



# Annual Report

50<sup>th</sup> Annual General Meeting

31<sup>st</sup> March 2016



**CEYLON HOTELS CORPORATION PLC**

A Member of The Galle Face Group





# Contents

Chairman's Review	02 - 03
Financial Highlights	05
Profile of Directors	06 - 08
Annual Report of the Directors	09 - 12
Statement of Directors Responsibility	13
Corporate Governance	15 - 17
Corporate Social Responsibility	18
Report of the Audit Committee	21
Financial Reports	23 - 67
Investor Information	69 - 73
Five year summary	74
Notice of Annual General Meeting	76
Form of Proxy	77 - 78
Corporate Information	Inner back cover



CEYLON HOTELS CORPORATION PLC



The Surf - Bentota



The Lake - Polonnaruwa

## CHAIRMAN'S REVIEW

Ceylon Hotels Corporation PLC  
No. 327, Union Place, Colombo 2

Annual Report 2016  
For the year ended 31<sup>st</sup> March 2016

## CHAIRMAN'S REVIEW

On behalf of the Board, I am pleased to welcome our Shareholders to the 50<sup>th</sup> Annual General Meeting of Ceylon Hotels Corporation PLC.

### TOURISM INDUSTRY IN SRI LANKA

The Sri Lanka Tourism Development Industry once again showed a growth in arrivals of 1,798,986 in 2015, compared to 1,527,153 in 2014, an increase of 17.8 %. Increase in arrivals from India amounting to 316,247 Tourists (30% increase over 2014) from China amounting to 214,783 Tourists (68% increase over 2014) and United Kingdom amounting to 164,845 Tourists (an increase of 12.3% over last year) were the Major Contributors. Also, 30% Tourists were found to be repeat visitors.

Sri Lanka Tourism Statistics confirmed that, Cumulative earnings from Tourism increased to US\$ 2,862.8 Million during 2015, compared to US\$ 2,431.1 Million during 2014, an increase of 17%.

Up to July, this year arrivals increased by 16.7% (from 1,005,855 in 2015 to 1,173,618 in 2016)

However, the new Government led by His Excellency the President Maithreepala Sirisena has set a target of 2.2 Million tourists by the end of 2016, and 4 Million tourists by 2020.

### PERFORMANCE

The revenue for the Group amounted Rs.1,448 Million an increase of Rs. 140 Million (10.7%) compared to Rs.1,307.9 Million in 2015. The Group operating profit for the year was Rs. 293.4 Million compared to Rs. 194.3 Million last year, an increase of 51%. Group Profit for the year was Rs.62,658,765 after joint venture share of loss of equity amounted to Rs.101,630,030. Last year, the group profit was Rs.86,015,454

### FUTURE PLANS

#### RESORT COLLECTION

Mr. Chetiya Perera, who rejoined the Company as its Managing Director, is responsible for operation

and development of CHC PLC and its subsidiaries including the Maldivian Project. As you are aware the United Hotels has ventured into Maldives by acquiring Ambaara Resort in Maldives to develop a Resort which will consist of 50 Water Bungalows a water sport center and other resort facilities. Further this year we are planning to carry out soft refurbishments at Safari Hotel (Tissamaharama) and Lake House (Polonnaruwa). It is estimated that, the Maldivian Project would cost US\$ 27 mn and plans are afoot to open the resort in mid 2018 while the local hotels mentioned above to be refurbished would cost approximately Rs. 80 mn

### REST HOUSES COLLECTION

CHC Rest Houses (Pvt) Ltd which own the rest house collection of the Group, has commenced refurbishing of Sigiriya Rest and it will be opened in October this year followed by Ella Rest House, while Kitulgala, Belihuloya, Medawachchiya, Habarana, Weligama, Mihintale, Pussellawa, and Dambulla will be done in 2017.

### FOOD BUSINESS

The Group has identified the potential of the food business in Sri Lanka and the Board and the Strategic committee have laid the foundation to expand the food business. In addition to Ambepussa, CHC Foods (Pvt) Ltd has ventured into open 06 new outlets in Kurunegala, Orion City - Dematagoda, Malabe, Navinna, Katunayaka International Airport departure counter, and Galle Road Colpetty (opposite HNB) and the food business will be branded as "CHC Avanhala".

### CORPORATE SOCIAL RESPONSIBILITIES(CSR)

The Group committed to share its growth and values with the society as we believe the Corporate Social Responsibility is an integral part of our business and it permeates the organization and we recognize our responsibility to make a positive change in the society in which we operate in. Our Hotel School ,

**CHAIRMAN'S REVIEW (Contd..)**

which was opened in May 2011 at The Safari Hotel Tissa, is recognized by the Tertiary & Vocational Education Commission (TVEC) to issue National Vocational Qualification (NVQ) Level 3 Certificates to students, who successfully completed the course. Up to date, 147 students from Local families who deserved to be assisted have graduated. 73 of them are in employment within the Group and 32 of them are in employment in other Hotel companies.

**APPRECIATION**

The Board of Directors and the Management alike, would like to place on record their appreciation of the inspiring Leadership of our Group Chairman, Mr.Sanjeev Gardiner, who has been a great source of strength to the Organization. I welcome our new Directors, namely Mr. Chetiya Perera(Managing Director), Mr. Ajith Devasurendra, Mr.Ranil Pathirana, and Mr.Wasantha Wimalaweera. They will no doubt to take initiatives to strengthen Corporate Governance, Ethics and formulate strategic direction of the Group to increase stakeholder values.

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

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

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



**Lakshman Samarasinghe**  
CHAIRMAN  
10<sup>th</sup> August 2016



The Lake - Polonnaruwa

## FINANCIAL HIGHLIGHTS

Ceylon Hotels Corporation PLC  
No. 327, Union Place, Colombo 2

Annual Report 2016  
For the year ended 31<sup>st</sup> March 2016

## FINANCIAL HIGHLIGHTS

	Group		Company	
	2016	2015	2016	2015
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Results for the year</b>				
Gross revenue	1,448,040	1,307,993	9,648	12,893
<b>Cost of sales</b>	<b>(380,744)</b>	<b>(351,639)</b>	<b>(9,592)</b>	<b>(12,779)</b>
Operation profit/(loss) before interest & tax	293,362	194,291	46,369	(22,608)
Interest expense	(81,106)	(104,101)	(35,812)	(36,311)
Profit / (loss) before tax	123,177	125,183	12,707	(58,891)
Income tax	(60,519)	(39,167)	(390)	(15,711)
Profit / (loss) after tax	62,659	86,015	12,317	(74,602)
Profit / (loss) attributable to equity holders	3,638	49,607	12,317	(74,602)
<b>Financial position at the end of the year</b>				
Equity holders, funds (stated capital & reserves)	6,150,814	5,851,063	686,312	673,293
Total assets	10,233,966	9,210,068	1,274,522	1,367,348
Number of share in issue	171,825	171,825	171,825	171,825
<b>Information per ordinary shares</b>				
Earning / (loss) per share (Rs.)	0.02	0.29	0.07	(0.43)
Net assets per share (Rs.)	35.80	34.05	3.99	3.92
<b>Ratios</b>				
Return on equity holders' fund	0.06	0.85	1.79	(11.08)
Return on total assets	0.04	0.54	0.97	(5.46)
Equity : assets	60.10	63.53	53.85	49.24
Current ratio (times)	0.68	0.59	0.52	0.45
<b>Market shareholder information</b>				
Market price of a share as at 31 <sup>st</sup> March (Rs.)	24.00	23.60	24.00	23.60
Market capitalization (Rs. 000)	4,123,810	4,055,070	4,123,810	4,055,070

## PROFILE OF DIRECTORS

### MR SANJEEV GARDINER

Mr Gardiner was Co-opted to the Board of Ceylon Hotels Corporation PLC in 1996, is the Group Chairman and Chief Executive Officer of the Galle Face Hotel Group and counts over 27 years of management experience in a diverse array of business. He is also the Chairman of Ceylon Hotels Holdings (Pvt) Ltd. (holding company of Ceylon Hotels Corporation PLC), United Hotels Co. (Pvt) Ltd and Co-Chairman of Suisse Hotels Kandy (Pvt) Ltd owner of the joint venture Hotel OZO. He is the Senior Director of the Ceylon Hotels Corporation PLC (since 1996). He is a Director of many public quoted and unquoted companies including Cargills (Ceylon) PLC (since 1994), Dankotuwa Porcelain PLC and Chairman of Taprobane Holdings PLC since 2015. He holds a Bachelor of Business Degree from the Royal Melbourne Institute of Technology and a Bachelor of Business Degree (Banking & Finance) from Monash University, Australia. He is a Director and Council member of Helpage Sri Lanka and a member of many prestigious associations. He was the past President - of the elite Young Presidents Organisation.

### MR LAKSHMAN SAMARASINGHE (CHAIRMAN)

Mr Samarasinghe was Co-opted to the Board of Ceylon Hotels Corporation PLC in 2005 and was appointed its Chairman and continue in that capacity for 11 consecutive years. He has been a Director of Galle Face Hotel Co Ltd for over 38 years and a Director of all Group Companies for over 3 decades. He was appointed as an Executive Director of Autodrome PLC which is a quoted Company in 1973 (for 20 years) and thereafter continued as a non Executive Director until 2007 when he opted to retire under the Stock Exchange rules. He holds a Diploma in Commerce and counts over 45 years of Management experience.

### DR DENNIS ALOYSIUS

Dr Dennis Aloysius was Co-opted to the Board of Ceylon Hotels Corporation PLC in 2005. He has been Director of the Galle Face Hotel group since 1973 and counts over 49 years of experience. He was also a Director of Millers Ltd, Cargills (Ceylon) Ltd and The Autodrome Ltd for over 3 decades. He is a well respected Medical Practitioner by profession and a Fellow of the College of General Practitioners of Sri Lanka. The Sri Lanka College of Pediatricians and The Ceylon College of Physicians. He is also a past President of Sri Lanka Medical Association, Pediatric Association, college of General Practitioners and Organisation of Professional Association.

### MR PRIYANTHA MADDUMAGE

Mr Maddumage who was Co-opted to the Boards of Ceylon Hotels Corporation PLC and Kandy Hotels Co (1938) Ltd in 2005 is the Group Chief Financial Officer of the Galle

Face Hotel Group of Companies and counts over 23 years of Finance Management experience. He is also a Director of all subsidiary Companies of CHC. He has a Bachelor of Commerce Special Degree from the University of Sri Jayawardenapura and a Master of Business Management from Edith Cowan University in Australia. He is an Associate member of the Institute of Chartered Accountants of Sri Lanka, an Associate member of The National Institute of Accountants of Australia & Associate Member of CPA Australia, Associate Member of the Institute of Certified Management Accountants of Sri Lanka & Fellow member of Institute of Certified Professional Managers of Sri Lanka.

### DR CHRISHANTHA NONIS

Dr Nonis was co-opted to the Board of Ceylon Hotels Corporation PLC in 2009. He is the Chairman of the Mackwoods Group of Companies. He qualified in London, with a First Class Honours BSC from Imperial College of Science, Technology and Medicine and obtained his MBBS from the Royal Free Hospital Medical School, University of London, having spent his electives at Massachusetts General Hospital, Harvard Medical School, Boston, USA. He carried out his postgraduate training at Royal Brompton, the Hammersmith, and Addenbrooke's Hospital, Cambridge, and obtained his MRCP (UK). He is a member of the Royal College of Physicians, UK and is a Fellow of the Royal Society of Medicine, London and a Member of the Institute of Directors, London.

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

### MR KUVERA DE ZOYSA

Mr Zoysa was Co-opted to the Board of Ceylon Hotels Corporation PLC in 2010 is an Attorney at Law of the Supreme Court of Sri Lanka and is in active practice since 1993 in the fields of Commercial and Civil Law. He was appointed as a Presidential Counsel in 2013. He holds a Masters Degree (LLM) in International Trade Law from the University of Wales. He was also awarded the "The Young Outstanding Persons" Award, the HSBC - JCI TOYP 2007, by the Junior Chamber International Sri Lanka for Legal Accomplishment in recognition of his contribution to the Law field. He has served as Chairman/ Director of People's Merchant Bank PLC and as a Director

## PROFILE OF DIRECTORS (Contd.)

of the boards of People's Bank, Export Development Board and Sanasa Development Bank. He has also served as Acting Chairman of Peoples' Bank and a Chairman of the Audit, Legal and Risk Management Committees of People's Bank. He currently serves as a Chairman of Multi Finance PLC and Boards of many listed Companies and non-listed companies in IT, Power Healthcare and leisure sector as a Non-Executive Independent director. Mr de Zoysa is an Independent, Non-Executive Director of the Company.

### MR MANGALA BOYAGODA

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

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

### MR KAMANTHA AMARASEKERA

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

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

### MR. WASANTHA WIMALAWEERA

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

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

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

### MR. AJITH DEVASURENDRA

Mr. Ajith Devasurendra was appointed to the Board of Ceylon Hotels Corporation PLC in 2015. He is a veteran in the financial services industry in Sri Lanka and counts more than 30 years of work experience both in Sri Lanka and overseas. A past president of the Sri Lanka Money Brokers' Association and also the first president of the Sri Lanka Primary Dealers Association. He currently holds Directorships on the Boards of several companies- both Public and Private. He is also in many committees that focus on the development of the financial markets in Sri Lanka.

### MR. RANIL PATHIRANA

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

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

## PROFILE OF DIRECTORS (Contd..)

### MR. CHETHIYA PERERA

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

on the Board of Directors of Aitken Spence Hotel Holdings PLC., and several other boards of private companies in Sri Lanka, Maldives, British Virgin Islands, and in India. Mr. Perera who has extensive overseas training and over 35 years industry experience in Switzerland, New Zealand, Sri Lanka, India and the Maldives, is a Fellow of the Ceylon Hotel School Graduates Association and is a member of HCIMA, UK and the Institute of Management UK.



The Surf - Bentota

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

The Board of Directors have pleasure in presenting the Annual Report for the year ended 31<sup>st</sup> March 2016 on the affairs of the Company and the Group prepared in terms of the provisions of the Companies Act No. 7 of 2007.

These were approved by the Directors on 10<sup>th</sup> August 2016.

### Principal Activity the company and its subsidiaries

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

### Review of Operations and Financial Highlights

The Financial Statements which include the statement of comprehensive income, statement of financial position, statement of changes in equity and the notes to the financial statements of the company & Group for the year ended 31<sup>st</sup> March 2016 are set out on pages 23 to 67 of the Annual Report.

### Respective Responsibilities of Directors and Auditors for the Financial Statements

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

### Stated Capital and Reserves

The Company's stated capital as at 31<sup>st</sup> March 2016 was represented by 171,825,401 ordinary shares and 1,200,000 Preference shares (6%).

There was no change in the stated capital during the year under review.

The total capital and reserves for the group stood at Rs 6,150,813,790 as at 31<sup>st</sup> March 2016.

### Accounting Policies

The details of the accounting policies adopted by the Company in preparation of the financial statements and the impact thereon, of changes in the Sri Lanka Accounting standard made during the year are disclosed on pages 30 to 42 of the Annual Report.

### Dividends

The Board of Directors do not recommend a divided for this financial year.

### Property Plant & Equipment

The Company has spent Rs. 52.3 million on capital expenditure during the year under review. The movements in property, plant and equipment during the year are set out in Note 14 to the Financial Statement.

### Statutory Payments

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

### Contingent Liabilities and Capital Commitment

The Contingent liabilities and capital commitment made on account of capital expenditure as at 31<sup>st</sup> March 2016 are given in Note 36 to the Financial Statements.

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

### Post Balance Sheet Events

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

### Going Concern

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

### Contingent Liabilities

Details with regard to the contingent liabilities are given in note no 36 to the Financial Statement.

