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Citrus Leisure PLC

Annual Report 2017/18

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Chairman's Review

It gives me great pleasure to welcome you to the Annual General Meeting of Citrus Leisure PLC and to present the Annual Report and Audited Financial Statements for the year ended 31 March 2018. The Group has performed admirably in the year under review despite the persistently challenging circumstances which are outlined in this report.

Industry Overview

The tourism industry continues to be one of the fastest growing in the world. Sri Lanka, given natural endowments and certain policies to develop the industry, demonstrates a similar trend with tourism being the third largest export earner, contributing US\$ 4 billion in this period, which is a 14% increase over the previous year. It is envisaged that arrivals would be in the region of 2.5 million this year.

Sri Lanka continues to enjoy its status as a hotspot for tourists across all categories and enjoys excellent ratings in renowned travel magazines and journals. The outlook for growth therefore is healthy and assuring.

Over the past few decades and in particular after the end of the military conflagration in 2009, we have seen tourism develop as a multiplier, spreading earnings not just to areas outside Colombo but to new locations, enhancing the prospects for wealth distribution and income opportunities for youth. In other words, while the industry has grown and the formal hospitality sector has survived it needs to be recognised that the groundswell of tourism has changed.

The industry is growing but in different directions and not in a classical way, so to speak, due to global trends.

These trends have naturally inflated the rate of room supply which call for a more streamlined policy regime to maximise medium and long term objectives. This is especially important since market rates have remained largely static or in certain sectors show a decline, creating intense price-based competition. As was pointed out last year as well, such issues need to be dealt at the national as well as corporate level in order to stabilise market rates and ensure that the industry remains on a financially healthy footing.

Service delivery needs to be improved in all areas for Sri Lanka to remain competitive with other popular destinations in the region such as Thailand, Malaysia and Indonesia. Indeed, long term sustainability makes this a non-negotiable necessity and one which requires regulation of service providers, achieving and maintaining international service standards and a workforce equipped with requisite skills. These are as important as the preservation of resources and the improvement of the investment climate. While we've seen a lot of effort in these areas, a lot more needs to be done to make tourism a more vibrant and booming element of the national economy.

Chairman's Review

The Informal Sector

'The Informal Sector' is a catch-all term for elements of the industry that fall outside what's considered to be 'traditional'. They include not just the 'low-end' operational units but even certain high-end ones such as boutique hotels and 'villas', many of which go untaxed. We have seen new destinations becoming popular and service provision developing around them in recent years, but these changes are marked by a lack of control and a process of evolution that has largely bypassed the institutional arrangement and policy prerogatives of decision-makers at the national level. They have essentially been prompted by the demands of experiential tourism which is now a global trend.

Thus we have a growth in terms of the number of units making the informal sector as formidable as the formal sector. In terms of rooms, the formal sector still maintains the edge but the growth has been slow; the informal sector in contrast is growing faster. This is a phenomenon that has to be recognised as a reality and one which will continue to grow, necessitating a regulatory framework in order to maintain internationally accepted standards of service delivery.

Bringing the informal sector into a formal governance structure is a challenge that needs to be addressed quickly and effectively. While taxation and regulation are never popular, the overall benefits of a coherent governance structure both for the overall industry and the informal sector clearly makes it logical.

The global trend in this regard is clear. The future of tourism is with entities such as Tripadvisor, Booking.com and Airbnb. Some countries regulate and some are in the process of bringing such operations within a formal governance structure. It is time that Sri Lanka followed suit.

One of the first things to be done of course is comprehensive enumeration, for without reliable data it would be challenging to formulate appropriate regulations and impose meaningful controls.

Such regulation is important for other reasons as well. Whereas in an earlier era a hotelier would have to invest heavily since an operational unit would have to have a minimum of 50 rooms, today with a relatively small investment a 'tourist hotel' can be built. While such initiatives are of course demand driven, if the phenomenon remains unregulated it would be detrimental to the overall chemistry of the tourism industry, especially since new entrants erroneously believe that one doesn't need to know too much about the industry or else believe, again erroneously, that they know it all when in fact they do not.

What is required is a balanced model in order to mitigate the pressure on price. I am hopeful that the relevant authorities take cognizance of the urgent need for a comprehensive appraisal of the ground realities followed by the implementation of an effective governance regime that encompasses all sectors within the industry with special provisions for the particularities therein.

