THE KANDY HOTELS COMPANY (1938) PLC
PQ 201
No.327, Union Place, Colombo 02

(the "Company" or "KHC")

CIRCULAR TO SHAREHOLDERS

Dear Valued Shareholder/s,

ACQUISITION OF UNITED HOTELS COMPANY LIMITED [PV 19546 PB]

1. BACKGROUND

We refer to the Corporate Disclosure made by the Company on 20th January 2023 of the decision of the Board of Directors of the Company to recommend to the shareholders the acquisition of 83.89% of the issued share capital of United Hotels Company Limited ("**UHC**"), by way of a share swap that results in a private placement of the shares of the Company.

The Company presently has a shareholding of 16.11% in UHC. Ceylon Hotels Corporation PLC, i.e., the parent entity of the Company ("**CHC PLC**") has an approximate 67.51 % shareholding in the said UHC.

This share swap/private placement will result in the Company acquiring all of the shares of UHC from its existing shareholders, thereby becoming the sole shareholder of UHC. In consideration of the Company acquiring the said shares of UHC from its existing shareholders, the Company will issue upto 176,809,253 ordinary voting shares of the Company to such shareholders of UHC, at a per share price of LKR 14.96/-, in the respective proportions mentioned below.

Name of Shareholder of UHC	Existing shares in UHC	Consideration
Ceylon Hotels Corporation PLC (Parent Entity)	201,130,633	Valued at LKR 3,066,157,660/-, of which; (i) LKR 1,164,835,549/- shall be set off by the Company for the amount payable by Ceylon Hotels Corporation PLC to the Company; The number of shares of KHC calculated at a per share value of LKR 14.96/- attributable to this sum of LKR 1,164,835,549/- is 77,863,339. However, such shares will not be issued to Ceylon Hotels Corporation PLC, as LKR 1,164,835,549/- is set off against

		payables due from Ceylon Hotels Corporation PLC to KHC. (ii) 127,093,724 of ordinary voting shares of the Company shall be issued to Ceylon Hotels Corporation PLC for the balance consideration of LKR 1,901,322,111/-, calculated at a per share value of LKR 14.96/-
Ceylon Hotels Investment (Pvt) Ltd (Affiliate Company)***	48,787,312	Valued at LKR 743,743,446/-, which shall be settled by way of issuance of 49,715,471 ordinary voting shares of the Company to Ceylon Hotels Investment (Pvt) Ltd., calculated at a per share value of LKR 14.96/-.
Ceylon Hotel Holdings (Private) Limited (Intermediary Parent)****	28	Valued at LKR 434/-, which shall be settled by way of issuance of 29 ordinary voting shares of the Company to Ceylon Hotel Holdings (Private) Limited., calculated at a per share value of LKR 14.96/-
Estate of the Late Don Simon Gunasekara	28	Valued at LKR 434/-, which shall be settled by way of issuance of 29 ordinary voting shares of the Company to the Estate of the Late Don Simon Gunasekara, calculated at a per share value of LKR 14.96/-

**The Board has obtained an independent valuation report from BDO Consulting (Pvt) Ltd. to derive an independent opinion on the valuation that is being considered for the share swap/private placement. The above values are based on the said independent report. The per share price of LKR 14.96 is based on adjusted net assets value of the Company as determined by the said independent valuer, and the said price is at a premium to the closing market price on the date of the board resolution, such date being 19th January 2023.* The shareholders should note that the Board of the Company has rounded up the per share value of KHC of LKR 14.9593 provided in the independent valuation report, to a two (02) decimal figure value of LKR 14.96/-.

Valuation Report
The aforementioned Valuation Report will be uploaded to the website of the Colombo Stock Exchange, i.e. www.cse.lk and a physical copy is available for examination at the registered office of the Company situated at No. 327, Union Place, Colombo 02. Please be informed that the said Report consists of several

hundreds of pages and therefore physical copies of the Report will not be dispatched with this Circular and the Notice of Meeting, given the shortage in material in the market and printing costs associated therewith.

*** According to the independent valuation of shares obtained, the shares of the Company will be issued to the shareholders of UHC on the basis of 1 new ordinary voting share in the Company for every 0.9813 share held in UHC, rounded up to the nearest whole share.*

The Board, in computing the number of shares to be issued in KHC, has considered beyond the 4 decimal figure, in order that the number of shares issued, corresponds to the total purchase consideration/valuation, at the per share price of Rs.14.96.

The new shares issued by KHC will rank *pari passu* in all respects with the existing ordinary voting shares of KHC at the issuance of such shares. The transaction is compliant with the Articles of Association of the Company.

Reasons for considering adjusted net assets values as of 30 June 2022 instead of 31 December 2022

The process of assessing the merits and demerits of the proposed transaction to all stakeholders, which *inter alia* included deriving necessary per share values and assessing associated financial implications therefrom, required on boarding of multiple parties, including consultants and external property valuers, who were tasked with valuing properties located in multiple locations.

The preliminary evaluations were initiated by the executive management in Q2 of financial year 2022/2023. Therefore, financial information as of 30th June 2023 was used.

Furthermore, in light of proposed amendments to tax laws at such time, the Management was further tasked with assessing the consequences of such tax reforms, especially in the context of capital gains taxes. Therefore, the Management awaited enactment of the said amendments, to initiate Board level discussions of the proposed transaction.

Below is a snapshot of the offer prices and the share swap ratio, had the valuations been based on financial statements as of 31st December 2022.

Description	31 December 2022	30 June 2022
Share price (LKR)		
- The Kandy Hotels Company (1938) PLC	13.20	14.96
- United Hotels Company Limited	15.12	15.24
SWAP Ratio	.8733	.9813

The primary cause for the variation in the offer prices and the swap ratio based on 31 December 2022 is the effects of increased deferred taxation on the revaluation gains of properties, at the revised higher tax rates, in terms of the latest amendments made to the Inland Revenue Act No. 24 of 2017. Other than as provided herein, there are no subsequent events that may materially impact the net book values and thereby the share prices determined as of 30 June 2022.

The number of new shares to be issued, in terms of the share swap ratio based on financial statements as of 31st December 2022, is 197,936,066 shares, which, in comparison with the financial statement as of 30th June 2022, is an additional 21,126,813 shares, and therefore, numbers as of 31st December 2022, would have resulted in a further reduction in the public holding of KHC.

Further details on Ceylon Hotels Investment (Pvt) Ltd and Ceylon Hotel Holdings (Private) Limited

*** Ceylon Hotels Investment (Pvt) Ltd [bearing registration no PV 101313 and incorporated on 7th October 2014] - Ceylon Hotels Investment (Pvt) Ltd is owned by Ceylon Hotel Holdings (Private) Limited (50%) and Navitas Investments (Pvt) Ltd (50%), and the present board of directors of the company consist of (i) Mr. Sanjeev Gardiner (ii) Mr. L.Samarasinghe (iii) Mr. Priyantha Maddumage (iv) Mr. Ajith Devasurendra (v) Ms. Ruvani Devasurendra and (vi) Mr. Revantha Devasurendra. The said company is operating as an investment holding company. As of date, the only investment held by the company is 16.38% ownership in United Hotels Company Limited.

**** Ceylon Hotel Holdings (Private) Limited [bearing registration no PV 16528 and incorporated on 4th November 2011] - The company is majority owned by The Galle Face Hotel Company Ltd, Mr. Sanjeev Gardiner and Cyril Gardiner (pvt) Ltd and the present board of directors of the company consist of (i) Mr. Sanjeev Gardiner; (ii) Mr. L. Samarasinghe; (iii) Mr. Priyantha Maddumage; (iv) Mr. Ajith Devasurendra; (v) Mr. Harsha Amarasekera; and (vi) Mr. Shalike Karunasena. The said company is an investment holding company with investments held in companies which are affiliated to the CHC Group. It is the intermediary parent company of KHC, with the 54.57% it owns in CHC.

2. SHARE SWAP/PRIVATE PLACEMENT

2.1. Overview of UHC, the company that is being acquired

United Hotels Company Limited, is a company incorporated on 4th March 1970 under the laws of Sri Lanka, bearing registration number PV 19546 PB.

The Company presently owns 16.11% of the issued share capital of United Hotels Company Limited. United Hotels Company Limited is the owner of (through leasehold rights from the Sri Lanka Tourism Development Authority), Ekho Surf Hotel (Bentota), Ekho Lake House and The Lake Hotel (both located in Polonnaruwa), totaling 154 rooms combined.

UHC's fully owned subsidiary, Tissa Resort (Private) Limited ("**TRP**"), owns (through leasehold rights from the Sri Lanka Tourism Development Authority) Ekho Safari Hotel in Tissamaharama, which consists of 50 rooms.

All of the above, when combined, consist of a total room count of 204, spread across the southern belt and Polonnaruwa district of Sri Lanka.

A listing and a brief profile of each of these hotel properties are annexed, as **Annexure I,** for the information of the Shareholders.

The holding structure of the Ceylon Hotels Corporation PLC group is annexed, as **Annexure II**, for the information of the Shareholders.

The financials relating to United Hotels Company are annexed, as **Annexure III,** for the information of the Shareholders.

Ceylon Hotels Maldives (Pvt) Ltd.

In September 2022, UHC divested its remaining 50% ownership in the Maldivian investment in a hotel project held through its fully owned subsidiary, Ceylon Hotels Maldives (Pvt) Ltd ("**CHM**L"), for USD 4,493,663/-. The initial 50% divestment of the Maldivian investment took place back in 2018. Stock market announcements in both these occasions had been made by the Company's parent entity, Ceylon Hotels Corporation PLC. As a result, the cash reserves of CHML including a receivable in the form of withholding taxes from the said disposal approximates to USD 9,672,153 as at 30th September 2022, which value has been factored in the valuation of UHC shares by the independent valuer.

Financial Position of UHC

Please refer page 50 of the independent Valuation Report of BDO Consulting (Pvt) Ltd., for the combined net assets value attributable to UHC along with its two subsidiaries, TRP and CHML. As per the valuations attributable, 100% equity value for UHC is LKR 4,541,643,135/-.

The fair value of the total assets of UHC reflected in the adjusted Net Asset Value of UHC is LKR 6,385,856,469/- as of 30th June 2022. A substantial component of this total assets consists of the USD denominated cash reserves of CHML from the divestment of its Maldivian investment referred to above. The other significant asset classes are represented by the values of leasehold rights and property, plant and equipment.

Based on the Valuation Report, the total value of liabilities of UHC is LKR 1,844,213,334 as of 30th June 2022.

Board of Directors of UHC

The Directors of UHC are:

- Mr. Sanjeev Gardiner
- Mr. Lakshman Samarasinghe
- Mr. Priyantha Maddumage
- Mr. Kuvera De Zoyza
- Mr. Mangala Boyagoda
- Mr. Revantha Devasurendra
- Mr. Shalike Karunasena (alternate to Mr. Priyantha Maddumage)

2.2. Benefits to Existing Shareholders

With the proposed acquisition, the Company will increase its shareholdings in UHC from 16.11% to 100% and as a result, the Board of Directors expects the said transaction to deliver the following benefits to the existing shareholders of The Kandy Hotels Company (1938) PLC:

(i) The Company will acquire a range of hotels in some of the prime locations in the country, that will enhance the tourism footprint of the Company across key tourist locations, and the diversified hotel portfolio will cater to a wide variety of clientele.

(ii) Provide the opportunity of a higher earnings base from the combined properties.

(iii) Facilitate access to the significant cash reserves of UHC Group, which are primarily derived from the disposal of investments in the Maldives as noted above and would be available for future investment purposes and/or to strengthen the combined balance sheet.

(iv) Create economies of scale and greater synergies by combining common resources, including, access to the significant cash pool for future development of the properties.

(v) Create a much larger and a stronger balance sheet with a combined post restructure Net Asset Value of over LKR 11 billion, based on the aforementioned Valuation Report.

(vi) Streamline the Group structure, and make it market attractive, by bringing together the key Hotel properties of CHC PLC Group under a single umbrella within KHC, post-acquisition.

(vii) Provide an opportunity for the Company to seek an upward re-rating of the valuations of the Company.

2.3. Pre-Share Swap/Private Placement Group Structure

Please refer **Annexure II.**

2.4. Post Share Swap/Private Placement Group Structure

Please refer **Annexure IV**.

2.5. Combined Net Assets Value - Post Share Swap/Private Placement

The post restructure combined Net Asset Value as per the valuation report is LKR 11,284,119,859/-

2.6. Use of proceeds from Share Swap/Private Placement

There will be no proceeds raised as a result of the share swap/private placement, and as such the consideration will be in the form of issuance of shares and a set off of an outstanding amount from Ceylon Hotels Corporation PLC to the Company, as mentioned above.

2.7. Price at which the Shares will be Issued and Selection of Value for the Share Swap

The shares of KHC will be issued at the price of LKR 14.96/- per share, which is the adjusted net asset value per share of KHC.

2.8. Waiver of pre-emption Rights

Article 5 (c) of the Articles of Association of the Company provides rights of pre-emption to holders of existing shares, where new shares are issued. In order to effect the proposed transaction and the private placement described therein, the Board of Directors recommends the existing shareholders to consider, by way of a special resolution, a waiver of such pre-emption rights.

2.9. Applicability of the Takeover and Mergers Code 1995

The swap of shares described in this Circular, which results in a private placement, does not trigger any provisions of the Takeovers and Mergers Code 1995 (as amended).

2.10. Major Transaction

The share swap by way of a private placement as described in this Circular does not amount to a major transaction under Section 185 of the Companies Act No. 07 of 2007.

2.11. Unaudited Financial Information

Excepting details on the number of shares and the percentage holdings of the Company and UHC, all other financial information included in this Circular are unaudited information.

3. EQUITY AND STATED CAPITAL

Stated capital of the Company post share swap/private placement

	Pre share swap/private placement	**Proposed share swap/private placement**	**Post proposed share swap/private placement**
Number of Ordinary Voting Shares	577,500,000	176,809,253	754,309,253
Number of Preference Shares (unlisted)	50,000	0	50,000
Value (LKR)	16,750,000	2,645,066,425	2,661,816,425

Public holding of the Company prior to the share swap/private placement: 20.97%

Public holding of the Company post share swap/private placement: 16.06%

List of top 20 shareholders pre and post share swap/private placement is presented in Annexure V.

4. Other Information

4.1. Overview of the Related Party Transaction Review Committee ("**RPTRC**")

Name	**Position**	**Director Position**
Kuvera De Zoysa	Chairman	Independent Non-Executive Director
Ranil Pathirana	Committee Member	Non Independent Non-Executive Director
Mangala Boyagoda	Committee Member	Independent Non-Executive Director

Ceylon Hotels Corporation PLC, Ceylon Hotels Investment (Pvt) Ltd. and Ceylon Hotel Holdings (Private) Limited are related parties of the Company. The transactions with said related parties as described above exceed 1/3 of the total assets of the Company and therefore amounts to a non-recurrent related party transaction under Rule 9.1.1. of the Listing Rules of the CSE.

The Related Party Transactions Review Committee of the Company has reviewed the transactions and was of the view that the said transactions were on normal commercial terms and were not prejudicial to the interests of the Company and its minority shareholders, as detailed further in the market announcement made by the Company on 20th January 2023.

The Related Party Transactions Review Committee has noted the independent valuation exercise carried out by BDO Consulting (Pvt) Ltd., and is satisfied with the overall process carried out in relation to the pricing analysis for the share swap/private placement.

4.2. Shareholder Approval

This share swap which results in a private placement, and a related party transaction, requires approval of the shareholders by way of a special resolution, in terms of Rule 5.4(d), Rule 5.7 and Rule 9.1.1 of the Listing Rules of the CSE.

