRS 9 on the carrying amounts of financial assets at 01st April 2018 relates solely to the new impairment requirements.

| | Original classification under LKAS 39 | New classification under SLFRS 9 | Original carrying amount under LKAS 39 | New carrying amount under SLFRS 9 |
|---|---|---|---|---|
| Group | | | | |
| Financial assets | | | | |
| Trade and other receivables | Loans and receivable | Amortised cost | 348,030,633 | 342,901,372 |
| Amounts due from related parties | Loans and receivable | Amortised cost | 248,626,577 | 248,626,577 |
| Cash at bank | Loans and receivable | Amortised cost | 317,029,094 | 317,029,094 |
| **Total Financial assets** | | | 913,686,304 | 908,557,043 |
| **Financial Liabilities** | | | | |
| Trade payables | Other financial liabilities | Other financial liabilities | 76,471,981 | 76,471,981 |
| Interest bearing borrowings | Other financial liabilities | Other financial liabilities | 1,342,188,785 | 1,342,188,785 |
| Amounts due to related companies | Other financial liabilities | Other financial liabilities | 168,154,294 | 168,154,294 |
| Bank overdrafts | Other financial liabilities | Other financial liabilities | 236,458,660 | 236,458,660 |
| **Total Financial liabilities** | | | 1,823,273,720 | 1,823,273,720 |
| Company | | | | |
| Financial assets | | | | |
| Trade and other receivables | Loans and receivable | Amortised cost | 5,153,997 | 5,153,997 |
| Amounts due from related parties | Loans and receivable | Amortised cost | 344,375,695 | 334,416,604 |
| Cash at bank | Loans and receivable | Amortised cost | 1,620,639 | 1,620,639 |
| **Total Financial assets** | | | 351,150,331 | 341,191,240 |
| **Financial Liabilities** | | | | |
| Trade payables | Other financial liabilities | Other financial liabilities | 193,450 | 193,450 |
| Related party interest bearing borrowings | Other financial liabilities | Other financial liabilities | 830,525,716 | 830,525,716 |
| Non interest bearing borrowings | Other financial liabilities | Other financial liabilities | 1,522,200 | 1,522,200 |
| Amounts due to related companies | Other financial liabilities | Other financial liabilities | 89,015,562 | 89,015,562 |
| **Total Financial liabilities** | | | 921,256,928 | 921,256,928 |

43.1.2.3 Trade and other receivables that were classified as loans and receivables under LKAS 39 are presently classified as amortised cost. And additional allowance for impairment over these Trade receivables in the Group was amounting to Rs. 5,129,261 recognised in opening retained earnings at 01st April 2018 on transition to SLFRS 09.

43.1.2.4 Amounts due from related parties that were classified as loans and receivables under LKAS 39 are presently classified as amortised cost. And additional allowance for impairment over these Amounts due from related parties in the company was amounting to Rs. 9,959,091 recognised in opening retained earnings at 01st April 2018 on transition to SLFRS 09.

43.1.2.5 Reconciliation of Carrying Amounts of Financial Assets under LKAS 39 to SLFRS 9

The following table reconciles the carrying amounts of financial assets under SLAS 39 to the carrying amounts under SLFRS 9 on transition to SLFRS 9 on 01st April 2018.

| | LKAS 39 Carrying amount at 31st March 2018 Rs. | Remeasurement Rs. | SLFRS 9 Carrying amount at 01st April 2018 Rs. |
|---|---|---|---|
| Group | | | |
| **Financial Assets** | | | |
| **Amortised Cost** | | | |
| Trade and other receivables | 348,030,633 | 5,129,261 | 342,901,372 |
| Amounts due from related parties | 248,626,577 | - | 248,626,577 |
| Cash at bank | 317,029,094 | - | 317,029,094 |
| **Total Amortised Cost** | 913,686,304 | 5,129,261 | 908,557,043 |
| Company | | | |
| **Financial Assets** | | | |
| **Amortised Cost** | | | |
| Trade and other receivables | 5,153,997 | - | 5,153,997 |
| Amounts due from related parties | 344,375,695 | 9,959,091 | 334,416,604 |
| Cash at bank | 1,620,639 | - | 1,620,639 |
| **Total Amortised Cost** | 351,150,331 | 9,959,091 | 341,191,240 |

43.1.2.6 Impairment of financial assets

SLFRS 9 replaces the 'incurred loss' model in LKAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost. Under SLFRS 9, credit losses are recognised earlier than under LKAS 39.

