THE FORTRESS RESORTS PLC AND ITS SUBSIDIARIES

AUDITOR'S REPORT AND FINANCIAL STATEMENTS

31 MARCH 2020

NDeS/TDK/APM/VSS

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF THE FORTRESS RESORTS PLC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of The Fortress Resorts PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, 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 2020, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

Emphasis of Matter – Implications of Covid19 on the Group's operations

As discussed in Note 2.1.1. (B), the Group has temporary closed the operations of the Hotel in response to COVID-19. At this point, the Group can not reasonably estimate the duration and severity of this pandemic, which could have an impact on the Group's business, results of operations, financial position and cash flows in the year ending 31 March 2021. Our opinion is not modified in respect of this matter.

Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter
Investments in short term deposits in related party finance companies The Group invested an amount of Rs. 649,350,532/- (2019 – Rs. 566,588,628/-) in short term deposits of two related party registered finance companies from which it earned interest income of Rs 56,986,356/- (2019 – Rs. 53,679,855/-) for the year as disclosed in Note 25.3. Considering the magnitude of and the inherent risk associated with related party transactions and balances together with probable effects of the current pandemic on liquidity needs of the Group, we considered this as a key audit matter.	Our procedures in relation to related party transactions and disclosures included the following, among others: • We evaluated the appropriateness of management's process for identifying and recording related party transactions. • We inspected fixed deposit certificates and confirmations to understand the nature, terms and conditions of the transactions. • We corroborated the management's plan for re-investment and upliftment of short-term deposits upon maturities by tracing those to cash flow forecasts and credit ratings of the respective finance companies. • We performed analytical review procedures to evaluate the reasonableness of interest income. • We assessed the adequacy of the related disclosures given in note 25.3 to the financial statements.

Other information included in the 2020 annual report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.
Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Responsibilities of the management and those charged with governance

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

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

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

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Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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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.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 1864.

Ernst & Young
09 June 2020
Colombo

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2020

		Group		Company	
		2020	**2019**	**2020**	**2019**
	Note	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Revenue	**4**	489,320,003	787,787,516	114,036,228	122,808,245
Cost of sales		(155,351,365)	(217,206,486)	-	-
Gross profit		333,968,638	570,581,030	114,036,228	122,808,245
Other income and gains	**5**	844,618	5,930,434	-	-
Advertising and marketing expenses		(27,402,795)	(33,849,448)	-	-
Administrative expenses		(302,891,073)	(336,397,926)	(6,226,422)	(5,945,306)
Finance cost	**6.1**	(10,553,991)	(2,299,884)	-	-
Finance income	**6.2**	58,366,964	55,116,864	-	-
Profit before tax	**7**	52,332,361	259,081,070	107,809,806	116,862,939
Income tax expenses	**8**	(24,951,754)	(49,560,154)	-	-
Profit for the year		27,380,606	209,520,916	107,809,806	116,862,939
Other comprehensive income/(loss)					
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods					
Actuarial gain/(loss) on defined benefit plan	**20**	2,222,389	(511,930)	-	-
Income tax effect		(311,134)	71,670	-	-
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods		1,911,254	(440,260)	-	-
Other comprehensive income/ (loss) for the year, net of tax		1,911,254	(440,260)	-	-
Total comprehensive income for the year, net of tax		29,291,860	209,080,656	107,809,806	116,862,939

Profit and total comprehensive income attributable to:

Entire profit and total comprehensive income is attributable to the equity holders of the parent.

Basic earnings per Share	**9.1**	0.25	1.89	0.97	1.05
Dividend per Share	**9.2**	1.00	1.00	1.00	1.00

The accounting policies and notes on pages 09 to 42 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

		Group		Company	
		2020	2019	2020	2019
ASSETS	**Note**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Non-Current Assets					
Property, plant and equipment	10	1,321,930,454	1,343,775,163	-	-
Right of use assets	11	53,070,261	-	-	-
Investments in subsidiary	12	-	-	1,000,009,990	1,000,009,990
Intangible assets	13	4,314,188	3,414,681	-	-
		1,379,314,903	1,347,189,844	1,000,009,990	1,000,009,990
Current Assets					
Inventories	15	22,340,146	21,118,791	-	-
Trade and other receivables	16	33,995,698	58,031,197	104,500,049	107,338,566
Advances and prepayments		39,484,263	39,273,258	-	-
Short term deposits	17	662,430,133	578,579,436	-	-
Cash and cash equivalents	18	23,429,664	19,948,196	1,029,985	298,392
		781,679,904	716,950,878	105,530,034	107,636,958
Total Assets		2,160,994,807	2,064,140,722	1,105,540,024	1,107,646,948
EQUITY AND LIABILITIES					
Capital and Reserves					
Stated capital	19	1,108,866,840	1,108,866,840	1,108,866,840	1,108,866,840
Accumulated profit/(losses)		662,810,271	744,405,095	(5,324,495)	(2,247,617)
Equity attributable to equity holders of the parent		1,771,677,111	1,853,271,935	1,103,542,345	1,106,619,223
Non controlling interest		1,000	1,000	-	-
Total Equity		1,771,678,111	1,853,272,935	1,103,542,345	1,106,619,223
Non-Current Liabilities					
Interest bearing loans and borrowings	14	139,449,514	11,737,016	-	-
Retirement benefit obligation	20	17,090,528	17,093,080	-	-
Deferred tax liability	8.4	47,657,488	44,213,317	-	-
Government grants	23	4,342,595	-	-	-
		208,540,124	73,043,413	-	-
Current Liabilities					
Trade and other payables	21	62,326,290	71,053,315	1,997,679	1,027,725
Contract liabilities	22	23,492,298	45,478,559	-	-
Interest bearing loans and borrowings	14	80,642,622	7,265,560	-	-
Government grants	23	14,315,361	-	-	-
Income tax payables		-	14,026,940	-	-
		180,776,572	137,824,374	1,997,679	1,027,725
Total Equity and Liabilities		2,160,994,807	2,064,140,722	1,105,540,024	1,107,646,948

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

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Chief Financial Officer

The Board of Directors is responsible for these financial statements. Signed for and on behalf of the Board by;

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Director

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Director

The accounting policies and notes on pages 09 to 42 form an integral part of these financial statements.

09 June 2020
Colombo

ERNST & YOUNG
Chartered Accountants

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2020

Group	Attributable to the equity holders of the parent		Non Controlling Interest	Total
	Stated Capital	Accumulated Profit		
	Rs.	Rs.	Rs.	Rs.
Balance as at 01 April 2018	1,108,866,840	646,211,122	1,000	1,755,078,962
Dividends	-	(110,886,684)	-	(110,886,684)
Profit for the year	-	209,520,916	-	209,520,916
Other Comprehensive loss	-	(440,260)	-	(440,260)
Balance as at 31 March 2019	1,108,866,840	744,405,095	1,000	1,853,272,935
Dividends	-	(110,886,684)	-	(110,886,684)
Profit for the year	-	27,380,606	-	27,380,606
Other comprehensive gain	-	1,911,254	-	1,911,254
Balance as at 31 March 2020	1,108,866,840	662,810,271	1,000	1,771,678,111

Company	Stated Capital	Accumulated Losses	Total
	Rs.	Rs.	Rs.
Balance as at 01 April 2018	1,108,866,840	(8,223,872)	1,100,642,968
Dividends	-	(110,886,684)	(110,886,684)
Profit for the year	-	116,862,939	116,862,939
Balance as at 31 March 2019	1,108,866,840	(2,247,617)	1,106,619,223
Dividends	-	(110,886,684)	(110,886,684)
Profit for the year	-	107,809,806	107,809,806
Balance as at 31 March 2020	1,108,866,840	(5,324,495)	1,103,542,345

The accounting policies and notes on pages 09 to 42 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