### Interest Registers

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

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

The related party transactions and Directors' interest in contracts and proposed contracts with the company are also disclosed in Note 38 to the Financial Statements.

### Share Information

Information on earnings, dividends, net assets and share trading are disclosed on page 5 and pages 69 to 74.

### Major Shareholdings

The twenty largest shareholders of the company are disclosed on page 72 of this Report.

### Contributions to Charity

The sum of contributions made to charities by the Group during the financial year ended 31<sup>st</sup> March 2016 does not exceed Rs. 1,115,893

### Directors as at 31<sup>st</sup> March 2016

The Board of Directors of Ceylon Hotel Corporation PLC comprise 11 Directors and 05 of them serves as Independent Non-Executive Directors. The qualification and experience of the Directors are given on pages 6 and 7 of the Report.

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

Mr Lakshman Samarasinghe

Mr Sanjeev Gardiner

Dr Dennis Aloysius

Mr Priyantha Maddumage

Dr Chrisantha Nonis

Mr Kuvera De Zoysa

Mr Mangala Boyagoda

Mr Kamantha Amarasekera

Mr Wasantha Wimalaweera

Mr Ajith Devasurendra

Mr Ranil Pathirana

- Appointed on 1<sup>st</sup> September 2015

- Appointed on 4<sup>th</sup> September 2015

- Appointed on 20<sup>th</sup> January 2016

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

Mr Gunapala Tissakuttiarachchi ceased to be a Director of the Company on 1<sup>st</sup> September 2015 and in his place, Mr Wasantha Wimalaweera was appointed.

Mr Chethiya Perera was appointed as the Managing Director of the Company on 5<sup>th</sup> April 2016.

Messrs Wasantha Wimalaweera, Ajith Devasurendra, Ranil Pathirana and Chethiya Perera who were appointed to the Board during the year, being eligible, offer themselves for election as Directors of the Company at this Annual General Meeting.

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

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

Directors Dealings with the Shares of the Company:

Directors shareholding in the company as at 31<sup>st</sup> March 2016 are as follows:

Names of Directors	Shareholding
Mr Lakshman Samarasinghe	5,000
Mr Sanjeev Gardiner	NIL
Dr Dennis Aloysius	10,069
Mr Priyantha Maddumage	01
Dr Chrishantha Nonis	NIL
Mr Kuvera De Zoysa	NIL
Mr Mangala Boyagoda	NIL
Mr Kamantha Amarasekera	NIL
Mr Wasantha Wimalaweera	NIL
Mr Ajith Devasurendra	NIL
Mr Ranil Pathirana	NIL

As at 31<sup>st</sup> March 2016, there were 7,079 registered shareholders. The percentage of shares held by the public as per the Colombo Stock Exchange rules as at 31<sup>st</sup> March 2016 was 29.70% representing 51,068,381 ordinary shares in the company.

The Board of Directors declare as follows:

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

### Remuneration of Directors

Remuneration received by the Directors is set out in Note 11 to the Financial Statements on page 44.

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

### Directors Interest in Contracts

The Directors' interest in contracts and proposed contracts with the company are disclosed in Note 38 to the Financial Statements.

### Auditors relationship

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

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

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

### Annual General Meeting

The Annual General Meeting of the Company will be held on Monday 26<sup>th</sup> September 2016 at 2:00 pm at the Sri Lanka Foundation Institute, No: 100, Independence Square, Colombo 7

### For and on behalf of the Board



Sgd - Lakshman Samarasinghe  
Director



Sgd - Priyantha Maddumage  
Director

By Order of the Board,



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

10<sup>th</sup> August 2016

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

The Board of Directors is responsible for preparing and presenting the financial statements, which are set out on pages 23 to 67.

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

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

The Directors are also confident that the Company has adequate resources to continue in operation and have applied the going concern basis in preparing these Financial Statements. Further, the Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose, with reasonable accuracy the financial position of the company and to ensure that the financial

statements presented comply with the requirements of the Companies Act, No. 7 of 2007.

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

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



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

10<sup>th</sup> August 2016





The Lake House - Polonnaruwa

## CORPORATE GOVERNANCE

Ceylon Hotels Corporation PLC  
No. 327, Union Place, Colombo 2

Annual Report 2016  
For the year ended 31<sup>st</sup> March 2016

## CORPORATE GOVERNANCE

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

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

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

### The Board of Directors

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

Board composition and Directors Independence as at 31<sup>st</sup> March 2016

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

### Compliance Regarding Payments

The Board of Directors confirms that all known statutory payments have been paid up to date and all retirement gratuities have been provided for in the financial statements. At the same time, all management fees and payments made to related parties have been reflected in Note 38 in the financial statements.

### Internal Control

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

### Going Concern

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

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

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

## CORPORATE GOVERNANCE (Contd..)

Corporate Governance Principal		Level of Compliance by Ceylon Hotels Corporation PLC	
<b>Board of Directors</b>			
Rule 7.10.1 of CSE	The board of directors of a Listed Entity shall include at least two non-executive directors; or such number of non-executive directors equivalent to one third of the total number of directors whichever is higher.	Complied	Presently Board comprised 12 Directors, and 08 of them are Non Executive Directors.
Rule 7.10.2 of CSE and Principal A.5.5. Board Balance of Corporate Governance Code	1/3 of non-executive directors appointed to the board of directors, whichever is higher shall be 'independent'	Complied	Presently Board comprised 12 directors and 05 of them are Independent Directors
Rule 7.10.3 of CSE & Principal A.7.3 of Corporate Governance code	The board shall make a determination annually as to the independence or non-independence of each non-executive director based on such declaration and other information available to the board	Complied	In accordance with the criteria specified in the Rule 7.10.4, all the Non Executive Directors have declared their independence or non independence. Brief profile of all the Directors are given on page 6 and 7 to the Annual Report. All the new Board appointments were informed to shareholders by making an announcement in Colombo Stock Exchange in compliance with Rule 7.10.3 (d).
<b>Financial Acumen</b>			
Principal A.4 of Corporate Governance Code	The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance	Complied	The Board consist of Senior Accountants, who are members of the professional accounting bodies, to guide the Board on Financial matters.
<b>Relationship with shareholders</b>			
Principal C.1 of Corporate Governance Code	Boards should use the AGM to communicate with shareholders and should encourage their participation	Complied	Shareholders are encouraged to participate at Annual General Meetings and to exercise their voting rights. Adequate notice of meetings is given well in advance in order to obtain their maximum participation.
<b>Remuneration Committee</b>			
Rule 7.10.5 of CSE & Principal B.3 of Corporate Governance Code	The remuneration committee shall comprise of a minimum of two independent non-executive directors (in instances where an Entity has only two directors on its Board) or of non-executive directors a majority of whom shall be independent, whichever shall be higher	Complied	The Remuneration Committee consists of two Independent Non Executive Directors. Report of the Remuneration Committee detailing their functions, remuneration policy, total salaries of Executive and Non Executive Directors are given on page 17 to the Annual Report.
<b>Audit Committee</b>			
Rule 7.10.6 of CSE & Principal D.3.4 of Corporate Governance Code	The audit committee shall comprise of a minimum of two independent non-executive directors (in instances where a Entity has only two directors on its board) or of non-executive directors a majority of whom shall be independent, whichever shall be higher	Complied	The Audit Committee consists of three Independent Non Executive Directors. Report of the Audit Committee is given on page 21 to the Annual Report
<b>Related Party Review Committee</b>			
		Complied	The Related Party review committee consists Independent Non Executive Directors.

## CORPORATE GOVERNANCE (Contd..)

## Major Transactions

Principal C.2 of Corporate Governance Code	Directors should disclose to shareholders all proposed corporate transactions, which if entered into, would materially alter/vary the Company's net assets base or in the case of a company with subsidiaries, the consolidated group net asset base.	Complied	There were no major transactions during the year which involves the acquisition, sale or disposition of greater than half of the net value of the Company's assets, which would materially alter/vary the net asset base of the Company or a transaction which has or is likely to have the effect of the Company acquiring obligations and liabilities.
--	---	----------	--

## Financial Reporting

Principal D.1 of the Corporate Governance Code	The Board should present a balanced and understandable assessment of the Company's financial position, performance and prospects.	Complied	The company makes timely publication of annual and quarterly results in compliance with statutory requirements, and procedures laid down by the Colombo Stock Exchange and Sri Lanka Accounting Standards.
--	---	----------	--

## Internal Controls

Principal D.2 of Corporate Governance Code	The Board should maintain a sound system of internal control to safeguard shareholders' investments and the Company's assets.	Complied	Company has a sound internal control system which is periodically assessed by the Internal Auditors and the Audit committee.
--	---	----------	--

## REMUNERATION COMMITTEE REPORT

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

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

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

(Sgd)

**Kuvera De Zoysa**

Chairman – Remuneration Committee

10<sup>th</sup> August 2016

## CORPORATE SOCIAL RESPONSIBILITY (CSR)

### POSON DANSALA 2016 - Kandy

Queens Hotel & Suisse Hotel held the yearly Dansala at the Mahamaluwa of Sri Dalada Maligawa on the Poson Poya day for the 9th consecutive year where over Twenty two thousand lunch packets were distributed to the devotees present. It was done with the participation of the executive directors, entire staff of the company and with the help of the Army and Police.

The Chairman Mr Sanjeev Gardiner and the Board of Directors and the Management headed by Mr Ranjan Peiris thank the Diyawadana Nilame Pradeep Nilanga Dela for allowing the Dansala to be held at the Mahamaluwa. The Board and Management sincerely thank Mr. Sarath Ekanayaka (Chief Minister - Central Province) Ms. Niluka Ekanayaka (Governor) His Lordship Sena Dissanayaka (Mayor) Ms. Chamindrani Keriella (Representing the Hon. Minister) Mr. Tissa Karunaratna (AGA) Mr. Chandana Tennakoon (Municipal Commissioner) Mr. Gunawardana (Senior DIG) Mr. Pradeep Nilanga Dala (Diyawadana Nilame) Major General D S N K Senadeera, Brigadier A A I J Bandara, Mr. Malin Liyanage (Prison Superintendent) Mr. Raja Pushpakumara (Former Mayor) Mr. Thusitha Halangoda (OIC Maligawa Police post) Mr. Krishantha Heswelle (Media Director - Maligawa) and other invitees.

A special word of thanks goes to Lt.Col. Kumara Jagoda - Commanding Officer 1<sup>st</sup> SL Rifle Corps Pallekale - for providing 100 officers to help the two hotels to cook and pack the food parcels.



### HOTEL SCHOOL - (The Safari - Tissamaharama)

Hotel School, which was opened in May 2011 at The Safari, is recognized by the Tertiary & Vocational Education Commission (TVEC) to issue National Vocational Qualification (NVQ)Level 3 Certificates to students, who successfully complete the course.

Up to date, 147 students from poor families, have been trained out of which, 73 are in employment 32 of them are in employment in our group.





The Lake - Polonnaruwa



The Surf - Bentota

## FINANCIAL REPORTS

Ceylon Hotels Corporation PLC  
No. 327, Union Place, Colombo 2

Audit Committee Report	21
Independent Auditor's Report	22
Income Statement	23
Statement of Profit or Loss and other Comprehensive Income	24
Statement of Financial Position	25
Statement of Changes in Equity	26 - 27
Cash Flow Statement	28 - 29
Notes to the Financial Statements	30 - 67

Financial Calendar 2015/2016

50<sup>th</sup> Annual General Meeting  
31<sup>st</sup> March 2016

Annual Report 2016

For the year ended 31<sup>st</sup> March 2016

## REPORT OF THE AUDIT COMMITTEE

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

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

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

Sgd.

**Kamantha Amarasekara**

Chairman – Audit Committee

10<sup>th</sup> August 2016



The Safari - Tissamaharama

## INDEPENDENT AUDITORS' REPORT



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

Tel : +94 - 11 542 6426  
Fax : +94 - 11 244 5872  
+94 - 11 244 6058  
+94 - 11 254 1249  
+94 - 11 230 7345  
Internet : [www.lk.kpmg.com](http://www.lk.kpmg.com)

## INDEPENDENT AUDITORS' REPORT

## TO THE SHAREHOLDERS OF CEYLON HOTELS CORPORATION PLC

## Report on the Financial Statements

We have audited the accompanying financial statements of Ceylon Hotels Corporation PLC, ("the Company"), and the consolidated financial statements of the Company and its subsidiaries ("Group"), which comprise the statement of financial position as at March 31, 2016, and the income statement, statement of profit or loss and other comprehensive income, statement of changes in equity and, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 23 to 67 of the annual report.

## Board's Responsibility for the Financial Statements

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

## Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal

control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at March 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

## Report on Other Legal and Regulatory Requirements

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

- The basis of opinion and scope and limitations of the audit are as stated above
- In our opinion:
  - We have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
  - The financial statements of the Company give a true and fair view of its financial position as at March 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
  - The financial statements of the Company, and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.

CHARTERED ACCOUNTANTS

Colombo,

10<sup>th</sup> August 2016.

## INCOME STATEMENT

For the year ended 31 <sup>st</sup> March	Group		Company	
	2016	2015	2016	2015
	Rs.	Rs.	Rs.	Rs.
Revenue	7 1,448,039,667	1,307,992,556	9,647,966	12,892,753
Cost of sales	(380,744,133)	(351,638,748)	(9,591,593)	(12,779,084)
<b>Gross profit</b>	<b>1,067,295,534</b>	<b>956,353,808</b>	<b>56,373</b>	<b>113,669</b>
Other income	8 25,192,465	107,487,172	102,988,280	109,558,516
Distribution expenses	(47,416,582)	(70,826,097)	(1,562,481)	(1,532,380)
Administrative expenses	(722,660,369)	(714,036,241)	(26,064,362)	(22,711,878)
Other operating expenses	9 (29,049,213)	(84,687,633)	(29,049,213)	(108,035,609)
Profit/(Loss) from operations	293,361,835	194,291,009	46,368,597	(22,607,682)
Finance income	12,551,295	2,436,870	2,150,868	28,018
Finance costs	10 (81,105,810)	(104,100,975)	(35,812,141)	(36,310,864)
Net finance costs	(68,554,515)	(101,664,105)	(33,661,273)	(36,282,846)
Share of gain/(loss) of equity accounted investees (net of tax)	17.6.1 (101,630,030)	32,555,729	-	-
<b>Profit /(Loss) before income tax</b>	<b>11 123,177,290</b>	<b>125,182,633</b>	<b>12,707,324</b>	<b>(58,890,528)</b>
Income tax	12 (60,518,525)	(39,167,179)	(390,498)	(15,711,324)
Profit/(Loss) for the year	62,658,765	86,015,454	12,316,826	(74,601,852)

Figures in brackets indicate deductions

The Notes on pages 30 to 67 are an integral part of these Financial Statements.