For assets in the scope of the SLFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Company has determined that the application of SLFRS 9's impairment requirements at 01st April 2018 results in an additional allowance for impairment as follows;

The following table summarises the impact, net of tax, of transition to SLFRS 09 on the opening balance of reserves and retained earnings

| | Amount Rs. |
|---|---|
| **Trade Debtors - In Group** | |
| **Loss Allowance at 31st March 2018 under LKAS 39** | |
| Additional Impairment Recognised at 01 April 2018 on Trade receivables as at 31st March 2018 | 5,129,261 |
| **Loss Allowance at 01st April 2018 under SLFRS 9** | 5,129,261 |
| **Amounts due from related parties - In Company** | |
| **Loss Allowance at 31st March 2018 under LKAS 39** | |
| Additional Impairment Recognised at 01 April 2018 on Related party Receivables as at 31st March 2018 | 9,959,091 |
| **Loss Allowance at 01st April 2018 under SLFRS 9** | 9,959,091 |

# INVESTOR INFORMATION

## ANALYSIS OF ORDINARY SHAREHOLDERS AS AT 31ST MARCH 2019

| Share Range | Resident | | | Non Resident | | | No. of Shares | Total Holding % |
|---|---|---|---|---|---|---|---|---|
| | No. of Shareholders | No. of Shares | Holding % | No. of Shareholders | No. of Shares | Holding % | | |
| 1 - 1,000 | 6,092 | 853,427 | 0.47 | 30 | 5,711 | 0.00 | 859,138 | 0.47 |
| 1,001- 5,000 | 560 | 1,076,544 | 0.60 | 5 | 6,716 | 0.00 | 1,083,260 | 0.60 |
| 5,001- 10,000 | 137 | 888,322 | 0.49 | 3 | 16,009 | 0.01 | 904,331 | 0.50 |
| 10,001- 50,000 | 91 | 1,760,580 | 0.98 | 5 | 139,040 | 0.08 | 1,899,620 | 1.06 |
| 50,001- 100,000 | 15 | 1,023,256 | 0.57 | 0 | 0 | 0.00 | 1,023,256 | 0.57 |
| 100,001- 500,000 | 11 | 2,043,499 | 1.14 | 1 | 192,855 | 0.11 | 2,236,354 | 1.25 |
| 500,001-1,000,000 | 1 | 502,146 | 0.28 | 1 | 757,708 | 0.42 | 1,259,854 | 0.70 |
| 1,000,001- & Above | 10 | 170,765,129 | 94.85 | 0 | 0 | 0.00 | 170,765,129 | 94.85 |
| Totals | 6917 | 178,912,903 | 99.38 | 45 | 1,118,039 | 0.62 | 180,030,942 | 100.00 |

| Share Range | Company | | | Individual | | | No. of Shares | Total Holding % |
|---|---|---|---|---|---|---|---|---|
| | No. of Shareholders | No. of Shares | Holding % | No. of Shareholders | No. of Shares | Holding % | | |
| 1 - 1,000 | 31 | 7,244 | 0.00 | 6091 | 851,894 | 0.47 | 859,138 | 0.47 |
| 1,001- 5,000 | 22 | 58,192 | 0.03 | 543 | 1,025,068 | 0.57 | 1,083,260 | 0.60 |
| 5,001- 10,000 | 10 | 75,267 | 0.04 | 130 | 829,064 | 0.46 | 904,331 | 0.50 |
| 10,001- 50,000 | 15 | 319,477 | 0.18 | 81 | 1,580,143 | 0.88 | 1,899,620 | 1.06 |
| 50,001- 100,000 | 7 | 550,187 | 0.31 | 8 | 473,069 | 0.26 | 1,023,256 | 0.57 |
| 100,001- 500,000 | 7 | 1,522,182 | 0.85 | 5 | 714,172 | 0.40 | 2,236,354 | 1.25 |
| 500,001-1,000,000 | 0 | 0 | 0.00 | 2 | 1,259,854 | 0.70 | 1,259,854 | 0.70 |
| 1,000,001- & Above | 10 | 170,765,129 | 94.85 | 0 | 0 | 0.00 | 170,765,129 | 94.85 |
| Totals | 102 | 173,297,678 | 96.26 | 6860 | 6,733,264 | 3.74 | 180,030,942 | 100.00 |