Development and Infrastructure

The changing skyline in Colombo speaks of the construction of new hotels by international brands such as Shangri-La, ITC, Radisson and Hyatt. These brands and the envisaged expansion in room strength will no doubt enhance Sri Lanka's standing with competing destinations.

Integrated development, likewise, pioneered by some of the bluechip corporates involved in the industry, has the potential to drive Sri Lanka to a different level. Structures that including hundreds of rooms, banqueting facilities that could hold thousands of guests as well as a sizable ratio of apartments will no doubt add a new dimension to the leisure industry in the coming decades. It is important that these initiatives are not only encouraged but are supported by a policy regime that facilitates the maximising of potential.

It needs to be recognised that big conventions and conferences are what will drive tourism in the country's commercial capital into the foreseeable future. Unfortunately we have only medium-level conference facilities that are woefully inadequate for MICE Tourism or tourism related to meetings, incentives, conferences and exhibitions. There are no plans in this regard and this is to be regretted. While Sri Lanka is often considered when conferences are planned, what disqualifies us is the absence of a facility that can accommodate 3000-5000 participants. It is time for the authorities to pursue this idea and ensure that Sri Lanka can cater to this demand. It

is almost a travesty that more than 40 years have passed since the BMICH was built and we are yet to expand on the idea.

On another note it is time that authorities recognise the need for improving entertainment in the city in line with the growth in rooms. The examples of other countries in the region that have taken into account this need and catered for it should spur Sri Lanka to follow suit through the implementation of constructive and innovative strategies.

The access to tourist destinations have improved over the years with the construction of major expressways and improvement of road networks. It must be noted that Sri Lanka has immense untapped potential in locations which have not been hitherto promoted by regular tour operators. As mentioned earlier, tourism around such locations have evolved rather than being characterised by planned development. Again, development of access and promotion are needed for the country to reap the maximum benefits from these enormous and untapped resources.

Tourism is essentially about accommodation and travel. All restrictions on travel were lifted when the war ended in May 2009 and freedom to travel in comfort was considerably enhanced by the development of the road network.

What's perhaps lacking is improvement in public transport. There is an abundance of tourists using public transport. It must be recognised that to

Chairman's Review

have an overall view of improving high-end tourism there should also be vision for high-end transportation. Attention should be focused on comfortable to travel for round tours in order to create high-end demand. As importantly, logistic problems need to be sorted out, for example, transportation to the Eastern part of the country. Sri Lanka clearly needs good tourism at a niche level and therefore needs to provide for it.

Human Resource Development

The sheer growth in tourists indicates the importance of focusing on human resource development. From an industry which attracted 500,000 tourists in 2009 earning the country around US\$ 500 million, we now have 2.5 million contributing close to US\$ 4 billion to the economy. Service quality and competence personnel clearly impact choice of destination.

There is ongoing training at both corporate and national levels. The processes are in place. However, it is a story about constant improvement which course will not and cannot happen overnight. As mentioned earlier the growth of the informal sector has put even more pressure on the need for regulations which include imperatives with respect to certification. It has to be recognised that quality improvement is necessary at all levels, from unskilled to senior and top management.

It is regrettable that despite the immense potential for career advancement both locally and overseas, the tourism industry seldom attracts or excites the right people. It is clear that

a more competitive wage structure should be put in place to develop and retain a competent workforce. This would go a long way in turning the industry into an attractive career option for talented, energetic, dynamic and innovative people among the youth.

The Role of Banks

The increasing cost of construction continues to increase the room cost per unit further straining ROIs. ROIs show a period extending from 10-12 years as opposed to 6-8 years at the turn of the millennium. In addition, it must be pointed out that prices are under pressure due to increase in supply, especially in the south as well as the reality that certain segments of tourists are typically low-spenders. The pressure on the formal sector, even in the much celebrated 'Golden Mile of Tourism' looks even more formidable when considering the rapid rise in costs and the current trend of businesses seeking competitive prices for their products due to supply pressures.

This is a crucial issue for the formal sector of the industry and one that continues to be unaddressed. Most recent developments are strained to meet payment schedules. Given the immense potential in the medium to long term growth cycle of the industry, we urge that banks review repayment schedules.

A pragmatic approach is required considering these realities. Since hotels in the formal sector typically last for generations, there could be a greater degree of leniency in repayment

schedules. As things stand, customers typically spend 7-8 years pleading for rescheduling repayment. It is hoped that the lending institutions take cognizance of these typicalities, study the situation at depth and offer relief to hoteliers pressured by extended timeframes for ROI.