4.3. Waiver of the CSE Listing Rules pertaining to a Private Placement

This share swap which results in a private placement, will issue up to 176,809,253 shares, amounting to 23.44.% of the post Share Swap/Private Placement number of shares in issue, which exceeds the 20% limit prescribed in relation to Private Placements under Rule 5.4 (b) of the Listing Rules of the CSE.

An application will be made to the Securities and Exchange Commission of Sri Lanka ("**SEC**") in terms of the CSE Listing Rules for approval of the Private Placement, and the shares in relation to the said Private Placement will only be issued upon approval of the SEC and the shareholders being duly obtained.

4.4. Public Holding

The Company will fall below the twenty per cent (20%) minimum public holding requirement imposed under Rule 7.14.1 of the Listing Rules of the CSE, upon completion of the proposed share swap/private placement. Under and in terms of Rule 7.14.2 of the Listing Rules of the CSE, the Company will be deemed to be non-compliant with the minimum public holding requirement if the Company fails to comply with such a requirement for a consecutive period of one (01) month. Thereafter, the Company has a period of six (06) months from the date of non-compliance, to become compliant with the minimum public holding requirement. In the event the Company remains non-compliant upon the expiry of the period of six (06) months from the date of non-compliance, the securities of the Company will be transferred to the Second Board. The management of the Company plans to take necessary steps to increase the public float within the stipulated time frame and keep the Shareholders updated on its progress.

5. GENERAL

5.1. The Directors of the Company have resolved that, the consideration for which the shares are to be swapped/issued under the proposed share swap/private placement are fair and reasonable to the Company and to all existing shareholders.

5.2. The approval of the CSE has been obtained for this share swap/private placement.

5.3. The requisite shareholder resolution to give effect to the above, is set out in the Notice of Meeting convening the Extraordinary General Meeting **(Annexure VI)** to be held for that purpose. Shareholders who are unable to attend the meeting in person are requested to complete the enclosed Form of Proxy (**Annexure VII**), in accordance with the instructions specified therein, and deposit same at the registered office of the Company at No.327, Union Place, Colombo 02.

5.4. Auditor's Reports, Audited Financial Statements for year ended 31st March 2022 and subsequent interim financial statements up to the quarter ended 31st December 2022, of the Company are available on the website of the CSE, www.cse.lk.

5.5. The shares issued by way of the aforementioned Private Placement will be uploaded directly to the CDS accounts of the respective parties.

6. DECLARATIONS

6.1. The listing of the shares by the Colombo Stock Exchange will in no way be reflective of the merits of the issue. The Colombo Stock Exchange assumes no responsibility for the correctness of any of the statements made, opinions expressed, or reports included herein.

6.2. The Directors of the Company collectively and individually accept full responsibility for the accuracy of the information given and confirm having made all reasonable enquiries, that to the best of their knowledge and belief that there are no other facts the omission of which would render any statement in the circular misleading.

If you are in any doubt as to the action you should take, you should consult your stockbroker or other professional advisor immediately.

THE KANDY HOTELS COMPANY (1938) PLC
PQ 201
No. 327, Union Place, Colombo 02

UNITED HOTELS COMPANY LIMITED

- EKHO SURF
- EKHO SAFARI
- EKHO LAKE HOUSE
- LAKE HOTEL

EKHO SURF

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

100 Rooms

2 Pools

Spa

1 Gym

5 Restaurants

EKHO SAFARI

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

50
Rooms

1
Pool

1
Restaurant

EKHO LAKE HOUSE

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

14 Rooms

1 Restaurant

1 Pool

LAKE HOTEL

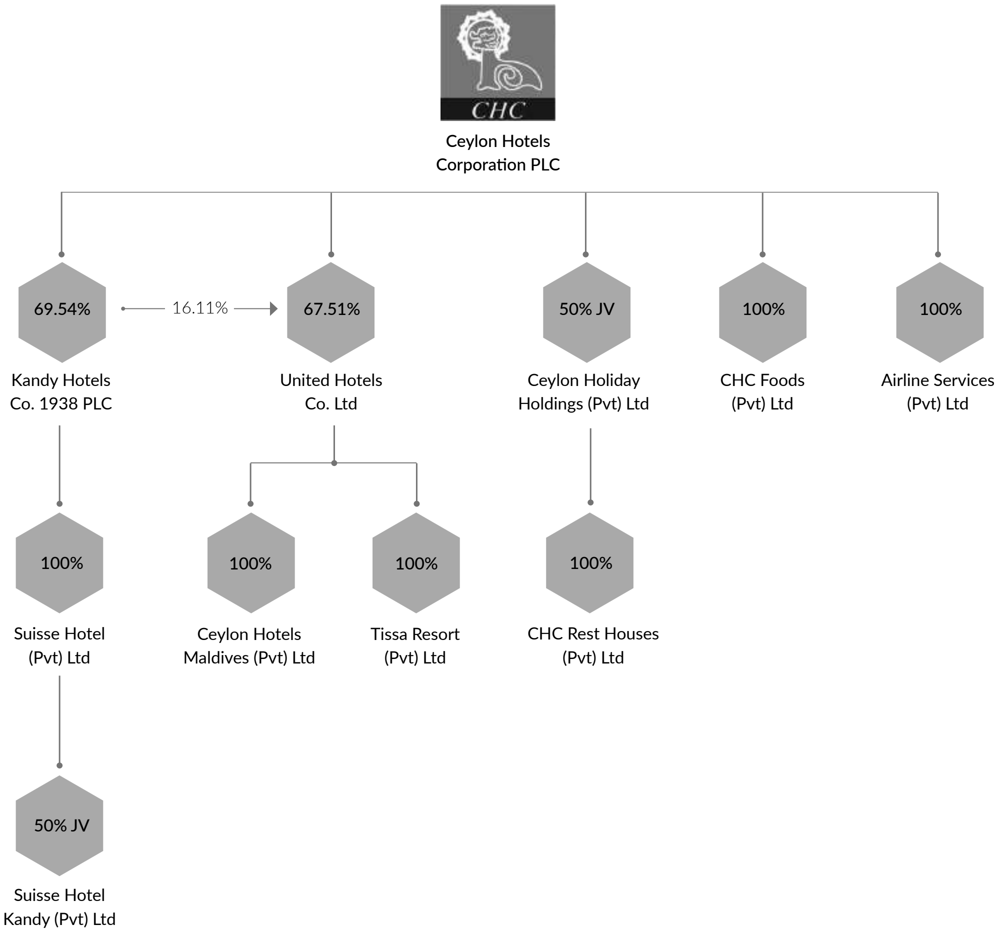
Spread over three acres of landscaped garden and a ten minute walk to the beautiful EKHO Lake House, lies the second property that formulates the Polonnaruwa Resort Collection, the Lake Hotel. It is set at the edge of the Sea of Parakrama, and is located in the historical city of Polonnaruwa enabling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

40
Rooms

1
Restaurant

1
Pool

Group Structure - Pre Restructure



UNITED HOTELS COMPANY LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2022

KPMG

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF UNITED HOTELS COMPANY LIMITED

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2022 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 ethical requirements of the Code of Ethics issued by CA Sri Lanka (Code of Ethics) that are relevant to our audit of the financial statements, 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.

Other Information

The management is responsible for the other information. These financial statements does not include other information.

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

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

The 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.

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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 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 the performance of the group audit. We remain solely responsible for our 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.

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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.

Kpmg

CHARTERED ACCOUNTANTS
Colombo, Sri Lanka
29th September 2022

UNITED HOTELS COMPANY LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Group		Company	
For the year ended 31 March		**2022**	2021	**2022**	2021
	Note	**Rs.**	Rs.	**Rs.**	Rs.
Revenue	7	**309,370,824**	210,421,254	**241,247,062**	136,868,240
Cost of sales		**(58,564,464)**	(47,334,310)	**(40,842,603)**	(27,418,163)
Gross profit		**250,806,360**	163,086,944	**200,404,459**	109,450,077
Other income	8	**4,159,796**	963,821	**4,159,796**	963,821
Distribution expenses		**(21,083,422)**	(23,261,426)	**(16,161,936)**	(17,229,881)
Administrative expenses		**(298,043,799)**	(263,721,423)	**(219,030,351)**	(187,789,931)
Other operating expenses		**(9,327,836)**	(9,621,018)	**(9,327,836)**	(10,667,710)
Loss from operating activities		**(73,488,901)**	(132,553,102)	**(39,955,868)**	(105,273,624)
Finance income	9.1	**569,646,745**	98,956,577	**26,787,682**	33,687,324
Finance costs	9.2	**(299,251,733)**	(113,286,280)	**(268,602,353)**	(88,798,064)
Net finance income/(costs)	9	**270,395,012**	(14,329,703)	**(241,814,671)**	(55,110,740)
Share of loss of equity accounted investees (net of tax)	17.2.1	**(4,997,915)**	(2,079,258)	**-**	-
Profit/(Loss) before income tax	10	**191,908,196**	(148,962,063)	**(281,770,539)**	(160,384,364)
Income tax reversal	11	**17,143,977**	18,710,868	**15,864,455**	19,670,730
Profit/(Loss) for the year		**209,052,173**	(130,251,195)	**(265,906,084)**	(140,713,634)

The Notes form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

UNITED HOTELS COMPANY LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March	Note	Group 2022 Rs.	Group 2021 Rs.	Company 2022 Rs.	Company 2021 Rs
Profit/(Loss) for the year		**209,052,173**	(130,251,195)	**(265,906,084)**	(140,713,634)
Other comprehensive income/(expenses)					
Items that will never be classified to profit or loss					
Gain on revaluation of property, plant & equipment		**290,109,508**	-	**228,889,109**	-
Deferred tax impact on revaluation	28	**(40,615,331)**	-	**(32,044,475)**	-
Actuarial loss on retirement benefit obligation	27.2	**(248,381)**	(673,585)	**(326,369)**	(517,869)
Deferred tax impact on actuarial loss	28	**34,774**	94,302	**45,692**	72,502
		249,280,570	(579,283)	**196,563,957**	(445,367)
Items that are or may be reclassified subsequently to profit or loss					
Share of OCI of equity accounted investees (net of tax) - Foreign currency translation (Note 17.2.1)		**47,643,404**	16,731,350	-	-
		47,643,404	16,731,350	-	-
Other comprehensive income/(expense) for the year		**296,923,974**	16,152,067	**196,563,957**	(445,367)
Total comprehensive income / (expense) for the year		**505,976,147**	(114,099,128)	**(69,342,127)**	(141,159,001)
Profit/(Loss) attributable to:					
Equity holders of the Company		209,052,173	(130,251,195)	(265,906,084)	(140,713,634)
Non-controlling interest		-	-	-	-
Loss for the year		**209,052,173**	(130,251,195)	(265,906,084)	(140,713,634)
Total comprehensive income / (expense) attributable to :					
Equity holders of the company		505,976,147	(114,099,128)	(69,342,127)	(141,159,001)
Non-controlling interest		-	-	-	-
Total comprehensive income / (expense) for the year		505,976,147	(114,099,128)	(69,342,127)	(141,159,001)
Basic Profit/(loss) per share	12.1	**0.70**	(0.44)	**(0.89)**	(0.47)

The Notes form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

UNITED HOTELS COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION

As at 31 March	Note	Group 2022 Rs.	Group 2021 Rs.	Company 2022 Rs.	Company 2021 Rs.
Non-current assets					
Property, plant and equipment	13	1,768,618,107	1,568,987,270	1,422,860,532	1,259,640,435
Intangible assets	14	593,417	2,006,503	14,235	659,188
Right of use assets	15.1	112,131,229	116,925,728	109,521,388	113,996,315
Investments property	16	192,237,968	200,787,968	192,237,968	200,787,968
Investments in subsidiaries	17	-	-	1,112,092,050	1,112,092,050
Investment in equity accounted investees	17.2	-	795,102,982	-	-
Other investments	18	603,750	463,750	603,750	463,750
Total non-current assets		2,074,184,471	2,684,274,201	2,837,329,923	2,687,639,706
Current assets					
Inventories	19	26,580,896	28,212,249	19,337,581	20,568,033
Trade and other receivables	20	58,180,782	19,196,583	45,608,360	14,882,018
Income tax receivables	32	2,904,403	2,688,781	215,622	-
Amounts due from related companies	21	38,658,173	33,498,658	582,175,055	566,804,580
Assets held for sale	22	837,748,471	-	-	-
Cash and cash equivalents	23	1,542,250,470	973,238,672	36,898,708	8,597,621
Total current assets		2,506,323,195	1,056,834,943	684,235,326	610,852,252
Total assets		4,580,507,666	3,741,109,144	3,521,565,249	3,298,491,958
Equity					
Stated capital	24	1,937,945,824	1,937,945,824	1,937,945,824	1,937,945,824
Reserves	25	916,084,799	663,421,605	626,630,379	459,909,634
Accumulated losses		(97,107,743)	(350,420,696)	(521,365,264)	(285,302,392)
Total equity		2,756,922,880	2,250,946,733	2,043,210,939	2,112,553,066
Non-current liabilities					
Interest bearing and borrowings	26.1	845,989,542	860,100,558	740,742,477	712,661,414
Employee benefits	27	4,804,708	4,266,837	3,915,299	3,510,291
Lease liabilities	15.2	123,968,251	136,180,309	119,023,708	130,825,550
Deferred tax liabilities	28	83,417,433	61,477,237	56,847,831	41,638,545
Government grants	30	1,220,276	2,849,704	618,727	1,424,804
Total non-current liabilities		1,059,400,210	1,064,874,645	921,148,042	890,060,604
Current liabilities					
Trade and other payables	29	102,713,564	87,236,228	83,546,153	67,907,598
Lease liabilities	15.2	45,151,259	25,060,180	44,311,931	23,801,185
Interest bearing and borrowings	26.2	431,092,251	150,142,280	364,150,081	150,142,280
Amounts due to related companies	31	27,573,529	25,539,974	788,500	-
Income tax payable	32	-	75,617	-	75,617
Government grants	30	3,258,067	111,319	1,651,728	55,608
Bank overdraft	23	154,395,906	137,122,168	62,757,875	53,896,000
Total current liabilities		764,184,576	425,287,766	557,206,268	295,878,288
Total liabilities		1,823,584,786	1,490,162,411	1,478,354,310	1,185,938,892
Total equity and liabilities		4,580,507,666	3,741,109,144	3,521,565,249	3,298,491,958

The Notes form an integral part of these Financial Statements.
Figures in brackets indicate deductions.
It is certify that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

....
Finance controller

The Board of Directors are responsible for the preparation and presentation of these Financial Statements.
Approved and signed for and on behalf of the Board of directors.