Year ended 31 March 2020

		Group		Company	
		2020	**2019**	**2020**	**2019**
	Note	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Cash Flows from/(used in) Operating Activities					
Profit before Tax		52,332,361	259,081,070	107,809,806	116,862,939
Adjustments for					
Depreciation		69,903,769	74,291,217	-	-
Amortization of intangible assets	**13**	1,487,935	1,202,429	-	-
Depriciation of Right of Use assets	**11**	9,976,499	-	-	-
Finance Cost	**6.1**	10,553,991	2,299,884	-	-
Finance Income	**6.2**	(58,366,964)	(55,116,864)	-	-
Profit on Disposal of Property, Plant and Equipment		(844,618)	(5,930,434)	-	-
Provision for Defined Benefit Obligation	**20**	3,941,590	4,013,542	-	-
Operating Profit/(Loss) before Working Capital Changes		88,984,564	279,840,844	107,809,806	116,862,939
(Increase)/Decrease in Inventories		(1,221,355)	636,689	-	-
(Increase)/Decrease in Trade and Other Receivables and Prepayments		23,824,494	(14,911,886)	2,838,517	(6,424,404)
Increase/(Decrease) in Trade and Other Payables and Contract Liabilities		(30,713,286)	4,533,635	969,954	278,431
Cash Generated from/(used in) Operations		80,874,417	270,099,282	111,618,277	110,716,966
Finance Cost paid	**6.1**	(7,763,168)	(2,299,884)	-	-
Defined Benefit Obligation paid	**20**	(1,721,754)	(1,937,430)	-	-
Income Tax paid		(35,845,659)	(46,300,326)	-	-
Net Cash from/(used in) Operating Activities		35,543,835	219,561,642	111,618,277	110,716,966
Cash Flows from/(used in) Investing Activities					
Proceeds from Disposal of Property Pant and Equipment		1,552,346	7,173,646	-	-
Acquisition of Property, Plant and Equipment	**10**	(62,327,912)	(47,746,913)	-	-
Acquisition of Intangible Assets	**13**	(2,387,442)	(605,750)	-	-
Investment in Fixed deposits		(364,467,000)	(252,101,592)	-	-
Withdrawal of Fixed Deposits		281,967,000	141,820,622	-	-
Finance Income Received		57,016,267	50,618,709	-	-
Net Cash from/(used in) Investing Activities		(88,646,741)	(100,841,279)	-	-
Cash Flows from/(used in) Financing Activities					
Proceeds from Bank Loans	**14**	178,000,000	-	-	-
Repayment of Bank loans	**14**	(10,927,362)	-	-	-
Principal Payments under lease liabilities	**14**	(5,431,876)	(4,841,417)	-	-
Dividend Paid	**9.2**	(110,886,684)	(110,886,684)	(110,886,684)	(110,886,684)
Net Cash from/(used in) Financing Activities		50,754,078	(115,728,101)	(110,886,684)	(110,886,684)
Net Increase/(Decrease) in Cash and Cash Equivalents		(2,348,828)	2,992,263	731,593	(169,718)
Cash and Cash Equivalents at the beginning of the year		18,114,515	15,122,252	298,392	468,110
Cash and Cash Equivalents at the end of the year	**18**	15,765,686	18,114,515	1,029,985	298,392

The accounting policies and notes on pages 09 to 42 form an integral part of these financial statements.

1. CORPORATE INFORMATION

The Fortress Resorts PLC ("the Company") is a public limited liability Company incorporated and domiciled in Sri Lanka. The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka. The registered office of the Company is located at Level 29, West Tower, World Trade Center, Colombo - 01 and the principal place of business is situated at Koggala, Sri Lanka.

The Company has invested in subsidiaries listed in note 2.2.2.1 to the financial statements. There are no any other operations were carried out by the Company during the year.

The consolidated financial statements of The Fortress Resorts PLC and its subsidiaries (collectively, the Group) for the year ended 31 March 2020 were authorized for issue in accordance with a resolution of the directors on 09 June 2020.

1.1 Parent Entity and Ultimate Parent Entity

The Company does not have an identifiable parent company of its own.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

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

The Financial Statements have been prepared on the historical cost basis. The consolidated financial statements are presented in Sri Lankan Rupees (Rs).

Comparative Information

The consolidated financial statements provide comparative information in respect of the previous year. The accounting policies have been consistently applied by the Group and, are consistent with those used in the previous year. Previous year's figures and phrases have been re-arranged whenever necessary to conform to current presentation. The Group has applied SLFRS 16; Leases using modified retrospective approach during the year (See note 2.4).

2.1.1 Effect of COVID 19 on the Business and Operations of the Group and Going Concern

A. Going Concern

The Board of Directors has made an assessment of the Group's ability to continue as a going concern considering all the current internal and external environmental factors including the business impact of the overall tourism industry decline due to the impact of Covid-19 pandemic and they do not intend either to liquidate or to cease trading. The board of directors have decided to close the hotel for the business with effect from 01 April to 31 May 2020 due to the Covid19 and reopen for the business again from 01 June 2020 onwards.

Even though the Hotel's key performance indicators were at significantly lower level in the month of March 2020, the management believes that the situation is solely due to the cancellation of bookings due to the Covid-19. The Management is being negotiated with travel agents to pick up the business once the global pandemic is managed and success in attracting tourists from latter part of the year. The Board believes that Group's resources including Rs. 685,859,757/- of cash and short-term deposits and Rs. 52,000,000/- of unutilized borrowings are adequate to carry out the operations for foreseeable future. Board of Directors are of the view that there is no material uncertainty about the Group's ability to continue as going concern.

B. Effect of COVID 19 on the Business and Operations

A new business risk factor has now been emerged and which is very highly sensitive to the tourism, travel trade and hotel industry during the financial year 2020/2021. Various travel restrictions have now been imposed by almost all the countries in the world due to "COVID 19" pandemic.

Most of the countries are fully or partially on lock down at the moment and with that any kind of travelling has been fully or partially ceased. Mmost of the major Air Line operators are not operating or scale down their level of operation only for the essential travels. Most of the main Air Ports in the world not functioning or scale down their operations in order to help the combating with the present pandemic situation. Due to these conditions, the Group expects to have a significant drop in the Hotel's occupancy for the ensuing year.

The Board of Directors believe that first quarter of the 2020 / 2021 financial year is very crucial for the Group and tourism business in Sri Lanka and all most all the hotels are facing a severe business risk of no guests occupying the hotels due to the present ongoing pandemic situation. Further, Management expects for some local business coming after Sri Lankan government releasing its travel restrictions within the country and with that the Group hope for some local high-end holiday makers will start making bookings latter part of the year.

The Group's healthy short-term deposits and cash position including unutilized borrowings will help for the smooth operation of the hotel without having any guests occupying the hotel for next couple of years without any financial issues. During this slack period the hotel management has already planned to cut down or minimize the operating cost in order to maintain healthy cash flow status further.

2.2 Business Combinations and Basis of Consolidation

2.2.1 Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of SLFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with SLFRS 9. Other contingent consideration that is not within the scope of SLFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assess whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

2.2.2 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to receive variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiaries begins when the Group obtains control over the subsidiaries and ceases when the Group loses control of the subsidiaries. Assets, liabilities, income and expenses of a subsidiaries acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiaries.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiaries, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over subsidiaries, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.2.2.1 Subsidiaries

The subsidiaries and its controlling percentage of the Group, which have been consolidated, are as follows:

Subsidiaries	***2020***	***2019***	***Nature of the Operations***
Direct holding			
La Forteresse (Private) Limited	100%	100%	Operation of Small Luxury Hotel
Indirect holding			
Summer Season Mirissa (Pvt) Ltd	99.99%	99.99%	Operations not yet commenced

Investment subsidiaries are carried at cost less impairments (if any) in the separate financial statements.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.3.1 Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period
  Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period
  Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

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

2.3.2 Fair value measurement

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

- In the principal market for the asset or liability
  Or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

2.3.3 Revenue recognition

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

The specific recognition criteria described below must also be met before revenue is recognised.

Room, food and beverage revenue

Room revenue is recognized when the rooms are occupied on daily basis and food and beverage and other hotel related revenues are accounted at the point of sale.

Interest income

For all financial instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of profit or loss.

Dividends

Dividends are recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

Rental income

Rental income is recognised in profit and loss as it accrues.

2.3.4 Taxation

Current Income Tax

Income tax expense comprises current and deferred tax. Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss.