Sustainable Tourism

As we have previously mentioned over-visitation of popular tourist destinations has become a serious problem, for example in Yala and Sigiriya. It is imperative that capacity studies be conducted even as alternative sites of interest, of which they are plenty, are developed to ease congestion.

We cannot stress enough the importance of healthy sustainable practices to maintain Sri Lanka's position as one of the most bio-diverse locations in the world. The policy platform built on these premises, Biodiversity Sri Lanka, should be implemented in full and complemented by educating and encouraging key stakeholders to seek innovative methods and adopt best sustainability practices.

Group Restructure

This year saw the successful conclusion of the long-awaited Citrus Group restructuring process. Accordingly we are now in a position to look at actively reducing debt and interest burden, while increasing group synergies and efficiencies.

Consequent to the approvals obtained from the Colombo Stock Exchange (CSE) and the Securities

and Exchange Commission of Sri Lanka (SEC), the entire process was completed and 147,208,457 shares of Hikkaduwa Beach Resort PLC (CITH) were issued through a private placement of shares to all shareholders of the Kalpitiya Beach Resort PLC (CITK), the sole shareholder of Passikudah Beach Resorts Ltd (PBR) and to the shareholders of Waskaduwa Beach Resort PLC (CITW) who accepted the voluntary offer made by CITH as consideration for the amalgamation of CITK with CITH, amalgamation of PBR with CITH and the voluntary offer made by CITH to the shareholders of CITW.

CITK and PBR accordingly ceased to exist effective from the 30th of January 2018 and the 2nd of February 2018 respectively, these being the relevant dates of amalgamation.


The said shares are now being listed on the trading floor of CSE, the total number of shares now in issue in CITH amounting to 204,782,354.

Approval was also received from SEC on the 28th February 2018 to the application made for the off-the-floor transfer of 190,509,218 shares of Waskaduwa Beach Resort PLC (CITW) to Hikkaduwa Beach Resort PLC (CITH) constituting 94.43% of the issued shares of CITW, and with the transfer of shares of CITW to CITH also having been completed, the Citrus Group Restructure which was announced on 27th of September 2016 was fully completed.

Chairman's Review

Appreciation

I would like to express my gratitude to my fellow board members for their unstinted support throughout the year under review. I would also like to place on record my appreciation for the management and employees of the company. The Group owes much to their passion, enthusiasm and professionalism. On behalf of the Board of Directors I also thank you, our valued shareholders for the trust you have placed in us to lead your company in the coming years.



E P A Cooray
Chairman

30 August 2018
Colombo

Review of the CEO

It is with pleasure that I present you this review of the Group's operations over the last financial year. It was a period where the Group had to contend with many challenges, some unexpected and some that have unfortunately persisted, and yet it was also a year which saw the collective efforts of the Directors, management and staff yield satisfactory results. It is a testimony to the strength of the brand, the commitment to service quality and indeed tenacity that the Group succeeded in recording the highest revenue up to date.

The benefits in the increase in tourist arrivals did not accrue to the industry in a uniform manner. A sizable amount went to the informal sector which continues to grow even as competition in the formal sector intensified with new hotels entering the market. The pressure on prices naturally made it imperative for the Group to build on strengths and look for innovative solutions in order to maintain occupancy rates and profit margins. These developments also strained the Group when it came to retaining qualified and experienced staff in a climate where structures and procedures to encourage young people into the tourism industry and facilities to train do not produce overnight results.

The industry also suffered a major setback due to extremely poor weather conditions at the beginning of the financial year under review. The flood conditions resulted in a high degree of cancellations while the spread of dengue and relevant health warnings adversely impacted occupancy rates.

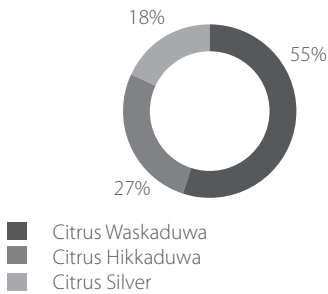
Another disturbing factor which impacted the entire industry and which would have to be addressed at different policy making forums is the cancellation of direct flights from Europe to Sri Lanka which had a negative effect on the growth of tourist arrivals from such destinations.