....
Director
30 August 2022, Colombo

....
Director

UNITED HOTELS COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY

Group	Attributable to equity holders of the Company						
	Stated capital	Revaluation reserve	Translation reserve	Accumulated losses	Total	Non-controlling interest	Total Equity
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01 April 2020	1,937,945,824	641,025,919	35,788,225	(249,714,107)	2,365,045,861	-	2,365,045,861
Total comprehensive expenses							
Loss for the year	-	-	-	(130,251,195)	(130,251,195)	-	(130,251,195)
Other comprehensive income							
Gain on revaluation of property, plant and equipment	-	-	-	-	-	-	-
Actuarial loss on defined benefit obligation	-	-	-	(673,585)	(673,585)	-	(673,585)
Tax on actuarial loss	-	-	-	94,302	94,302	-	94,302
Share of other comprehensive income of equity accounted investees	-	-	16,731,350	-	16,731,350	-	16,731,350
Total comprehensive income for the year	-	-	16,731,350	(130,830,478)	(114,099,128)	-	(114,099,128)
Transfer of reserve	-	(30,123,889)	-	30,123,889	-	-	-
Balance as at 31 March 2021	1,937,945,824	610,902,030	52,519,575	(350,420,696)	2,250,946,733	-	2,250,946,733
Balance as at 31 April 2021	**1,937,945,824**	**610,902,030**	**52,519,575**	**(350,420,696)**	**2,250,946,733**	-	**2,250,946,733**
Total comprehensive expenses							
Profit/(loss) for the year	-	-	-	**209,052,173**	**209,052,173**	-	**209,052,173**
Other comprehensive income							
Gain on revaluation of property, plant and equipment	-	**290,109,508**	-	-	**290,109,508**	-	**290,109,508**
Deferred tax impact on revaluation	-	**(40,615,331)**	-	-	**(40,615,331)**	-	**(40,615,331)**
Actuarial loss on defined benefit obligation	-	-	-	**(248,381)**	**(248,381)**	-	**(248,381)**
Tax on actuarial loss	-	-	-	**34,774**	**34,774**	-	**34,774**
Share of other comprehensive income of equity accounted investees	-	-	**47,643,404**	-	**47,643,404**	-	**47,643,404**
Total comprehensive income for the year	-	**249,494,177**	**47,643,404**	**208,838,566**	**505,976,147**	-	**505,976,147**
Transfer of reserve	-	**(44,474,387)**	-	**44,474,387**	-	-	-
Balance as at 31 March 2022	**1,937,945,824**	**815,921,820**	**100,162,979**	**(97,107,743)**	**2,756,922,880**	-	**2,756,922,880**

The Notes annexed form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

UNITED HOTELS COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY

Company	Stated capital	Revaluation reserve	Accumulated losses	Total equity
	Rs.	Rs.	Rs.	Rs.
Balance as at 01 April 2020	1,937,945,824	490,033,523	(174,267,280)	2,253,712,067
Total comprehensive expenses				
Loss for the year	-	-	(140,713,634)	(140,713,634)
Other comprehensive income				
Revaluation of property, plant and equipment	-	-	-	-
Actuarial gain from defined benefit obligations	-	-	(517,869)	(517,869)
Tax on other comprehensive income	-	-	72,502	72,502
Total comprehensive income for the year	-	-	(141,159,001)	(141,159,001)
Transfers from reserves	-	(30,123,889)	30,123,889	-
Balance as at 31 March 2021	1,937,945,824	459,909,634	(285,302,392)	2,112,553,066
Balance as at 01 April 2021	**1,937,945,824**	**459,909,634**	**(285,302,392)**	**2,112,553,066**
Total comprehensive expenses				
Loss for the year	-	-	**(265,906,084)**	**(265,906,084)**
Other comprehensive income				
Revaluation of property, plant and equipment	-	**228,889,109**	-	**228,889,109**
Deferred tax impact on revaluation	-	**(32,044,475)**	-	**(32,044,475)**
Actuarial loss from defined benefit obligations	-	-	**(326,369)**	**(326,369)**
Tax on acturial loss	-	-	**45,692**	**45,692**
Total comprehensive income for the year	-	**196,844,634**	**(266,186,761)**	**(69,342,127)**
Transfers from reserves	-	**(30,123,889)**	**30,123,889**	-
Balance as at 31 March 2022	**1,937,945,824**	**626,630,379**	**(521,365,264)**	**2,043,210,939**

The Notes annexed form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

UNITED HOTELS COMPANY LIMITED
STATEMENT CASH FLOWS

For the year ended 31 March		Group		Company	
		2022	2021	2022	2021
	Note	Rs.	Rs.	Rs.	Rs.
Cash flows from operating activities					
Loss before income tax		191,908,196	(148,962,063)	(281,770,539)	(160,384,364)
Adjustment for:					
Depreciation on property, plant and equipment	13	92,040,767	91,609,026	67,231,107	67,086,534
Amotisation of intangible Assests	14.1	1,413,086	1,854,566	644,953	1,661,825
Amortization of inventories	19	777,836	777,836	1,356,284	777,836
Provision for inventories		578,448	-	578,448	-
Depreciation of right of use asset	15.1	4,794,499	4,389,283	4,474,927	4,069,711
Write-off WHT and ESC receivables		-	7,444,633	-	6,778,391
Fair Value loss of Investment Property	16	8,550,000	-	8,550,000	-
Provision for employee benefit obligation	27	1,006,608	1,113,347	795,757	895,522
Exchange loss on interest bearing borrowings	26	174,652,751	9,885,000	174,652,751	9,885,000
Share of result of equity accounted Joint ventures	17.2.1	4,997,915	2,079,258	-	-
Fair value loss on other investment	18	(140,000)	(87,500)	(140,000)	(87,500)
Provision/(reversal) for trade and other receivables	20	203,044	(11,600,915)	203,044	351,495
Provision for amounts due from related companies	21	(330,595)	1,047,052	(4,450,619)	-
Interest income		(59,993,235)	(51,319,050)	(26,787,682)	(227,780)
Interest expenses		124,531,617	104,730,573	93,949,601	80,242,357
Operating profit before working capital changes		544,990,937	12,961,046	39,288,032	11,049,027
Changes in;					
Inventories		275,069	4,048,150	(704,280)	2,666,902
Trade and other receivables		(40,973,264)	56,530,183	(32,145,667)	39,370,336
Amounts due from related companies		3,828,351	(8,438,546)	13,163,562	21,844,926
Trade & other payables		14,807,482	(9,781,043)	14,968,701	(10,709,789)
Amounts due to related companies		2,033,555	(118,606,249)	788,500	(109,876,063)
Cash generated from/(used in) operating activities		524,962,130	(63,286,459)	35,358,848	(45,654,661)
Interest paid		(3,021,595)	(77,988,533)	(351,516)	(62,770,876)
Retiring gratuity amount paid	27	(717,118)	(1,364,924)	(717,118)	(1,268,013)
Net cash flow generated from/(used in) operating activities		521,223,417	(142,639,916)	34,290,214	(109,693,550)
Cash flows from investing activities					
Interest received		51,334,362	51,319,050	2,704,264	227,780
Acquisition of property, plant and equipment	13	(1,562,096)	(1,814,819)	(1,562,096)	(611,459)
Net cash generated from/(used in) investing activities		49,772,266	49,504,231	1,142,168	(383,679)
Cash flows from financing activities					
Loan obtained during the year	26	(10,147,362)	96,130,581	(8,349,996)	70,104,662
Lease repaid during the year	15.2	(9,110,261)	-	(7,643,174)	-
Net cash generated from financing activities		(19,257,623)	96,130,581	(15,993,170)	70,104,662
Net increase / (decrease) in cash & cash equivalents		551,738,060	2,994,896	19,439,212	(39,972,567)
Cash & cash equivalents at the beginning of the year		836,116,504	833,121,608	(45,298,379)	(5,325,812)
Cash & cash equivalents at the end of the year		1,387,854,564	836,116,504	(25,859,167)	(45,298,379)
Analysis of cash & cash equivalents					
Cash at banks and in hand		43,045,909	68,431,441	36,898,708	8,597,621
Fixed deposits		1,499,204,561	904,807,231	-	-
Bank overdraft		(154,395,906)	(137,122,168)	(62,757,875)	(53,896,000)
Cash & cash equivalents at the end of the year		1,387,854,564	836,116,504	(25,859,167)	(45,298,379)

The Notes annexed form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

UNITED HOTELS COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1. Reporting Entity

1.1.1. Domicile and Legal Form

United Hotels Company Limited ("the Company") is a limited liability company incorporated in Sri Lanka. The registered office of the Company is situated at No. 327, Union Place, Colombo 02.

1.2. Companies in the Group and Parent Company

The Company, in the consolidated financial statements, refers to United Hotels Company Limited and Group refers to the Company and all its subsidiaries namely Tissa Resort (Private) Limited, Ceylon Hotels Maldives (Private) Limited (together referred to as the "Group"), whose financial statements have been consolidated.

The Galle Face Hotel Company Limited is the parent company of United Hotels Company Limited.

1.3. Principal activity and Nature of the Operations

The principal activity of the Company and subsidiary Companies is engaging in the business of hotel services and there has been no change in the nature of such activities during the year.

1.4. Responsibilities for financial statements

The board of directors is responsible for preparation and presentation of the financial statements of the Company as per the provision of Companies Act No. 07 of 2007 and Sri Lanka Accounting Standards. The directors' responsibility over financial statements for the year ended 31 March 2022 is set out in detail in the statement of directors' responsibility.

1.5. Approval of financial statements by Directors

The consolidated financial statements of the Group for the year ended 31 March 2022 were authorized for issue in accordance with resolution of the Board of Directors on 30 August 2022.

2. BASIS OF PREPARATION

2.1. Statement of Compliance

The consolidated financial statements of United Hotels Company Limited, comprise the statement of financial position, statement of 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. Basis of Measurement

The consolidated financial statements have been prepared on an accrual basis and under the historical cost basis and applied consistently with no adjustments being made for inflationary factors affecting the financial statements, except for the following material items in the statement of financial position;

- Leasehold buildings - Revalued amounts
- Investment property - Fair value
- Defined benefit obligation - Actuarially valued and recognized at present value of the defined benefit obligation.

UNITED HOTELS COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

2.3. Functional and Presentation Currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates (the Functional Currency), which is the Sri Lankan Rupee.

The financial statements of the Group are presented in Sri Lankan Rupees (LKR) which is the functional currency of the Group entities other than for the company listed below where the functional currency is either based on the country of incorporation of the company or elements that could influence in determining its functional currency.

Company	Country of Incorporation	Functional Currency
Handhuwaru Ocean Holidays (Private) Limited	Maldives	USD

2.4. 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 13	–	Revaluation of buildings
Note 14	–	Measurement of intangible assets
Note 15.2	–	Lease liabilities
Note 16	–	Fair valuation and classification of investment property
Note 17	–	Investment in subsidiaries
Note 17.2	–	Investment in equity accounted investees
Note 27	–	Measurement of retirement benefit obligations
Note 28	–	Measurement of deferred tax liabilities
Note 34	–	contingent liabilities

2.5. Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non- financial assets and liabilities.

Group regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, Group assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data. (Unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

2.6. Materiality and aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

Notes to the Financial Statements are presented in a systematic manner which ensures the understandability and comparability of Financial Statements of the Group and the Company. Understandability of the Financial Statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

2.7. Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position, only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the income statement, unless required or permitted by Sri Lanka Accounting Standards and as specifically disclosed in the Significant Accounting Policies of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

Accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1. Changes in Significant Accounting Policies

3.1.1. Amendments to Definition of a Business - SLFRS 3

There were no changes in Accounting Policies for the year ended 31 March 2022.

Further a number of other new standards were effective from 1 April 2021 but they do not have a material effect on the Group's Financial Statements.

The Group has consistently applied the Accounting Policies to all periods presented in these Financial Statements.

The details of accounting policies are set out in note 3.2 to these financial statements. The Group did not acquire any subsidiary during the year ended 31 March 2022, as a result the impact of the application of this amended standard was limited to the changes in the significant accounting policies disclosed.

3.2. Basis of Consolidation

The Group's financial statements comprise of the financial statements of the company its subsidiaries prepared in terms of Sri Lanka Accounting standard (SLFRS -10) - Consolidated Financial Statements and share of profit and loss and net assets of equity accounted investees prepared in terms of Sri Lanka Accounting standard (LKAS 28) - Investments in Associates and Joint Ventures.

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) Non-controlling interests

The proportion of the profits or losses after taxation applicable to outside shareholders of subsidiary companies is included under the heading "Non – controlling interest "in the Consolidated Income Statement. Losses applicable to the non-controlling interests in a subsidiary is allocated to the non-controlling interest even if doing so causes the noncontrolling interests to have a deficit balance.

The interest of the minority shareholders in the net assets employed of these companies are reflected under the heading "Non – controlling interest" in the Consolidated Statement of Financial Position.

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. Adjustments to non-controlling interest 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 financial asset measured as FVOCI depending on the level of influence is retained.

e) **Interests in equity-accounted investees (investments in joint ventures)**

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 transactions, and any unrealized gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

g) **Financial statements 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 31 March except for Handhuvaru Ocean Holidays (Private) Limited and Handhuvaru Ocean (Private) Limited which have the financial year ending 31 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

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of transactions. Monetary assets and liabilities denominated in foreign currency at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined.

Non-monetary assets and liabilities in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to reporting currency using the exchange rate that was prevailing on the date the fair value was determined.

Foreign currency differences arising on retranslation generally are recognized in income statement. However, the following items are recognized in the other comprehensive income.

- Differences arising on the retranslation of fair value through other comprehensive income equity investments which was recognised in other comprehensive income. Foreign currency gains and losses are reported on a net basis in the income statement.
- Gains and losses arising from translating the financial statements of foreign operations

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

3.4.1. Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company and the Group 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 fair value through profit or loss (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.

3.4.2. Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; Financial assets at fair value through other comprehensive income (FVOCI) - debt investment; Financial assets at fair value through other comprehensive income (FVOCI) - equity investment; or Financial assets at fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Company and the Group 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 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 and the Group 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 and the Group 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 and the Group 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 Company and 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 and the Group'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:

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 and the Group 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 and the Group 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 Company and 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:

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 cost

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 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.

Financial liabilities measured at amortised cost include interest bearing loans and borrowings, trade and other payables and amounts due to related companies.

3.4.3. De-recognition

Financial assets

The Company and the Group de-recognises 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 and the Group 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 and the Group enters into transactions whereby it transfers assets recognized 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 de-recognised.

Financial liabilities

The Company and the Group de-recognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company and the Group also de-recognises 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 de-recognition 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.

3.4.4. 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 and the Group 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.

3.4.5. Impairment

Non-derivative financial assets

The Company and the Group measure loss allowances at an amount equal to lifetime ECLs. Loss allowances for trade receivables are 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 and the Group 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 and the Group's historical experience and informed credit assessment and including forward-looking information. The Company and the Group assumes that the credit risk on a financial asset has increased significantly if it is more than 180 days past due.

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

- the borrower is unlikely to pay its credit obligations to the Company and the Group in full, without recourse by the Company and the Group to actions such as realising security (if any is held); or
- the financial asset is more than 180 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 and the Group 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 and the Group 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 and the Group 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 and the Group on terms that the Company and the Group would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for 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 and the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company and the Group 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 and the Group 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 and the Group 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 and the Group's procedures to recovery of amounts due.

Impairment Policy: Non-financial assets

The carrying amount of the Company and the Group'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, or when annual impairment testing for an asset is required, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. An impairment loss is recognized if the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its estimated recoverable amount.

Impairment losses are recognized in Profit or Loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.5. Stated Capital

Ordinary shares are classified as equity. Incremental Costs attributable to the issue of ordinary shares are recognized as a deduction from equity. Income tax relating to transaction cost of an equity transaction is accounted for in accordance with LKAS 12.

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 other than leasehold buildings, are stated at costs 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.

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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 recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognized 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	- 37-44 years
Plant & machinery	- 10 years
Furniture & office 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 3.2(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.

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 labor, 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. Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in SLFRS 16.

3.9.1. As a Lessee

At commencement or on modification of a contract that contains a lease component, the Company and the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company and the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company and the Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company and the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Company and the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company and the Group's incremental borrowing rate.

The Company and the Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company and the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Company and the Group is reasonably certain to exercise an extension option, and penalties early termination of a lease unless the Company and the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company and the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Company and the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company and the Group presents right-of-use assets that do not meet the definition of investment property in right of use asset and lease liabilities in 'loans and borrowings' in the statement of financial position.

3.9.2. Short term leases and leases of low-value assets

The Company and the Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company and the Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3.9.3. Lease modifications

The Company and the Group shall account for a lease modification as a separate lease if both:

a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification the Company and the Group shall:

a) allocate the consideration in the modified contract
b) determine the lease term of the modified lease
c) remeasure the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

For a lease modification that is not accounted for as a separate lease, the Company and the Group shall account for the remeasurement of the lease liability by:

a) decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The lessee shall recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.
b) making a corresponding adjustment to the right-of-use asset for all other lease modifications

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.