## ANALYSIS OF PREFERENCE SHAREHOLDERS AS AT 31ST MARCH 2019

| Share Range | Resident | | | Non Resident | | | No. of Shares | Total Holding % |
|---|---|---|---|---|---|---|---|---|
| | No. of Shareholders | No. of Shares | Holding % | No. of Shareholders | No. of Shares | Holding % | | |
| 1,000,001 - & Above | 1 | 1,200,000 | 100 | - | - | - | 1,200,000 | 100 |
| Totals | 1 | 1,200,000 | 100 | - | - | - | 1,200,000 | 100 |

## INFORMATION FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2019

a) **Directors Shareholding in the Company**

| | Name | 31 March 2019 | 31 March 2018 |
|---|---|---|---|
| 1. | Mr. Lakshman Samarasinghe | 5,590 | 5,590 |
| 2 | Mr. Sanjeev Gardiner | Nil | Nil |
| 3. | Mr. Priyantha Maddumage | 1 | 1 |
| 4. | Mr. Kuvera De Zoysa | Nil | Nil |
| 5. | Mr. Mangala Boyagoda | Nil | Nil |
| 6. | Mr. Kamantha Amarasekera | Nil | Nil |
| 7. | Mr. Wasantha Wimalaweera | Nil | Nil |
| 8. | Mr. Ajith Devasurendra | Nil | Nil |
| 9. | Mr. Ranil Pathirana | Nil | Nil |
| 10. | Mr. Shalike Karunasena | Nil | Nil |

## PUBLIC SHAREHOLDING AS AT 31ST MARCH 2019

b) Public Shareholding - 51,531,383 (2018 - 51,531,383)

c) Percentage of the ordinary shares held by public - 28.62% (2018 - 28.62%)

d) No. of Public shareholders - 6,954 (2018 - 6,970)

e) **Related Companies**

| Name of Company | Shares |
|---|---|
| National Development Bank I Ceylon Hotels Holdings (Pvt) Ltd | 60,245,919 |
| Ceylon Hotels Holdings (Pvt) Ltd | 37,994,096 |
| Seylan Bank Ltd I The Galle Face Hotel Company Ltd | 10,365,500 |
| The Galle Face Hotel Company Ltd | 77,220 |
| Hotel International (Pvt) Ltd | 1,048,230 |
| Rosewood (Pvt) Limited | 18,763,003 |

f) **Highest, lowest and Market value per share from 1st April 2018 to 31st March 2019**

| Period | Year ended 31st March 2019 |
|---|---|
| Date High | 04/05/2018 |
| High Rs. | 16.50 |
| Date Low | 27/03/2019 |
| Low Rs. | 8.00 |
| Close Rs. | 9.20 |
| Trade Vol | 748 |
| Share Vol | 563,728 |
| Turnover Rs. | 6,665,277 |
| Last Traded date | 29/03/2019 |
| Days Traded | 167 |

### MARKET PRICE PER SHARE FOR THE FOR THE PERIOD FROM 01/04/2018 TO 31/03/2019.

| | 2018/19 | | 2017/18 | |
|---|---|---|---|---|
| | Date | Share Price | Date | Share Price |
| Highest Market Price | 04/05/2018 | 16.50 | 22/12/2017 | 22.50 |
| Lowest Market Price | 27/03/2019 | 8.00 | 20/03/2018 | 14.00 |
| Closing Market Price | 29/03/2019 | 9.20 | 29/03/2018 | 15.00 |

### MARKET CAPITALIZATION

Market capitalization of the company, which is the number of Ordinary shares in issue multiplied by the market value of a share was Rs. 1,656.28 Mn as at 31st March 2019 (Rs. 2,700.46 Mn as at 31st March 2018).