Despite all this, I am pleased to announce that the Citrus Leisure Group rose to these challenges. Superior standards of service, innovation, brand strength and other factors contributed to a successful year of operations where we stayed ahead of the competition, even though occupancy and rates did not improve. In both resort properties a greater focus on the banquet facilities helped mitigate the problems associated with occupancy and rates.

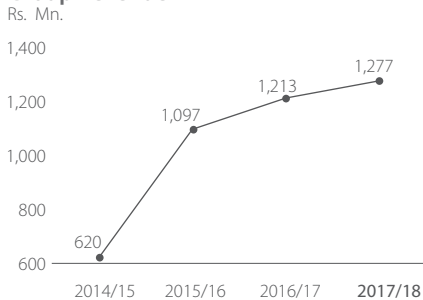
Review of the CEO

Overall, the Group recorded a revenue of Rs 1.27 billion during the year under review, which is a 5% improvement over the previous financial year. The largest contributor was Citrus Waskaduwa with Rs 694 million, followed by Citrus Hikkaduwa (Rs 341 million) and Citrus Silver Limited (Rs 230 million).

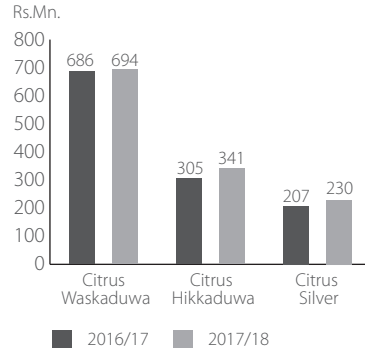
Revenue Contribution



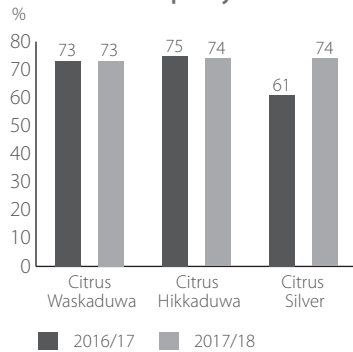
Group Revenue



Hotelwise Revenue



Hotelwise Occupancy



Citrus Waskaduwa

Citrus Waskaduwa, one of a few large hotels to be set up after the war on terrorism ended, contributed Rs 694 million to the top line, and continues to be a popular destination among tour operators. The hotel enjoyed the benefits of rising demand among local and corporate clients, and is a very popular choice for weddings. Revenue increased by Rs 8 million, which is also the highest revenue recorded since the hotel began operations in 2014-15. The hotel was successful in maintaining an occupancy rate of 73% and better ARR despite intense price competition. The hotel capitalized on the fact that it has one of the biggest banquet halls in the region with capacity exceeding 750 pax, contributing 19% to the topline from this segment.

Citrus Hikkaduwa

Citrus Hikkaduwa continued to record steady performance and remains one of the leading players in the area. The hotel's contribution to the top line is Rs 341 million and the revenue shows a 12% increase over the previous year (Rs 36 million). Citrus Hikkaduwa has also maintained an excellent occupancy rate (74%) and better ARR, despite the challenge of strong price competition.

Citrus Silver

Citrus Silver recorded a Rs 23 million (11%) increase in revenue compared to the previous year, which is the best performance since the hotel was opened in 2015-16. The contribution to the Group's top line was Rs 230 million.

This year also saw the highest occupancy rate recorded so far (74%) which is a significant improvement over the previous year (61%). The facility is a much sought-after location in the heart of Colombo. The pub has also become very popular, recording a 20% increase in food and beverage revenue over the previous year.

Share of Profit of CLND

The Group's strategic investment, a 20% stake in Colombo Land and Development PLC (CLND) is now held by Citrus Hikkaduwa as a result of the Citrus Group Restructure. The Group continues to reap benefits of the investment and has recorded a share of profit of Rs. 381 million (Net of impairment) during the financial year under review.

Appreciation

I take this opportunity to express my heartfelt thanks to the Chairman and Board of Directors for their guidance, the management for efforts expended in trying circumstances and the entire staff for their unstinted dedication and commitment to quality of service during the year under review. They made this success story possible.



P C B Talwatte

Chief Executive Officer

30 August 2018
Colombo

Board of Directors

Prema Cooray

Mr. Prema Cooray, the immediate Past Chairman of Aitken Spence PLC counts well over 30 years' experience in travel and tourism. He led the Hotel Sector of Aitken Spence for several years making a significant contribution in making Aitken Spence a leading player in the development of resorts both in Sri Lanka and Maldives.