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

3.11.1. Defined contribution plans

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

Employees' Provident Fund

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

Employees Trust Fund

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

3.11.2. 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 27 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.

When the benefit of a plan is charged or when a plan is curtailed, the resulting change in benefit that related to past service or the gain or loss on curtailment is recognized immediately in profit or loss.

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

The liability was not externally funded.

3.11.3. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company and the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.11.4. Termination benefits

Termination benefits are recognized as an expense when the Company and the Group is demonstrably committed, without a realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Company and the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

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.

Non-current 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. Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company and the Group or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation.

A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company and the Group does not recognize a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company and the Group. The Company and the Group does not recognize contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain. In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest.

3.13. Assets Held for Sale

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

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

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

4. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

4.1. Revenue

4.1.1. Revenue from Contract with customers

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

a) Revenue recognition

Group recognizes, in the contract interception, whether it has fulfill its performance obligation over time or at a point in time. In an occasion where the performance obligation full fills overtime then the Company and the Group 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 Revenue note in the financial statement.

c) Contact Balances

Contract liabilities are considered to be the hotel's obligation to transfer goods and services to a customer for which the Group has received consideration from the customer. Short-term advances includes in the contact liabilities which is received to render certain services. Contract liabilities of the group have been disclosed under Revenue note in the financial statement.

d) Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Group 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;

- **Apartment revenue**

  The main obligation in the customer contract is to provide rooms for guests' accommodation. This is represented in the Room Revenue reported in the financial statements. Revenue under this segment is recognised on the rooms occupied on a daily basis over the period of the stay. Invoice is raised to customer on completion of the duration of the stay.

- **Food and beverages revenue**

  - Provision of BB/HB/FB meal for guests occupying the hotels which is part and partial of the contract entered into. Revenue is recognized at the time of sale and invoice to the customers on the completion of the duration of the stay.
  - Provision of extra food and beverages - Revenue is recognised at the time of sale and invoice to the customers at the time of consumption.

- **Other hotel related revenue (Spa income, Laundry income etc.)**

  These services are provided to customers as they are implied as business practices in the industry and create a valid expectation of the customer. Revenue is recognised at the time of provision of service and invoice is raised at the time of service is consumed.

4.1.2. Other Income

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

a) Dividend income from investments is recognized when the right to receive is established.
b) Interest income is recognized on an accrual basis.

4.2. Revenue Expenditure

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

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

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

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

4.3. Grants and Subsidies

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

4.4. Segment Reporting

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

4.5. Borrowing Cost

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

Borrowing costs may include:

(a) Interest expense calculated using the effective interest method as described in SLFRS 09 *Financial Instruments: Recognition and Measurement*;

(b) Finance charges in respect of finance leases recognised in accordance with SLFRS 16 *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.

4.6. Finance income & Finance cost

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

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

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

4.7. Income Tax Expenses

An income tax expense comprises current and deferred tax. An income tax expense is recognized directly in income statements except to the extent that 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.

c) Tax exposures

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company and the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

4.8. Value Added Tax

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

4.9. Basic Earnings Per Share

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

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

4.10. Comparative Information

Comparative information including quantitative, narrative, and descriptive information is disclosed in respect of the previous period in the Financial Statements to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability. The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

5. CASH FLOW STATEMENT

Cash and Cash Equivalents

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

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

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

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

6. NEW AND AMENDED STANDARDS ISSUED BUT NOT EFFECTIVE AS AT THE REPORTING DATE

A number of new standards are effective for annual periods beginning after 1 April 2022 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these Financial Statements

The following amended standards are not expected to have a significant impact on the Company's Financial Statements.

- Onerous contracts - Cost of fulfilling a contract (Amendments to LKAS 37)
- Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)
- Reference to conceptual framework (Amendments to SLFRS 3)
- Property, plant and equipment: proceeds before Intended use (Amendments to LKAS 16)
- Classification of liabilities as current or non-current (Amendments to LKAS 1)
- Annual Improvements to SLFRS standards 2018-2020.
- Definition of accounting estimates (Amendments to LKAS 8)
- Disclosure of Accounting Policies (Amendments to LKAS 1)

UNITED HOTELS COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

	For the year ended 31 March	Group		Company	
		2022	2021	**2022**	2021
		Rs.	Rs.	**Rs.**	Rs.
7	**Revenue**				
	Accommodation income	**150,797,882**	66,402,869	**124,889,569**	45,521,192
	Food income	**144,513,710**	140,643,842	**102,503,052**	88,621,583
	Beverage income	**11,029,200**	2,450,802	**11,029,200**	1,860,892
	Others	**3,030,032**	923,741	**2,825,241**	864,573
		309,370,824	210,421,254	**241,247,062**	136,868,240
8	**Other income**				
	Sundry income	**276,784**	126,321	**276,784**	126,321
	Operating rent income - EKHO Lake	**2,450,000**	750,000	**2,450,000**	750,000
	Change in fair value of financial assets at FVTPL (Note 18)	**140,000**	87,500	**140,000**	87,500
	Stock Write-back	**1,293,012**	-	**1,293,012**	-
		4,159,796	963,821	**4,159,796**	963,821
9	**Net finance income/(costs)**				
9.1	**Finance income**				
	Interest income	**51,334,362**	42,409,336	**69,434**	30,444
	Gain on translation of foreign currencies	**509,653,510**	47,637,527	**2,634,830**	197,337
	Interest income on related party loan	**8,658,873**	8,909,714	**24,083,418**	33,459,543
		569,646,745	98,956,577	**26,787,682**	33,687,324
9.2	**Finance costs**				
	Interest on bank overdrafts	**24,009,891**	4,892,430	**4,822,404**	4,781,912
	Loss on translation of foreign currencies	**174,652,751**	8,555,707	**174,652,751**	8,555,707
	Interest expense on loans	**83,532,444**	81,642,476	**72,775,120**	57,988,964
	Interest expense on leases	**16,989,282**	18,195,667	**16,352,078**	17,471,481
	Others finance costs	**67,365**	-	-	-
		299,251,733	113,286,280	**268,602,353**	88,798,064
	Net finance income/(costs) recognized in profit or loss	**270,395,012**	(14,329,703)	**(241,814,671)**	(55,110,740)
10	**Profit/(Loss) before income tax**				
	Loss before income tax is stated after charging all expenses including the following:				
	Auditors' remuneration - Statutory audit	**972,720**	850,000	**586,500**	510,000
	Depreciation on property, plant & equipment	**92,040,767**	91,609,026	**67,231,107**	67,086,536
	Amortization of intangible assets (Note 14.1)	**1,413,086**	1,854,566	**644,953**	1,661,825
	Amortization of ROU asset (Note 15.1)	**4,794,499**	4,389,283	**4,474,927**	4,069,711
	Charity & donation	**46,850**	20,790	**46,850**	20,790
	Provision made / (reversal) for bad & doubtful debts	**203,044**	11,952,410	**203,044**	12,256,600
	Management Fees	**8,085,055**	-	**6,893,102**	-
	Staff costs (Note 10.1)	**59,815,594**	70,795,557	**44,122,239**	48,744,686
10.1	**Staff costs**				
	Wages, salaries and staff expenses	**54,417,246**	64,895,184	**40,273,074**	44,590,087
	Defined contribution plan cost - EPF & ETF	**4,391,740**	4,787,026	**3,053,408**	3,259,077
	Defined benefit plan cost - employee benefits (Note 27.1)	**1,006,608**	1,113,347	**795,757**	895,522
		59,815,594	70,795,557	**44,122,239**	48,744,686

UNITED HOTELS COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

11 Income tax reversal

The Company and its subsidiaries are liable for income tax at the rate of 14% on its business profit and at 24% on other sources of income as per the provisions of Inland Revenue (Amendment) Act No. 10 of 2021 and subsequent amendments thereto.

For the year ended 31 March	Group		Company	
	2022	2021	**2022**	2021
	Rs.	Rs.	**Rs.**	Rs.
Current tax				
Income tax expense for the year (Note 11.1)	**1,602**	-	-	-
Over provision in respect of previous year	**(291,239)**	-	**(291,239)**	-
Deferred tax reversed during the year (Note 28)	**(18,640,361)**	(18,710,868)	**(16,789,497)**	(19,670,730)
ESC Written Off	**1,786,021**	-	**1,216,281**	-
	(17,143,977)	(18,710,868)	**(15,864,455)**	(19,670,730)

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

	Group 2022	Group 2021	Company 2022	Company 2021
Profit/(Loss) before income tax	**191,908,196**	(148,962,063)	**(281,770,539)**	(160,384,364)
Adjustment on disallowable expenses	**324,796,473**	170,004,159	**297,724,863**	135,555,793
Adjustment on allowable expenses	**(97,925,325)**	(105,733,104)	**(81,880,925)**	(88,701,756)
Exempt income	**(581,951,188)**	(123,930,987)	**(24,292,852)**	(34,239,987)
Adjusted business loss for the year	(163,171,844)	(208,621,995)	**(90,219,453)**	(147,770,314)
Taxable profit from business income				
Taxable other income	6,673	-	-	-
Taxable income	6,673	-	-	-
Income tax @ 14%	-	-	-	-
Income tax @ 24%	**1,602**	-	-	-
Income tax on current year profits	1,602	-	-	-

11.2 Tax losses

	Group 2022	Group 2021	Company 2022	Company 2021
Tax loss brought forward	**897,863,463**	708,121,658	**721,406,493**	577,490,776
Adjustment to brought forward balance	**(1,655,660)**	(18,880,190)	**(1,139,285)**	(3,854,597)
Loss incurred during the year (Note 11.1)	**164,025,384**	208,621,995	**90,219,453**	147,770,314
Tax losses carried forward	**1,060,233,187**	897,863,463	**810,486,661**	721,406,493

Details of Brought forward tax losses on which deferred tax assests is recognised and not recognised are mentioned under Note 28.1 and 28.2 respectively.

12 Profit/(Loss) per share

12.1 Profit/(Loss) per share

Profit/(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.

For the year ended 31 March	Group		Company	
	2022	2021	**2022**	2021
Profit/(Loss) attributable to equity holders of the Company (Rs.)	**209,052,173**	(130,251,195)	**(265,906,084)**	(140,713,634)
Weighted average number of ordinary shares in issue	**297,918,001**	297,918,001	**297,918,001**	297,918,001
Profit/(Loss) per share (Rs.)	**0.70**	(0.44)	**(0.89)**	(0.47)

12.2 Diluted Profit/(Loss) per share

There were no potential dilutive ordinary shares outstanding at any time during the year. Therefore, diluted Profit/(Loss) per share is same as basic Profit/(Loss) per share shown above.

UNITED HOTELS COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

13 Property, plant and equipment

13.1 Group

	Building on leasehold land	Plant and machinery	Furniture fittings and fixtures	Equipment	Computers	Swimming pool	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost / valuation							
As at 01 April 2021	1,473,344,000	71,487,601	97,214,933	91,710,109	12,242,111	27,721,862	1,773,720,616
Additions	-	761,793	76,320	547,278	176,705	-	1,562,096
On revaluation	187,956,000	-	-	-	-	-	187,956,000
As at 31 March 2022	**1,661,300,000**	**72,249,394**	**97,291,253**	**92,257,387**	**12,418,816**	**27,721,862**	**1,963,238,712**
Accumulated depreciation							
As at 01 April 2021	51,076,754	27,814,110	37,148,429	66,586,740	8,462,139	13,645,174	204,733,346
Charge for the year	51,076,754	7,164,287	9,722,765	18,130,562	2,481,166	3,465,233	92,040,767
On revaluation	(102,153,508)	-	-	-	-	-	(102,153,508)
As at 31 March 2022	-	**34,978,397**	**46,871,194**	**84,717,302**	**10,943,305**	**17,110,407**	**194,620,605**
Carrying Amount							
As at 31 March 2022	**1,661,300,000**	**37,270,997**	**50,420,059**	**7,540,085**	**1,475,511**	**10,611,455**	**1,768,618,107**
As at 31 March 2021	1,422,267,246	43,673,491	60,066,504	25,123,369	3,779,972	14,076,688	1,568,987,270

13.1.1 It has been identified that there is no permanent impairment of plant and equipment which requires provision in the financial statements based on reassessment as at 31 March 2022.

13.1.2 There were no restrictions on the title of the property, plant & equipment as at 31 March 2022.

13.1.3 There were no capitalized borrowing costs related to the acquisition of property, plant & equipment during the year (2020/2021 - Nil).

13 Property, plant and equipment (Cont.)

13.1.4 Buildings of the Group were revalued by an independent professional valuer Mr. S. Sivaskantha. F.I V. (Sri Lanka) of Perera Sivaskantha & Company, Incorporated valuers, on the basis of market approach as at 31 March 2022.

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

Name of the company	Property name & location	Date of valuation	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
United Hotels Company Limited	EKHO Surf - Bentota	31 March 2022	-	-	1,212,400,000	1,212,400,000
United Hotels Company Limited	EKHO Lake House - Polonnaruwa	31 March 2022	-	-	124,300,000	124,300,000
Tissa Resort (Private) Limited	EKHO Safari - Tissamaharama	31 March 2022	-	-	324,600,000	324,600,000
					1,661,300,000	1,661,300,000

13.1.5 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.

Location	No. of buildings	Building area	Valuation technique	Property valuer & qualification	Significant unobservable inputs	Sensitivity of the input to the fair value
EKHO Surf - Bentota	01	89,487 sq.ft	Investment method	S Sivaskantha, Fellow Member of Institute of Valuation of Sri Lanka, Incorporated valuer	Range Rs.7,500/ to Rs.30,000/– per sq. ft Depreciation rate - 35% Rate of Return -12.5%-13%	The estimated fair value would increase / (decrease) if: • cost per square foot was higher / (lower) • depreciation rate (increase)/decrease • discount rate (increase)/decrease
EKHO Lake House - Polonnaruwa	01	15,344 sq.ft	Investment method	S Sivaskantha, Fellow Member of Institute of Valuation of Sri Lanka, Incorporated valuer	Range Rs. 10,00 to Rs. 25,000 per sq. ft Depreciation rate - 45% Rate of Return -12.5%-13%	
EKHO Safari - Tissamaharama	01	48,497 sq.ft	Investment method	S Sivaskantha, Fellow Member of Institute of Valuation of Sri Lanka. Incorporated valuer	Range Rs. 8,500 - Rs. 25,000 per sq ft Depreciation rate - 45% Rate of Return - 13%	

UNITED HOTELS COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

13 Property, plant and equipment (Cont.)

13.2 Company

	Buildings on leasehold land	Plant and machinery	Furniture fittings and fixtures	Equipment	Computers	Swimming pool	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost / valuation							
As at 01 April 2021	1,180,700,000	60,402,437	75,842,889	62,283,952	9,509,563	23,721,862	1,412,460,703
Additions	-	761,793	76,320	547,278	176,705	-	1,562,096
On revaluation	156,000,000	-	-	-	-	-	156,000,000
As at 31 March 2022	**1,336,700,000**	**61,164,230**	**75,919,209**	**62,831,230**	**9,686,268**	**23,721,862**	**1,570,022,799**
Accumulated Depreciation							
As at 01 April 2021	36,444,554	23,470,712	28,704,857	45,207,407	7,167,564	11,825,174	152,820,268
Charge for the year	36,444,554	6,055,771	7,585,561	12,245,331	1,934,657	2,965,233	67,231,107
On revaluation	(72,889,108)	-	-	-	-	-	(72,889,108)
As at 31 March 2022	**-**	**29,526,483**	**36,290,418**	**57,452,738**	**9,102,221**	**14,790,407**	**147,162,267**
Carrying Amount							
As at 31 March 2022	**1,336,700,000**	**31,637,747**	**39,628,791**	**5,378,492**	**584,047**	**8,931,455**	**1,422,860,532**
As at 31 March 2021	1,144,255,446	36,931,725	47,138,032	17,076,545	2,341,999	11,896,688	1,259,640,435

13.2.1 It has been identified that there is no permanent impairment of plant and equipment which requires provision in the financial statements based on reassessment as at 31 March 2022.