La Forteresse (Private) Limited

The profits and income of the Company arising on provision of tourism related services is liable for taxation at the rate of 14% (2019:14%) under the Inland Revenue Act No. 24 of 2017 and amendments thereto. Up to the 31 December 2019, the interest income was taxed at 14% and with effect from 01 January 2020 interest income is taxed at 24%.

Dividends are subject to 14% withholding tax (WHT) under the Inland Revenue Act.

Deferred Taxation

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

  Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

  The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax on Dividends

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

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- Receivables and payables that are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.3.5 Functional and Presentation Currency

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

i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group at the functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the statement of profit or loss.

2.3.6 Property, Plant and Equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of profit or loss as incurred.

Depreciation is recognised in the statement of profit or loss on a straight-line basis over the estimated useful lives of the assets, as follows:

Buildings on Leasehold Lands	over the balance lease period
Plant and Equipment	10 years
Furniture and Fittings	10 years
Fixtures and Fittings	10 years
Computer Equipment	05 years
Telephone Equipment	04 years
Kitchen Equipment	04 years
Electrical Equipment	10 years
Linen and Furnishing	04 years
Crockery of Cutlery	04 years
Other Equipment	04 years
Air-conditioners	10 years
Motor Vehicles	05 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses if any. These would be transferred to the relevant asset category in property, plant and equipment when the asset is completed and available for use i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

2.3.7 Leases

Accounting policy applied up to 31 March 2019

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Group as a lessee

Finance leases that transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term

Accounting policy applied from 1 April 2019

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

Group as a lessee

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

i) Right-of-use assets

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

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Interest-bearing loans and borrowings.

iii) Short-term leases and leases of low-value assets

The Group does not apply the 'short-term lease' and 'lease of low-value assets' recognition exemptions during the year for any lease contracts.

2.3.8 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.3.9 Intangible Assets

An intangible asset acquired separately is measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as finite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

2.3.10 Financial instruments – initial recognition and subsequent measurement

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

i) Financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under SLFRS 15.

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

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

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

Subsequent measurement

Subsequent measurement For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

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

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

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

The Group's financial assets at amortised cost includes trade receivables, and investment in fixed deposits included under other financial assets.

De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's statement of financial position) when:
- The rights to receive cash flows from the asset have expired
  or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. For this purpose, the Group has established a provision matrix that is based on its historical credit loss experience, adjusted, if any; for forward-looking factors specific to each debtor and the economic characteristics. Group is making a 100% provision for all the debtors aged more than 180 days.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Based on the management's assessment, no impairment was identified in respect of trade receivables and investment in fixed deposits as the impact is immaterial at the date of transition and subsequent reporting dates.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

Subsequent measurement

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

Financial Liabilities at Amortized Cost

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.3.11 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost formulas applied by the Group are as follows;

Food and Beverages House Keeping and Maintenanceand Other	- Weighted Average Basis

Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and selling expenses.

2.3.12 Impairment of non- financial assets

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

2.3.13 Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

2.3.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.3.15 Post Employment Benefits

i) Defined Benefit Plan - Gratuity

Gratuity is a defined benefit plan. A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group is liable to pay gratuity in terms of relevant statute.

The Group measures the present value of the promised retirement benefits of gratuity which is a defined benefit plan with the advice of an actuary every year using "Project Unit Credit Method". An actuarial valuation of the gratuity liability of the Company as at 31 March 2020 was undertaken by Actuarial and Management Consultants (Pvt) Ltd, a firm of professional actuaries. The result of such valuation was incorporated in these Financial Statements.

The Group's accounting policy for defined benefit plans is to recognise actuarial gains and losses in the period in which they occur in full in Other Comprehensive Income (OCI). Current Service Cost and Interest Cost are recognized in the statement of profit or loss.

Further, this liability is not externally funded.

ii) Defined Contribution Plans - Employees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations. The Group contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

2.3.16 Cash Dividends

The Company recognises a liability to pay a dividend when the distribution is approved by the shareholders. A corresponding amount is recognised directly in equity.

2.3.17 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with.

The Group has received an interest subsidy of 75% on the Working capital loan obtained under the 'Working capital loan scheme proposed by the Government to strengthen the tourism industry affected by the Easter Sunday Terror Attack'. Under this scheme the Group has obtained 178 Mn loan from Bank of Ceylon and 75% said interest will be reimbursed to the bank by the Central Bank of Sri Lanka.

Resulting Grant is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

2.4 Changes in Accounting Policies and Disclosures

The Group applied SLFRS 16; Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

SLFRS 16 Leases

SLFRS 16 supersedes LKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

The Group adopted SLFRS 16 using the modified retrospective method of adoption, with the date of initial application of 1 April 2019. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 April 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying LKAS 17 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets). However, there were no any short-term leases or low value leases were identified.

The Group has lease contracts with Sri Lanka Tourism Development Authority (SLTDA) and Board of Investments of Sri Lanka (BOI) for lands and a lease of motor vehicles form Bank of Ceylon used in its operations. Leases of lands have lease terms between 30 to 45 years, while motor vehicles have lease terms of 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

The effect of adopting SLFRS 16 is, as follows:

Measurement of Right of Use Assets	**01 April 2019 Rs.**
Initial Recognitions	
Land lease commitments recognized as Right of Use assets (Note A)	49,485,634
Transfers from Property, Plant and Equipment	
Motor Vehicles carried under Finance leases at 01 April 2019 (Note B)	13,561,126
Right of Use assets at 01 April 2019	63,046,760
Measurement of lease liabilities	
On initial recognition of land leases	49,485,634
Obligations under Finance leases of Motor Vehicles at 01 April 2019	17,168,895
Lease liability recognized as at 1 April 2019	66,654,529
Of which are:	
Current lease liabilities	5,431,879
Non-current lease liabilities	61,222,650
	66,654,529

Note A - On adoption of SLFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The Group's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 12%. There were no lease rentals paid in advance at the date of transition and no variable lease rentals.

Note B - For Motor vehicle leases previously classified as finance leases the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application.

Presentation of Financial Statements

Right-of-use assets were recognised and presented separately in the statement of financial position. Lease Motor Vehicles recognised previously under finance leases, which were included under 'Property, plant and equipment', were derecognised.

Additional lease liabilities were recognised and included under Interest bearing loans and borrowings.

There is no impact to the comparative statement of profit or loss, cash flows and earnings per share as the Group has adopted the SLFRS 16 using Modified retrospectives approach.

2.5 New and Amended Standards and Interpretations

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

SLFRS 17 Insurance Contracts

SLFRS 17; Insurance Contracts, is issued by the CA Sri Lanka and up to the date of issuance of the Group financial statements that standard is not effective. SLFRS 17 is effective from 01 January 2021. However, the adoption of SLFRS 17 does not expecting to have an impact on the Group financial statements.

Amendments to SLFRS 3: Definition of a Business

The Institute of Chartered Accountants of Sri Lanka issued amendments to the definition of a business in SLFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.
Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to LKAS 1 and LKAS 8: Definition of Material

The Institute of Chartered Accountants of Sri Lanka issued amendments to LKAS 1 Presentation of Financial Statements and LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:

- Financial risk management and policies Note 27
- Sensitivity analyses disclosures Note 27
- Capital management Note 27

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Taxes

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Group has tax losses carried forward amounting to Rs. 66,793,378/- (2019- Rs. 60,266,137/-). These losses relate to The Fortress Resort PLC that has a history of losses. A deferred tax asset of Rs. 9,351,073/- (2019 -Rs. 8,437,259/-) has not been recognised in respect of this tax loss and other temporary differences which has resulted deferred tax assets as it is anticipated that the deferred tax asset will not realise in the foreseeable future. Further details on taxes are disclosed in Note 8.5.

Retirement Benefit Obligation

The cost of retirement benefit obligation and the present value of the retirement benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of long-term government bonds, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. Future salary increases, and pension increases are based on expected future inflation rates of the country.

Further details about the assumptions used are given in Note 20.

Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. Management considered 100% ECL for debtors aged more than 180 days in determining the provision matrix for ECL.