He is acknowledged for the pivotal role played in the development of sustainable tourism and especially for his leadership in developing the renowned Kandalama Hotel which has won many global accolades for its contribution to environmental management, food and beverage excellence and service standards of a truly exceptional nature. These attributes signalled the entry of Sri Lanka's tourism to the world map of the hospitality industry.

He also led the pioneering effort of large scale expansion to the Republic of Maldives in early '90s and this regional development contributed exceptionally to the overall profile and growth of Aitken Spence.

He is the current Chairman of the Sri Lanka Convention Bureau and also chairs a rainforest initiative partnered by the private sector which bench-marks the best practices for Eco Tourism development in Sri Lanka. He serves as a Member of the Grants Board of ICTA, and as a board member of Light House PLC, Fort Hotel Group and Ramada Colombo.

Mr. Prema Cooray was awarded the "Legend of Tourism" by the Ministry of Tourism in 2011.

He is the Past President of the Tourist Hotels Association of Sri Lanka (1998-2000) also served as the Secretary-General/ CEO of the Ceylon Chamber of Commerce (2003- 2008)

Mr. Cooray has an MBA from the University of Sri Jayawardenepura, is a Certified Management Accountant and he is also a Member of the Institute of Hospitality, UK.

Dilith Jayaweera

Mr. Dilith Jayaweera is a leading business personality in Sri Lanka and was named one of LMD's Ten Business People of the Year 2011. Mr. Jayaweera began his foray into the Sri Lankan business landscape with the establishment of Triad – a small advertising agency – in 1993. Epitomizing the spirit of the new generation of Sri Lankan entrepreneurs, less than two decades later Mr. Jayaweera's vision and entrepreneurship have driven Triad to become the largest and most awarded Sri Lankan communication powerhouse extensively diversified to offer integrated communication solutions and he now sits on the boards of thirty six companies in diversified sectors of the economy. He is the Group Chairman of George Stuart & Company Limited. Mr. Jayaweera is also the Chairman of PowerHouse Ltd. – TV Derana and FM Derana – Sri Lanka's premium entertainment channels.

An Attorney-at-Law by profession, Mr. Jayaweera holds an LLB from the Faculty of Law, University of Colombo, and an MBA from the University of Wales.

Varuni Amunugama Fernando

Mrs. Varuni Amunugama is the co-founder of a youthful and growing diversified group which currently consists of 22 subsidiaries across sectors such as communication, mass media, leisure, finance, property development and manufacturing. Her stamp on corporate Sri Lanka is accentuated by her belief that 'Sri Lanka Can', which has been the driving principle behind the Group's ventures. Mrs. Amunugama read for her LLB at the University of Colombo and is an Attorney-at-Law. She also and holds a Diploma in Advertising from L'Ecole-de-Publicitaire, Paris.

Sarva Ameresekere

Mr. Sarva Ameresekere is Director/CEO of the Triad Group, one of Sri Lanka's leading communication clusters. Triad together with its group of companies offer clients a comprehensive integrated business solution including advertising, media, PR, publishing, event management, AV production and digital communication. Mr. Ameresekere is also involved in the macro management and strategic planning of a diversified portfolio of investments of the group. Qualified in both business and engineering, he brings on board extensive local and foreign exposure including business, fund management, operations, research and analysis.

He holds a Masters in Engineering Management from the University of Southern California, Los Angeles and a Degree in Industrial and Operations Engineering from the University of Michigan, Ann Arbor.

Rajinda Seneviratne

Mr. Rajinda Seneviratne's family established Reefcomber Hotel in Hikkaduwa in the 1980s. The family has diversified into trading in tea, packaging and warehousing through Corona T Stores Ltd. Mr. R. Seneviratne is the Managing Director of Corona T Stores Ltd.

Manoj Pilimalawwe

Mr. Manoj Pilimalawwe joined the Board of Citrus Leisure PLC in December 2010 and is on the board of several Group Companies. He is currently an Executive Director of George Steuart and Company since June 2016 having joined the Board in September 2012 in a non-executive capacity. He currently overlooks the operations of George Steuart Solutions which specializes in air conditioning, elevators and other building solutions.