13.2.2 There were no restrictions on the title of the property, plant & equipment as at 31 March 2022.

13.2.3 There were no capitalized borrowing costs related to the acquisition of property, plant & equipment during the year (2020/2021 - Nil).

UNITED HOTELS COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

	As at 31 March	Group		Company	
		2022	2021	**2022**	2021
		Rs.	Rs.	**Rs.**	Rs.
14	**Intangible assets**				
	Computer software (Note 14.1)	**17,066**	1,430,152	**14,235**	659,188
	Goodwill on acquisition (Note 14.2)	**576,351**	576,351	-	-
		593,417	2,006,503	**14,235**	659,188
14.1	**Computer software**				
	Cost				
	As at 01 April	**13,624,757**	13,624,757	**9,842,543**	9,842,543
	As at 31 March	**13,624,757**	13,624,757	**9,842,543**	9,842,543
	Amortization				
	As at 01 April	**12,194,605**	10,340,039	**9,183,355**	7,521,530
	Charge for the year	**1,413,086**	1,854,566	**644,953**	1,661,825
	As at 31 March	**13,607,691**	12,194,605	**9,828,308**	9,183,355
	Carrying amount				
	As at 31 March	**17,066**	1,430,152	**14,235**	659,188

	As at 31 March	Group	
		2022	2021
		Rs.	Rs.
14.2	**Goodwill on acquisition**		
	Ceylon Hotels Maldives (Private) Limited	**576,351**	576,351
		576,351	576,351

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

	As at 31 March	Group		Company	
		2022	2021	**2022**	2021
		Rs.	Rs.	**Rs.**	Rs.
15	**Leases**				
15.1	**Right of use assets**				
	Cost				
	As at 01 April	**124,394,898**	124,394,898	**120,826,341**	120,826,341
	Additions	-	-	-	-
	As at 31 March	**124,394,898**	124,394,898	**120,826,341**	120,826,341
	Amortization				
	As at 01 April	**7,469,170**	3,079,887	**6,830,026**	2,760,315
	Amortization during the period	**4,794,499**	4,389,283	**4,474,927**	4,069,711
	As at 31 March	**12,263,669**	7,469,170	**11,304,953**	6,830,026
	Carrying amount				
	As at 31 March	**112,131,229**	116,925,728	**109,521,388**	113,996,315

Right of use assets are in respect of following properties, which are currently on lease with Sri Lanka Tourism Development Authority.

- The Surf – Bentota
- The Safari – Tissa
- The Lake – Polonnaruwa
- The Lake House – Polonnaruwa

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		Group		Company	
	As at 31 March	**2022**	2021	**2022**	2021
		Rs.	Rs.	**Rs.**	Rs.
15.2	**Lease liabilities**				
	As at 01 April	**161,240,489**	143,044,820	**154,626,735**	137,155,254
	Additions	**-**	-	**-**	-
	Interest expense	**16,989,282**	18,195,669	**16,352,078**	17,471,481
	Less: Payments made during the year	**(9,110,261)**	-	**(7,643,174)**	-
	As at 31 March	**169,119,510**	161,240,489	**163,335,639**	154,626,735
	Current	**45,151,259**	25,060,180	**44,311,931**	23,801,185
	Non - current	**123,968,251**	136,180,309	**119,023,708**	130,825,550
		169,119,510	161,240,489	**163,335,639**	154,626,735

There were no any modifications to the original terms and conditions of the lease contracts as at the year ended 31 March 2022.

		Group		Company	
	As at 31 March	**2022**	2021	**2022**	2021
		Rs.	Rs.	**Rs.**	Rs.
16	**Investment property**				
	Balance at the beginning of the year	**200,787,968**	-	**200,787,968**	-
	Cost transferred from property, plant and equipment	-	216,341,987	-	216,341,987
	(-) Accumilated depreciation transferred from property, plant and equipment	-	(15,554,019)	-	(15,554,019)
	Fair Value Loss	**(8,550,000)**		**(8,550,000)**	
	Balance at the end of the year	**192,237,968**	200,787,968	**192,237,968**	200,787,968

16.1 Rental income earned from investment property by the Group and Company amounted to Rs. 2,450,000/- (2020/2021 - 750,000/-)

16.2 Direct operating expenses incurred with regard to investment property by the Group and Company amounted to Rs.344,415/- (2021/2021 - 214,090/-)

16.3 Fair value of the investment property is ascertained by an independent valuation carried out by S. Sivaskantha, Fellow Member of Institute of Valuation of Sri Lanka, Incorporated valuer as at 31 March 2022.

This investment property rented out to third party with effect from 1 April 2020. Accordingly, management has transferred this property from Property, Plant and Equipment to investment property year of 2020/21.

16.4 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 31 March 2022.

Location	: EKHO Lake - Polonnaruwa, Pothugul Pedesa, New Town, Polonnaruwa.
Property	: Building
Valuation technique	: Investment method
Significant unobservable inputs	: Range Rs 6,500 - Rs 30,000 per sq. ft Depreciation rate - 40% Rate of Return - 12.5% - 13%
Property valuer & qualification	: S. Sivaskantha, Fellow Member of Institute of Valuation of Sri Lanka. Incorporated valuer
Sensitivity of the input to the fair value	: Estimated fair value would increase/ (decrease) if ;- Price per sq.ft increases/ (decreases)

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17 Investments in subsidiaries

	Effective Holding %	No. of shares 2022	2021	Company Value (Rs.) 2022	2021
Direct - subsidiaries		**1,000,000**	1,000,000	**1,538,550**	1,538,550
Tissa Resort (Private) Limited	**100%**	**110,985,000**	110,985,000	**1,110,553,500**	1,110,553,500
Ceylon Hotels Maldives (Private) Limited	**100%**	**111,985,000**	111,985,000	**1,112,092,050**	1,112,092,050

17.1 Principal activities of the Subsidiaries and Non-controlling Interest

The following disclosure excerpt highlights the group composition and the proportion of ownership interest held by NCI.

Company and Country of Incorporation / Operation	Principle Activities	Class of shares held	Proportion of interest held by the Company (%)	Non - controlling interest (%)
Sri Lanka				
Tissa Resort (Private) Limited	Hotel services	Ordinary	100%	0%
Ceylon Hotels Maldives (Private) Limited	Investment holding	Ordinary	100%	0%

As at 31 March	Group 2022 Rs.	2021 Rs.
17.2 Investment in equity accounted investees		
Handuvaru Ocean Holidays (Private) Limited	-	795,102,982
	-	795,102,982

17.2.1 Share of gain / (loss) of equity accounted investee (net of tax)

As at 31 March	2022	2021
No. of shares	**2,294,535**	2,294,535
Share holding	**50%**	50%

As at 31 March	Group 2022 Rs.	2021 Rs.
Opening balance	**795,102,982**	780,450,890
Operating loss for the year	**(4,997,915)**	(2,079,258)
Other comprehensive income net of tax	**47,643,404**	16,731,350
Classified as Assets held for sale (Note 22)	**(837,748,471)**	-
	-	795,102,982
Share of joint venture's financial position		
Current asset	**402,574,494**	394,973,997
Non current asset	**1,258,445,260**	1,136,535,642
Current liabilities	**(1,793,682)**	(727,924)
Non current liabilities	**(306,482,923)**	(263,329,544)
	1,352,743,149	1,267,452,171
Group's share of net assets	**676,371,575**	633,726,086
Goodwill	**161,376,896**	161,376,896
Share of net asset attributable to equity accounted investee	**837,748,471**	795,102,982
Share of joint venture's revenue and loss		
Revenue	-	-
Losses before income tax	**(9,995,830)**	(4,158,515)
Income tax	-	-
Other comprehensive income net of tax	**95,286,809**	33,462,700
Total comprehensive income for the year	**85,290,978**	29,304,185
Group share of Profit / (Loss) after tax	**(4,997,915)**	(2,079,258)
Group share of other comprehensive income net of tax	**47,643,404**	16,731,350
Share of joint venture's total comprehensive income for the year	**42,645,489**	14,652,092

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	As at 31 March	Group 2022 Rs.	Group 2021 Rs.	Company 2022 Rs.	Company 2021 Rs.
18	**Other investments**				
	Investments - fair value through profit or loss				
	The Kandy Hotels Company (1938) PLC (87,500 Shares)	**463,750**	376,250	**463,750**	376,250
	(-) Fair value gain/ (loss)	**140,000**	87,500	**140,000**	87,500
		603,750	463,750	**603,750**	463,750

Market value per share are based on the price published by the Colombo Stock Exchange on the last date of trading for the financial year ended 31 March 2022.

		Group 2022	Group 2021	Company 2022	Company 2021
19	**Inventories**				
	Food	**4,507,302**	3,301,725	**3,058,110**	2,174,572
	Beverages	**3,969,661**	4,030,876	**2,972,934**	2,840,911
	Crockery, linen and glassware	**15,119,331**	16,434,919	**11,989,137**	12,511,298
	Housekeeping	**1,442,149**	1,682,769	**990,505**	1,221,992
	Maintenance	**2,101,401**	1,989,577	**1,751,635**	1,681,060
	Stationery	**669,370**	749,867	**375,684**	568,724
	Gas stock	**57,208**	44,744	**-**	-
	Sundry stock	**848,594**	755,608	**333,696**	347,312
	Amortization on inventory	**(1,555,672)**	(777,836)	**(1,555,672)**	(777,836)
	Provision for Inventory	**(578,448)**	-	**(578,448)**	-
		26,580,896	28,212,249	**19,337,581**	20,568,033
20	**Trade and other receivables**				
	Accounts receivables (Note 20.1)	**33,051,454**	5,957,240	**31,151,116**	5,592,090
	Other receivables (Note 20.2)	**25,129,328**	13,239,343	**14,457,244**	9,289,928
		58,180,782	19,196,583	**45,608,360**	14,882,018
20.1	**Accounts receivables**				
	Trade receivables	**33,694,289**	6,381,177	**31,489,761**	5,711,837
	Less: Provision for bad & doubtful debts	**(642,835)**	(423,937)	**(338,645)**	(119,747)
		33,051,454	5,957,240	**31,151,116**	5,592,090
20.2	**Other receivables**				
	Advances and prepayments	**15,288,714**	3,826,813	**6,640,287**	3,450,072
	Other receivables	**11,060,614**	10,648,384	**9,036,957**	7,075,710
	Less. Provision for advances & prepayment	**(1,220,000)**	(1,235,854)	**(1,220,000)**	(1,235,854)
		25,129,328	13,239,343	**14,457,244**	9,289,928

	As at 31 March	Group 2022 Rs.	Group 2021 Rs.	Company 2022 Rs.	Company 2021 Rs.
21	**Amounts due from related companies**				
	The Kandy Hotels Company (1938) PLC	5,171,553	4,970,721	**5,171,553**	4,970,721
	Ceylon Hotels Maldives (Private) Limited	-	-	**497,534,236**	477,850,819
	CHC Rest Houses (Private) Limited	-	25,847	**-**	25,847
	Galle Face Hotel 1994 (Private) Limited	**77,786**	-	**56,444**	-
	CHC Foods (Private) Limited	**3,244,925**	3,543,689	**3,244,925**	3,543,689
	Ceylon Hotels Corporation PLC	**16,512,858**	9,130,696	**16,512,858**	9,130,696
	Tissa Resort (Private) Limited	-	-	**52,102,186**	65,671,845
	Galle Face Hotel Company Limited	**100**	-	**100**	-
	Ceylon Hotel Holdings (Private) Limited	**13,836,380**	13,836,380	**13,836,380**	13,836,380
	Galle Face Group (Private) Limited	**2,272,205**	4,776,208	**2,272,205**	4,776,208
	Infini Restaurant Management (Private) Limited	-	926	-	926
	Gardiner Group (Private) Limited	**339,225**	339,225	**339,225**	339,225
	Studio Clay (Private) Limited	**5**	5,422	**5**	5,422
	Made in Italy Company (Private) Limited	**2,607**	2,607	**2,607**	2,607
	Southerland Holdings (Private) Limited	**1,517**	-	1,517	-
	Hadauru Ocean (Private) Limited	**1,480**	-	-	-
		41,460,641	36,631,721	**591,074,241**	580,154,385
	Less: Provision for expected credit losses	**(2,802,468)**	(3,133,063)	**(8,899,186)**	(13,349,805)
		38,658,173	33,498,658	**582,175,055**	566,804,580

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		Group	
	As at 31 March	2022	2021
		Rs.	Rs.
22	**Assets held for sale**		
	Balance beginning of the year	-	-
	Transferred during the year (Note 17.2.1)	837,748,471	-
	Balance end of the year	837,748,471	-

22.1 During the year, the Group has classified an Investment in Joint venture which is held by Ceylon Hotel Maldives (Private) Limited (CHML), a subsidiary of United Hotels Company Limited as Assets held for sale since the carrying amount of the assets will be recovered principally through a sale transaction rather than through continuing use. Ceylon Hotel Maldives (Private) Limited has entered into a conditional sale and purchase agreement on 12 October 2021 with China Travel International Investment Hong Kong Limited for a sale of the 50% stake in Handhuvaru Ocean Holidays (Private) Limited (HOH) for US$ 4,493,663/-(Approx. LKR 1.6 Bn as of 31st May 2022. As per the Sales Purchase Agreement, the conclusion of the Sale and the eventual transfer of Ownership of 50% stake, is subject to due diligence and satisfactory conclusion of certain conditions precedents. The share of loss of Handhuvaru Ocean Holidays Private Limited recognised for the year amounted to LKR 5 Mn.

Further the Sale of the 50% stake Ceylon Hotel Maldives (Private) Limited (CHML) owns in Handhuvaru Ocean Holidays (Private) Limited (HOH) was concluded at a consideration of US$ 4,493,663/- on 8 September 2022.

23	**Cash and cash equivalents**				
	Cash at bank	41,552,586	66,589,871	35,836,370	6,957,201
	Fixed deposits	1,499,204,561	904,807,231	-	-
	Cash in hand	1,493,323	1,841,570	1,062,338	1,640,420
		1,542,250,470	973,238,672	36,898,708	8,597,621
	Bank overdraft	(154,395,906)	(137,122,168)	(62,757,875)	(53,896,000)
	Cash and cash equivalents for cash flow purpose	1,387,854,564	836,116,504	(25,859,167)	(45,298,379)

		No. of Shares		Value	
24	**Stated capital**				
	Group / company				
	As at 31 March	2022	2021	2022	2021
				Rs.	Rs.
	Balance beginning of the year	297,918,001	297,918,001	1,937,945,824	1,937,945,824
	Balance end of the year	297,918,001	297,918,001	1,937,945,824	1,937,945,824

24.1 All shares rank equally with regard to the company's residual assets.

24.2 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.

		Group		Company	
	As at 31 March	2022	2021	2022	2021
		Rs.	Rs.	Rs.	Rs.
25	**Reserves**				
	Revaluation reserve (Note 25.1)	815,921,820	610,902,030	626,630,379	490,033,523
	Foreign currency equalization reserve (Note 25.2)	100,162,979	52,519,575	-	-
		916,084,799	663,421,605	626,630,379	490,033,523

25.1 **Revaluation reserve**
The revaluation reserve comprises of the gain arisen from the revaluation of property, plant and equipment.