The provision matrix is initially based on the Group's historical observed default rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. The Group has considered the current decline in the tourism industry due to the impact of Covid19 Pandemic in determining the provisioning under ECL. The Management has monitored the effect of the global economic downturn to its travel agents through frequent discussion with them and based on the financial strength and negotiated the payment terms and future arrangements accordingly. More than 70% of above receivables are due from well-established foreign travel agents and the dues are still within the credit period. Travel agents have agreed to release the payments on due dates. More than 25% of the receivables are due from local travel agreements and most of the dues have been settled subsequently.

Leases - Estimating the incremental borrowing rate for discounting land lease commitments

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

4. REVENUE

	Group 2020 Rs.	Group 2019 Rs.	Company 2020 Rs.	Company 2019 Rs.
Revenue from contracts with customers **(Note 4.1)**	489,320,003	787,787,516	-	-
Dividend Income	-	-	114,036,228	122,808,245
	489,320,003	787,787,516	114,036,228	122,808,245

4.1 Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time/the period of stay and at a point in time in the following major categories

	Group 2020 Rs.	Group 2019 Rs.	Company 2020 Rs.	Company 2019 Rs.
Over time/period of stay				
Room Revenue	282,170,232	473,990,944	-	-
Rental Income	3,614,238	2,191,304	-	-
At a point in time				
Food Revenue	122,304,631	185,797,966	-	-
Beverage Revenue	45,294,492	72,049,395	-	-
Spa Revenue	16,541,151	23,873,762	-	-
Laundry Income	3,812,028	3,457,499	-	-
Transport Income	3,800,253	4,153,255	-	-
Excursions Income	2,765,404	7,677,637	-	-
Boutique Income	2,014,731	3,640,996	-	-
Wedding income	2,490,078	5,052,357	-	-
Income from other hotel operations	4,512,764	5,902,401	-	-
	489,320,003	787,787,516	-	-

Contract liabilities and its movement is disclosed in Note 22 to the financial statements.

5. OTHER INCOME AND GAINS

	Group 2020 Rs.	Group 2019 Rs.	Company 2020 Rs.	Company 2019 Rs.
Profit on Disposal Property, Plant and Equipment	844,618	5,930,434	-	-
	844,618	5,930,434	-	-

6. FINANCE COST AND INCOME

	Group 2020 Rs.	Group 2019 Rs.	Company 2020 Rs.	Company 2019 Rs.
6.1 Finance Cost				
Interest Expense on Bank Overdrafts	72,667	6,077	-	-
Finance Charges on Lease Liabilities	7,791,462	2,293,807	-	-
Interest Expense on Bank Loans net of interest subsidy	2,689,862	-	-	-
	10,553,991	2,299,884	-	-
6.2 Finance Income				
Interest Income from Term Deposits	58,366,964	55,116,864	-	-
	58,366,964	55,116,864	-	-

7. PROFIT BEFORE TAX

Stated after Charging

	Group 2020 Rs.	Group 2019 Rs.	Company 2020 Rs.	Company 2019 Rs.
Included in Cost of Sales				
Employees Benefits including the following	62,364,161	58,044,263	-	-
- Defined Benefit Plan Cost - Gratuity (included in Employee Benefits)	714,721	832,653	-	-
- Defined Contribution Plan Cost - EPF and ETF (included in Employee Benefits)	7,932,736	7,686,287	-	-
Depreciation	2,402,536	2,855,839	-	-
Raw Materials and Consumables used	70,635,465	108,676,417		
Included in Administrative Expense				
Employees Benefits including the following	78,080,238	107,612,820	-	-
- Defined Benefit Plan Cost - Gratuity (included in Employee Benefits)	3,226,870	3,180,889	-	-
- Defined Contribution Plan Cost - EPF and ETF (included in Employee Benefits)	6,956,442	9,624,823	-	-
Depreciation	67,501,233	71,435,379	-	-
Amortization of Intangible Assets	1,487,935	1,202,430	-	-
Audit Fees	890,000	880,000	210,000	210,000
Charity and Donations	127,995	142,876	-	-
Land Rent	-	3,272,535	-	-
Amortization of ROU Assets	9,976,499	-	-	-
Maintenance Expenses	20,673,156	32,292,115	-	-
Electricity	26,481,090	30,327,116	-	-
NBT, TDL and Pradeshiya Sabba Tax	14,171,975	33,341,999	-	-
Included in Advertising and Marketing Expenses			-	-
Advertising	10,798,609	13,659,353	-	-
Sales Promotion Expenses	11,513,800	11,754,099	-	-

8. INCOME TAX EXPENSE

The major components of income tax expense for the years ended 31 March 2020 and 2019 are:

Statement of Profit or Loss	**Group**		**Company**	
	2020	**2019**	**2020**	**2019**
	Rs.	**Rs.**	**Rs.**	**Rs.**
Current Income Tax				
Current Income Tax Charge **(Note 8.1)**	5,077,841	31,070,602	-	-
Dividend Tax	15,965,069	17,193,154	-	-
Adjustments in respect of current income tax of previous year	775,808	(1,594,715)	-	-
	21,818,718	46,669,041	-	-
Deferred Tax				
Relating to origination and reversal of temporary differences **(Note 8.4)**	3,133,036	2,891,113	-	-
Income tax expense reported in the Statement of Profit or Loss	24,951,754	49,560,154	-	-

Statement of Other Comprehensive Income (OCI)

Deferred tax related to items recognized in OCI during in the year:				
On actuarial gains and losses	(311,134)	71,670	-	-
Deferred tax charged to OCI	(311,134)	71,670	-	-

8.1 Taxable profit or loss form the business is as follows;

Taxable Profit/(Loss) from Business

Profit/(loss) from the business	(25,363,768)	166,816,008	(6,226,422)	(5,945,306)
Interest income	58,366,964	55,116,864	-	-
Taxable profit/(loss)	33,003,196	221,932,872	(6,226,422)	(5,945,306)
*Income Tax @ 14% (2019 @ 14%)	3,980,096	31,070,602	-	-
*Income Tax on interest income @ 24% (2019 @ 14%)	1,097,746	-		
Current Income Tax Charge	5,077,841	31,070,602	-	-

*Up to 31 December 2019, the taxable income of the La Foreteresse (Pvt) Ltd consists predominantly conducting promotion of Tourism business and accordingly it was taxed at the rate of 14%.

* From 01 January 2020, the taxable income from promotion of Tourism business is taxed at the rate of 14% and the taxable income otherthan tourism business is taxed at the rate of 24% .

8.2 A reconciliation of tax expense and the accounting profit multiplied by the statutory tax rate is as follows :

	2020	**2019**	**2020**	**2019**
	Rs.	**Rs.**	**Rs.**	**Rs.**
Profit before income tax expenses	52,332,361	259,081,070	107,809,806	116,862,939
Tax at statutory income tax rate of 14%	7,326,530	36,271,350	15,093,373	16,360,811
Tax at statutory income tax rate of 24%	1,097,746	-	-	-
Dividend income exempted from tax	-	-	(15,965,072)	(17,193,154)
Tax on dividends paid by subsidiary	15,965,069	17,193,154	-	-
Amounts disallowed for income tax purposes				
Gratuity	310,777	290,656	-	-
Profit or loss from disposal of property, plant and equipment	99,082	(830,261)	-	-
Donations	17,919	20,003	-	-
Tax losses of Group companies	913,814	987,927	-	-
Other allowable/disallowable items for tax purpose	890,569	(802,105)	-	-
Adjustments in respect of current income tax of previous years	775,808	(1,594,715)	-	-
Utilization of tax losses	(2,445,560)	-	-	-
Income tax expense reported in the Statement of Profit or Loss	24,951,754	51,536,009	-	-

8.3 Tax Losses Utilized

Tax Losses Brought Forward	60,266,137	53,209,516	59,154,822	53,209,516
Loss Incurred during the year	(6,527,241)	7,056,622	6,226,422	5,945,306
Tax Losses Carried Forward	53,738,897	60,266,137	65,381,244	59,154,822

Income Tax of La Forteresse (Private) Limited

The profit and income from business of La Forteresse (Private) Limited (Subsidiary) is liable for income tax as stated in Note 2.3.4 of these Financial Statements.