He was previously at Brandix Lanka Ltd. and at PricewaterhouseCoopers Lanka Ltd. and possesses experience in areas of general management, management consultancy, IT operations and technology strategy formulation.

Mr. Pilimalawwe holds a Master's Degree in Information Technology from The Keele University in U.K. and a Bachelor of Science Honours Degree in Information Systems from

Board of Directors

Manchester Metropolitan University in U.K. and is a member of the British Computer Society (MBCS). He is also a Chartered Information Technology Professional (CITP) and counts over 20 years corporate experience.

Suresh De Mel

Mr. Suresh de Mel is the Managing Director of Lanka Fishing Flies (Pvt) Ltd., a US-Sri Lanka Joint Venture since 1981 producing Umpqua brand fishing flies. Lanka Fishing Flies which currently employs 250 workers in factories in Nugegoda, Tangalla and Ratnapura, has a reputation for being one of the best producers of high quality hand tied fishing flies in the world.

Mr. De Mel is a pioneer in promoting “catch and release” sportfishing in Sri Lanka and is the proprietor of Sportfishing Lanka. He is also the Chairman/Managing Director of Lanka Eco Adventure Frontiers (Pvt) Ltd. – a company promoting the conservation of rainforests and wet lands through “Responsible Tourism”, the Chairman of, EcoWave (Gte) Ltd. – a Social Enterprise promoting Organic Agriculture and Responsible Eco/Agro Tourism in Ampare and Monergala Districts, the Chairman of Doonvale (Pvt) Ltd – a Planters Bungalow for Tourism in Bandarawela, the Chairman of Lanka Aqua Villas (Pvt) Ltd – a boutique villa on the Bolgoda Lake, and a Past President, Founder Member and Director of the Association of Small and Medium Enterprises in Tourism (ASMET) Sri Lanka.

He also serves as, a Director on the Board of the Hambantota District Chamber of Commerce, a Council Member of the Employers Federation of Ceylon, a Board Director of The Vocational Training Authority of Sri Lanka, the Co-Chair of the Advisory Committee on Trade Information and Promotion for implementation of the National Export Strategy of Sri Lanka, and the Acting Managing Director of the Global Entrepreneurship Network in Sri Lanka.

He is also the Chairman of Navajeevana Rehabilitation Tangalla – a project “bringing new life to the Disabled”, a Past Chairman of the Board and a Founder Member of the Business for Peace Alliance – Sri Lanka’s Regional Chambers of Commerce Network for Conflict Transformation, Reconciliation, Regional Empowerment and Corporate Social Responsibility, and a Governing Council Member of the National Peace Council of Sri Lanka,

He holds a Bachelor of Science Degree in Agricultural Engineering from Cal Poly State University, San Luis Obispo, California, USA. Before returning to Sri Lanka in 1990, Suresh worked as a Student Engineer and then as an Agricultural and Environmental Engineer for CH2M Hill Inc., USA, for 10 years.

Mr. De Mel is a social entrepreneur who actively promotes investments and initiatives that sustain “people, planet and profit”.

Chandana Talwatte

Mr. Chandana Talwatte has been serving in the capacity of Executive Director/Chief Executive Officer of Citrus Group since 2012.

Before joining Citrus group Mr.Talwatte was a part of the leadership team at John Keells Holdings PLC, serving as a Director /CEO at several group companies including Mackinnon Mackenzie & Co of Ceylon Ltd, Bosanquet and Skrine Ltd, Mackinnons Travels, Mack International Freight (Pvt) Ltd, Whittals Boustead Cargo. He also served as head of Sales and Marketing of the transportation group and Cinnamon Lakeside Colombo. He was the vice president of the transportation sector and the leisure sector of the John Keells Group.

Vasula Premawardhana

Mr. Vasula Premawardhana was appointed to the Board of Citrus Leisure PLC with effect from 02nd May 2012. He is an accomplished professional with over 20 years of comprehensive management experience comprising local and international hands-on experience in the fields of Capital Markets and Risk Management. He holds an MA in Financial Economics from the University of Colombo and a BSc in Computer Science from the University of Southern California - USA. Further, he is a former Director of the Securities and Exchange Commission of Sri Lanka.

Mr. Premawardhana is the Chief Executive Officer of Colombo Land & Development PLC and was appointed as an Executive Director with effect from 24th March 2016.

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

The Directors of Citrus Leisure PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company for the year ended 31st March 2018.