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

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		Group		Company	
	As at 31 March	2022	2021	2022	2021
		Rs.	Rs.	Rs.	Rs.
26	**Interest bearing and borrowings**				
	Analysis of interest bearing and borrowings				
	Balance at the beginning of the year	1,010,242,838	894,253,206	862,803,694	782,100,185
	Interest moratorium during the year	102,333,566	101,416,679	75,786,109	74,279,661
	Exchange loss	174,652,751	9,885,000	174,652,751	9,885,000
	Recognition of government grant	-	1,427,679	-	713,846
	Accrued expenses	-	8,546,372	-	-
	Repayments during the year	(10,147,362)	(5,286,098)	(8,349,996)	(4,174,998)
	Balance at the end of the year	1,277,081,793	1,010,242,838	1,104,892,558	862,803,694
26.1	**Payable after one year**	845,989,542	860,100,558	740,742,477	712,661,414
26.2	**Payable within one year**	431,092,251	150,142,280	364,150,081	150,142,280

26.3 Debt moratorium for Covid-19 relief for tourism industry

Group and Company received a capital and interest moratorium (from April 2021 to June 2022) on the existing term loan and overdrafts in accordance with the financial relief package announced by the Government of Sri Lanka to the Tourism industry, amidst of the Covid-19 pandemic. In line with the specified morotorium ending dates, Management has initiated discussions with relevant commercial banks to restructure its existing debt portfolio.

26.4 Assets pledged and terms

Financial institution	Repayment terms	Principal amount (Rs.)	Rate	Security	Closing balance as at 31 March 2022 (Rs.)
Tissa Resort (Private) Limited					
Commercial Bank of Ceylon PLC (Term Loan)	21 equal monthly installments of Rs 2.5 Mn and final installment of Rs. 4,870,000 commence from July 2022.	216,500,000	1% + AWPLR*	Mortgage of leasehold rights over the "The Safari" property and a corporate guarantee of Rs 216.5 Mn from Ceylon Hotels Corporation PLC.	58,420,000
Commercial Bank of Ceylon PLC (Term Loan)	34 equal monthly instalments of Rs 0.835 Mn and Final instalment of Rs 0.735 Mn from July 2022	50,000,000	2.5% + AWPLR	Mortgage of Leasehold rights over the "The Safari" property and a Corporate Guarantee of Rs 216.5 Mn from Ceylon Hotels Corporation PLC	29,125,000
Commercial Bank of Ceylon PLC (Term Loan)	Rs 500,000 x 06 months, Rs.944,000 x 17 months, Rs 952,000 x 01 month commence from July 2022	20,000,000	3.46% fixed	Mortgage of leasehold rights over the "The Safari" property and a corporate guarantee of Rs 216.5 Mn from Ceylon Hotels Corporation PLC.	18,500,000
Commercial Bank of Ceylon PLC (Saubhagya Covid 19 Renaissance Facility)	17 equal monthly instalments of Rs 555,550 and Final instalment of Rs 555,650 from July 2022	10,000,000	4% fixed	Mortgage of leasehold rights over the "The Safari" property and a corporate guarantee of Rs 216.5 Mn from Ceylon Hotels Corporation PLC.	8,888,900
Commercial Bank of Ceylon PLC (Interest Moratorium Loan)	Repayment Terms & Interest on the loan to be decided in July 2022				27,239,890
					142,173,790
Government Grant					(2,207,889)
					139,965,902

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26 Interest bearing and borrowings (Cont.)
26.4 Assets pledged and terms (Cont.)

Financial institution	Repayment terms	Principal amount (Rs.)	Rate	Security	Closing balance as at 31 March 2022 (Rs.)
United Hotels Company Limited					
Commercial Bank of Ceylon PLC (Term Loan)	47 equal monthly instalments of Rs. 1.25 Mn commence from July 2022	75,000,000	2.5% + AWPLR	Primary mortgage bond over leasehold rights of "The Lake House" Polonnaruwa property owned by the Sri Lanka Tourism Development Authority for Rs. 75 Mn and Corporate guarantee of Rs. 75 Mn from Ceylon Hotels Corporation PLC	**58,750,000**
Commercial Bank of Ceylon PLC (Term Loan)	Rs. 500,000 x 05 months Rs. 972,222 x 17 months Rs. 972,226 x 01 month	20,000,000	3.46% fixed	Corporate guarantee from Ceylon Hotels Corporation PLC for Rs. 3.75 Mn and primary mortgage bond over leasehold rights of "The Lake House" Polonnaruwa property owned by the Sri Lanka Tourism Development Authority for Rs. 75 Mn	**19,000,000**
Commercial Bank of Ceylon PLC (Interest Moratorium Loan)	Repayment Terms & Interest on the loan to be decided in July 2022				**20,656,457**
Cargills Bank Limited (Term Loan)	78 equal principal instalments (commencing from July 2022)	US $ 291,000 & US $ 1,209,000	6 months LIBOR+ 5.85% (Floor 6%)	Primary floating mortgage bond for USD 1.5 Million over the leasehold property "The Surf"	**316,255,290**
US $ 442,290 (LKR 132,244,710) Carved out and absobed in to the Capital Moratorium Loan					
Cargills Bank Limited (Term Loan)	Repayment period will be desided after end of the moratorium period	US $ 442,290	6 months LIBOR+ 5.85% (Floor 6%)	Primary floating mortgage bond for USD 1.5 Million over the leasehold property "The Surf"	**132,244,710**
Cargills Bank Limited (Term Loan)	Repayment period will be desided after end of the moratorium period	US $ 268,608	6 months LIBOR+ 5.85% (Floor 6%)	Primary floating mortgage bond for USD 1.5 Million over the leasehold property "The Surf"	**80,313,731**
Cargills Bank Limited (Term Loan)	Rs. 5,833,333.33 x 59 months Rs. 5,833,333.53 x 1 month (commencing from July 2022)	350,000,000	3%+ 1 W AWPLR*	Corporate guarantee from Ceylon Hotels Corporation PLC for Rs. 350 Mn	**210,000,000**
LKR 140,000 Carved out and absobed in to the Capital Moratorium Loan					
Cargills Bank Limited (Term Loan) - Interest Moratorium Loan LKR Loan)	Repayment period will be desided after end of the moratorium period	140,000,000	1 Yr TB Rate + 1%	Corporate guarantee from Ceylon Hotels Corporation PLC for Rs. 350 Mn	**140,000,000**
Cargills Bank Limited (Saubhagya Covid 19 Renaissance Facility)	23 equal monthly instalments of Rs. 695,833 and Final instalment of Rs. 695,841 (Commenced from October 2020)	16,700,000	4% fixed	Corporate guarantee from Ceylon Hotels Corporation PLC for Rs. 16.7 Mn.	**4,175,006**
Cargills Bank Limited (Term Loan) - Interest Moratorium Loan LKR Loan)	Repayment period and the interest rates will be desided after end of the moratorium period	119,074,452	1 Yr TB Rate + 1%		**119,074,452**
Cargills Bank Limited (Term Loan) - Interest Moratorium Loan)	Repayment period and the interest rates will be desided after end of the moratorium period	6,693,366	1 Yr TB Rate + 1%		**6,693,366**
					1,107,163,012
Government Grant					**(2,270,455)**
					1,104,892,557

Financial institution	Repayment terms	Closing balance as at 31 March 2022 (Rs.)
Ceylon Hotels Maldives (Private) Limited		
Hatton National Bank PLC (Interest Moratorium Loan)	Repayment terms & interest rates will be decided on after end of moratorium period	**32,223,334**
		32,223,334
Total		**1,277,081,793**

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

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As at 31 March	Group 2022 Rs.	Group 2021 Rs.	Company 2022 Rs.	Company 2021 Rs.
27 Employee benefits				
At the beginning of the year	**4,266,837**	3,844,829	**3,510,291**	3,364,913
Expenses recognised in the profit or loss (Note 27.1)	**1,006,608**	1,113,347	**795,757**	895,522
Loss recognised in OCI (Note 27.2)	**248,381**	673,585	**326,369**	517,869
Payments made during the year	**(717,118)**	(1,364,924)	**(717,118)**	(1,268,013)
At the end of the year	**4,804,708**	4,266,837	**3,915,299**	3,510,291
27.1 Expenses recognised in the profit or loss				
Current service cost	**668,763**	709,640	**503,979**	542,206
Past Service Cost	**77,568**	-	**77,650**	-
Interest cost	**260,277**	403,707	**214,128**	353,316
	1,006,608	1,113,347	**795,757**	895,522
27.2 Expenses recognised in OCI				
Actuarial loss	**248,381**	673,585	**326,369**	517,869
	248,381	673,585	**326,369**	517,869

27.3 Gratuity liability is based on the actuarial valuation carried out by Messrs. Actuarial and Management Consultants (Private) Limited, Actuaries, on 31 March 2022.

This obligation is not externally funded.

27.4 Principle assumptions used

The principal assumptions used in actuarial valuation are as follows

For the year ended 31 March	Group 2022	Group 2021	Company 2022	Company 2021
1. Discount rate	**13%**	6.10%	**13%**	6.10%
2. Future salary increase				
- Executives	**12%**	6%	**12%**	6%
- Staff	**12%**	6%	**12%**	6%
3. Retirement age	**60 Years**	55 Years	**60 Years**	55 Years

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.

27.5 During the year 2021/22, Employee Benefit obligations were adjusted to reflect new legal requirement as per minimum rate age of workers Act No 28 of 2021 regarding the retirement age. As a result of the plan amendment, the Company defined benefit obligation decreased by Rs. 77,568/=(2020/21 - Nill) A corresponding past service cost credit to profit or loss.

27.6 Sensitivity of assumptions employed in actuarial valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the Income Statement and the Statement of Financial Position is the effect of the assumed changes in discount rate and salary increment rate on the profit or loss & employment benefit obligation for the year.

As at 31 March	Group 2022 Rs.	Group 2021 Rs.	Company 2022 Rs.	Company 2021 Rs.
Discount Rate				
Increased by 1%	**(89,525)**	**(85,915)**	**(72,045)**	(71,202)
Decreased by 1%	**93,704**	**90,102**	**75,393**	74,691
Salary Increment				
Increased by 1%	**77,807**	72,943	**62,494**	60,479
Decreased by 1%	**(75,547)**	(70,822)	**(60,679)**	(58,705)
28 Deferred tax liabilities				
Balance at the beginning of the year	**61,477,237**	80,282,407	**41,638,545**	61,381,777
Deferred tax impact on revaluation	**40,615,331**	-	**32,044,475**	-
Deferred tax reversal on actuarial loss	**(34,774)**	(94,302)	**(45,692)**	(72,502)
Deferred tax reversal for the year - Profit or loss	**(18,640,361)**	(18,710,868)	**(16,789,497)**	(19,670,730)
Balance at the end of the year	**83,417,433**	61,477,237	**56,847,831**	41,638,545

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		Group		Company	
	As at 31 March	**2022**	2021	**2022**	2021
		Rs.	Rs.	**Rs.**	Rs.
28	**Deferred tax liabilities (Cont.)**				
28.1	**Temporary differences**				
	On property, plant and equipment / investment property	**1,585,767,243**	1,311,979,975	**1,284,101,625**	1,058,117,957
	Provision for Inventories	**(578,448)**	-	**(578,448)**	-
	Provision for Trade & other receivables	**(1,862,835)**	-	**(1,558,645)**	-
	Provision for Amounts due from related companies	**(2,802,468)**	-	**(8,899,186)**	-
	On retirement benefit obligation	**(4,804,708)**	(4,266,838)	**(3,915,299)**	(3,510,291)
	On carried forward tax losses	**(922,891,692)**	(824,275,257)	**(809,279,856)**	(716,559,064)
	On leases	**(56,988,277)**	(44,314,758)	**(53,814,250)**	(40,630,420)
		595,838,815	439,123,122	**406,055,941**	297,418,182
	Tax effect @ 14%	**83,417,433**	61,477,237	**56,847,832**	41,638,545
28.2	**Unrecognised deferred tax assets**				
	Tax losses	**137,341,495**	73,588,206	**1,206,805**	4,847,429
	Deferred tax effect	**19,227,809**	10,302,349	**168,953**	678,640

Deferred tax assets have not been recognised in respect of the above portion of tax losses, because it is not probable that future taxable profit will be available against which the company can utilise the benefits therefrom.

		Group		Company	
		2022	2021	**2022**	2021
		Rs.	Rs.	**Rs.**	Rs.
29	**Trade & other payables**				
	Trade creditors	**24,760,556**	24,017,736	**21,596,720**	18,726,647
	Accrued rent	**400,244**	358,053	**400,244**	358,053
	Accrued expenses	**11,352,144**	5,113,902	**9,334,787**	5,085,642
	Other payables	**66,200,621**	57,746,537	**52,214,402**	43,737,256
		102,713,565	87,236,228	**83,546,153**	67,907,598
30	**Government grants**				
	Balance as at 01 April	**2,961,023**	4,388,702	1,480,412	2,194,258
	Recognized during the year	-	1,505,449	-	752,730
	Set-off against interest expenses during the year	**(3,660,000)**	(2,933,128)	**(1,854,400)**	(1,466,576)
	Modification to government grant	**5,177,320**		**2,644,443**	
	Balance as at 31 March	**4,478,343**	2,961,023	**2,270,455**	1,480,412
	Non-current portion	**1,220,276**	2,849,704	**618,727**	1,424,804
	Current portion	**3,258,067**	111,319	**1,651,728**	55,608
		4,478,343	2,961,023	**2,270,455**	1,480,412

On 14 November 2019, the Group has obtained a term loan facility under "Enterprise Sri Lanka" special interets subsidy loan scheme proposed by the government to strengthen the tourism industry. The interest subsidy will be paid by the Ministry of Finance.

		Group		Company	
	As at 31 March	**2022**	2021	**2022**	2021
		Rs.	Rs.	**Rs.**	Rs.
31	**Amounts due to related companies**				
	GFH Management Company (Private) Limited	**1,184,269**	-	**284,269**	-
	Galle Face Hotel Company Limited	-	152,418	-	-
	Galle Face Group (Private) Limited	**1,264,676**	808,593	-	-
	Ceylon Hotels Corporation PLC	**24,620,353**	24,578,963	-	-
	CHC Rest Houses (Private) Limited	**504,231**	-	**504,231**	-
		27,573,529	25,539,974	**788,500**	-
32	**Income tax payable / (receivables)**				
	Balance at the beginning of the year	**(2,613,164)**	(2,613,164)	**75,617**	75,617
	Income tax over paid	**(291,239)**	-	**(291,239)**	-
	Balance at the end of the year	**(2,904,403)**	(2,613,164)	**(215,622)**	75,617
	Income tax payable	-	75,617	-	75,617
	Income tax receivable	**(2,904,403)**	(2,688,781)	**(215,622)**	-

UNITED HOTELS COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

33 Related party disclosures

33.1 Transactions with related companies

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in the Sri Lanka Accounting standard (LKAS) 24 " Related party Disclosure", the details of which are reported below.