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 <sup>st</sup> March	Notes	Group		Company	
		2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Profit/(Loss) for the year		62,658,765	86,015,454	12,316,826	(74,601,852)
<b>Other comprehensive income</b>					
Items that will never be reclassified to profit or loss					
Fair value gain on Financial Assets available for Sale		-	-	-	205,238,955
Equity Accounted Investees - Share of OCI	17.6.1	90,246,207	(114,834)	-	-
Items that are or may be reclassified to profit or loss					
Effect of translation of foreign operations		(349,584)	-	-	-
Actuarial Gain/(Loss)		(1,540,201)	(1,888,698)	797,745	(3,950,246)
Deferred Tax effect on actuarial gain/loss		184,824	220,109	(95,729)	474,030
<b>Total comprehensive income for the year, net of tax</b>		<b>151,200,011</b>	<b>84,232,032</b>	<b>13,018,842</b>	<b>127,160,887</b>
<b>Profit/(Loss) attributable to:</b>					
Equity holders of the company		3,638,223	49,606,948	12,316,826	(74,601,852)
Non Controlling Interest		59,020,542	36,408,506	-	-
<b>Profit for the year</b>		<b>62,658,765</b>	<b>86,015,454</b>	<b>12,316,826</b>	<b>(74,601,852)</b>
<b>Total Comprehensive Income attributable to :</b>					
Owners of the Company		92,727,894	47,855,464	13,018,842	127,160,887
Non Controlling Interest		58,472,117	36,376,568	-	-
<b>Total comprehensive income for the year</b>		<b>151,200,011</b>	<b>84,232,032</b>	<b>13,018,842</b>	<b>127,160,887</b>
<b>Earnings/(Loss) per share</b>					
Basic earnings/(loss) per share (Rs).	13	0.02	0.29	0.07	(0.43)
Diluted earnings/(loss) per share (Rs).	13	0.02	0.29	0.07	(0.43)

Figures in brackets indicate deductions

The Notes on pages 30 to 67 are an integral part of these Financial Statements.

## STATEMENT OF FINANCIAL POSITION

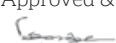
As at 31 <sup>st</sup> March	Group		Company	
	Notes	2016 Rs.	2015 Rs.	2016 Rs.
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
Property, plant and equipment	14	7,774,159,181	7,905,803,290	878,084
Intangible assets	15	503,248,410	4,433,676	16,031
Lease hold right over land	16	263,230,176	10,226,041	-
Investments in subsidiaries	17	-	-	539,155,903
Investment in joint venture	17.6	403,258,094	408,028,228	256,613,689
Differed conversion fee	19	173,504,228	-	-
Investment property	18	-	329,525,000	174,197,629
<b>Total Non-Current Assets</b>		<b>9,117,400,089</b>	<b>8,658,016,235</b>	<b>970,861,336</b>
<b>Current Assets</b>				
Inventories	20	66,415,748	56,735,709	-
Trade & other receivables	21	252,365,430	194,714,473	9,014,020
Amounts due from related companies	22	251,431,512	43,630,234	74,428,233
Income tax recoverable	23	704,159	1,181,274	-
Asset held for sale	24	200,770,724	200,770,724	211,777,088
Investment in REPO		273,400,464	-	-
Cash & cash equivalents	25	71,478,235	55,019,096	8,441,126
<b>Total current assets</b>		<b>1,116,566,272</b>	<b>552,051,510</b>	<b>303,660,467</b>
<b>Total Assets</b>		<b>10,233,966,361</b>	<b>9,210,067,745</b>	<b>1,274,521,803</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Stated capital	26	1,220,425,748	1,220,425,748	1,220,425,748
Reserves	27	4,934,263,769	5,095,169,560	487,842,913
Accumulated losses		(3,875,727)	(464,531,937)	(1,021,956,788)
Total equity attributable to equity holders of the company		<b>6,150,813,790</b>	<b>5,851,063,371</b>	<b>686,311,873</b>
Non controlling interest		<b>1,640,083,117</b>	<b>1,441,687,196</b>	<b>-</b>
<b>Total Equity</b>		<b>7,790,896,907</b>	<b>7,292,750,567</b>	<b>686,311,873</b>
<b>Non-Current Liabilities</b>				
Interest-bearing-borrowings	28	435,518,696	676,939,036	-
Employee benefits	29	16,921,305	13,349,703	6,126,168
Lease rent equalisation account	30	39,636,342	-	-
Deferred tax liabilities	32	302,529,143	294,374,887	-
<b>Total Non-Current Liabilities</b>		<b>794,605,486</b>	<b>984,663,626</b>	<b>6,126,168</b>
<b>Current Liabilities</b>				
Trade and other payables	33	1,237,858,014	198,051,236	19,469,904
Interest-bearing-borrowings due within one year	28	170,648,340	184,773,260	-
Non interest-bearing-borrowings due within one year	31	1,802,200	1,802,200	1,522,200
Amounts due to related companies	34	119,182,674	157,978,607	87,059,043
Related Party Interest-bearing-borrowings	34.1	53,380,282	318,009,849	473,060,775
Income tax payable	35	20,556,912	24,144,327	971,840
Bank overdrafts	25	45,035,546	47,894,073	-
<b>Total current liabilities</b>		<b>1,648,463,968</b>	<b>932,653,552</b>	<b>582,083,762</b>
<b>Total Equity &amp; Liabilities</b>		<b>10,233,966,361</b>	<b>9,210,067,745</b>	<b>1,274,521,803</b>

The Notes on pages 30 to 67 are an integral part of these Financial Statements.

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

  
Sgd - Priyantha Maddumage  
Group Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.  
Approved & signed for and on behalf of the Board,

  
Sgd - Lakshman Samarasinghe  
Chairman  
Colombo  
10<sup>th</sup> August 2016

  
Sgd - Mangala Boyagoda  
Director

## STATEMENT OF CHANGES IN EQUITY

Group	Attributable to Equity Holders of the Company								
	Stated Capital	Revaluation Reserve	Capital Reserve	General Reserve	Translation Reserve	Accumulated Loss	Total	Non controlling Interest	Total Equity
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1 <sup>st</sup> April 2014	1,220,425,748	5,089,230,774	8,128,011	170,019,004	-	(684,595,630)	5,803,207,907	1,432,420,478	7,235,628,384
Total comprehensive income	-	-	-	-	-	49,606,948	49,606,948	36,408,506	86,015,454
Profit for the year	-	-	-	-	-	(1,636,650)	(1,636,650)	(31,939)	(1,668,589)
Other comprehensive income	-	-	-	-	-	(114,834)	(114,834)	-	(114,834)
Actuarial gain net of tax	-	-	-	-	-	47,855,464	47,855,464	36,376,568	84,232,032
Net result from associate	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	-	-	-
Transactions with owners of the company									
Transfer to retained earnings	-	(169,268,885)	-	(2,939,344)	-	172,208,229	-	-	-
Ordinary Share dividend paid to minority	-	-	-	-	-	-	-	(27,101,050)	(27,101,050)
Preference share dividend paid to minority	-	-	-	(2,939,344)	-	-	-	(8,799)	(8,799)
Total transactions with owners of the company	-	(169,268,885)	-	(2,939,344)	-	172,208,229	-	-	(27,109,849)
Balance as at 31 <sup>st</sup> March 2015	1,220,425,748	4,919,961,889	8,128,011	167,079,660	-	(464,531,937)	5,851,063,371	1,441,687,196	7,292,750,567
Balance as at 1 <sup>st</sup> April 2015	1,220,425,748	4,919,961,889	8,128,011	167,079,660	-	(464,531,937)	5,851,063,371	1,441,687,196	7,292,750,567
Total comprehensive income	-	-	-	-	-	3,638,223	3,638,223	59,020,542	62,658,765
Profit for the year	-	-	-	-	-	89,352,252	89,089,671	(548,425)	88,541,246
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	92,990,475	92,727,894	58,472,117	151,200,011
Transactions with owners of the company									
Effect of acquisitions of subsidiaries with NCI	-	-	-	-	-	-	-	(125,932,373)	(125,932,373)
Effect of changes in holding percentage without change in control	-	-	-	-	-	207,022,525	207,022,525	292,977,727	500,000,252
Transfer to retained earnings	-	(160,643,210)	-	-	-	160,643,210	-	-	-
Ordinary Share dividend paid to minority	-	-	-	-	-	-	-	(27,101,550)	(27,101,550)
Preference share dividend paid to minority	-	-	-	-	-	-	-	(20,000)	(20,000)
Total transactions with owners of the company	-	(160,643,210)	-	-	-	367,665,735	207,022,525	139,923,804	346,046,329
Balance as at 31 <sup>st</sup> March 2016	1,220,425,748	4,759,318,679	8,128,011	167,079,660	(262,581)	(3,875,727)	6,150,813,790	1,640,053,117	7,790,896,907

Figures in brackets indicate deductions

The Notes on pages 30 to 67 are an integral part of these Financial Statements.

## STATEMENT OF CHANGES IN EQUITY (Contd..)

Company	Stated Capital	Revaluation Reserve	Capital Reserve	AFS Reserve	General Reserve	Accumulated Loss	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1 <sup>st</sup> April 2014	1,220,425,748	330,052,043	8,128,011	-	166,718,393	(1,179,192,051)	546,132,143
<b>Total comprehensive income</b>							
Loss for the year	-	-	-	-	-	(74,601,852)	(74,601,852)
<b>Other comprehensive income</b>							
Available for sale gain	-	-	205,238,955	-	-	-	205,238,955
Deferred tax on actuarial gain/loss	-	-	-	-	-	474,030	474,030
Actuarial gain/(loss)	-	-	-	-	-	(3,950,246)	(3,950,246)
<b>Total comprehensive income for the year</b>			205,238,955	-	-	(78,078,068)	127,150,887
 Transactions with owners of the company, recognized directly in equity							
Transfers from reserves	-	(110,801,983)	-	-	-	-	110,801,983
Total transactions with owners of the company	-	(110,801,983)	-	-	-	-	110,801,983
Balance as at 31 <sup>st</sup> March 2015	1,220,425,748	219,250,060	8,128,011	205,238,955	166,718,393	(1,146,468,136)	673,293,031
 Total comprehensive income							
Profit for the year	-	-	-	-	-	12,316,826	12,316,826
 Other comprehensive income							
Actuarial gain/(loss)	-	-	-	-	-	702,016	702,016
<b>Total comprehensive income for the year</b>						13,018,842	13,018,842
 Transactions with owners of the company, recognized directly in equity							
Transfers from reserves	-	(111,492,506)	-	-	-	-	111,492,506
Total transactions with owners of the company	-	(111,492,506)	-	-	-	-	111,492,506
Balance as at 31 <sup>st</sup> March 2016	1,220,425,748	107,757,554	8,128,011	205,238,955	166,718,393	(1,021,956,783)	686,311,873

Figures in brackets indicate deductions

The Notes on pages 30 to 67 are an integral part of these Financial Statements.

## CASH FLOW STATEMENT

For the Year Ended 31 <sup>st</sup> March	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
<b>Cash flows from operating activities</b>				
Profit/(Loss) before income tax	123,177,290	125,182,633	12,707,324	(58,890,528)
<b>Adjustment for:</b>				
Depreciation on property, plant and equipment	180,392,333	184,383,662	214,096	467,639
Provision for retiring gratuity	4,180,907	3,278,015	1,243,757	939,278
Provision/Written off for bad & doubtful debts	(16,783,174)	(2,986,516)	-	(689,384)
Provision/Written off for Inventory	351,175	-	-	-
Income Tax Receivable written off	477,115	107,746	-	107,746
Profit on disposal of subsidiary	-	(83,639,665)	-	-
Loss on foreign currency transactions	13,664,595	2,863,162	-	-
Dividend Received	-	-	(78,658,605)	(80,458,605)
Amortization of lease hold right over land	2,553,685	2,553,685	-	-
Amortization of Intangible assets	2,046,401	2,028,246	4,692	2,737
Loss on disposal of property, plant & Equipment	936,526	-	29,049,213	-
Loss on disposal of Investment Property	29,049,213	86,425,913	-	108,035,609
Share of result of equity accounted investee	101,630,030	(32,440,896)	-	-
Interest income	(12,551,295)	(2,436,869)	(2,150,868)	(28,018)
Interest expenses	81,105,810	104,100,975	35,812,141	36,310,864
<b>Operating profit before working capital changes</b>	<b>510,230,611</b>	<b>389,420,091</b>	<b>(1,778,250)</b>	<b>5,797,338</b>
(Increase)/decrease in inventories	(10,031,214)	(39,057,800)	-	-
(Increase)/decrease in trade and other receivables	(38,554,035)	48,022,453	(1,534,949)	6,579,047
(Increase)/decrease in amounts due from related companies	(207,800,314)	(84,911,687)	(229,058,029)	45,654,532
Increase/(decrease) in trade & other payables	934,360,764	17,544,343	(3,707,242)	(9,181,775)
Increase/(decrease) in amounts due to related companies	(480,425,500)	66,252,354	50,060,061	49,257,833
<b>Cash generated from operating activities</b>	<b>707,780,312</b>	<b>397,269,754</b>	<b>(186,018,409)</b>	<b>98,106,975</b>
Interest Paid	(81,105,810)	(104,100,975)	(35,812,141)	(36,310,864)
Taxes paid	(55,766,859)	(31,469,522)	(12,562,502)	(2,202,483)
Retiring gratuity amount paid	(2,149,506)	(1,263,141)	(724,884)	(754,696)
<b>Net cash flow generated from operating activities</b>	<b>568,758,137</b>	<b>260,436,116</b>	<b>(235,117,935)</b>	<b>58,838,932</b>

## CASH FLOW STATEMENT (Contd..)

For the Year Ended 31 <sup>st</sup> March	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
<b>Cash flows from investing activities</b>				
Interest received	12,551,295	2,436,869	2,150,868	28,018
Acquisition of Subsidiary	(910,566,637)	-	-	-
Acquisition of Other Investment	(96,188,917)	-	-	-
Proceeds from sales of PPE & investment properties	302,802,976	167,298,182	301,765,770	165,230,230
Acquisition of property, plant and equipment	(52,011,939)	(57,771,477)	-	(761,311)
Investment in joint venture	(6,613,689)	(243,080,654)	(6,613,691)	(44,761,045)
Proceeds from sale of investments	-	1,000,000	-	1,000,000
Addition of Intangible assets	(768,890)	(573,460)	-	(23,460)
Dividend Income	-	-	78,658,605	80,458,605
<b>Net cash used in investing activities</b>	<b>(750,795,801)</b>	<b>(130,690,540)</b>	<b>375,961,552</b>	<b>201,171,037</b>
<b>Cash flows from financing activities</b>				
Proceeds from issuing shares	500,000,252	-	-	-
Dividends paid to minority	(27,121,550)	(27,109,849)	-	-
Loans settled during the year	(271,523,371)	(316,019,082)	(119,100,000)	(243,750,000)
Payment of finance lease liabilities	-	(25,894)	-	(25,894)
<b>Net cash generated from / (used in) financing activities</b>	<b>201,355,331</b>	<b>(343,154,825)</b>	<b>(119,100,000)</b>	<b>(243,775,894)</b>
<b>Net increase / (decrease) in cash &amp; cash equivalents</b>	<b>19,317,666</b>	<b>(213,409,248)</b>	<b>21,743,616</b>	<b>16,234,075</b>
<b>Cash &amp; cash equivalents at the beginning</b>	<b>7,125,023</b>	<b>220,534,270</b>	<b>(13,302,491)</b>	<b>(29,536,566)</b>
<b>Cash &amp; cash equivalents at the end</b>	<b>26,442,689</b>	<b>7,125,023</b>	<b>8,441,126</b>	<b>(13,302,491)</b>
<b>Analysis of cash &amp; cash equivalents</b>				
Cash at banks and in hand	71,478,235	52,624,405	8,441,126	6,185,670
Short term deposits	-	2,394,691	-	1,254,151
Bank overdraft	(45,035,546)	(47,894,073)	-	(20,742,312)
	<b>26,442,689</b>	<b>7,125,023</b>	<b>8,441,126</b>	<b>(13,302,491)</b>

Figures in brackets indicate deductions

The Notes on pages 30 to 67 are an integral part of these Financial Statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016

### 1. CORPORATE INFORMATION

#### 1.1. Reporting entity

##### 1.1.1 Domicile and legal form

Ceylon Hotels Corporation PLC, which was incorporated and domiciled in Sri Lanka by an Act of parliament in 1967. The act was repealed in 2008 and the entity was registered under the Companies Act No. 07 of 2007. The registered office of the Company and its Subsidiaries are situated at 327, Union Place, Colombo 02.