8. INCOME TAX EXPENSE (Contd…)

8.4 Deferred Tax - Group

	Statement of Financial Position		Statement of Profit or Loss	
	2020	**2019**	**2020**	**2019**
	Rs.	**Rs.**	**Rs.**	**Rs.**
Deferred Tax Liability				
Capital Allowances for Tax purpose	50,739,035	46,606,349	4,132,687	3,181,769
	50,739,035	46,606,349	4,132,687	3,181,769
Deferred Tax Assets				
Retirement Benefit Obligation - Through Income Statement	(2,444,261)	(2,133,484)	(310,777)	(290,656)
Retirement Benefit Obligation - Through Other Comprehensive Income	51,587	(259,547)	-	-
ROU Assets and Related Lease Liabilities	(688,873)	-	(688,873)	-
	(3,081,548)	(2,393,031)	(999,651)	(290,656)
Deferred Taxation Charge/(Reversal)			3,133,036	2,891,113
Net Deferred Tax Liability	47,657,488	44,213,317		

8.4.1 Reconciliation of Deferred Tax Charge / (Reversal)

Deferred Tax Charge reported in the Statement of Profit or Loss	3,133,036	2,891,113
Deferred Tax Charge reported in Other Comprehensive Income	311,134	(71,670)
	3,444,170	2,819,443

8.5 The Fortress Resorts PLC has a tax loss amounting to Rs. 65,381,244/- (2019 - Rs. 59,154,822/-) which is available for offsetting against future statutory income of the Company until 6 years form the incurred year of assessment. A deferred tax asset amounting to Rs. 9,153,374/- (2019 - Rs.8,281,675/-) has not been recognized in respect of this tax loss and other temporary differences which has resulted deferred tax assets as it is anticipated that the deferred tax asset will not realize in the foreseeable future.

9.1 BASIC/DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

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

	Group		Company	
Amounts used as the Numerator	**2020**	**2019**	**2020**	**2019**
	Rs.	**Rs.**	**Rs.**	**Rs.**
Profit attributable to ordinary shareholders for basic earnings per share	27,380,606	209,520,916	107,809,806	116,862,939

	Group		Company	
Number of Ordinary Shares Used as the Denominator	**2020**	**2019**	**2020**	**2019**
	Number	**Number**	**Number**	**Number**
Weighted average number of ordinary shares applicable to basic earnings per share	110,886,684	110,886,684	110,886,684	110,886,684
Earnings per share (Rs.)	0.25	1.89	0.97	1.05

9.2 DIVIDEND PER SHARE-GROUP/COMPANY

	2020	2019
	Rs.	**Rs.**
Dividend paid during the year	110,886,684	110,886,684
Dividend per share (Rs.)	1.00	1.00

10. PROPERTY, PLANT AND EQUIPMENT - GROUP

10.1 Gross Carrying Amounts

		Balance As at 01.04.2019 Rs.	Additions/ Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2020 Rs.
At Cost					
Land		359,721,000	-	-	359,721,000
Buildings on Leasehold Land	- Hotel	940,938,140	1,949,700	-	942,887,840
	- Administration	50,497,404	18,086,304	-	68,583,708
Plant and Other Equipments		18,484,249	1,417,000	-	19,901,249
Furniture and Fittings		179,149,192	20,349,999	(2,910,330)	196,588,861
Fixtures and Fittings		78,851,347	15,277,297	(1,335,115)	92,793,529
Computer Equipments		27,638,544	4,338,743	(789,250)	31,188,037
Telephone Equipments		3,310,419	35,200	(4,900)	3,340,719
Kitchen Equipments		56,264,681	324,300	(381,990)	56,206,991
Electrical Equipments		162,045,369	4,496,055	(1,748,434)	164,792,990
Linen and Furnishing		19,245,683	109,903	(3,099,275)	16,256,311
Cutlery and Crockery		4,787,713	-	(1,386,221)	3,401,492
Other Equipments		16,887,757	534,478	(2,279,496)	15,142,739
Air conditioners		13,294,701	137,910	(217,628)	13,214,983
Motor Vehicles		44,773,312	-	-	44,773,312
		1,975,889,511	67,056,889	(14,152,640)	2,028,793,760
Assets on Finance Leases					
Motor Vehicles		26,997,613	-	(26,997,613)	-
		26,997,613	-	(26,997,613)	-
Constructions in Progress					
Buildings		4,728,977	-	(4,728,977)	-
Total Gross Carrying Amount		2,007,616,100	67,056,889	(45,879,229)	2,028,793,760

10.2 Depreciation

		Balance As at 01.04.2019 Rs.	Charge for the year/ Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2020 Rs.
At Cost					
Buildings on Leasehold Land	- Hotel	216,446,127	27,989,544	-	244,435,671
	- Administration	12,725,804	1,912,236	-	14,638,041
Plant and Equipments		17,021,550	360,607	-	17,382,156
Furniture and Fittings		113,593,238	10,328,847	(2,907,917)	121,014,168
Fixtures and Fittings		44,731,844	5,977,685	(1,203,180)	49,506,349
Computer Equipments		22,321,628	2,882,547	(789,250)	24,414,925
Telephone Equipments		2,249,214	402,804	(4,260)	2,647,757
Kitchen Equipments		51,473,785	2,068,903	(423,990)	53,118,698
Electrical Equipments		108,062,464	8,212,138	(1,734,330)	114,540,272
Linen and Furnishing		9,980,595	4,149,859	(2,667,038)	11,463,416
Cutlery and Crockery		4,122,528	333,634	(1,228,005)	3,228,158
Other Equipments		15,972,391	472,634	(2,269,315)	14,175,711
Air conditioners		9,573,546	1,087,189	(217,628)	10,443,107
Motor Vehicles		22,129,735	3,725,144	-	25,854,880
		650,404,449	69,903,769	(13,444,912)	706,863,307
Assets on Finance Leases					
Motor Vehicles		13,436,487	-	(13,436,487)	-
		13,436,487	-	(13,436,487)	-
Total Depreciation		663,840,936	69,903,769	(26,881,399)	706,863,307

10. PROPERTY, PLANT AND EQUIPMENT - GROUP (Contd..)

10.3 Net Book Values

		2020	2019
		Rs.	Rs.
At Cost			
Land		359,721,000	359,721,000
Buildings on Leasehold Land	- Hotel	698,452,169	724,492,013
	- Administration	53,945,667	37,771,600
Plant and Equipments		2,519,093	1,462,699
Furniture and Fittings		75,574,693	65,555,954
Fixtures and Fittings		43,287,181	34,119,503
Computer Equipments		6,773,112	5,316,916
Telephone Equipments		692,962	1,061,205
Kitchen Equipments		3,088,293	4,790,896
Electrical Equipments		50,252,718	53,982,905
Linen and Furnishing		4,792,895	9,265,088
Cutlery and Crockery		173,335	665,185
Other Equipments		967,028	915,366
Air conditioners		2,771,876	3,721,155
Motor Vehicles		18,918,433	22,643,577
		1,321,930,454	1,325,485,061
Assets on Finance Leases			
Motor Vehicles		-	13,561,126
Constructions in Progress			
Buildings		-	4,728,977
Total Carrying Amount of Property, Plant and Equipment		1,321,930,454	1,343,775,164

10.4 During the financial year, the Group acquired property, plant and equipment to the aggregate value of Rs. 62,327,912/- (2019 - Rs. 47,746,913/-). Cash payments amounting to Rs. 62,327,912/- (2019 - Rs. 47,746,913/-) were made during the year for purchase of Property, Plant and Equipment.

11. RIGHT OF USE ASSETS-GROUP/COMPANY

	2020	2019
	Rs.	Rs.
Leasehold Lands	47,355,933	-
Leasehold Motor Vehicles	5,714,328	-
	53,070,261	-

The Group has lease contracts with Sri Lanka Tourism Development Authority (SLTDA) and Board of Investments of Sri Lanka (BOI) for lands and a lease of motor vehicles from Bank of Ceylon used in its guest transport services.