Market capitalization of public shareholding is Rs. 474.03 Mn as at 31st March 2019 (Rs. 772.87 Mn as at 31st March 2018).

The float adjusted market capitalisation as at 31st March 2019 was Rs. 474,028,672/- with reference to the rule no. 7.6 (iv) of the listing rules of the Colombo Stock Exchange. As the float adjusted market capitalisation is less than Rs. 2.5 billion, Ceylon Hotels Corporation PLC complies under option 5 of the Listing Rules 7.13.1 (a) with the minimum public holding requirements.

### TOP 20 SHAREHOLDERS (ORDINARY VOTING) AS AT 31ST MARCH 2019

| | SHAREHOLDER NAME | 31 MARCH 2019 | |
|---|---|---|---|
| | | NO. ORDINARY SHARES | % |
| 1 | NATIONAL DEVELOPMENT BANK PLC/CEYLON HOTEL HOLDINGS (PVT) LTD | 60,245,919 | 33.46% |
| 2 | CEYLON HOTEL HOLDINGS (PVT) LTD | 37,994,096 | 21.10% |
| 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 | 1,053,883 | 0.59% |
| 10 | HOTEL INTERNATIONAL (PRIVATE) LIMITED | 1,048,230 | 0.58% |
| 11 | MRS. C.A.D.S. WOODWARD | 757,708 | 0.42% |
| 12 | MR. K.N. KARUNARATNE | 502,146 | 0.28% |
| 13 | SITHLANKA ( PRIVATE ) LIMITED | 447,706 | 0.25% |
| 14 | SEYLAN BANK PLC/ARRC CAPITAL (PVT) LTD | 267,178 | 0.15% |
| 15 | SUNSHINE HOLDINGS PLC | 234,662 | 0.13% |
| 16 | ROCKPORT LIMITED | 192,855 | 0.11% |
| 17 | MR. D.F.G. DALPETHADO | 187,985 | 0.10% |
| 18 | MR. S. ABISHEK | 148,572 | 0.08% |
| 19 | MR. S.M. HASSAN MOHAMED | 139,146 | 0.08% |
| 20 | COCOSHELL ACTIVATED CARBON COMPANY LTD | 133,589 | 0.07% |
| | SUB TOTAL | 173,776,676 | 96.53% |
| | BALANCE HELD BY OTHERS | 6,254,266 | 3.47% |
| | TOTAL | 180,030,942 | 100.00% |

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

| | SHAREHOLDER NAME | 31 MARCH 2018 | |
|---|---|---|---|
| | | NO. ORDINARY SHARES | % |
| 1 | NATIONAL DEVELOPMENT BANK PLC/CEYLON HOTEL HOLDINGS (PVT) LTD | 60,245,919 | 33.46% |
| 2 | CEYLON HOTEL HOLDINGS (PVT) LTD | 37,994,096 | 21.10% |
| 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 | 1,053,883 | 0.59% |
| 10 | HOTEL INTERNATIONAL (PRIVATE) LIMITED | 1,048,230 | 0.58% |
| 11 | MRS. C.A.D.S. WOODWARD | 723,173 | 0.40% |
| 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. S. ABISHEK | 148,572 | 0.08% |
| 19 | MR. S.M. HASSAN MOHAMED | 139,146 | 0.08% |
| 20 | COCOSHELL ACTIVATED CARBON COMPANY LTD | 133,589 | 0.07% |
| | SUB TOTAL | 173,671,265 | 96.47% |
| | BALANCE HELD BY OTHERS | 6,359,677 | 3.53% |
| | TOTAL | 180,030,942 | 100.00% |