##### 1.2. Companies in the group and parent company

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

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

##### 1.3. Principal activity and nature of the operations

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

### 2. BASIS OF PREPARATION

#### 2.1. Statement of compliance

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

#### 2.2. Approval of Financial Statements

These consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors on 10<sup>th</sup> August 2016.

#### 2.3. Going concern

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

#### 2.4. Functional and presentation currency

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

#### 2.5. Basis of measurement

The Consolidated financial statements are prepared based on the historical cost convention except as explained below.

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016 (Contd.)

### 2.6. Use of estimates and judgments

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

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

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

Note 14	- Revaluation of Land and Buildings
Note 15	- Measurement of Intangible Assets
Note 32	- Measurement of Deferred tax liabilities
Note 29	- Measurement of Retirement benefit obligations
Note 36	- Commitments and contingencies
Note 18	- Classification of Investment Property

### 3. SIGNIFICANT ACCOUNTING POLICIES

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

#### 3.1 Basis of consolidation

##### (a) Business combinations

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

The Group measures goodwill at the acquisition date as:

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

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

Transaction costs other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re measured and settlement is accounted for within equity. Otherwise subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

##### (b) Subsidiaries

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016 (Contd..)

### (c) Acquisition of non-controlling interests

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

### (d) Loss of control

On the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as equity accounted investee or as an available-for-sale financial asset depending on the level of influence is retained.

### (e) Interests in equity-accounted investees

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

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

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

### (f) Transactions eliminated on consolidation

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

## 3.2. Foreign currency

### 3.2.1. Foreign currency transactions

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

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

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

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

### 3.2.2. Foreign operations

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

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016 (Contd.)

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

### 3.3. Financial instruments

#### 3.3.1. Initial recognition of financial instruments

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

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

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

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

#### 3.3.2. Initial measurement of financial instruments

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

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

#### 3.3.3. Classification and subsequent measurement of financial assets

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

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

##### **(a) Loans and receivables**

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

##### **(b) Available for sale**

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

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016 (Contd..)

gains and losses on re-measurement are recognized in profit or loss.

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

### (c) Fair value through profit or loss

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

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

### (d) Held to maturity

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

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

The Group has not designated any financial instrument as held to maturity financial investment.

### 3.3.4. Classification and subsequent measurement of financial liabilities

The Group classifies financial liabilities into other financial liabilities category. Such finance liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Other financial liabilities comprise,

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

### 3.3.5. Derecognition of financial instruments

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016 (Contd.)

### 3.3.6. Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

#### **Level 1**

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

#### **Level 2**

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

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

#### **Level 3**

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016 (Contd..)

### 3.4. Share capital

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

### 3.5. Property, plant & equipment

#### 3.5.1. Recognition and measurement

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

##### (a) Recognition

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

##### (b) Measurement

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

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

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

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

##### (c) Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalized. The cost of replacing part of an item of Property, Plant & Equipment is recognized in the carrying amount of the item, if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The cost of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

##### (d) De-recognition

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

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

##### (e) Revaluation

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016 (Contd.)

### (f) Depreciation

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

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

Buildings on Leasehold Land	-	Over the unexpired lease period
Freehold Buildings	-	20 years
Plant & Machinery	-	10 years
Tools & Implements	-	10 years
Furniture & Office equipment	-	10 years
Freehold Motor Vehicles	-	10 years
Leasehold Motor Vehicles	-	10 years
Leasehold Equipment	-	10 years
Swimming pool	-	08 years
Computer Equipment	-	05 years
Other Equipment	-	05 years

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

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

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

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

### 3.6. Intangible assets and goodwill

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

#### 3.6.1. Other intangible assets

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

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

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

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

### 3.7. Investment property

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016 (Contd..)

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

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

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

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

### 3.8. Leased assets

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

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

### 3.9. Inventories

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

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

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

### 3.10. Impairment

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016 (Contd.)

### **(b) Impairment losses on available for sale financial assets**

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

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

### **(c) Impairment of non financial assets**

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest Group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

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

### **3.11. Employee benefits**

#### **(a) Defined contribution plans**

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

#### **Employees' provident fund**

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

#### **Employees trust fund**

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

#### **(b) Defined benefit plans - retiring gratuity**

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

In accordance with revised LKAS 19 - "Employee Benefits" which became effective from the financial year commencing after 01 July 2007, the Group has adopted the actuarial valuation method and the valuation method used by the actuary is "Projected Unit Credit Method". The assumptions based on which the results of the actuarial valuation was determined, are included in Note 29 to the financial statements.

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

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

The liability was not externally funded.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016 (Contd..)

### 3.12. Liabilities and provisions

#### 3.12.1. Liabilities

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

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

#### 3.12.2. Provisions

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

### 3.13. Capital commitments & contingencies

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

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

## 4. STATEMENT OF COMPREHENSIVE INCOME

### 4.1. Revenue recognition

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

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

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

### 4.2. Revenue expenditure

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

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

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

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

### 4.3. Grants and subsidies

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016 (Contd.)

expenses incurred are recognized in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognized.

### 4.4. Segment reporting

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

### 4.5. Borrowing cost

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

#### Borrowing costs may include:

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

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

### 4.6. Finance income & finance cost

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

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

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

### 4.7. Income tax expenses

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

#### (a) Current tax

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

#### (b) Deferred tax

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

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016 (Contd..)

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

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

### 4.8. Value added tax

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

### 4.9. Basic earnings per share

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

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

## 5. CASH FLOW STATEMENT

### Cash and cash equivalents

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

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

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

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

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

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards which will become applicable for financial periods beginning on or after 1st January 2015 and 2016. Accordingly, these Standards have not been applied in preparing these financial statements.

- SLFRS 15 – Revenue from contract with customers

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

SLFRS 15 is effective for annual periods beginning on or after 1st January 2017 with early adoption permitted.

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

- Sri Lanka Accounting Standard – SLFRS 9 "Financial Instruments: Classification and Measurement"

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016 (Contd..)**

For the Year Ended 31 March	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
<b>7 Revenue</b>				
Accommodation income	662,483,624	603,270,309	-	-
Food income	652,358,236	565,213,051	-	-
Beverage income	80,472,395	89,174,325	-	-
Others	52,725,412	50,334,871	9,647,966	12,892,753
	<b>1,448,039,667</b>	<b>1,307,992,556</b>	<b>9,647,966</b>	<b>12,892,753</b>
Turnover based taxes includes Tourist Development Levy and Value Added Tax				
<b>8 Other income</b>				
Rent Income	8,819,131	6,831,750	8,819,131	15,115,675
Tour income	7,280,497	8,422,335	7,280,497	8,422,335
Income from outside hotel reservation	-	366,096	-	366,096
Interest income	2,289,413	-	-	-
Dividend income	-	-	78,658,605	80,458,605
Gain on translation of foreign currencies	2,313,516	856,498	-	-
Profit on disposal of subsidiary	-	83,639,665	-	-
Sundry income	4,489,908	7,370,828	8,230,047	5,195,805
	<b>25,192,465</b>	<b>107,487,172</b>	<b>102,988,280</b>	<b>109,558,516</b>
<b>9 Other operating expenses</b>				
Loss on disposal of Investment Property	29,049,213	84,687,633	29,049,213	108,035,609
	<b>29,049,213</b>	<b>84,687,633</b>	<b>29,049,213</b>	<b>108,035,609</b>
<b>10 Finance costs</b>				
Interest on over drafts	1,649,317	3,189,985	498,450	2,254,770
Loss on translation of foreign currencies	14,508,616	3,359,308	-	-
Interest on loans	64,947,877	97,551,682	35,313,691	34,056,095
	<b>81,105,810</b>	<b>104,100,975</b>	<b>35,812,141</b>	<b>36,310,864</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016 (Contd..)

	Group		Company	
	2016	2015	2016	2015
	Rs.	Rs.	Rs.	Rs.
<b>11 Profit/(Loss) before income tax</b>				
Profit/(Loss) before income tax is stated after charging all expenses including the following:				
Directors' emoluments	480,000	480,000	480,000	480,000
Auditors' remuneration - statutory audit	2,466,136	2,331,929	500,000	500,000
Auditors' remuneration - Non audit services	1,343,059	970,519	-	-
Depreciation on property, plant & equipment	180,392,333	184,383,662	214,097	467,639
Amortization of intangible and lease assets	18,710,866	4,581,931	4,692	2,737
Net reversal for bad & doubtful debts & write off	(16,783,174)	(2,986,516)	-	-
Donations	1,115,893	1,576,269	-	-
Staff costs (Note 11.1)	255,814,977	243,832,057	14,465,613	17,292,112
<b>11.1 Staff costs</b>				
Wages ,salaries and staff expenses	232,839,815	219,651,165	11,626,706	14,430,835
Defined contribution plan cost- EPF & ETF	18,794,255	20,902,877	1,595,150	1,921,999
Defined benefit plan cost- Retiring gratuity	4,180,907	3,278,015	1,243,757	939,278
	<b>255,814,977</b>	<b>243,832,057</b>	<b>14,465,613</b>	<b>17,292,112</b>
<b>12 Income tax expense</b>				
The Company and its Subsidiaries are liable for income tax at the rate of 12% and 10% on its business profit and at 28% on other sources of income as per the provisions of Inland Revenue Act No.10 of 2006 and subsequent amendments thereto.				
<b>Current tax</b>				
Income tax expense for the year (Note 12.1)	52,041,333	46,603,977	486,228	15,237,294
Under/(Over) provision in respect of previous year	138,111	(2,421,034)	-	-
	<b>52,179,444</b>	<b>44,182,943</b>	<b>486,228</b>	<b>15,237,294</b>
<b>Deferred tax</b>				
Origination & reversal of temporary differences (Note 12.2)	8,339,082	(5,015,764)	(95,729)	474,030
Charge for the year	60,518,525	39,167,179	390,498	15,711,324
<b>12.1 Reconciliation between accounting profit and income tax on current year profit</b>				
Profit/(Loss) before income tax	123,177,290	125,182,663	12,707,324	(58,890,528)
Non business income	(26,857,850)	-	-	-
Adjustment on disallowable expenses	371,004,629	307,632,898	30,530,096	115,694,418
Adjustment on allowable expenses	(113,266,036)	(299,979,820)	(14,407,235)	(103,741,091)
Exempt Income	(107,827,259)	-	(80,809,473)	-
Taxable profit on sale / transfer of PPE	52,940,000	130,658,595	52,500,000	130,658,595
Tax profit/(losses) for the period	299,170,774	263,494,336	520,712	83,721,394
Taxable other income	32,838,414	67,900,360	2,150,868	-
Tax losses utilized	(16,629,256)	(33,562,006)	(935,053)	(29,302,488)
Taxable income	315,379,932	297,832,691	1,736,527	54,418,906
Tax Loss brought forward	831,109,353	795,358,680	414,122,151	436,078,977
Adjustments to b/f balance	(118,317,213)	(21,398,972)	126,040	7,345,664
Tax Losses utilized during the year	(16,629,256)	(33,562,006)	(935,053)	(29,302,488)
Loss incurred during the year	-	90,711,651	-	-
Tax Losses carried forward	696,162,884	831,109,353	413,313,138	414,122,151
Statutory tax rate	12%	12%	12%	12%
Income tax expenses	33,904,982	27,591,876	-	-
Statutory tax rate	28%	28%	28%	28%
Income tax expenses	9,194,756	19,012,101	486,228	15,237,294
WHT Tax on dividend	8,941,595	-	-	-
Income tax on current year profits	<b>52,041,333</b>	<b>46,603,977</b>	<b>486,228</b>	<b>15,237,294</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016 (Contd..)**

**12 Income tax expense (Contd..)**

	<b>Group</b>		<b>Company</b>	
	2016	2015	2016	2015
	Rs.	Rs.	Rs.	Rs.
<b>12.2 Deferred Tax Charged to</b>				
Profit or loss	(8,339,082)	5,015,764	(95,729)	(474,030)
Other Comprehensive income	184,824	220,109	95,729	474,030
	<b>(8,154,258)</b>	<b>5,235,874</b>	<b>-</b>	<b>-</b>

**13 Earnings/(Loss) per share**

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

	<b>Group</b>		<b>Company</b>	
	2016	2015	2016	2015
	Rs.	Rs.	Rs.	Rs.
Profit / (Loss) attributable to equity holders of the company (Rs.)	3,638,223	49,606,948	12,316,826	(74,601,852)
Weighted average number of ordinary shares in issue	171,825,401	171,825,401	171,825,401	171,825,401
Earnings / (Loss) per share (Rs.)	<b>0.02</b>	<b>0.29</b>	<b>0.07</b>	<b>(0.43)</b>

**13.1** Diluted 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 after adjustment for the effects of all dilutive potential ordinary shares.

As at 31<sup>st</sup> March 2016 & as at 31<sup>st</sup> March 2015 there were no dilutive potential ordinary shares. Hence diluted earnings per share is same as basic earnings per share.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016 (Contd..)**

**14. Property, plant and equipment**  
14.1 Group

	Freehold Land	Free hold buildings	Building on leasehold land	Plant and machinery	Furniture and office equipments	Freehold motorvehicles	Equipments	Computers	Swimming pool	WIP	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Cost/ valuation</b>											
As at 31 March 2015	3,635,155,000	1,961,071,381	1,965,197,653	155,186,840	247,875,803	2,118,281	182,717,230	25,511,224	35,846,161	50,648,962	8,261,328,535
Additions	936,122	8,565,555	5,107,103	4,662,931	(62,200)	13,184,325	1,963,122	9,692	17,934,175	52,363,025	
Disposals	-	-	-	(1,655,138)	(2,518,395)	-	-	-	-	(4,235,733)	
Transfers	-	-	-	-	-	-	-	-	-	(351,086)	(351,086)
<b>As at 31 March 2016</b>	<b>3,635,155,000</b>	<b>1,962,007,503</b>	<b>1,973,763,208</b>	<b>160,293,943</b>	<b>252,476,534</b>	<b>463,143</b>	<b>193,383,160</b>	<b>27,474,346</b>	<b>35,855,853</b>	<b>68,232,051</b>	<b>8,309,104,741</b>
<b>Accumulated depreciation</b>											
As at 31 March 2015	-	109,819,364	107,632,393	27,336,724	44,035,738	510,603	40,334,753	11,039,003	14,786,667	-	355,525,245
Charge for the year	-	39,851,124	64,710,795	14,948,672	21,848,201	132,438	27,982,720	7,238,747	3,679,636	-	180,392,333
Disposals	-	-	-	-	(13,480)	(365,155)	(593,383)	-	-	-	(972,018)
<b>As at 31 March 2016</b>	<b>-</b>	<b>149,970,488</b>	<b>172,343,188</b>	<b>42,285,396</b>	<b>65,870,459</b>	<b>277,886</b>	<b>67,754,090</b>	<b>18,277,750</b>	<b>18,466,303</b>	<b>-</b>	<b>534,945,560</b>
<b>As at 31 March 2016</b>	<b>3,635,155,000</b>	<b>1,812,337,015</b>	<b>1,801,420,020</b>	<b>118,008,547</b>	<b>186,606,075</b>	<b>195,257</b>	<b>125,629,070</b>	<b>9,196,596</b>	<b>17,389,550</b>	<b>68,232,051</b>	<b>7,774,159,181</b>
<b>As at 31 March 2015</b>	<b>3,635,155,000</b>	<b>1,851,252,017</b>	<b>1,857,565,260</b>	<b>127,850,116</b>	<b>203,840,065</b>	<b>1,607,678</b>	<b>142,352,477</b>	<b>14,472,221</b>	<b>21,059,494</b>	<b>50,648,962</b>	<b>7,905,803,220</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016 (Contd.)**

**14.1.1** Based on the assessment carried out internally, by the Board Of Directors no provision was required for the potential impairment of fixed assets as at 31 March 2016.