Name of the company	Nature of relationship	Name of the directors	Nature of transaction	Year ended 31.03.2022 (Rs.)	Year ended 31.03.2021 (Rs.)
Ceylon Hotels Corporation PLC	Parent	Mr. Sanjeev Gardiner	Expenses paid by CHC on behalf of UHCL	(1,308,291)	449,284
		Mr. Lakshman Samarasinghe	Reimbursement of expenses paid by CHC on behalf of UHCL	852,586	-
		Mr. Priyantha Maddumage	Expenses paid by UHCL on behalf of CHC	1,187,868	-
		Mr. Kuwera De Zoysa	Settlement of related party balance	-	(691,112)
		Mr Mangala Boyagoda	Temporary advance given by UHCL	6,650,000	98,000,000
CHC Foods (Private) Limited	Affiliate	Mr. Lakshman Samarasinghe Mr. Priyantha Maddumage	Expenses paid by UHCL on behalf of CHCF	754,148	981,063
			Reimbursement of expenses paid by UHCL on behalf of CHCF	(1,052,913)	(929,427)
			Fund transferes to CHCF	-	3,386,667
Tissa Resort (Private) Limited	Subsidiary	Mr. Priyantha Maddumage Mr. Lakshman Samarasinghe	Expenses paid by UHCL on behalf of TRL	2,187,991	3,013,618
			Reimbursement of expenses paid by UHCL on behalf of TRL	(2,067,496)	(2,959,407)
			Fund transferes from UHCL	(13,690,154)	-
GFH Management Company (Private)	Affiliate	Mr. Sanjeev Gardiner (Chairman) Mr. Lakshman Samarasinghe Mr Priyantha Maddumage	Expenses paid by GFHM on behalf of UHCL	(20,821,584)	(14,056,576)
			Reimbursement of expenses paid by GFHM on behalf of UHCL	20,537,316	27,292,573
Ceylon Hotels Maldives (Private) Limited	Subsidiary	Mr. Lakshman Samarasinghe Mr Priyantha Maddumage	Fund transfers from CHML to UHCL	(4,400,000)	(60,000,000)
			Interest Income @AWDR)	24,083,417	33,459,543
CHC Rest Houses (Private) Limited	Affiliate	Mr. Lakshman Samarasinghe Mr Priyantha Maddumage	Expenses paid by UHCL on behalf of CHCRH	3,050,721	3,396,526
			Reimbursement of expenses paid by UHCL	(3,044,608)	(2,975,188)
			Settlement of Advances received to UHCL	7,544,322	(2,631,967)
			Settlement of Expenses paid by CHCRH on behalf of UHCL	(40,503)	-
			CHCRH advance received to UHCL bank account	(8,040,010)	-
Galle Face Hotel 1994 (Private) Limited	Affiliate	Mr. Sanjeev Gardiner Mr. Lakshman Samarasinghe	Expenses paid by GFH 1994 on behalf of UHCL	(688,675)	-
			Settlement of related party balance	745,120	(5,008,522)
Gardiner Group (Private) Limited	Affiliate	Mr. Lakshman Samarasinghe	Assets transfer from UHCL	-	339,225
The Kandy Hotels Company (1938) PLC	Affiliate	Mr. Sanjeev Gardiner (Chairman) Mr. Priyantha Maddumage Mr. Lakshman Samarasinghe	Expenses paid by UHCL on behalf of KHCL	1,083,361	1,213,835
			Reimbursement of expenses paid by UHCL	(882,529)	(1,353,064)
			Assets transfer from UHCL	-	-
Galle Face Group (Private) Limited	Affiliate	Mr. Lakshman Samarasinghe	Expenses paid by GFG on behalf of UHCL	(10,647,979)	(12,673,281)
			Settlement of related party balance	-	14,287,977
			Reimbursment of expenses paid by GFG on behalf of UHCL	10,489,434	-
			Service fee obtained during the year	(6,849,460)	-
			Settlement of service fee obtained during the year	4,504,002	-
Made In Italy (Private) Limited	Affiliate	Mr. Lakshman Samarasinghe	Expenses paid by GFG on behalf of MIL	-	713
			Reimbursment of expenses paid by GFG on behalf of MIL	-	(6,313)
Studio Clay (Private) Limited	Affiliate	Mr. Lakshman Samarasinghe	Expenses paid by UHCL on behalf of SC	23,688	26,450
			Reimbursement of expenses paid by UHCL	(29,108)	(28,317)
Galle Face Hotel Company Limited	Ultimate Parent	Mr. Sanjeev Gardiner (Chairman) Mr. Lakshman Samarasinghe	Fund transferes from GFH	(18,599,559)	(81,864,040)
			Fund transferes to GFH	18,599,659	83,338,097
Infini Restaurant Management (Private) Limited	Affiliate	Mr. Lakshman Samarasinghe	Expenses paid by UHCL on behalf of IRM	-	3,752
			Reimbursment of expenses paid by UHCL on behalf of IRM	(926)	(3,804)

* This Note should be read in conjunction with the Note 21, and 31 Amounts due from related companies, and Amounts due to related companies respectively.

Ceylon Hotels Corporation PLC	CHC
Galle Face Hotel Company Limited	GFH
Galle face Hotel 1994 (Private) Limited	GFH 1994
United Hotels Co. Limited	UHCL
Kandy Hotels Company (1938) PLC	KHCL
GFH Management Co. (Private) Limited	GFHM
CHC Rest Houses (Private) Limited	CHCRH
CHC Foods (Private) Limited	CHCF
Tissa Resort (Private) Limited	TRL
Ceylon Hotels Holdings (Private) Limited	CHH
Galle Face Group (Private) Limited	GFG
Studio Clay (Private) Limited	SC
Made In Italy (Private) Limited	MIL
Infini Restaurant Management (Private) Limited	IRM

UNITED HOTELS COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

33 Related party disclosures (Cont.)

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

According to Sri Lanka Accounting Standard "Related Party Disclosures" (LKAS 24). Key management personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the board of directors of the company and its parent (including executive and non-executive directors) have been classified as key management personnel of the company.

CFM of the KMPs are those family members who may be expected to influence or be influenced by that KPMs in their dealing with the entity. They may include KPMs domestic partner and children of the KMPs domestic partner and dependents of the KMP's domestic partner. CFM are related parties to the company. There were no transactions carried out with above parties.

There were no emoluments paid to key management personnel during the year.

34 Contingent liabilities

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

The Company is pursuing or is being pursued with legal action on the following legal cases. As per the representation given by the management these cases are still outstanding as at 31 March 2022.

34.1 Litigations and claims

34.1.1 United Hotels Company Limited

Name	Nature	Case No.
Bentota Pradeshiya Sabha	Operating a SLTDA approved Hotel, without a valid License	MC Balapitiya/25263/PS
Bentota Pradeshiya Sabha	Operating a SLTDA approved Hotel, without a valid License	MC Balapitiya/34452/PS
Bentota Pradeshiya Sabha	Operating a SLTDA approved Hotel, without a valid License	MC Balapitiya/43335/PS

34.1.2 Tissa Resort (Private) Limited

Name	Nature	Case No.
Labour Department	Labour Department	HC Hambanthota/H.C.A 05/2022
Labour Department	Labour Department	HC Hambanthota/H.C.A 04/2022
Labour Department	Labour Department	MC Tissamaharama/63938/LT
Labour Department	Labour Department	MC Tissamaharama/63939/LT

Although, there can be no assurance, the directors believe, based on the information currently available, that the ultimate resolution of such legal procedures would not likely have a material adverse affect on the results of operations, financial position or liquidity of the company. Accordingly no provision for any liability has been made in the financial statements, nor has any liability been determined by the ongoing legal cases, as at 31 March 2022.

35 Capital commitments

There were no material capital commitments which require disclosure in the financial statements as at reporting date.

36 Events occuring after the balance sheet date

There have been no material events occurring after the reporting date that require adjustment to or disclosure in the Financial Statements, other than disclosed below.

36.1 Surcharge Tax

As per the Surcharge Tax Act No. 14 of 2022, the Group of Companies that have earned a taxable income for the Year of Assessment commencing from 01st April, 2021 would be taxed at 25%. Since the Group taxable income for the Year of Assessment 2021/2022 is less than the threshold, the Company is not liable for Surcharge Tax.

37 Financial instruments

37.1 Financial risk management

Overview

The Company is exposed to the following risks from its use of financial instruments;

a) Credit risk
b) Liquidity risk
c) Market risk

UNITED HOTELS COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

37 Financial instruments (Cont.)

37.1 Financial risk management (Cont.)

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 risk, and the Group's management of capital.

a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows.

	Group		Company	
As at 31 March	**2022**	2021	**2022**	2021
	Rs.	Rs.	**Rs.**	Rs.
Trade and other receivables	**42,892,068**	15,369,770	**38,968,073**	11,431,946
Amounts due from related companies	**38,658,173**	33,498,658	**582,175,055**	566,804,580
Cash at bank & fixed deposits	**1,540,757,147**	971,397,102	**35,836,370**	6,957,201
	1,622,307,388	1,020,265,530	**656,979,498**	585,193,728

Trade and other receivables

The creditworthiness of each customer is evaluated prior to sanctioning credit facilities. Appropriate procedures for follow-up and recovery are in place to monitor credit risk.

Age analysis of Trade receivables: Company

As at 31 March 2022	**0-30 days**	**30 - 120 days**	**Over 120 days**	**Total**
Trade receivables - Gross (Rs.)	**18,702,969**	**17,033,190**	**1,669,779**	**37,405,939**
Provision for doubtful debts (Rs.)	**(338,645)**	-	-	**(338,645)**
Trade receivables - Net (Rs.)	**18,364,324**	**17,033,190**	**1,669,779**	**37,067,294**

As at 31 March 2021	0-30 days	30 - 120 days	Over 120 days	Total
Trade receivables - Gross (Rs.)	2,981,107	-	2,730,730	5,711,837
Provision for doubtful debts (Rs.)	(119,747)	-	-	(119,747)
Trade receivables - Net (Rs.)	2,861,360	-	2,730,730	5,592,090

Amounts due from related companies

Management believes that there is no credit risk from the receivables from the related parties, because these counterparties are under the control of the Company's ultimate shareholders, who are financially healthy companies.

These balances represent amount receivable on demand. At Company level these related party exposures are closely monitored to avoid any negative impact by way of credit risk.

Cash at bank

The Company limits its exposure to credit risk on bank balances by maintaining balances with reputable and credit worthy banks having high credit ratings.

b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. 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 manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

Group

As at 31 March 2022	**Carrying amount (Rs.)**	**Contractual cash flows (Rs.)**	**3 months or less (Rs.)**	**3 to 12 months (Rs.)**	**More than 1 year (Rs.)**
Interest bearing borrowings	**1,277,081,793**	**1,277,081,793**	-	**431,092,251**	**845,989,542**
Trade and other payables	**102,313,321**	**102,313,321**	**102,313,321**	-	-
Lease liabilities	**169,119,510**	**435,722,142**	**4,317,886**	**13,059,133**	**418,345,123**
Amounts due to related companies	**27,573,529**	**27,573,529**	**27,573,529**	-	-
Bank overdraft	**154,395,906**	**154,395,906**	**154,395,906**	-	-
Total	**1,730,484,059**	**1,997,086,691**	**288,600,642**	**444,151,384**	**1,264,334,665**

As at 31 March 2021	Carrying amount (Rs.)	Contractual cash flows (Rs.)	3 months or less (Rs.)	3 to 12 months (Rs.)	More than 1 year (Rs.)
Interest bearing borrowings	1,010,242,838	1,010,242,838	-	150,142,280	860,100,558
Trade and other payables	86,878,175	86,878,175	86,878,175	-	-
Lease liabilities	161,240,489	489,466,762	33,590,389	20,154,233	435,722,140
Amounts due to related companies	25,539,974	25,539,974	25,539,974	-	-
Bank overdraft	137,122,168	137,122,168	137,122,168	-	-
Total	1,421,023,644	1,749,249,917	283,130,706	170,296,513	1,295,822,698

37 Financial instruments (Cont.)

37.1 Financial risk management (Cont.)

Company

As at 31 March 2022	Carrying amount (Rs.)	Contractual cash flows (Rs.)	3 months or less (Rs.)	3 to 12 months (Rs.)	More than 1 year (Rs.)
Interest bearing borrowings	**1,104,892,558**	**1,104,892,558**	-	**364,150,081**	**740,742,477**
Trade and other payables	**83,145,909**	**83,145,909**	**83,145,909**	-	-
Lease liabilities	**163,335,639**	**428,447,142**	**4,092,886**	**12,384,133**	**411,970,123**
Bank overdraft	**62,757,875**	**62,757,875**	**62,757,875**	-	-
Total	**1,414,920,481**	**1,680,031,984**	**150,785,170**	**376,534,214**	**1,152,712,600**

As at 31 March 2021	Carrying amount (Rs.)	Contractual cash flows (Rs.)	3 months or less (Rs.)	3 to 12 months (Rs.)	More than 1 year (Rs.)
Interest bearing borrowings	862,803,694	862,803,694	-	150,142,280	712,661,414
Trade and other payables	67,549,543	67,549,543	67,549,543	-	-
Lease liabilities	154,626,737	479,491,761	31,902,888	19,141,733	428,447,140
Bank overdraft	53,896,000	53,896,000	53,896,000	-	-
Total	1,138,875,974	1,463,740,998	153,348,431	169,284,013	1,141,108,554

The Group closely monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables.

c) **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices 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.

Interest rate risk

The Company has borrowings with variable interest rates of AWPLR would expose the Group to shflow/profits as the amount of interest paid would be changed depending on market interest rates. Further. The Central Bank of Sri Lanka (CBSL) adopted a tightening monetary policy stance during the latter half of the financial year, resulting in an upward trending interest rates. Elevated pressures on inflation on account of many factors including increases in global commodity prices, food supply and the sharp depreciation of the currency in March 2022 have resulted in strong policy actions by the CBSL on monetary policy post the end of the reporting period. Such actions have raised monetary policy rates significantly and helped bridge the gap between policy and market interest rates.

At the end of the reporting period the Company's interest-bearing financial instruments were as follows:

	Group		Company	
As at 31 March	**2022**	2021	**2022**	2021
	Rs.	Rs.	**Rs.**	Rs.
Variable rate instruments				
Interest bearing borrowings	**1,277,081,793**	1,010,242,838	**740,742,477**	862,803,694
Bank overdraft	**154,395,906**	137,122,168	**62,757,875**	53,896,000
	1,431,477,699	1,147,365,006	**803,500,352**	916,699,694

Cash flow sensitivity for variable rate instruments

A change of 1% in interest rates at the end of the reporting period would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	Group		Company	
For the year ended 31 March	**2022**	2021	**2022**	2021
	Rs.	Rs	**Rs.**	Rs.
Variable rate instruments				
Interest rate increased by 1%	**14,314,777**	11,473,650	**8,035,004**	9,166,997
Interest rate decreased by 1%	**(14,314,777)**	(11,473,650)	**(8,035,004)**	(9,166,997)

ii) **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.

The Group reviews fluctuations in foreign exchange rates and takes precautionary measures to revise its rate quotes on a regular basis, in an attempt to mitigate the exposure to currency risk arising from its transactions with tour operator segment, if required.