11.1

Nature of the property	**Lessor**	**No of**	**Lease Term**	**Annual Rental 2020**	**Annual Rental 2019**
Lease hold lands				**Rs.**	**Rs.**
Hotel Building	SLTDA	1	2005 - 2045	2,338,356	2,338,356
Administration Building	BOI	2	2005 - 2035	265,734	265,734
Organic Garden	BOI	1	2014 - 2064	453,200	453,200
Driver Quarters	Other	1	2014 - 2064	240,000	240,000
				3,297,290	3,297,290
Other Assets					
Motor Vehicles	Bank of Ceylon		2017 - 2021	7,135,224	7,135,224
Total lease rentals				10,432,514	10,432,514

11. RIGHT OF USE ASSETS-GROUP/COMPANY (Contd…)

11.2 Set out below are the carrying amounts of right-of-use assets recognized and the movements during the year

	Lands Rs.	Motor Vehicles Rs.	Total Rs.
Additions as Initial recognition of right of use assets	49,485,634	-	49,485,634
Transferred from property, plant and equipment	-	13,561,126	13,561,126
Total at the date of transition, 01 April 2019	49,485,634	13,561,126	63,046,760
Depreciation expenses	(2,129,701)	(7,846,798)	(9,976,499)
As at 31 March 2020	47,355,933	5,714,328	53,070,261

11.3 The following are the amounts recognized in profit or loss in respect of ROU Assets:

	2020 Rs.	2019 Rs.
Depreciation expense of right-of-use assets	9,976,499	-
Interest expense on lease liabilities	7,791,462	-
Total amount recognized in profit or loss	17,767,960	-

The Group had total cash outflows for leases of Rs. 10,432,514/- during the year (2019 - Rs. 10,432,514/-). The future cash outflows relating to leases that have not yet commenced are disclosed in Note 24.4.

ROU Assets are depreciated straight line basis over the remaining lease period of the assets

There are no variable lease payments.

12. INVESTMENT IN SUBSIDIARY - COMPANY

12.1 Non-Quoted Investments	Holding 2020 %	Holding 2019 %	Cost 2020 Rs.	Cost 2019 Rs.
La Forteresse (Private) Limited	100%	100%	1,000,009,990	1,000,009,990
			1,000,009,990	1,000,009,990

Other indirect holdings in other subsidiaries are listed in note 2.2.2.1 to the financial statements.

13. INTANGIBLE ASSETS - GROUP

13.1 Cost

	Balance As at 01.04.2019 Rs.	Additions Rs.	Disposals Rs.	Balance As at 31.03.2020 Rs.
Computer Software	13,866,988	2,387,442	-	16,254,430
	13,866,988	2,387,442	-	16,254,430

13.2 Amortization

Computer Software	10,452,307	1,487,935	-	11,940,243
	10,452,307	1,487,935	-	11,940,243

13.3 Net Book Values

	2020 Rs.	2019 Rs.
Computer Software	4,314,188	3,414,681

13.4 Computer Software are amortized over 05 years

14. FINANCIAL LIABILITIES

14.1 Interest Bearing Loans and Borrowings

	Group		Company	
	2020 Rs.	**2019 Rs.**	**2020 Rs.**	**2019 Rs.**
Current Interest Bearing Loans and Borrowings				
Bank Loans **(Note 14.1)**	67,315,003	-	-	-
Bank Overdrafts **(Note 18)**	7,663,977	1,833,681	-	-
Obligation Under the Financial Lease **(Note 14.2)**	-	5,431,879	-	-
Lease Liabilities **(Note 14.3)**	5,663,641	-	-	-
Total Current Interest Bearing Loans and Borrowings	80,642,622	7,265,560	-	-
Non Current Interest Bearing Loans and Borrowings				
Bank Loans **(Note 14.1)**	81,099,678	-	-	-
Obligation Under the Financial Lease **(Note 14.2)**	-	11,737,016	-	-
Lease Liabilities **(Note 14.3)**	58,349,835	-	-	-
Total Non Current Interest Bearing Loans and Borrowings	139,449,514	11,737,016	-	-

14.1.1 Bank Loans

Bank of Ceylon (BOC) - Working capital loan

	2020 Rs.
Loans received during the year	178,000,000
Recognition of government grant	(23,813,925)
Interest accrued during the year	5,155,969
Repayments	(10,927,362)
	148,414,682
Current	67,315,003
Non-Current	81,099,678
	148,414,682

BOC - Working Capital Loan

On 28 October 2019, the Group has obtained the above loan under the working capital loan scheme proposed by the government to strengthen the tourism industry affected by the Easter Sunday Terror Attack. An amount of Rs. 178 Mn was granted to the Group through four installments. Under the said scheme 75% of interest subsidy granted to the Group such amount will be reimbursed to the Bank by the Central Bank of Sri Lanka.

Terms and Conditions

Purpose - Working Capital Requirements
Repayment Period - 24 Months (Including 3 Months grace period)
Rate of Interest- 3.46% per annum (Cost to the Group after interest subsidy)
Security- Primary mortgage over the property situated at Habaraduwa, Galle. (Carrying value of the property is Rs. 752 Mn).

14. FINANCIAL LIABILITIES (Contd…)

Interest expense

The Group has paid its 1st loan installment on 31 March 2020 and the interest income for the period set out below,

	2020 Rs.	2019 Rs.
Interest on working capital loan	6,168,956	-
Setoff with Government grant	(5,155,969)	-
Net interest cost recognized in the statement of profit or loss	1,012,987	-

14.1.2 Finance Leases

	Balance As at 01.04.2019 Rs.	Transferred to Lease Liabilities Note (14.3) Rs.	Balance As at 31.03.2020 Rs.
Bank of Ceylon	20,216,468	(20,216,468)	-
Gross Liability	20,216,468	(20,216,468)	-
Finance Charges allocated to Future periods	(3,047,573)	3,047,573	-
Net Liability	17,168,895	(17,168,895)	-

	2020 Rs.	2019 Rs.
Current	-	5,431,879
Non Current	-	11,737,016
Total	-	17,168,895

14.1.3 Lease Liabilities

	Lands Rs.	Motor Vehicles (Note 14.2) Rs.	Total Rs.
At the Beginning of the Year	-	-	-
Reclassified from finance leases	-	17,168,895	17,168,895
Recognition of Right of Use Assets	49,485,634	-	49,485,634
Capital Payments	-	(5,431,876)	(5,431,876)
Interest Accrued on Lease Liabilities	2,790,823	-	2,790,823
As at 31 March 2020	52,276,458	11,737,019	64,013,477
Lease Payments			
Gross Payments	(3,297,290)	(7,135,224)	(10,432,514)
Interest expense recognized as finance expense	6,088,113	1,703,348	7,791,462
Capital Payments	2,790,823	(5,431,876)	(2,641,052)
Current	231,762	5,431,879	5,663,641
Non-Current	52,044,695	6,305,140	58,349,835

In the previous year, the group only recognized lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under LKAS 17 Leases (Motor Vehicles). The assets were presented in property, plant and equipment and the respective lease liabilities as part of the Group's borrowings. For adjustments recognized on adoption of SLFRS 16 on 1 April 2019, please refer to note 2.4.

Lease liabilities are effectively secured as the rights to the leased assets recognized in the financial statements relevant to the lessor in the event of default.

Notes 2.4, 11 and 23.3 provides the details of the above leases liabilities.

14.3 Fair Values

The management assessed that cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. Fair value of the bank loans are approximates to its carrying value as the loan is provided at fixed market rate.

15. INVENTORIES - GROUP

	2020 Rs.	2019 Rs.
Food and Beverages	6,866,575	8,361,728
House Keeping and Maintenance	10,413,722	7,056,916
Stationary, Consumables and Others	5,059,849	5,700,147
	22,340,146	21,118,791

Even though the Group has closed the Hotel in the last week of the March due to the Covid-19 pandemic, no provision is recognized on above inventory items as they are recognized as non-expiry items.