**14.1.2** There were no capitalized borrowing costs related to the acquisition of Property Plant and Equipment during the year (2014/2015 - nil).

**14.1.3** There were no restrictions on the title of the Property, Plant and Equipment as at 31 March 2016.

**14.1.4** There were no items of Property, Plant and Equipment pledged as security as at 31 March 2016 other than disclosed in Note 28.1.

**14.1.5** Details of Group's Property, Plant and Equipment stated at valuation are indicated below:

Company	Method of Valuation	Effective date of valuation	Property valuer	Significant unobservable inputs	Sensitivity of fair value to unobservable inputs
Ceylon Hotels Corporation PLC	Open market value method	31 <sup>st</sup> March 2013	Mr. K. A. Arthur Perera	Estimated price per perch Rs. 25,000 - 113,500 Estimated price per square feet Rs. 2,250 - 10,000	Positively correlated sensitivity
The Kandy Hotels Company 1938 PLC	Open market value method	31 <sup>st</sup> March 2013	Mr. K. A. Arthur Perera	Estimated price per perch Rs. 3,500,000 - 10,000,000 Estimated price per square feet Rs. 10,621 - 11,587	Positively correlated sensitivity
United Hotels (Pvt) Ltd.	Open market value method	31 <sup>st</sup> March 2013	Mr. K. A. Arthur Perera	Estimated price per perch Rs. 650,000 Estimated price per square feet Rs. 5,500 - 14,000	Positively correlated sensitivity
Tissa Resort (Pvt) Ltd.	Open market value method	31 <sup>st</sup> March 2013	Mr. K. A. Arthur Perera	Estimated price per square feet Rs. 5,204	Positively correlated sensitivity

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016 (Contd..)**

**14 Property, plant and equipment (Contd..)**

**14.2 Company**

	Plant and machinery	Equipments	Motor vehicles	Computers	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Cost/ Valuation</b>					
As at 31 March 2015	652,171	698,764	1,655,138	32,010	3,038,083
Disposals	-	-	(1,655,138)	-	(1,655,138)
<b>As at 31<sup>st</sup> March 2016</b>	<b>652,171</b>	<b>698,764</b>	<b>-</b>	<b>32,010</b>	<b>1,382,945</b>
<b>Accumulated Depreciation</b>					
As at 31 March 2015	74,243	244,645	325,349	11,682	655,919
Charge for the year	28,134	139,754	39,806	6,403	214,097
Disposals	-	-	(365,155)	-	(365,155)
<b>As at 31<sup>st</sup> March 2016</b>	<b>102,377</b>	<b>384,399</b>	<b>-</b>	<b>18,085</b>	<b>504,861</b>
<b>Carrying Amount</b>					
<b>As at 31<sup>st</sup> March 2016</b>	<b>549,794</b>	<b>314,365</b>	<b>-</b>	<b>13,925</b>	<b>878,084</b>
<b>As at 31<sup>st</sup> March 2015</b>	<b>577,928</b>	<b>454,119</b>	<b>1,329,789</b>	<b>20,328</b>	<b>2,382,164</b>

**14.2.1** Based on the assessment carried out internally, by the Board Of Directors no provision was required for the potential impairment of fixed assets as at 31<sup>st</sup> March 2016.

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

**14.2.3** There were no restrictions on the title of the Property, Plant and Equipment as at 31<sup>st</sup> March 2016.

**14.2.4** There were no items of Property, Plant and Equipment pledged as security as at 31<sup>st</sup> March 2016 other than disclosed in Note 28.1

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016 (Contd..)**

		<b>Group</b>		<b>Company</b>	
		2016	2015	2016	2015
		Rs.	Rs.	Rs.	Rs.
<b>15</b>	<b>Intangible assets</b>				
	Computer software (15.1)	3,156,165	4,433,676	16,031	20,723
	Goodwill on acquisition (17.3)	500,092,245	-	-	-
	Total	<b>503,248,410</b>	<b>4,433,676</b>	<b>16,031</b>	<b>20,723</b>
<b>15.1</b>	<b>Computer software</b>				
	<b>Cost</b>				
	At the beginning of the year	10,273,460	9,930,769	23,460	-
	Acquired/ incurred during the year	768,890	573,460	-	23,460
	Disposed during the year	-	(230,769)	-	-
	As at 31st March	<b>11,042,350</b>	<b>10,273,460</b>	<b>23,460</b>	<b>23,460</b>
	<b>Amortization</b>				
	At the beginning of the year	5,839,784	3,907,692	2,737	-
	Amortization for the year	2,046,401	2,028,246	4,692	2,737
	Disposed during the year	-	(96,154)	-	-
	At the end of the year	<b>7,886,185</b>	<b>5,839,784</b>	<b>7,429</b>	<b>2,737</b>
	Net book value as at 31st March	<b>3,156,165</b>	<b>4,433,676</b>	<b>16,031</b>	<b>20,723</b>

**15.1.1** Goodwill as at the reporting date has been tested for impairment and no impairment was found in carrying value. Recoverable values have been estimated based on fair value less cost to sell and value in use for the above test.

		<b>Group</b>		<b>Company</b>	
		2016	2015	2016	2015
		Rs.	Rs.	Rs.	Rs.
<b>16</b>	<b>Leasehold right over land</b>				
	Balance at the beginning of the period	10,226,041	12,779,726	-	-
	Additions due to acquisition of subsidiary	269,668,600	-	-	-
	Amortization during the period	(16,664,465)	(2,553,685)	-	-
	Balance at the end of the period	<b>263,230,176</b>	<b>10,226,041</b>	<b>-</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016 (Contd..)

### 17 Investments in subsidiaries

	Market Value	No. of shares	Company	Effective Holding %		Company	
	2016	2016	2015	2016	2015	2016	2015
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Direct - Subsidiaries</b>							
The Kandy Hotels Co. (1938) PLC.	2,651,953,500	441,992,250	441,992,250	76.54%	76.54%	1,543,857	1,543,857
United Hotels Co. (Pvt) Ltd.	6,324,286	8,066,691		78.4%	100%	537,312,036	339,112,006
Air Line Services Ltd.	150,003	150,000		100%	100%	300,000	300,000
CHC Foods (Pvt) Ltd.		1	1	100%	100%	10	10
<b>Sub - Subsidiaries</b>							
Tissa Resort (Pvt) Ltd.				78.4%	100%	-	-
Ceylon Hotel Maldives (Pvt) Ltd (17.1.1)				78.4%	-	-	-
Suisse Hotel (Pvt) Ltd				76.54%	76.54%	-	-
Handuwaru Ocean Holidays Pvt Ltd (17.1.1)				78.4%	-	-	-
Handhuvaru Ocean Pvt Ltd (17.1.1)				70.56%	-	-	-
						539,155,903	340,955,873

#### 17.1 Acquisitions of subsidiary

17.1.1 United Hotels Co. (Pvt) Ltd which is a direct subsidiary of Ceylon Hotels Corporation PLC acquired 100% ownership interest in Ceylon Hotels Maldives (Pvt) Ltd On 31st December 2015. CHM acquired the 100% of Handhuvaru Ocean Holidays (Pvt) Ltd. As a result the Group acquired 78.4% ownership interest in Ceylon Hotels Maldives (Pvt) Ltd ("CHM") and Handhuvaru Ocean Holidays (Pvt) Ltd ("HOH") and 70.56% ownership interest in Handhuvaru Ocean (Pvt) Ltd ("HO") It was determined that the Group controlled over the Aforesaid companies are treated as subsidiaries in the Consolidated Financial Statements as at 31<sup>st</sup> March 2016.

#### 17.2 Identifiable assets acquired and liabilities assumed

The following table summarises the recognized amounts of assets acquired and liabilities assumed at the date of acquisition.

	Ceylon Hotels Maldives (Pvt) Ltd	Handhuvaru Ocean Holidays (Pvt) Ltd	Handhuvaru Ocean (Pvt) Ltd	Total
	Rs.	Rs.	Rs.	Rs.
Leasehold property	-		255,846,055	255,846,055
Investments in repo	177,211,547	-	-	177,211,547
Investments	-	165,217,273	-	165,217,273
Differed conversion fee	-	-	173,699,918	173,699,918
Amount due from related party	-	190,259,320	-	190,259,320
Lease rent equalisation account	-	-	(39,681,046)	(39,681,046)
Cash & cash equivalents	955	103,290	-	104,245
Trade and other payables	(25,000)	(24,327,562)	(81,124,175)	(105,476,737)
Amounts due to related companies	(177,000,000)	-	(190,259,320)	(367,259,320)
Income tax payable	(60,353)	-	-	(60,353)
<b>Net identifiable assets and liabilities</b>	<b>127,149</b>	<b>331,252,320</b>	<b>118,481,432</b>	<b>449,860,901</b>

#### 17.3 Goodwill

	Ceylon Hotels Maldives (Pvt) Ltd	Handhuvaru Ocean Holidays (Pvt) Ltd	Handhuvaru Ocean (Pvt) Ltd	Total
	Rs.	Rs.	Rs.	Rs.
Total consideration transferred	703,500	909,967,383	165,214,635	1,075,885,518
Non-Controlling Interests, at their proportionate interest	(124,492)	(125,002,453)	(805,428)	(125,932,372)
Fair value of identifiable net assets	127,149	331,252,320	118,481,432	449,860,901
<b>Goodwill</b>	<b>451,859</b>	<b>453,712,610</b>	<b>45,927,776</b>	<b>500,092,245</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016 (Contd.)**

**17.4 Principal subsidiaries**

The following disclosure excerpt highlights the group composition and the proportion of ownership interests held by NCI as at 31<sup>st</sup> March 2016

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

**17.5 Summary financial information for subsidiary that have non controlling interest that are material to the Group**

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

As at 31 <sup>st</sup> March 2016	United Hotels Co. (Pvt) Ltd	Tissa Resort (Pvt) Ltd	Handhuvaru Ocean Holidays (Pvt) Ltd	Handhuvaru Ocean (Pvt) Ltd	Kandy Hotels Co.(1938) PLC	Suisse Hotel (Pvt) Ltd
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
NCI percentage	21.60%	21.60%	21.60%	29.44%	23.46%	23.46%
Total assets	1,906,189,232	382,787,231	390,436,249	429,267,969	6,644,022,129	350,573,462
Total liabilities	663,485,742	201,025,251	59,778,225	311,313,269	350,319,670	7,700,577
Net assets	1,242,703,490	181,761,980	330,658,024	117,954,700	6,293,702,459	342,872,885
Net assets attributable to NCI	268,423,954	39,260,588	71,422,133	34,725,864	1,476,761,429	80,452,080
Revenue	501,531,790	169,867,938	-	-	639,791,101	-
Profit/(Loss)	27,793,760	12,119,580	(391,277)	(380,186)	217,089,511	(142,161)
OCI	(1,714,764)	(292,194)	-	-	(119,013)	-
Total comprehensive income	26,078,996	11,827,386	(391,277)	(380,186)	216,970,498	(142,161)
Profit attributable to NCI	6,003,452	2,617,829	(84,516)	(111,927)	50,938,127	(33,357)
OCI attributable to NCI	(370,389)	(63,114)	-	-	(27,925)	-
Cash flows from operating activities	(413,246,836)	29,843,020	(53,652,827)	-	73,185,486	(188,983)
Cash flows from investment activities	4,703,283	1,437,344	-	-	18,215,999	-
Cash flows from financing activities	395,580,581	(28,700,002)	88,037,732	-	(115,537,500)	-
Net increase (decrease) in cash and cash equivalents	(12,962,972)	2,580,362	34,384,905	-	(24,136,015)	(188,983)
Dividends paid to NCI during the year	-	-	-	-	27,121,550	-

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016 (Contd..)

### 17. Investments in subsidiaries (Contd..)

#### 17.6 Investment in Equity Accounted Investees

##### 17.6.1 Principal joint Venture

As at 31<sup>st</sup> March 2016

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

Company and Country of Incorporation/Operation	Principal Activities	Class of Shares Held	Proportion of class held by the Company	Group Interest (%)
--	----------------------	----------------------	---	--------------------

##### Sri Lanka

Suisse Hotel Kandy (Pvt) Limited	Hotel Services	Ordinary	0.0%	38.3%
Ceylon Holiday Holdings (Pvt) Limited	Hotel Services	Ordinary	50.0%	50.0%

	Group					
	Suisse Hotel Kandy (Pvt) Limited		Ceylon Holiday Holdings (Pvt) Limited		Total	
	2016	2015	2016	2015	2016	2015
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
No of Shares	142,130,001	142,130,001	198,800,129	198,800,129		
Share Holding	38%	38%	50%	50%		
Opening balance	308,393,925	132,506,678	99,634,303	-	408,028,228	132,506,678
During the year investment	-	198,319,609	6,613,689	44,761,045	6,613,689	243,080,654
Operating Profit/losses for the year	(2,661,246)	(22,432,362)	(8,722,577)	54,873,258	(11,383,823)	32,440,896
	305,732,680	308,393,925	97,525,415	99,634,303	403,258,094	408,028,228
Share of joint venture's balance sheet						
Current asset	64,390,599	1,094,995	52,936,664	63,969,211	117,327,263	65,064,206
Non current asset	972,093,793	893,580,368	104,830,957	89,013,856	1,076,924,750	982,594,224
Current liabilities	(155,644,471)	(48,821,864)	(52,280,228)	(52,192,783)	(207,924,699)	(101,014,647)
Non current liabilities	(575,107,242)	(537,459,574)	(7,961,979)	(1,155,981)	(583,069,220)	(538,615,555)
	305,732,680	308,393,925	97,525,415	99,634,303	403,258,094	408,028,228
Share of joint venture's revenue profit and loss						
Revenue	151,215,495	-	77,720,166	42,833,464	228,935,661	42,833,464
Losses before income tax	(93,007,202)	(22,432,362)	(8,468,307)	(7,574,993)	(101,475,509)	(30,007,355)
Income tax	(27,386)	-	(127,135)	(17,527)	(154,521)	(17,527)
Gain on bargaining purchase	-	-	-	62,580,611	-	62,580,611
Profit (Loss) after tax	(93,034,588)	(22,432,362)	(8,595,442)	(54,988,091)	(101,630,030)	32,555,729
Other comprehensive income net of tax	90,373,342	-	(127,135)	(114,834)	90,246,207	(114,834)
Total comprehensive income for the year	(2,661,246)	(22,432,362)	(8,722,577)	54,873,258	(11,383,823)	32,440,896
Retained earnings at the beginning	(41,955,685)	(19,523,323)	54,873,258	-	12,917,573	(19,523,323)
Retained earnings at the end	(44,616,930)	(41,955,685)	46,150,681	54,873,258	1,533,750	12,917,573

##### 17.6.2 Investments in joint venture

	Company	
	2016 (Rs.)	2015 (Rs.)
Ceylon Holiday Holdings (Pvt) Limited		
Opening balance as at 31 <sup>st</sup> March	250,000,000	44,761,045
During the year investment	6,613,689	-
During the year fair value increase	-	205,238,955
Closing balance as at 31 <sup>st</sup> March	256,613,689	250,000,000

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016 (Contd.)**

**18 Investment property**

		Group		Company	
		2016	2015	2016	2015
		Rs.	Rs.	Rs.	Rs.
	Opening balance	329,525,000	329,525,000	503,722,629	861,514,007
	Transfer from property plant and equipment	-	-	-	126,362,206
	Disposal	(329,525,000)	-	(329,525,000)	(272,376,496)
	Asset held for sale	-	-	-	(211,777,088)
	Closing balance	-	329,525,000	174,197,629	503,722,629
<b>Company</b>					
18.1	Balance as at 01 <sup>st</sup> April 2015	Land	Building	Other Assets	Total
	Disposal	247,500,000	178,939,729	77,282,900	503,722,629
	Balance as at 31 <sup>st</sup> March 2016	(247,500,000)	(82,025,000)	-	(329,525,000)
		-	96,914,729	77,282,900	174,197,629

**18.2 Investment Property Details as follows**

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

**18.2.2** Rental Income earned from Investment Property by the Company amounted to Rs. 8,819,132/- (2014/2015 Rs. 15,115,675)

**18.2.3** Fair value of the Investment Property is ascertained by annual independent valuation carried out by K. A. Arthur Perera A.M.I.V. (Sri Lanka) as at 31<sup>st</sup> March 2015. The Directors of the Company have concluded that there were no significant change as at 31<sup>st</sup> March 2016 in the fair value of the investment property

**18.2.4** The Market value has been used in determining the fair value. The current condition of the properties and future usability have been considered. Also valuer has made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size, usage and location.