UNITED HOTELS COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

37 Financial instruments (Cont.)
37.1 Financial risk management (Cont.)

d) Capital management

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

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

The Group's net debt to adjusted capital ratio at the reporting date was as follows;

	Group		Company	
As at 31 March	**2022**	2021	**2022**	2021
	Rs.	Rs.	**Rs.**	Rs.
Total liabilities	**1,823,584,787**	1,490,162,411	**1,478,354,310**	1,185,938,892
Less: cash and cash equivalents	**(1,542,250,470)**	(973,238,672)	**(36,898,708)**	8,597,621
Net debt	**281,334,317**	516,923,739	**1,441,455,602**	1,194,536,513
Total equity	**2,756,922,880**	2,250,946,733	**2,043,210,939**	2,112,553,066
Net debt to equity (Times)	**0.10**	0.23	**0.71**	0.57

37.2 Financial instruments by category

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierachy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

As at 31 March 2022

Group	Carrying amount			
	Fair value through profit or loss	**Amortised cost**	**Other financial liabilities**	**Total**
	Rs.	**Rs.**	**Rs.**	**Rs.**
Financial assets measured at fair value				
Other investments	**603,750**	-	-	**603,750**
Financial assets not measured at fair value				
Trade and other receivables	-	**44,112,068**	-	**44,112,068**
Amounts due from related companies	-	**38,658,173**	-	**38,658,173**
Cash and cash equivalents	-	**1,540,757,147**	-	**1,540,757,147**
	603,750	**1,623,527,388**	-	**1,624,131,138**
Financial liabilities not measured at fair value				
Trade and other payables	-	-	**102,713,565**	**102,713,565**
Interest bearing borrowings	-	-	**1,277,081,793**	**1,277,081,793**
Lease liabilities	-	-	**169,119,510**	**169,119,510**
Amounts due to related companies	-	-	**27,573,529**	**27,573,529**
Bank overdraft	-	-	**154,395,906**	**154,395,906**
	-	-	**1,730,884,303**	**1,730,884,303**

As at 31 March 2021

Group	Carrying amount			
	Fair value through profit or loss	**Amortised cost**	**Other financial liabilities**	**Total**
	Rs.	**Rs.**	**Rs.**	**Rs.**
Financial assets measured at fair value				
Other investments	463,750	-	-	463,750
Financial assets not measured at fair value				
Trade and other receivables	-	16,605,624	-	16,605,624
Amounts due from related companies	-	33,498,658	-	33,498,658
Cash and cash equivalents	-	971,397,102	-	971,397,102
	463,750	1,021,501,384	-	1,021,965,134
Financial liabilities not measured at fair value				
Trade and other payables	-	-	87,236,228	87,236,228
Interest bearing borrowings	-	-	1,010,242,838	1,010,242,838
Lease liabilities	-	-	161,240,489	161,240,489
Amounts due to related companies	-	-	25,539,974	25,539,974
Bank overdraft	-	-	137,122,168	137,122,168
	-	-	1,421,381,697	1,421,381,697

37 Financial instruments (Cont.)

37.2 Financial instruments by category (Cont.)

As at 31 March 2022

Company	Carrying amount			
	Fair value through profit or loss	Amortised cost	Other financial liabilities	Total
	Rs.	Rs.	Rs.	Rs.
Financial assets measured at fair value				
Other investments	603,750	-	-	603,750
Financial assets not measured at fair value				
Trade and other receivables	-	40,188,073	-	40,188,073
Amounts due from related companies	-	582,175,055	-	582,175,055
Cash and cash equivalents	-	36,898,708	-	36,898,708
	603,750	659,261,836	-	659,865,586
Financial liabilities not measured at fair value				
Trade and other payables	-	-	83,546,153	83,546,153
Interest bearing borrowings	-	-	1,104,892,558	1,104,892,558
Lease liabilities	-	-	163,335,639	163,335,639
Amounts due to related companies	-	-	788,500	788,500
Bank overdraft	-	-	62,757,875	62,757,875
	-	-	1,415,320,725	1,415,320,725

As at 31 March 2021

Company	Carrying amount			
	Fair value through profit or loss	Amortised cost	Other financial liabilities	Total
	Rs.	Rs.	Rs.	Rs.
Financial assets measured at fair value				
Other investments	463,750	-	-	463,750
Financial assets not measured at fair value				
Trade and other receivables	-	12,667,800	-	12,667,800
Amounts due from related companies	-	566,804,580	-	566,804,580
Cash and cash equivalents	-	8,597,621	-	8,597,621
	463,750	588,070,001	-	588,533,751
Financial liabilities not measured at fair value				
Trade and other payables	-	-	67,907,598	67,907,598
Interest bearing borrowings	-	-	862,803,694	862,803,694
Lease liabilities	-	-	154,626,735	154,626,735
Amounts due to related companies	-	-	-	-
Bank overdraft	-	-	53,896,000	53,896,000
	-	-	1,139,234,027	1,139,234,027

37.3 Fair value hierarchy of financial assets

The table below analyses financial instruments carried at fair value, by valuation method.

	Group		Company	
	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
	Level 1	Level 1	Level 1	Level 1
Other investments	603,750	463,750	603,750	463,750
	603,750	463,750	603,750	463,750

38 Director's responsibility for the Financial Statements

Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

39 Going Concern

During the year the Company and its fully owned subsidiary, Tissa Resort (Private) Limited incurred a loss after tax of Rs. 281,770,539/- (2021 -Rs.160,284,364/-) and Rs. 34,587,085/- (2021 - Rs. 32,341,290/-) respectively during the year ended 31st March 2022 and an accumulated losses were Rs. 521,365,264/- (2021- Rs. 285,302,392/-) and Rs. 100,729,211/- (2021- Rs. 73,384,445/-) respectively at the date. Consequently, As of 31 March 2022, the Group has reported accumulated losses Rs. 97,107,743/- (2021 – Rs. 350,420,696/-). The Management has a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future.

However, the Group has prepared the financial statements for the year ended 31 March 2022 on the basis that it will continue to operate as a going concern. In determining the basis of preparing the financial statements for the year ended 31 March 2022, based on available information, the management has assessed the prevailing socioeconomic conditions and their effect on the Company and the appropriateness of the use of the going concern basis.

The management has formed the judgment that the Group has adequate resources to continue in operational existence for the foreseeable future driven by the continuous operationalization of risk mitigation initiatives and monitoring of business continuity and response plans at each business unit level along with the financial strength of the Ultimate Group.

Actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these financial statements.

Having evaluated the presentations made by the Company on their future outlook, the Directors are satisfied that the Company have adequate resources to continue its operations at least, but not limited to, 12 months from the reporting date, to justify adopting the going concern basis in preparing these financial statements.

40 Impact From Rapid Change In Macro Economic Factors

Interest Rate
The Monetary Board of the Central Bank of Sri Lanka (CBSL) has decided to increase the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR). The depletion of foreign reserves has put restrictions on imports and affected supplies.

The Monetary Board of the Central Bank of Sri Lanka, at its meeting held on 08 April 2022, decided to increase the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) of the Central Bank by 700 basis points to 13.50 per cent and 14.50 per cent, respectively, effective from the close of business on 08 April 2022.

The policy response was made by the Central Bank of Sri Lanka after the reporting period and consequently, no adjustments were necessary to the amounts recognized in the financial statements.

Given the continuing volatility of interest rate movement that resulted as a consequence, and also due to the fact the Company has commenced discussions with lending institutions on several concessions on the back drop of the unprecedented impacts to the hospitality industry (that being the key business of the company) since 2019 , the Group is not able to make an estimate of its financial effect with acceptable precision.

Foreign Currency Exchange Rates
In March 2022, the Central Bank of Sri Lanka abandoned the temporary peg on US Dollar / LK Rupee (USD / LKR) Exchange Rate. The resulting impact of exchange rate movement during the period have been adjusted to these financial statements.

The USD / LKR exchange rate continued to substantively increase subsequent to the period end.

Management expect depreciation of rupee will also favourably effect the revenue streams when tourists arrival are gradually improved.

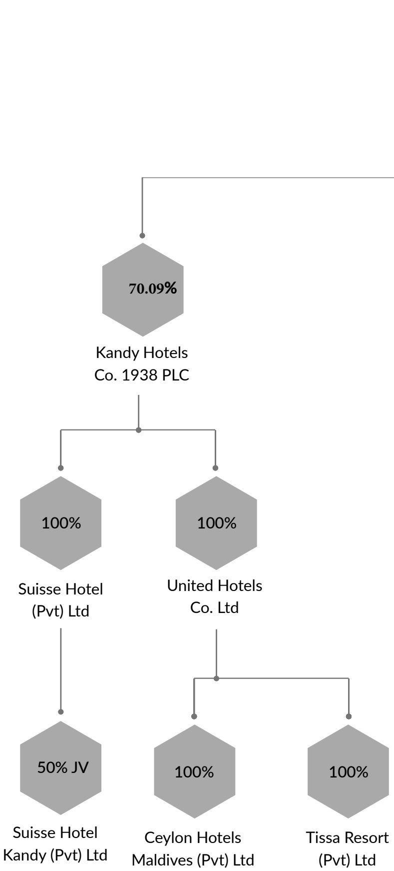
Given the continuing volatility of USD/ LKR movement, the Company is not able to make an estimate of its financial effect with acceptable precision.

In addition to the specific risk assessment and mitigating actions disclosed in note 24, the Company has taken the following overall measures to ensure it continues its operations as a going concern.
Detailed discussion at the top management level to identify potential risks and determination of risk mitigation strategies.

- Assessing the possibility of restructuring of borrowings while replacing with borrowings at fixed interest rates for defined period of time.
- Ensuring that foreign currency denominated investments preserved in making cash flow management decisions.

The management of the company continues to monitor the potential impact to the continuity of the business. Accordingly, macroeconomic variables are evaluated while making assumptions and judgments when preparing financial statements.

Group Structure - Post Restructure



THE KANDY HOTELS COMPANY (1938) PLC

Top 20 ordinary shareholders as at 17 March 2022 (Pre & post Private Placement)

RankingPost PP	Ranking-Pre PP	Name	Before Private Placement No. of shares	Before Private Placement %	No. of shares to be issued through PP	After Private Placement (Notional) No.of shares	After Private Placement (Notional) %
1	1	Ceylon Hotels Corporation PLC	401,567,250	69.54%	127,093,724	528,660,974	70.09%
2		Ceylon Hotels Investments (pvt) Ltd	-	0.00%	49,715,471	49,715,471	6.59%
3	2	Seylan Bank Plc/Hotel International (Pvt) Ltd	36,890,938	6.39%		36,890,938	4.89%
4	3	Adiuvat Investment Fund	36,582,097	6.33%		36,582,097	4.85%
5	4	Progruss Investments Limited	32,863,522	5.69%		32,863,522	4.36%
6	5	Hotel International (Private) Limited	17,906,619	3.10%		17,906,619	2.37%
7	6	Mr. N.V.S. Saackville	4,368,000	0.76%		4,368,000	0.58%
8	7	Mr. P.R.F. Collas	1,965,250	0.34%		1,965,250	0.26%
9	8	Mr. G.C. Goonetilleke	1,924,755	0.33%		1,924,755	0.26%
10	9	Mrs. L. Ratwatte	1,853,000	0.32%		1,853,000	0.25%
11	10	Mr. PV Gunasekera	1,750,000	0.30%		1,750,000	0.23%
12	11	Mrs. M.F. Gunasekera	1,750,000	0.30%		1,750,000	0.23%
13	12	Mrs. A.U.R. Pethiyagoda	1,500,000	0.26%		1,500,000	0.20%
14	13	Mr. J. Laravoire	1,496,250	0.26%		1,496,250	0.20%
15	14	Mr. E. Laravoire	1,496,250	0.26%		1,496,250	0.20%
16	15	Ms. M. Chevallaz	1,496,250	0.26%		1,496,250	0.20%
17	16	Mr. P. Chevallaz	1,496,250	0.26%		1,496,250	0.20%
18	17	Mr. A. Chevallaz	1,496,250	0.26%		1,496,250	0.20%
19	18	Ms. H. Sauties	1,496,250	0.26%		1,496,250	0.20%
20	19	Mr. J.P. Sauties	1,496,250	0.26%		1,496,250	0.20%
21	20	Mr. J.F.C. Badcock	1,034,250	0.18%		1,034,250	0.14%
		Sub total	**552,429,431**	**95.66%**	**176,809,195**	**729,238,626**	**96.68%**
		Balance held by others	**25,070,569**	**4.34%**	**58**	**25,070,627**	**3.32%**
		Ceylon Hotel Holdings (pvt) Ltd		0.00%	29	29	0.00%
		Estate of Late Don Simon Gunasekara		0.00%	29	29	0.00%
				0.00%			
		Total number of shares	**577,500,000**	**100.00%**	**176,809,253**	**754,309,253**	**100.00%**

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (EGM) of The Kandy Hotels Company (1938) PLC, will be held at 3.00 p.m. on Wednesday, 31st May 2023, at the Sri Lanka Foundation Institute, Colombo 07, for the following purpose:

To consider and if thought fit, to pass the following Resolutions:

Resolution 1

Special Resolution

IT IS HEREBY RESOLVED, subject to the approval of the Securities and Exchange Commission of Sri Lanka, to acquire all the shares of United Hotels Company Limited from the existing shareholders of such company, for a total consideration of LKR 3,809,901,974/-, and that such consideration be settled by the Company by way of a share swap between the parties described below and further, a netting-off of payables between the Company and Ceylon Hotels Corporation PLC in the manner detailed below;

Name of Shareholder	No. of Shares in United Hotels Company Limited	Consideration
Ceylon Hotels Corporation PLC (Parent Company)	201,130,633	Valued at LKR 3,066,157,660 /-, of which; (i) LKR 1,164,835,549/- shall be set off by KHC for the amount payable by Ceylon Hotels Corporation PLC to KHC; and (ii) 127,093,724 ordinary voting shares of KHC to be issued to Ceylon Hotels Corporation PLC for the balance consideration of LKR.1,901,322,111/, calculated at a per share value of LKR 14.96/-
Ceylon Hotels Investment (Pvt) Ltd (Affiliate Company)	48,787,312	Valued at LKR 743,743,446/-, which shall be settled by way of issuance of 49,715,471 ordinary voting shares of KHC to Ceylon Hotels Investment (Pvt) Ltd., calculated at a per share value of LKR 14.96/-

Ceylon Hotel Holdings (Private) Limited. (Intermediary Parent)	28	Valued at LKR 434/-, which shall be settled by way of issuance of 29 ordinary voting shares of KHC to Ceylon Hotel Holdings (Private) Limited., calculated at a per share value of LKR 14.96/-
Estate of the Late Don Simon Gunasekara	28	Valued at LKR 434/-, which shall be settled by way of issuance of 29 ordinary voting shares of KHC to the Estate of the Late Don Simon Gunasekara, calculated at a per share value of LKR 14.96/-.

Resolution 2

Special Resolution

WHEREAS, Ceylon Hotels Corporation PLC, Ceylon Hotels Investment (Pvt) Ltd. and Ceylon Hotel Holdings (Private) Limited are related parties of the Company and the aggregate value of the transactions with such related parties as set forth in Resolution 1 above, exceed 1/3rd of the total assets of the Company, in terms of Rule 9.1.1 of the Listing Rules;

IT IS THEREFORE RESOLVED that the aforementioned transactions with said related parties be hereby approved.

Resolution 3

Special Resolution

IT IS RESOLVED THAT the 176,809,253 new ordinary shares issued under Resolution 1 above, rank par*i passu* in all respects with the existing ordinary shares of the Company, including the right to participate in any dividend declared, and to waive the preemption rights under Article 5 (c) of the Articles of Association of the Company, relating to the new issuance of shares of the Company.

By order of the Board of Directors of
THE KANDY HOTELS COMPANY (1938) PLC

Accounting Systems Secretarial Services (Private) Limited

SECRETARIES
On this 19th day of April 2023

Note:

1. A shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a shareholder of the Company.
2. The completed Form of Proxy should be received by the Company at its registered office at No. 327, Union Place, Colombo 02, no later than 48 hours before the start of the meeting.
3. A Form of Proxy accompanies this Notice.

THE KANDY HOTELS COMPANY (1938) PLC
No. 327, Union Place, Colombo 02
(Company Registration No PQ201.)

FORM OF PROXY

Folio No*:

I/We………

(NIC No.)………...

of……

being a member/members of The Kandy Hotels Company (1938) PLC, hereby appoint:…………………………………………………………………………………….of………………………..

………………………………………………………………………………………………...(or failing him)

Mr.Sanjeev Gardiner	of Colombo	(or failing him)
Mr Lakshman Samarasinghe	of Colombo	(or failing him)
Mr Priyantha Pushpakumara Maddumage	of Colombo	(or failing him)
Mr S Chandra Mohotti	of Colombo	(or failing him)
Mr J C Ratwatte	of Colombo	(or failing him)
Mr M W A D J Nahil Wijesuriya	of Colombo	(or failing him)
Mr Pradeep Nilanga Dela	of Dela	(or failing him)
Mr M D R Gunatilleke	of Colombo	(or failing him)

as my/our Proxy to represent and speak and vote for me/us** and on my/our behalf at the Extraordinary General Meeting of the Company to be held on ……………………………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**
SPECIAL RESOLUTION 01		
SPECIAL RESOLUTION 02		
SPECIAL RESOLUTION 03		

In witness my/our** hands this…………………day of………………Two Thousand and Twenty-Three.

…………………………………….
Signature

Notes: * Please indicate your folio number which is given in the address sticker carrying this EGM notice pack.
** Instructions as to completion appear overleaf.
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 votes 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.