# FIVE YEAR SUMMARY

| Year ended 31st March | 2019 | | 2018 | | 2017 | | 2016 | | 2015 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Group | Company | Group | Company | Group | Company | Group | Company | Group | Company |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| **Trading results** | | | | | | | | | | |
| Turnover net of tax | 1,633,512 | 8,562 | 1,543,087 | 8,447 | 1,514,277 | 9,906 | 1,448,040 | 9,648 | 1,307,993 | 12,893 |
| Operating profit/(loss) before interest Expenses and other income | 180,506 | (18,151) | 220,315 | (10,879) | 71,917 | (152,306) | 268,169 | (56,620) | 86,804 | (132,166) |
| Profit/(loss) before Taxation | 256,424 | (35,366) | 68,896 | (28,757) | (18,877) | 247,643 | 123,177 | 12,707 | 125,183 | (58,891) |
| Taxation provision | 32,595 | - | 41,474 | 1,583 | 39,669 | 37 | 60,519 | 390 | 39,167 | 15,711 |
| Profit/(loss) from continuing operations | 223,829 | (35,366) | 27,422 | (30,340) | (58,546) | 247,606 | 62,659 | 12,317 | 86,015 | (74,602) |
| **Share capital & reserve** | | | | | | | | | | |
| Issued share capital | 362,611 | 362,611 | 362,611 | 362,611 | 198,500 | 198,500 | 1,220,426 | 1,220,426 | 1,220,426 | 1,220,426 |
| Capital, revaluation & translation reserves | 4,477,953 | 212,295 | 4,527,174 | 212,295 | 4,852,794 | 213,367 | 4,767,184 | 321,125 | 4,928,090 | 432,617 |
| General reserves | 167,080 | 166,718 | 167,080 | 166,718 | 167,080 | 166,718 | 167,080 | 166,718 | 167,080 | 166,718 |
| Accumulated profit/(loss) | 1,675,342 | 107,912 | 1,347,682 | 152,747 | 1,630,981 | 355,060 | (3,876) | (1,021,957) | (464,532) | (1,146,468) |
| Total shareholder's funds | 6,682,986 | 849,537 | 6,404,546 | 894,371 | 6,849,355 | 933,646 | 6,150,814 | 686,312 | 5,851,063 | 673,293 |
| **Assets employed** | | | | | | | | | | |
| Current assets | 1,968,334 | 484,684 | 1,090,521 | 437,328 | 626,699 | 235,631 | 1,116,566 | 303,660 | 552,052 | 270,266 |
| Current liabilities | (1,060,465) | (1,013,787) | (957,423) | (931,857) | (826,460) | (665,410) | (1,648,464) | (582,084) | (932,654) | (600,350) |
| Working capital | 907,869 | (529,103) | 133,098 | (494,528) | (199,761) | (429,779) | (531,898) | (278,423) | (380,602) | (330,083) |
| Property, plant and equipment | 8,384,654 | 35 | 8,701,844 | 24 | 8,722,562 | 667 | 7,774,159 | 878 | 7,905,803 | 2,382 |
| Non-current liabilities | 1,721,825 | 7,000 | 1,794,672 | 6,535 | 1,027,574 | 6,243 | 794,605 | 6,126 | 984,664 | 93,705 |
| **Ratio & statistics** | | | | | | | | | | |
| Gearing ratio (times) | 0.20 | 0.00 | 0.19 | 0.00 | 0.10 | 0.01 | 0.09 | 0.01 | 0.12 | 0.12 |
| Current ratio (times) | 1.86 | 0.48 | 1.14 | 0.47 | 0.76 | 0.35 | 0.68 | 0.52 | 0.59 | 0.45 |
| Market price per share | 9.20 | 9.20 | 15.00 | 15.00 | 19.20 | 19.20 | 24.00 | 24.00 | 23.60 | 23.60 |
| Earning/(losses) per share | 1.14 | (0.20) | (0.31) | (0.17) | (0.55) | 1.38 | (0.62) | 1.38 | 0.29 | (0.43) |
| Net assets per ordinary share | 37.12 | 4.72 | 35.57 | 4.97 | 39.86 | 5.43 | 39.86 | 5.43 | 34.05 | 3.92 |