Group	Range
Significant unobservable valuation input	Rs. 4,500 - 5,500
Price per square ft.	Rs. 6,500,000
Price per Perch.	

Company	Range
Significant unobservable valuation input	Rs. 4,500 - 5,500
Price per square ft.	Rs. 6,500,000
Price per Perch.	

**18.3 Investment Property Details as follows**

**18.3.1 Leasehold property**

Location	Extent	Classification Company	Classification Group
<b>Polonnaruwa Rest House</b>			
Land is situated on border of "Parakrama Samudrya"	Buildings area- 15,510 sq.ft	Investment Property	Property, Plant and Equipment
<b>Ambepussa Rest House</b>			
Land is situated on 58 Km from Colombo in Kandy - Colombo A 1 Main Road	Buildings area- 14,609 sq.ft	Investment Property	Property, Plant and Equipment

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016 (Contd..)**

	Group		Company	
	2016 (Rs.)	2015 (Rs.)	2016 (Rs.)	2015 (Rs.)
<b>19 Deferred conversion fee</b>				
Gross carrying amount at cost				
Conversion fees on the operating lease	183,367,885	-	-	-
Accumulated amortization	(9,863,657)	-	-	-
Net book value	173,504,228	-	-	-

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

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

	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
<b>20 Inventories</b>				
Food	12,596,893	8,807,165	-	-
Beverages	5,209,121	4,013,754	-	-
Crockery, linen and glassware	33,115,527	29,469,413	-	-
Sundry stock	15,910,355	14,510,350	-	-
Provision for slow moving stocks	66,831,896 (416,148)	56,800,682 (64,973)	-	-
	66,415,748	56,735,709	-	-

	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
<b>21 Trade &amp; other receivables</b>				
Accounts receivables (21.1)	195,473,816	160,153,205	845,994	450,992
Other receivables (21.2)	56,891,614	34,561,268	8,168,026	7,028,078
	252,365,430	194,714,473	9,014,020	7,479,070
<b>21.1 Accounts receivables</b>				
Trade receivable	211,430,762	192,893,325	845,994	450,992
Less: Provision for bad & doubtful debts	(15,956,946)	(32,740,120)	-	-
	195,473,816	160,153,205	845,994	450,992
<b>21.2 Other receivables</b>				
Advances and deposits	24,758,313	24,909,440	-	-
Others	35,854,728	13,373,255	8,168,026	7,028,078
Less: Provision for bad & doubtful debts	(3,721,427)	(3,721,427)	-	-
	56,891,614	34,561,268	8,168,026	7,028,078

	Group		Company	
	2016 -	2015 -	2016 -	2015 -
<b>22 Amounts due from related companies</b>				
United Hotels Co (Pvt) Ltd	-	-	11,322,278	-
The Galle Face Hotel Co Ltd	2,903,969	-	2,903,969	-
CHC Foods (Pvt) Ltd	-	-	22,343,098	-
CHC Rest Houses (Pvt) Ltd	36,433,837	42,120,184	36,433,837	42,120,184
Ceylon Holiday Holdings	1,425,050	1,450,050	1,425,050	1,450,050
Ceylon Hotel Investment (Pvt) Ltd	210,668,656	-	-	-
Ceylon Hotel Holdings (Pvt) Ltd	-	60,000	-	-
	251,431,512	43,630,234	74,428,233	43,570,234

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016 (Contd.)**

	Group		Company	
	2016	2015	2016	2015
	Rs.	Rs	Rs.	Rs
<b>23 Income Tax recoverable</b>				
Balance at the beginning of the period	1,181,274	107,746	-	107,746
Over provision for the period	-	885,336	-	-
Write offs during the period	(477,115)	(107,746)	-	(107,746)
Payment made during the period	-	295,938	-	-
Balance at the end of the period	704,159	1,181,274	-	-
<b>24 Assets held for sale</b>				
Lands	63,136,425	63,136,425	63,136,425	63,136,425
Buildings	137,634,299	137,634,299	148,640,663	148,640,663
	200,770,724	200,770,724	211,777,088	211,777,088

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

**25 Cash & cash equivalents**

	Group		Company	
	2016	2015	2016	2015
	Rs.	Rs	Rs.	Rs
Cash at banks	68,766,046	49,863,540	8,416,126	6,160,670
Fixed deposits	-	2,394,691	-	1,254,151
Cash in hand	2,712,189	2,760,865	25,000	25,000
	71,478,235	55,019,096	8,441,126	7,439,821
Bank Overdrafts	(45,035,546)	(47,894,073)	-	(20,742,312)
Cash & cash equivalents for cash flow purpose	26,442,689	7,125,023	8,441,126	(13,302,491)

**26 Stated capital**

Ordinary shares ( 171,825,401)	1,218,025,748	1,218,025,748	1,218,025,748	1,218,025,748
6% Preference shares (1,200,000 Shares)	2,400,000	2,400,000	2,400,000	2,400,000
	1,220,425,748	1,220,425,748	1,220,425,748	1,220,425,748

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

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

	Group		Company	
	2016	2015	2016	2015
	Rs.	Rs	Rs.	Rs
<b>27 Reserves</b>				
Revaluation reserve	4,759,318,680	4,919,691,889	107,757,554	219,250,060
Capital reserve	8,128,011	8,128,011	8,128,011	8,128,011
Available for sale reserve	-	-	205,238,955	205,238,955
Foreign currency translation reserve	(262,582)	-	-	-
General reserve	167,079,660	167,079,660	166,718,393	166,718,393
	4,934,263,769	5,095,169,560	487,842,913	599,335,419

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016 (Contd..)**

28	<b>Interest bearing borrowings</b>	<b>Group</b>		<b>Company</b>	
		2016	2015	2016	2015
		Rs.	Rs	Rs.	Rs
	<b>Analysis of interest bearing borrowings</b>				
	Balance at the beginning of the year	861,712,296	1,174,011,718	119,100,000	362,850,000
	Exchange loss	15,978,111	3,719,660	-	-
	Repayments during the year	(271,523,371)	(316,019,082)	(119,100,000)	(243,750,000)
	Balance at the end of the period	606,167,036	861,712,296	-	119,100,000
	<b>Payable after one year</b>	435,518,696	676,939,036	-	87,300,000
	<b>Payable within one year</b>	170,648,340	184,773,260	-	31,800,000

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016 (Contd..)**

**28.1 Interest bearing borrowings**

Financial institution	Repayment terms	Principal (Rs)	Rate	Security	Interest Payment for March 2016	Closing balance as at 31 <sup>st</sup> March 2016
		Rs.	Rs.		Rs.	Rs.
Commercial Bank of Ceylon PLC (Term Loan 2)	Repayment to commence from November 2014. 59 equal monthly installments of Rs 1.4 Mn each and final installment of Rs 1.0 Mn together with interest.	85,000,000	0.5%+ AWPLR*	Primary mortgage bond over the property at No.411, Galle Rd, Colombo 4 for 125Mn & Primary mortgage bond over the property Lot B2 at No.411/25, Galle Rd, Colombo 4 for 40Mn	76,600,000	-
Commercial Bank of Ceylon PLC (Term Loan 3)	Repayment to commence from November 2014. 39 equal monthly installments of Rs 1.25 Mn together with interest.	50,000,000	0.5%+ AWPLR*	Primary mortgage bond over the property at No.411, Galle Rd, Colombo 4 for 125Mn & Primary mortgage bond over the property Lot B2 at No.411/25, Galle Rd, Colombo 4 for 40Mn	42,500,000	-
<b>Total company</b>						
<b>Tissa Resort (Pvt) Ltd</b>						
Commercial Bank of Ceylon PLC (Term Loan)	87 monthly installments based on the following repayment plan. First 6 months- @ Rs 0.5 Mn Next 6 months- @ Rs 1.0 Mn Next 6 months- @ Rs 2.2 Mn Next 69 months- @ Rs 2.55 Mn plus final month.	216,500,000	1% +AWPLR*	Leasehold rights over the "The Safari" property.	27,700,000	152,770,000
<b>United Hotels Company (Pvt) Ltd.</b>						
Hatton National Bank PLC (Term Loan)	31 monthly installments	250,000,000	2%+ 3 M AWDR* RPFMB	for Rs 50Mn over the lease hold rights of The Surf hotel property located at Bentota, together with buildings constructed and equipment installed therein.	52,224,000	127,132,236
Hatton National Bank PLC (Term Loan)	48 monthly installments	200,000,000	1%+ 1 M AWPLR* Existing Mortgage Bond for Rs 462 Mn over the leasehold rights of "The Surf" hotel property together with buildings constructed and the immovable project assets installed at Bentota.	35,200,000	156,000,000	
Hatton National Bank PLC (US\$ Term Loan)	48 monthly installments	192,705,000	3M LIBOR*** + 5% Existing Mortgage Bond (Floor rate 6%)	Concurrent Registered Primary Mortgage Bond for USD 1.5 Mn over the leasehold rights of "The Surf" hotel property together with buildings constructed and the immovable project assets installed at Bentota and Corporate guarantee of Ceylon Hotels Corporation PLC for USD 1.5 Mn.	37,299,371	170,264,800
<b>Total Group</b>						
* AWPLR - Average Weighted Primary Lending Rate						
** AWDR - Average Weighted Deposit Rate						
*** LIBOR - London Interbank Offered Rate						

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016 (Contd..)**

	Group		Company	
	2016	2015	2016	2015
	Rs.	Rs	Rs.	Rs
<b>29 Employee benefits</b>				
At the beginning of the year	13,349,703	11,657,546	6,405,040	2,270,212
Current service cost	2,912,685	2,310,129	635,278	712,257
Disposal of subsidiary	-	(2,211,415)	-	-
Interest cost on benefit obligation	1,268,222	967,886	608,479	227,021
Payments made during the year	(2,149,506)	(1,263,141)	(724,884)	(754,696)
Actuarial (Gain)/Losses	1,540,201	1,888,698	(797,745)	3,950,246
At the end of the year	16,921,305	13,349,703	6,126,168	6,405,040
(a) The amounts recognised in the Balance Sheet are as follows.				
Present value of the unfunded obligations	16,921,305	13,349,703	6,126,168	6,405,040
Recognised liability for defined benefit obligations	16,921,305	13,349,703	6,126,168	6,405,040
(b) Net Benefit Expense				
Included in profit or loss				
Interest cost	1,268,222	967,886	608,479	227,021
Current service cost	2,912,685	2,310,129	635,278	712,257
4,180,907	3,278,015	1,243,757	939,278	
Included in other comprehensive income				
Actuarial losses/(gains) on obligations	1,540,201	1,888,698	(797,745)	3,950,246
1,540,201	1,888,698	(797,745)	3,950,246	
Net Benefit Expense	5,721,108	5,166,713	446,012	4,889,524

(c) Gratuity liability is based on the actuarial valuation carried out by Messrs. Actuarial and Management Consultants (Private) Limited, Actuaries, on 31 March 2016.

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

	% Per Annum	
	2016	2015
a) Discount Rate	10.5%	9.5%
b) Salary Increase	8%	8%

The Liability is not externally funded

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

**29.1 Sensitivity analysis**

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

	Group		Company	
	2016	2015	2016	2015
	Rs.	Rs	Rs.	Rs
Discount Rate - (1% Increase)	(16,145,966)	(12,956,998)	(5,891,461)	(6,220,646)
Discount Rate - (1% decrease)	20,783,902	13,708,371	6,382,104	6,553,347
Salary Increment Rate - (1% Increase)	17,781,346	13,746,132	6,381,451	6,574,343
Salary Increment Rate - (1% decrease)	(16,136,202)	(12,915,095)	(5,888,290)	(6,198,027)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016 (Contd..)**

	<b>Group</b>		<b>Company</b>	
	2016 Rs.	2015 Rs	2016 Rs.	2015 Rs
<b>30 Lease rent equalisation account</b>				
Balance as at 01 <sup>st</sup> April				
Additions due to acquisition of subsidiary	39,636,342	-	-	-
<b>Balance as at 31<sup>st</sup> March</b>	<b>39,636,342</b>	<b>-</b>	<b>-</b>	<b>-</b>
30.1 On 20 August 2013, the lease hold rights of the island of Ambaraa in Vaavu Atoll held by Handhuvaru Ocean Holidays Pvt Ltd has been assigned to Handhuvaru Ocean Pvt Ltd for period of 50 years commencing from 20 august 2013 to develop and operate a tourist resort on the island.				
<b>31 Non-interest- bearing borrowings</b>	<b>1,802,200</b>	<b>1,802,200</b>	<b>1,522,200</b>	<b>1,522,200</b>
	<b>1,802,200</b>	<b>1,802,200</b>	<b>1,522,200</b>	<b>1,522,200</b>
<b>32 Deferred tax liabilities</b>				
Balance at the beginning of the period	294,374,887	299,610,760	-	-
Effect on changes in tax rate - Profit and Loss	8,339,081	-	(95,729)	-
Origination /(Reversal) of temporary differences	(184,825)	(5,235,873)	95,729	-
Balance at the end of the period	<b>302,529,143</b>	<b>294,374,887</b>	<b>-</b>	<b>-</b>
32.1 Temporary differences				
On property plant and equipment	3,150,708,987	3,176,877,716	323,105,638	296,974,596
On retirement benefit obligation	(16,921,305)	(13,349,703)	(6,126,168)	(6,405,040)
On carried forward tax losses	(612,711,492)	(710,403,961)	(316,979,470)	(290,569,556)
Balance at the end of the period	<b>2,521,076,191</b>	<b>2,453,124,052</b>	<b>-</b>	<b>-</b>
	<b>302,529,143</b>	<b>294,374,887</b>	<b>-</b>	<b>-</b>
<b>33 Trade &amp; other payables</b>				
Accounts payable	82,641,506	68,043,876	10,602,624	9,706,047
Accrued expenses	10,635,914	30,231,601	1,823,733	6,263,828
Accrued rent	9,412,811	8,429,378	-	-
Conversion fees payable	80,682,140	-	-	-
Sorpano consulting	880,680,000	-	-	-
Other payables	173,805,643	91,346,382	7,043,547	7,207,272
	<b>1,237,858,014</b>	<b>198,051,237</b>	<b>19,469,904</b>	<b>23,177,147</b>
<b>34 Amounts due to related companies</b>				
GFH Management Co (Pvt) Ltd	33,004,572	42,407,617	-	-
Galleface Hotel 1994 (pvt) ltd	-	21,155,647	-	-
The Galle Face Hotel Co Ltd	-	8,237,241	-	-
CHC Food (Pvt) Ltd	-	-	-	8,045,989
Airline Services (Pvt) Ltd	-	-	880,941	1,001,941
Tissa Resort (Pvt) Ltd	-	-	-	40,824,993
United Hotels Co (Pvt) Ltd	-	-	-	32,869,851
CHC Rest House (Pvt) Ltd	86,178,102	86,178,102	86,178,102	86,178,102
	<b>119,182,674</b>	<b>157,978,607</b>	<b>87,059,043</b>	<b>168,920,876</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016 (Contd..)**

	Group		Company	
	2016	2015	2016	2015
	Rs.	Rs.	Rs.	Rs.
<b>34.1 Related Party Interest-bearing-borrowings</b>				
Kandy Hotels Co. (1938) PLC	-	-	404,335,272	233,129,705
The Galle Face Hotel Co. Ltd	53,380,282	318,009,849	32,598,217	108,009,176
Tissa Resort (Pvt) Ltd	-	-	36,127,286	-
	<b>53,380,282</b>	<b>318,009,849</b>	<b>473,060,775</b>	<b>341,138,881</b>
<b>34.2 Related party Interest bearing borrowings are at pre-determined interest rates and terms.</b>				
<b>35 Income tax payable</b>				
Balance as at 01 April	24,144,327	11,033,351	13,048,115	13,304
Provision for the year	42,909,594	46,603,978	486,227	15,237,294
Over provision in respect of previous year	138,111	(1,535,698)	-	-
WHT & ESC recoverable	-	(2,202,483)	-	(2,202,483)
Payment made during the year	(46,635,120)	(29,754,821)	(12,562,502)	-
Balance at the end of the period	<b>20,556,912</b>	<b>24,144,327</b>	<b>971,840</b>	<b>13,048,115</b>

**36 Contingent liabilities**

**36.1 Company**

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

Name	Nature	Case No.
Mr. E. Ranasinghe	Labour	6R/7197/12- Rathnapura
Mr. T. Wickramasinghe	Labour	27/ANU/2230/2013
Mr.K. Premalal De Silva	Labour	4/G/18/2015
Mr.K.A.D.S. Fernando	Labour	LT case No 13/94/2013

**36.2 Group**

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

The Company is pursuing or is being pursued with legal action on the following legal cases. As per the representation given by the management these cases are still outstanding as at 31<sup>st</sup> March 2016.