16. TRADE AND OTHER RECEIVABLES - GROUP

	Group 2020 Rs.	Group 2019 Rs.	Company 2020 Rs.	Company 2019 Rs.
Trade Receivables	26,524,627	57,703,022	-	-
Other Receivables - Related Parties **(Note 16.1)**	-	-	104,500,049	107,338,566
Other Receivables - Other	7,471,071	328,175	-	-
	33,995,698	58,031,197	104,500,049	107,338,566

As at 31 March, the ageing analysis of trade and other receivables are as follows:

	Total	Neither past due or nor Impaired	Past due but not impaired < 30 days	31 - 60 days	61 - 90 days	91 - 120 days	> 120 days
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
2020	26,524,627	20,256,958	6,267,669	-	-	-	-
2019	57,703,022	48,182,969	9,520,053	-	-	-	-

Provision Matrix and Impairment of Debtors

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

- The Group has considered the current decline in the tourism industry due to the impact of Covid19 Pandemic. The Management has monitored the effect of the global economic downturn to its travel agents through frequent discussions with them and based on the financial strength and negotiated the payment terms and future arrangements accordingly. More than 70% of above receivables are due from well established foreign travel agents and the dues are still within the credit period. Travel agents have agreed to release the payments on due dates. More than 25% of the receivables are due from local travel agents and most of the dues have been settled subsequently.

- Refer Note 27 on credit risk of Trade Receivables, which discuss how the Group measure credit quality of Trade Receivables that are neither past due nor impairment.

16.1 Other Receivables - Related Parties

Company	Relationship	2020 Rs.	2019 Rs.
La Forteresse (Private) Limited	Subsidiary Company	104,500,049	107,338,566

Outstanding receivable balance is represents the final dividends receivable from the La Forteresse (Pvt) Ltd and which is non interest bearable and expected to settle within one year. Note 25.1 provide the movement of the receivable balance.

17. SHORT TERM DEPOSITS - GROUP

		2020 Rs.	2019 Rs.
Investments in Fixed Deposits	**(Note 17.1)**	662,430,133	578,579,436

17.1 Investment in fixed deposits at amortized cost

	2020	2019
LB Finance PLC	305,499,298	112,655,327
Vallible Finance PLC	343,851,233	453,933,300
Bank of Ceylon	13,079,601	11,990,808
	662,430,133	578,579,436

No provision is recognized based on the expected credit loss (ECL) calculation as the required provision under ECL is immaterial to the Consolidated financial statements.

18. CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT

Components of Cash and Cash Equivalents

	Group		Company	
	2020	**2019**	**2020**	**2019**
	Rs.	**Rs.**	**Rs.**	**Rs.**
Favorable Cash and Cash Equivalent Balances				
Cash and Bank Balances	23,429,664	19,948,196	1,029,985	298,392
	23,429,664	19,948,196	1,029,985	298,392
Unfavorable Cash and Cash Equivalent Balances				
Bank Overdraft	(7,663,977)	(1,833,681)	-	-
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	15,765,686	18,114,515	1,029,985	298,392

The bank overdrafts are secured by a portion of the Group's short-term deposits with Bank of Ceylon.

19. STATED CAPITAL - COMPANY/ GROUP

	2020		2019	
	Number	**Rs.**	**Number**	**Rs.**
Fully paid Ordinary Shares	110,886,684	1,108,866,840	110,886,684	1,108,866,840
	110,886,684	1,108,866,840	110,886,684	1,108,866,840

20. RETIREMENT BENEFIT OBLIGATION - GROUP

Defined Benefit Obligation - Gratuity

	2020 Rs.	2019 Rs.
Balance at 1 April	17,093,080	14,505,038
Current Service Cost	2,146,817	2,417,988
Interest Cost	1,794,773	1,595,554
Actuarial (Gain) / Loss	(2,222,389)	511,930
Benefits paid	(1,721,754)	(1,937,430)
Balance at 31 March	17,090,528	17,093,080

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

	2020 Rs.	2019 Rs.
Cost of Sales	714,721	832,653
Administrative Expenses	3,226,869	3,180,889
Other Comprehensive Income	(2,222,389)	511,930
	1,719,202	3,981,306

20.1 The defined benefit obligation of the Group is based on the Messers. Actuarial and Management Consultants (Private) Limited, actuaries. Appropriate and compatible assumptions were used in determining the cost of defined benefits.

20.2 The principle assumptions used were as follows,

	2020	2019
Discount Rate	10.5%	12%
Future Salary Increment Rate	5%	9%

20.3 Sensitivity of the principal assumptions used

	Expected Future Salaries		Discount Rate	
	1% increase Rs.	1% decrease Rs.	1% increase Rs.	1% decrease Rs.
2020				
Change in Present value of Defined Benefit Obligation	1,348,561	(1,216,427)	(1,087,878)	1,220,048
2019				
Change in Present value of Defined Benefit Obligation	1,665,891	(1,473,794)	(1,363,569)	1,560,645

20.4 The average duration of the defined benefit plan obligation at the end of the reporting period is 8 years (2019 - 9 Years).

21. TRADE AND OTHER PAYABLES

	Group		Company	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Trade Creditors	26,256,114	26,952,802	-	-
Other Payables	27,773,957	36,313,523	-	-
Accrued Expenses	8,296,220	7,786,990	1,997,679	1,027,725
	62,326,290	71,053,315	1,997,679	1,027,725

Terms and Conditions of the above financial liabilities
- Trade and Other Payables are non-interest bearing
- Trade Payables are normally settled on 30 - 120 day terms.

22. CONTRACT LIABILITIES

	Group	
	2020	2019
	Rs.	Rs.
Advances received for future bookings	23,492,298	45,478,559
Opening Balance	45,478,559	40,952,208
Advance received during the year	238,548,276	403,447,131
Refunds due to cancellation of bookings	(9,624,971)	-
Setoff against the receivables	(250,909,566)	(398,920,781)
Closing Balance	23,492,298	45,478,559

The Group has lost several booking during the Month of February and March 2020 due to the worldwide outbreak of Covid-19; Coronavirus and in the previous year due to the Easter Sunday terrorist attacks.

23 GOVERNMENT GRANTS

	Group	
	2020	2019
	Rs.	Rs.
Recognized during the year	23,813,925	-
Setoff against interest expenses during the year	(5,155,969)	-
Closing balance	18,657,956	-
Current	14,315,361	-
Non-Current	4,342,595	-

Refer note 14.1.1 for the details, terms and condition of the bank borrowings and government grant.

24. COMMITMENTS AND CONTINGENCIES

24.1 Capital Expenditure Commitments

The Group doesn't have significant capital commitment as at the reporting date.

24.2 Contingent Liabilities

The Group doesn't have significant contingent liabilities as at the reporting date.

24.3 Lease commitments — Group as lessee

Land Lease

The hotel building has been constructed in a Land which belongs to the Ceylon Tourist Board and the Group has entered in to a lease agreement with them starting from 01 August 2005 and ends on 31 July 2035. There is a possibility of extend the lease period for further 10 years if the Group is wishes to do so. Lease rentals are paid on monthly basis and rent is been revised for every five year intervals as per the agreement. The hotel service building is situated in a land belongs to BOI and entered in to a similar agreement with them starting from 28 January 2005 and ends on 27 January 2035. Rentals are been prefixed for the entire period and paid on yearly basis. Both leases of lands used to organic garden and diver quarters are statring from 2014 and ends on 2064.

Motor Vehicle Lease

The Group has been acquired two Motor Vehicles for guest transport purpose from Bank of Ceylon in January 2017 for five year lease period.

24.4 Future minimum lease payments under land and motor vehicle leases with the present value of the net minimum lease payments are, as follows:

	2020		2019	
	Minimum payments	Present value of payments (Note 14.1.3)	Minimum payments	Present value of payments (Note 14.1.2)
	Rs.	Rs.	Rs.	Rs.
Within one year	11,268,756	3,814,841	7,135,224	5,431,879
After one year but not more than five years	23,348,344	(5,509,393)	13,081,244	11,737,016
More than five years	228,506,047	65,708,029	-	-
Total minimum lease payments	263,123,148	64,013,477	20,216,468	17,168,895
Less amounts representing finance charges	(199,109,670)	-	(3,047,573)	-
Present value of minimum lease payments	64,013,477	64,013,477	17,168,895	17,168,895

25. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

25.1 Transactions with the Parent and Related Entities

	Subsidiaries 2020 Rs.	Subsidiaries 2019 Rs.
As at 1 April	107,338,566	100,914,162
Recurring related party transactions		
Settlements during the year	(110,700,000)	(110,500,000)
Expenses Incurred on behalf of the Company	(6,174,745)	(5,883,841)
Dividends	114,036,228	122,808,245
As at 31 March	104,500,049	107,338,566
Included in		
Trade and Other Receivables	104,500,049	107,338,566

Outstanding receivable balance is represents the final dividends receivable from the La Forteresse (Pvt) Ltd and which is non interest bearable and expected to settle within one year.