# NOTES

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Ceylon Hotels Corporation PLC will be held on 16th September 2019 at 3pm at the Auditorium of Ceylon Chamber of Commerce, No. 50, Navam Mawatha, Colombo 02 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 2019 and the Report of the Auditors, thereon.
2. To re-elect Mr Kuvera De Zoysa who retires by rotation in terms of Articles of Association.
3. To re-elect Mr Wasantha Wimalaweera who retires by rotation in terms of Articles of Association.
4. To re-elect Mr Kamantha Amarasekera who retires by rotation in terms of Articles of Association.
5. To re-elect Mr Lakshman Samarasinghe as a Director of the Company. Special Notice has been received from a shareholder pursuant to Section 211 of the Companies Act No.07 of 2007 of the intention to propose the following resolution as an ordinary resolution.

   "RESOLVED that Mr Lakshman Samarasinghe who has reached the age of 77 years be and is hereby re-elected as a Director of the Company and is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No.07 of 2007 shall not apply to the said Director in accordance with section 211 of the Companies Act No. 07 of 2007.
6. To re-appoint Messrs. KPMG., the retiring Auditors for the ensuing financial year and authorize the Directors to fix their remuneration.
7. To authorize the Directors to determine donations for the year 2019/2020 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
CEYLON HOTELS CORPORATION PLC

Accounting Systems Secretarial Services (Private) Limited
Company Secretaries

Colombo, this 9th Day of August 2019

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



# FORM OF PROXY

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 | |

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 16th September 2019 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 2019 and Report of the Auditors thereon. | | |
| 2. To re-elect Mr.Kuvera De Zoysa who retires by rotation in terms of Articles of Association. | | |
| 3. To re-elect Mr Wasantha Wimalaweera who retires by rotation in terms of Articles of Association. | | |
| 4. To re-elect Mr Kamantha Amarasekera who retires by rotation in terms of Articles of Association. | | |
| 5. To re-elect Mr Lakshman Samarasinghe, who retires in terms of Section 210 of the Companies Act No.07 of 2007. | | |
| 6. To re-appoint Messrs, KPMG the retiring Auditors and authorize he Directors to fix their remuneration. | | |
| 7. To authorize the Directors to determine donations for the Year 2019/2020 and up to the date of the next Annual General Meeting. | | |

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

.....................................................
Signature

*Notes:*
*** Instructions as to completion appear below.**
Please indicate with an "x" in the space provided, how your Proxy is to vote on the Resolutions. If no indication is given, the Proxy in his discretion will vote as he thinks fit.

**INSTRUCTIONS FOR COMPLETION**

1. Kindly perfect the Form of Proxy by filling in legibly your full name, address and the National Identity Card number and by signing in the space provided and filling in the date of signature.

2. The completed Form of Proxy should be deposited at the Registrars to shares, Accounting Systems Secretarial Services (Private) Limited, Level 03, No.11, Castle Lane, Colombo 4 not later than 48 hours prior to the date of the meeting.

3. If you wish to appoint a person other than the Chairman or a Director of the Company, please insert the relevant details at the space provided (above the names of the Board of Directors) on the Proxy Form.

4. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should accompany the Form of Proxy for registration if such Power of Attorney has not already been registered with the Company.

5. If the appointor is a company/incorporated body this Form must be executed in accordance with the Articles of Association/Statute.

# CORPORATE INFORMATION

**Name of the Company**

Ceylon Hotels Corporation PLC

**Registration No**

P.B. 3283

**Legal Form**

A public 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**

No. 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**

Commercial Bank of Ceylon PLC
Hatton National Bank PLC
Sampath Bank PLC
Cargils Bank Ltd
Bank of Ceylon
People's Bank

**E Mail**

info@ceylonhotels.net

**Websites**

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

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CHC