**36.2.1 Pending litigations - Kandy Hotels Co. (1938) PLC.**

Name	Nature	Case No.
Mr. C.M.B Amunupura	Labour	LT Case No 03/70/2012
Ms. H.M. Dingiri Menike	Tenant	RE 2645
Men's Tailor	Tenant	Rent Board Case

Although, there can be no assurance, the directors believe, based on the information currently available, that the ultimate resolution of such legal procedures would not likely to have a material adverse affect on the results of operations, financial position or liquidity of the Company. Accordingly no provision for any liability has been made in the financial statements, nor has any liability been determined by the ongoing legal cases, as at 31<sup>st</sup> March 2016.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016 (Contd.)

### 37 Events occurring after the reporting date

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

### 38. Related Party transactions

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

Company Name	Nature of Relationship	Name of the Director	Nature of Transaction	Year ended 31.03.2016 Rs.	Year ended 31.03.2015 Rs.
GFH Management Company (Pvt) Ltd	Affiliate	Mr. Sanjeev Gardiner (Chairman)	Services Provide	-	15,557,845
		Mr. Lakshman Samarasinghe	Expenses paid by GFH Management on behalf of CHC	-	(232,587)
		Mr. Dinesh Weerakkodi	Payment made	-	(12,086,920)
		Mr. S.H. Amarasekera			
		Priyantha Maddumage			
The Galle Face Hotel Company Ltd	Ultimate parent	Mr. Sanjeev Gardiner (Chairman)	Expenses paid by CHC on behalf of GFH	10,751	221,547
		Mrs. Mavis Gardiner			
		Dr. Dennis Aloysius			
		Mr. Lalith Rodrigo	Interest expenses on loan given from GFH	(2,132,595)	(6,113,727)
		Mr. Lakshman Samarasinghe	Funds Transfer (from)/to GFH	77,532,795	(119,351,688)
Kandy Hotels Company (1938) PLC	Subsidiary	Mr. Sanjeev Gardiner (Chairman)	Expenses paid by CHC on behalf of KHCL	1,521,604	6,320,519
		Mr. Lakshman Samarasinghe	Reimbursement of expenses paid by CHC	(1,521,620)	(744,475)
		Mr. Priyantha Maddumage	Funds Transfer to (from) KHCL	(144,753,710)	122,119,615
			Settlement of Advance and debtors collection banked in CHC Account	-	347,913
			Interest expenses on loan given from KHCL	(26,451,841)	(13,196,021)
United Hotels Company (Pvt) Ltd	Subsidiary	Mr. Sanjeev Gardiner	Expenses paid by CHC on behalf of UHCL	16,355,003	12,373,256
		Dr. Dennis Aloysius	Rent Income	3,417,712	3,417,712
		Mr. Priyantha Maddumage	Funds transferred to UHCL	256,468,279	35,763,056
		Mr. E.M. Mangala Boyagoda	Reimbursement of Expenses paid by CHC on behalf of UHCL	(20,283,733)	(10,739,001)
		Mr. Lakshman Samarasinghe	Expenses paid by UHCL on behalf of CHC	-	(1,387,793)
		Mr. Kuvera De Soysa	Share Issue	(198,200,030)	-
		Mr. Revantha Devasurendra	Funds transferred from UHCL	(14,305,811)	-
			Interest income on loan given to UHCL	740,710	-
			Reimbursement of Debtors collection banked on CHC Account	-	698,979
CHC Foods (Pvt) Ltd	Subsidiary	Mr. Lakshman Samarasinghe	Reimbursement of expenses paid by CHC on behalf of CHC Foods	(4,539,327)	(1,608,261)
		Mr. Priyantha Maddumage	Funds Transfer to CHC Foods	40,040,000	5,526,985
			Rent Income	1,985,544	2,527,332
			Settlement of Related Party Balance	(11,106,441)	-
			Expenses paid by CHC on behalf of CHC Foods	2,547,615	3,624,238
			Interest income on loan given to CHC Foods	1,461,696	-
			Assets Transfer	-	20,944
Tissa Resort (Pvt) Ltd	Subsidiary	Mr. Priyantha Maddumage	Expenses paid by CHC on behalf of Tissa Resort	4,405,970	3,995,407
		Mr. Lakshman Samarasinghe	Reimbursement of Expenses paid by CHC on behalf of Tissa Resort	(4,406,085)	(3,018,551)
		Dr. Dennis Aloysius	Interest expenses loan given to Tissa Resorts	(2,363,353)	-
			Related Party balance settlement	12,061,174	-
			Funds Transfer from Tissa Resort (Pvt) Ltd	(5,000,000)	(21,359,376)
CHC Rest Houses (Pvt) Ltd	Joint Venture	Mr. Priyantha Maddumage	Expenses paid by CHC Rest on behalf of CHC	-	(815,280)
		Mr. Lakshman Samarasinghe	Rent Income	-	2,338,876
		Mr. Thilak De Zoysa	Expenses paid by CHC on behalf of CHC Rest Houses	-	8,954,613
		Mr. Binod Chaudhary	Assets Disposal Receivable from CHC Rest	-	10,796,037
		Mr. Rahul Chaudhary	Subsequently settlement for Assets Disposal	-	(6,739,606)
			Settlement of Related Party Balance	370,285	(43,391,202)
			Funds transferred from CHC Rest Houses to CHC	(2,000,000)	(255,011,350)
			Sales Proceeds of disposal of Fixed Assets		163,821,898

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016 (Contd..)

Ceylon Holiday Holdings (Pvt) Ltd	Joint Venture	Mr. Lakshman Samarasinghe Mr. Priyantha Maddumage Mr. Rahul Chaudhary Mr. Binod Chaudhary Mr. Tilak de Zoysa	Expenses paid by CHC on behalf of Ceylon Holiday Holdings Funds Transferred to Ceylon Hotel Holdings	- 1,425,050 1,425,000
Ceylon Hotels Holdings (Pvt) Ltd	Affiliate	Mr. Sanjeev Gardiner Mr. Lakshman Samarasinghe Mr. Harsha Amarasekera Mr. Priyantha Maddumage Mr. Ajith Devasurendra	Funds Transferred to Ceylon Hotels Holdings	- 197,727
Air Line Services (Pvt) Ltd	Subsidiary	Mr. Sanjeev Gardiner Mr. Lakshman Samarasinghe Dr. Dennis Aloysius Mr. Priyantha Maddumage	Funds Transferred to Air Line Services	121,000 1,054,768
Suisse Hotel (Pvt) Ltd	Subsidiary	Mr. Sanjeev Gardiner Mr. Lakshman Samarasinghe Mr. Priyantha Maddumage Mr. Lalith Rodrigo	Reimbursement of expenses paid by CHC on behalf of Suisse Hotel	- (276,061)
Galle Face Hotel 1994 (Pvt) Ltd	Affiliate	Mr. Sanjeev Gardiner Mrs. Mavis Gardiner Dr. Dennis Aloysius Mr. Lalith Rodrigo Mr. Lakshman Samarasinghe	Expenses paid by CHC on behalf of GFH 1994(Pvt) Ltd Rent Income Expenses paid by GFH 1994 (Pvt) Ltd on behalf of CHC Reimbursement of Expenses paid by CHC on behalf of GFH 1994(Pvt) Ltd Reimbursement of Expenses paid by GFH 1994 (Pvt) Ltd on behalf of CHC Funds transferred to GFH 1994 (Pvt) Ltd Settlement of Related party balance	- 3,868,970 - (53,415) - - 6,000,000 (6,965,001)

This note should be read in conjunction with the note 22 and 34 Related party receivable and Related party payable respectively.

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

### 38.1 Terms and conditions of transactions with related parties

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

### 38.2 Compensation paid to key management personnel

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016 (Contd.)

### 39 Financial risk management objectives and policies

#### Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

#### Risk management framework

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

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

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

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

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

#### 39.2 Credit risk

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

##### 39.2.1 Credit risk exposure

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

	Group		Company	
	2016	2015	2016	2015
	Rs.	Rs	Rs.	Rs
Trade and other receivable	252,365,430	194,714,473	9,014,020	7,479,070
Amount due from related parties	251,431,512	43,630,234	74,428,234	43,570,234
Cash and cash equivalents	71,478,235	55,019,096	8,441,126	7,439,821
	<u>575,275,177</u>	<u>293,363,803</u>	<u>91,883,380</u>	<u>58,489,125</u>

##### 39.2.2 Trade and other receivables

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

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

#### Impairment losses

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016 (Contd..)

### 39.2.2. Trade and other receivables (Contd..)

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

	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
<b>Neither past due nor impaired</b>				
01-29 days	88,250,203	76,128,307	845,994	450,992
Past due 30-60 days	69,096,629	53,030,841	-	-
61-90 days	29,112,132	18,205,438	-	-
91-120 days	4,424,162	5,726,074	-	-
121-180 days	20,547,636	39,802,666	-	-
	<b>211,430,762</b>	<b>192,893,326</b>	<b>845,994</b>	<b>450,992</b>
<b>Impaired</b>				
<b>Gross carrying value</b>				
Less: Impairment provision	-	-	-	-
Individually assessed impairment provision	(15,956,946)	(32,740,120)	-	-
<b>Total</b>	<b>195,473,816</b>	<b>160,153,206</b>	<b>845,994</b>	<b>450,992</b>

### 39.2.3 Credit risk relating to cash and cash equivalents

In order to mitigate concentration, settlement and operational risks related to cash and cash equivalents, the Group limits the maximum cash amount that can be deposited with a single counterparty. In addition, the Group maintains an authorised list of acceptable cash counterparties based on current ratings and economic outlook, taking into account analysis of fundamentals and market indicators. The Group held cash and cash equivalents of Rs. 26 million at 31 March 2016 (2015 - Rs. 7 million).

### 39.3 Liquidity risk

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

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

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

#### 39.3.1 Net (debt)/cash

	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
<b>Short term investments (Fixed deposits)</b>				
	-	2,394,691	-	1,254,151
<b>Cash in hand and at bank</b>	<b>71,478,235</b>	<b>52,624,405</b>	<b>8,441,126</b>	<b>6,185,670</b>
<b>Total liquid assets</b>	<b>71,478,235</b>	<b>55,019,096</b>	<b>8,441,126</b>	<b>7,439,821</b>
<b>Interest bearing loans and borrowings</b>				
	606,167,036	861,712,296	-	119,100,000
<b>Bank overdrafts</b>	<b>45,035,546</b>	<b>47,894,073</b>	<b>-</b>	<b>20,742,312</b>
<b>Total liabilities</b>	<b>651,202,582</b>	<b>909,606,369</b>	<b>-</b>	<b>139,842,312</b>
<b>Net (debt)/cash</b>	<b>(579,724,347)</b>	<b>(854,587,273)</b>	<b>8,441,126</b>	<b>(132,402,491)</b>

#### 39.3.2 Liquidity risk management

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016 (Contd.)

### Maturity analysis

The table below summarises the maturity profile of the Group's financial liabilities at 31<sup>st</sup> March 2016 based on contractual undiscounted payments.

Group	Within 1 year	Between 1-2 years	Between 2-3 years	More than 3 years	Total
	Rs	Rs	Rs	Rs	Rs
Trade and other payables	1,237,858,014	-	-	-	1,237,858,014
Borrowings-Financial instruments in current liabilities	170,648,340	163,898,340	134,358,576	137,261,780	606,167,036
Amounts due to related parties	172,562,956	-	-	-	172,562,956
Bank overdrafts	45,035,546	-	-	-	45,035,546

### 39.4 Market risk

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

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

Market prices comprise three types of risk:

- Interest rate risk
- Currency risk
- Price risk

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

The sensitivity analyses in the following sections relate to the position as at 31<sup>st</sup> March in 2016.

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

The sensitivity of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31<sup>st</sup> March 2015 and 2016.

#### 39.4.1 Interest rate risk

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

The following table demonstrates the sensitivity to a reasonably possible change in interest rates of the deposits, with all other variables held constant, of the company profit before tax (through the impact on floating rate of deposits).

The company's exposure to deposits rates in USD is not material

Group	Increase/ (decrease) in basis points	Effect on profit before tax
2016	+ 100-150 basis points	9,527
	- 100-150 basis points	(6,352)

The assumed spread of basis points for the interest rate sensitivity analysis is based on the currently observable market environment changes to base rates such as LIBOR, SLB0R, AWPLR.

#### 39.4.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has exposure to foreign currency risk where it has cash flows in overseas operations and foreign currency transactions which are affected by foreign exchange movements.