Subsidiaries : La Forteresse (Private) Limited and Summer Season Mirissa (Private) Limited

25.2 Transactions with Key Management Personnel of the Company

The key management personnel of the Company includes the Directors of the Company and Directors in subsidiary.

25.2.1 Compensation to Key Management Personnel

Nature of transaction	2020 Rs.	2019 Rs.
Short Term Employment Benefits	18,485,740	12,943,641

25.3 Other Related Parties Disclosures

Transactions with the parties/entities in which Key Management Personnel or their Close Family Members have control or significant influence.

Recurring transactions

Related Party	Nature	Terms	2020 Rs.	2019 Rs.
LB Finance PLC	Investment in Fixed Deposits	Market Terms	292,500,000	110,000,000
(Investments on 6 Months and 12 Months FDs as Market Rate)	Withdrawal of Fixed Deposits	Market Terms	95,000,000	65,000,000
	Interest Income	Market Terms	15,245,068	4,775,055
	Balance as at 31 March		305,499,298	112,655,327
Vallible Finance PLC	Investment in Fixed Deposits	Market Terms	63,000,000	141,000,000
(Investments on 6 Months and 12 Months FDs as Market Rate)	Withdrawal of Fixed Deposits	Market Terms	178,000,000	76,820,623
	Interest Income	Market Terms	41,741,288	48,904,800
	Balance as at 31 March		343,851,233	453,933,300

No other material transactions have taken place during the year with the parties/entities in which Key Management Personnel or their Close Family Members have control, joint control or significant influence, which require to disclosure in these Financial Statements other than those disclosed above.

26. EVENT OCCURING AFTER THE REPORTING DATE

The board of directors have decided to close the hotel for the business with effect from 01 April to 31 May 2020 due to the industry decline in the Covid-19 Pandemic and reopen for the business again from 01 June 2020 onwards. In the month of April, 31 room nights were cancelled and refund fully and 127 room nights have been rescheduled to latter part of the year.

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

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise loans and borrowings and Trade and Other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group has loan and other receivables, trade and other receivables, and cash and short-term deposits that arrive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks.

The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, and other price risk, such as equity price risk.

The Group's financial instruments affected by market risk include loans and borrowings and deposits.

The sensitivity analyses in the following sections relate to the position as at 31 March in 2020 and 2019.

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates are minimal as the Group has obtained the working capital loans under the specific relief package of which 75% of the interest cost is bearing by the Central Bank of Sri Lanka.

Up to 31 March 2019, the Group did not had any Bank loans.

Interest rate sensitivity

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

	Increase/decrease in basis points	Effect on profit before tax
2020		
Interest Bearing Loans and Borrowings	+/- 50	+/- 217,345

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

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's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd…)

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible changes in the GBP and EURO exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity. The Group's exposure to foreign currency changes for all other currencies is not material.

	Change in GBP/ EURO rate	Effect on profit before tax	Effect on equity
2020	+/- 5%	+/- 423,314	+/- 364,050
2019	+/- 5%	+/- 583,231	+/- 513,243

Credit risk

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

Trade receivables

The Group has established policies, procedures and controls to manage the credit risk of Travel Agents of the Group. The Group carefully evaluating travel agents credentials and credit worthiness prior to contracting with them and as at reporting date more than 70% of the trade receivables are due from well established foreign travel agents and more than 25% is due from well established local travel agents. Risk exposure to receivables from individuals and entities are minimal as it represents less than 1% from the total receivables as at reporting date.

The Group has considered the current decline in the tourism industry due to the impact of Covid19 Pandemic evaluating the cridit risk of trade receivables. The Management has monitored the effect of the global economic downturn to its travel agents through frequent discussion with them and based on the financial strength and negotiated the payment terms and future arrangements accordingly. Dues from foreign travel agents and the dues are still within the credit period and those travel agents have agreed to release the payments on due dates. Due from local travel agreements and most of the dues have been settled subsequently.

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

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd…)

Liquidity risk

Liquidity risk management used to maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. The maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, and lease contracts. The Group has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

Due to the Easter Sunday terrorist attack and Covid19 outbreak, overall tourism industry declines and affected the operational cash flows of the Group. The Group has negotiated with its key suppliers to extend the credit terms and obtained banking facilities to maintain the cash requirements of the Group. The Government has introduced the working capital loan schemes to tourism industry affected by Easter Sunday terrorist attack and The Group has obtained Rs. 178 Mn loan for operational purpose during the year.

The Group has Rs. 662,430,133/- of short term deposits, Rs. 23,429,664/- of cash balance and Rs. 52 Mn of undrawn banking facilities as at the reporting date. The Government of Sri Lanka has proposed several concessionary working capital loan schemes as to relief covid 19 pandemic to Hotel industry and Group have not obtained any facility under those schemes and have the access to these Banking facilities at any time.

Excessive risk concentration

Concentrations arise as a number of Hotels are coming and engaged in tourism industry activities in the Group's geographical region and have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions such as Covid19 outbreak elaborated further below. Concentrations indicate the relative sensitivity of the Group’s performance to developments affecting a particular industry. Also the Covid19 pandemic, prevailing economic unrest in the European region and some other Asia Pacific countries would significantly affects the hotel industry.

In order to avoid excessive concentrations of risk, the Group’s policies and procedures include specific guidelines mitigate those risk factors. The Group has now considered to improve the marketing activities specially in different customer segments and geographical region to attract many more tourists from those regions. Significant part of the Group customer base was reflected form the foreign tourists and the Group now considering the promoting the Hotel to local customers as well. To mitigate the risk arising from currency fluctuations the group has engaged their contracts with local operators in dollars only where the fluctuations are negligible compared to other predominant currencies.

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

Year ended 31 March 2020	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 Years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Bank Overdraft	7,663,977	-	-	-	-	7,663,977
Bank Loans	-	32,782,086	98,346,258	35,944,294	-	167,072,638
Lease Liabilities	-	2,614,772	8,653,985	23,348,344	228,506,047	263,123,148
Trade and other payables	-	26,256,114	36,070,177	-	-	62,326,290
	7,663,977	61,652,971	143,070,420	59,292,638	228,506,047	500,186,053

Year ended 31 March 2019	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 Years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Bank Overdraft	1,833,681	-	-	-	-	1,833,681
Finance Leases	-	1,783,806	5,351,418	13,081,244	-	20,216,468
Trade and other payables	-	71,053,315	-	-	-	71,053,315
	1,833,681	143,890,436	5,351,418	13,081,244	-	93,103,464

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd…)

Capital management

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

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence to sustain future development of the business. The Group’s objectives when managing capital are to;

i. safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits for other stakeholders, and
ii. maintain an optimal capital structure to reduce the cost of capital.

Management monitors the return on capital , as well as the level of dividends to ordinary shareholders.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. The Group’s policy is to keep the gearing ratio at minimum level. The Group includes within net debt, bank overdraft, trade and other payables, less cash and cash equivalents.

	2020 Rs.	2019 Rs.
Interest-bearing loans and borrowings (Note 14)	220,092,136	19,002,576
Trade and other payables (Note 16)	62,326,290	71,053,315
Less: Cash and cash equivalents (Note 18)	(23,429,664)	(19,948,196)
Net debt	258,988,762	70,107,695
Equity	1,771,678,111	1,853,272,935
Total capital	1,771,678,111	1,853,272,935
Capital and net debt	2,030,666,873	1,923,380,630
Gearing ratio	13%	4%

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2020 and 2019.