#### 39.5 Capital management

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

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

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

	Group		Company	
	2016	2015	2016	2015
	Rs.	Rs.	Rs.	Rs.
Total liabilities	2,443,069,454	1,917,317,178	588,209,931	694,054,571
Less:				
Cash and cash equivalents	71,478,235	55,019,096	8,441,126	7,439,821
Net debts	2,371,591,219	1,862,298,082	579,768,805	686,614,749
Total equity	7,790,896,907	7,292,750,567	686,311,872	673,293,031
Net debt to equity ratio (Times)	0.3044	0.2554	0.8448	1.0198

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016 (Contd..)**

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

Group	2016	Loans and receivables	Available-for-sale	Other Financial Liabilities	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets not measured at fair value</b>									
Trade and other receivables	252,365,430	-	-	-	252,365,430	-	-	-	-
Amounts due from related companies	251,431,512	-	-	-	251,431,512	-	-	-	-
Cash and cash equivalents	71,478,235	-	-	-	71,478,235	-	-	-	-
	<u>575,275,177</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>575,275,177</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities not measured at fair value</b>									
Bank overdrafts	-	-	-	45,035,546	45,035,546	-	-	-	-
Trade payables	-	-	-	82,641,506	82,641,506	-	-	-	-
Interest bearing borrowings	-	-	-	606,167,036	606,167,036	-	-	-	-
Related party interest bearing borrowings	-	-	-	53,380,282	53,380,282	-	-	-	-
Non interest bearing borrowings	-	-	-	1,802,200	1,802,200	-	-	-	-
Amounts due to related companies	-	-	-	119,182,674	119,182,674	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>908,209,244</u>	<u>908,209,244</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2015		Loans and receivables	Available-for-sale	Other Financial Liabilities	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets not measured at fair value</b>									
Trade and other receivables	194,714,473	-	-	-	194,714,473	-	-	-	-
Amounts due from related companies	43,630,234	-	-	-	43,630,234	-	-	-	-
Cash and cash equivalents	55,019,096	-	-	-	55,019,096	-	-	-	-
	<u>293,363,803</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>293,363,803</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities not measured at fair value</b>									
Bank overdrafts	-	-	-	47,894,073	47,894,073	-	-	-	-
Trade payables	-	-	-	68,043,876	68,043,876	-	-	-	-
Interest bearing borrowings	-	-	-	861,712,296	861,712,296	-	-	-	-
Related party interest bearing borrowings	-	-	-	318,009,849	318,009,849	-	-	-	-
Non interest bearing borrowings	-	-	-	1,802,200	1,802,200	-	-	-	-
Amounts due to related companies	-	-	-	157,978,608	157,978,608	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,455,440,902</u>	<u>1,455,440,902</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016 (Contd..)**

Company	2016	Loans and receivables	Available-for-sale	OtherFinancial Liabilities	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets not measured at fair value</b>									
Investment in joint venture	-	256,613,689	-	-	256,613,689	-	-	-	256,613,689
Trade and other receivables	9,014,020	-	-	-	9,014,020	-	-	-	-
Amounts due from related companies	74,428,234	-	-	-	74,428,234	-	-	-	-
Cash and cash equivalents	8,441,126	-	-	-	8,441,126	-	-	-	-
	<u>91,883,380</u>	<u>256,613,689</u>			<u>348,497,069</u>				<u>256,613,689</u>
<b>Financial liabilities not measured at fair value</b>									
Trade payables	-	-	10,602,624	10,602,624	-	-	-	-	-
Interest bearing borrowings	-	-	-	-	473,060,775	473,060,775	-	-	-
Related party interest bearing borrowings	-	-	-	-	1,522,200	1,522,200	-	-	-
Non interest bearing borrowings	-	-	-	-	87,059,043	87,059,043	-	-	-
Amounts due to related companies	-	-	-	-	572,244,642	572,244,642	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>572,244,642</u>				
2015		Loans and receivables	Available-for-sale	OtherFinancial Liabilities	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets not measured at fair value</b>									
Investment in Joint Venture	-	250,000,000	-	-	250,000,000	-	-	-	250,000,000
Trade and other receivables	7,479,070	-	-	-	7,479,070	-	-	-	-
Amounts due from related companies	43,570,234	-	-	-	43,570,234	-	-	-	-
Cash and cash equivalents	7,439,821	-	-	-	7,439,821	-	-	-	-
	<u>58,489,125</u>	<u>250,000,000</u>			<u>308,489,125</u>				<u>250,000,000</u>
<b>Financial liabilities not measured at fair value</b>									
Bank overdrafts	-	-	20,742,312	20,742,312	-	-	-	-	-
Trade payables	-	-	9,706,047	9,706,047	-	-	-	-	-
Interest bearing borrowings	-	-	119,100,000	119,100,000	-	-	-	-	-
Related party interest bearing borrowings	-	-	341,138,881	341,138,881	-	-	-	-	-
Non interest bearing borrowings	-	-	1,522,200	1,522,200	-	-	-	-	-
Amounts due to related companies	-	-	168,920,877	168,920,877	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>664,130,317</u>	<u>664,130,317</u>					

**41 Number of employees**

The total number of employees of the company as at 31<sup>st</sup> March 2016 was 61. (31<sup>st</sup> March 2015 - 104)



The Safari - Thissamaharama

## INVESTOR INFORMATION

Ceylon Hotels Corporation PLC  
No. 327, Union Place, Colombo 2

Annual Report 2016  
For the year ended 31<sup>st</sup> March 2016

## INVESTOR INFORMATION (Contd..)

ANALYSIS OF SHARE HOLDING OF SHAREHOLDERS AS AT 31<sup>ST</sup> MARCH 2016

Company Code : CHOT

Company Name : Ceylon Hotels Corporation PLC

Share Type : Ordinary

No of Shares held		No of Shareholders	Total Holding	Holding%
1	-	1,000	6,407	1,068,762
1,001	-	5,000	432	1,141,100
5,001	-	10,000	111	797,069
10,001	-	50,000	95	2,166,478
50,001	-	100,000	11	759,554
100,001	-	500,000	13	2,657,249
500,001	-	1000,000	2	1,459,581
Over 1000,000		8	161,775,608	94.15
		7,079	171,825,401	100.00

ANALYSIS OF SHARE HOLDING OF JOINT AND INDIVIDUAL SHAREHOLDERS AS AT 31<sup>ST</sup> MARCH 2016

Company Code : CHOT

Company Name : Ceylon Hotels Corporation PLC

Share Type : Ordinary

No of Shares Held		No of shareholders	Total Holding	Holding %
1	-	1,000	6,374	1,058,213
1,001	-	5,000	412	1,085,689
5,001	-	10,000	101	712,190
10,001	-	50,000	77	1,685,847
50,001	-	100,000	6	378,218
100,001	-	500,000	5	807,618
500,001	-	1000,000	1	723,173
Over 1000,000		0	0	0
		6,976	6,450,948	3.75

## INVESTOR INFORMATION (Contd..)

ANALYSIS OF SHAREHOLDING OF NON RESIDENT SHAREHOLDERS AS AT 31<sup>ST</sup> MARCH 2016

Company Code : CHOT

Company Name : Ceylon Hotels Corporation PLC

Share Type : Ordinary

No. of Shares Held		No. of shareholders	Total Holding	Holding %
1	-	1,000	20	6,034
1,001	-	5,000	3	8,328
5,001	-	10,000	2	14,335
10,001	-	50,000	4	100,699
50,001	-	100,000	1	60,000
100,001	-	500,000	1	184,065
500,001	-	1,000,000	1	723,173
Over 1,000,000		0	0	0
		<b>32</b>	<b>1,096,634</b>	<b>0.63</b>

ANALYSIS OF SHAREHOLDING OF RESIDENT SHAREHOLDERS AS AT 31<sup>ST</sup> MARCH 2016

Company Code : CHOT

Company Name : Ceylon Hotels Corporation PLC

Share Type : Ordinary

No. of Shares Held		No. of shareholders	Total Holding	Holding %
1	-	1,000	6,370	1,059,452
1,001	-	5,000	428	1,127,828
5,001	-	10,000	109	782,734
10,001	-	50,000	91	2,065,779
50,001	-	100,000	10	699,554
100,001	-	500,000	12	2,473,184
500,001	-	1,000,000	1	736,408
Over 1,000,000		8	161,775,608	94.15
		<b>7,029</b>	<b>170,720,547</b>	<b>99.37</b>

## INVESTOR INFORMATION (Contd..)

ANALYSIS OF SHARE HOLDING OF COMPANY SHAREHOLDERS AS AT 31<sup>ST</sup> MARCH 2016

Company Code : CHOT

Company Name : Ceylon Hotels Corporation PLC

Share Type : Ordinary

No. of Shares Held		No of shareholders	Total Holding	Holding %
1	-	1,000	33	10,549
1,001	-	5,000	20	55,411
5,001	-	10,000	10	84,879
10,001	-	50,000	18	480,631
50,001	-	100,000	5	381,336
100,001	-	500,000	8	1,849,631
500,001	-	1,000,000	1	736,408
Over 1,000,000		8	161,775,608	94.15
		103	165,374,453	96.25

DIRECTORS SHAREHOLDING AS AT 31<sup>ST</sup> MARCH 2016

No	NAME OF DIRECTOR	Ledger	CDS	Total
1	LAKSHMAN SAMARASINGHE	131	4,869	5,000
2	SANJEEV GARDINER	NIL	NIL	NIL
3	DR. DENNIS ALOYSIUS	NIL	10,069	10,069
4	PRIYANTHA MADDUMAGE	NIL	01	01
5	DR. CHRISANTHA NONIS	NIL	NIL	NIL
6	KUVERA DE. ZOYSA	NIL	NIL	NIL
7	MANGALA BOYAGODA	NIL	NIL	NIL
8	KAMANTHA AMARASEKARA	NIL	NIL	NIL
9	WASANTHA WIMALAWEERA	NIL	NIL	NIL
10	AJITH DEVASURENDRA	NIL	NIL	NIL
11	RANIL PATHIRANA	NIL	NIL	NIL

## INVESTOR INFORMATION (Contd..)

TOP 20 SHAREHOLDERS (ORDINARY) AS AT 31<sup>ST</sup> MARCH 2016

Company Code : CHOT

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

Public Share holdings	-	51,068,381
Public Share holdings percentage	-	29.70%
Highest Price	-	Rs. 20.50
Lowest Price	-	Rs. 20.00
Market Price	-	Rs. 24.00

## INVESTOR INFORMATION (Contd..)

TOP 20 SHAREHOLDERS (ORDINARY) AS AT 31<sup>ST</sup> MARCH 2015

Company Code : CHOT

Position	Shareholder Name	No of Ord. Vot. Shares	%
1	CEYLON HOTEL HOLDINGS (PVT) LTD	63,444,925	36.92%
2	NATIONAL DEVELOPMENT BANK PLC/CEYLON HOTEL HOLDINGS (PVT) LTD	57,500,000	33.46%
3	EMPLOYEES PROVIDENT FUND	20,538,515	11.95%
4	SEYLAN BANK LTD/ THE GALLE FACE HOTEL COMPANY LIMITED	9,893,056	5.76%
5	BANK OF CEYLON-NO2 A/C	5,975,000	3.48%
6	NATIONAL SAVINGS BANK	3,793,842	2.21%
7	CEYLON HOTELS INVESTMENT (PVT) LTD	911,929	0.53%
8	MR. HAMISH WINSTON MCDONALD WOODWARD	723,173	0.42%
9	ASSOCIATED ELECTRICAL CORPORATION LTD	675,726	0.39%
10	SITHLANKA (PRIVATE) LIMITED	427,300	0.25%
11	MR. KANISHKA NUWAN KARUNARATNE	293,200	0.17%
12	PHOENIX VENTURES LIMITED	200,000	0.12%
13	SUNSHINE HOLDINGS PLC	176,000	0.10%
14	MR. SITHAMPALAM ABISHEK	141,800	0.08%
15	MR. SHEIK MOHAMED HASSAN MOHAMED	132,804	0.08%
16	COCOSHELL ACTIVATED CARBON COMPANY LIMITED	127,500	0.07%
17	MRS. BANURI KUMARI VANYA WICKRAMASINGHE	115,000	0.07%
18	MCLARENS HOLDINGS LTD	115,000	0.07%
19	MR. PREMAPALA PITIPANA ARACHCHI	115,000	0.07%
20	MR. DEREK JOSEPH DE SILVA WIJHEYERATNE	112,600	0.07%
			165,412,370
			96.27%

## FIVE YEAR SUMMARY



The Surf - Bentota

## NOTICE OF ANNUAL GENERAL MEETING

### CEYLON HOTELS CORPORATION PLC

(Company Registration No PB 3283)

No.327, Union Place, Colombo 2

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Ceylon Hotels Corporation PLC will be held on Monday 26<sup>th</sup> September 2016 at 2:00 pm at the Sri Lanka Foundation Institute, No:100, Independence Square, Colombo 7 for the purpose of conducting the following business:

1. To receive and consider the Report of the Directors, the Audited Accounts for the year ended 31<sup>st</sup> March 2016 and the Report of the Auditors.
2. To re-elect Mr Kamantha Amarasekera who retires by rotation in terms of Articles of Association.
3. To re-elect Mr Kuvera De Zoysa who retires by rotation in terms of Articles of Association.
4. To elect as a Director Mr Wasantha Wimalaweera who was appointed to the Board in terms of Article 28(2) of the Articles of Association.
5. To elect as a Director Mr Ajith Devasurendra who was appointed to the Board in terms of Article 28(2) of the Articles of Association.
6. To elect as a Director Mr Ranil Pathirana who was appointed to the Board in terms of Article 28(2) of the Articles of Association.
7. To elect as a Director Mr Chethiya Perera who was appointed to the Board in terms of Article 28(2) of the Articles of Association
8. To re-elect Dr Dennis Aloysius as a Director of the Company. Special Notice has been received from a shareholder pursuant to Section 211 of the Companies Act No.07 of 2007 of the intention to propose the following resolution as an ordinary resolution.

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

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

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

10. To re-appoint Messrs KPMG., the retiring Auditors and authorize the Directors to fix their remuneration.
11. To authorize the Directors to determine donations for the year 2016/2017 and up to the date of the next Annual General Meeting.
12. To transact any other business that may properly be brought before the meeting.

By order of the Board of  
CEYLON HOTELS CORPORATION PLC



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

Colombo, this 10<sup>th</sup> day of August 2016

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

**FORM OF PROXY**

CEYLON HOTELS CORPORATION PLC  
(Company Registration No PB 3283)  
No.327, Union Place, Colombo 2

**FORM OF PROXY**

I/We .....

(NIC No.) .....

of .....

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

appoint:..... of .....

..... (or failing him)

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

as my/our Proxy to represent and speak and vote for me/us\* and on my/our behalf at the Annual General Meeting of the Company to be held on Monday 26<sup>th</sup> September 2016 at 2:00 pm and at any adjournment thereof and at every poll which may be taken in consequence thereon.

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

	For	Against
1. To receive and consider the Report of the Directors, the Audited Accounts for the year ended 31 <sup>st</sup> March 2016 and Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr Kamantha Amarasekera who retires by rotation in terms of Articles of Association.	<input type="checkbox"/>	<input type="checkbox"/>

## FORM OF PROXY

---

3. To re-elect Mr Kuvera De Zoysa who retires by rotation in terms of Articles of Association.

---

4. To elect as a Director Mr Wasantha Wimalaweera who was appointed to the Board in terms of Article 28(2) of the Articles of Association

---

5. To elect as a Director Mr Ajith Devasurendra who was appointed to the Board in terms of Article 28(2) of the Articles of Association

---

6. To elect as a Director Mr Ranil Pathirana who was appointed to the Board in terms of Article 28(2) of the Articles of Association.

---

7. To elect as a Director Mr Chethiya Perera who was appointed to the Board in terms of Article 28(2) of the Articles of Association

---

8. To re-elect Dr Dennis Aloysius, who retires in terms of Section 210 of the Companies Act No.07 of 2007.

---

9. To re-elect Mr Lakshman Samarasinghe, who retires in terms of section 210 of the Companies Act No.07 of 2007.

---

10. To re-appoint Messrs, KPMG the retiring Auditors and authorize the Directors To fix their remuneration.

---

11. To authorize the Directors to determine donations for the year 2016/2017 and up to the date of the next Annual General Meeting.

---

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

.....  
Date

.....  
Signature

**Notes:**\* Instructions as to completion appear below.

Please indicate with and "x" in the space provided, how your Proxy is to vote on the Resolutions.

If no indication is given, the Proxy in his discretion will votes as he thinks fit.

## INSTRUCTIONS FOR COMPLETION

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

# Corporate Information

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



327, Union Place, Colombo 02

Tel: 011 5585858 / 5235124 e-mail: [sales@ceylonhotels.net](mailto:sales@ceylonhotels.net)  
[www.ceylonhotels.lk](http://www.ceylonhotels.lk)