General

Citrus Leisure PLC is a public limited Company which was incorporated under the Companies' Ordinance No. 51 of 1938 as a Limited Company on 5th December 1973, and listed on the Colombo Stock Exchange in 1984. The Company was re-registered as per the Companies Act No. 7 of 2007 on 27th November 2008 with PQ 211 as the new number assigned to the Company and the name was changed as "Citrus Leisure PLC" on 23rd December 2010.

Principal Activities

During the year, the principal activities of the Company were investing and managing subsidiaries and provision of food and beverage, lodging, and other hospitality industry related activities.

Review of Operations

The CEO's review covers the operations of the Company during the financial year under review.

Financial Statements

The complete Financial Statements of the Company duly signed by two Directors on behalf of the Board are given on pages 46 to 125.

Auditors' Report

The Report of the Auditors on the Financial Statements of the Company is given on pages 49 to 53.

Accounting Policies

The accounting policies adopted by the Company in the preparation of Financial Statements are given on pages 61 to 68 and are consistent with those of the previous period.

Directors

The names of the Directors who held office as at the end of the accounting period are given below and their brief profiles appear on pages 10 to 13.

Executive Directors

Mr. D S Jayaweera
Ms. V S F Amunugama
Mr. P C B Talwatte

Non Executive Directors

Mr. S A Ameresekere
Mr. P V S Premawardhana
Mr. J M B Pilimatalawwe

Independent Non-Executive Directors

Mr. E P A Cooray
Mr. R Seneviratne
Mr. S D de Mel

Recommendation for re-election of Directors who retire by rotation

Mr. D S Jayaweera and Mr. J M B Pilimathalawwe who retires by rotation in terms of Article 84 of the Articles of Association and being eligible are recommended by the Directors for re-election.

Re-appointment of a Director who is over 70 years of age

Mr. E P A Cooray who has attained 70 years of age and vacates office at the conclusion of the Annual General Meeting in terms of Section 210(2)(b) of the Companies Act No.7 of 2007, is recommended by the Board, for re-appointment as a Director under Section 211 of the Companies Act, specially declaring that the age limit stipulated in Section 210 of the Companies Act shall not apply to the said Director.

Directors of Subsidiary Companies

Hikkaduwa Beach Resort PLC

Mr. E P A Cooray
Mr. D S Jayaweera
Mr. R Seneviratne
Mr. P V S Premawardhana
Mr. S A Ameresekere

Citrus Aqua Limited

Mr. E P A Cooray
Mr. D S Jayaweera
Ms. V S F Amunugama

Mr. R Seneviratne
Mr. S D de Mel
Mr. J M B Pilimathalawwe
Mr. P V S Premawardhana
Mr. D M Wickramasinghe
Mr. H C de Silva
Mr. H S Martenstyn

Citrus Vacations Limited

Mr. E P A Cooray
Mr. D S Jayaweera
Ms. V S F Amunugama
Mr. S D de Mel
Mr. J M B Pilimathalawwe
Mr. P V S Premawardhana
Mr. T A T C L A A Perera (resigned w.e.f.31 March 2018)

Citrus Silver Limited

Mr. D S Jayaweera
Ms. V S F Amunugama

Waskaduwa Beach Resort PLC

Mr. E P A Cooray
Mr. D S Jayaweera
Mr. R Seneviratne
Ms. V S F Amunugama
Mr. J M B Pilimathalawwe
Mr. S D de Mel
Mr. S A Ameresekere

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

Kalpitiya Beach Resort PLC

(ceased to exist w.e.f. 30.01.2018 due to the amalgamation with Hikkaduwa Beach Resort PLC)

Mr. E P A Cooray
Mr. D S Jayaweera
Mr. R Seneviratne
Ms. V S F Amunugama
Mr. J M B Pilimatalawwe
Mr. S D de Mel
Mr. S A Ameresekere

Passikudah Beach Resorts Limited

(ceased to exist w.e.f. 02.02.2018 due to the amalgamation with Hikkaduwa Beach Resort PLC)

Mr. E P A Cooray
Mr. D S Jayaweera
Mr. R Seneviratne
Ms. V S F Amunugama
Mr. J M B Pilimatalawwe
Mr. S D De Mel
Mr. P C B Talwatte
Mr. P V S Premawardhana
Mr. S A Ameresekere

Interests Register

The Company maintains an interest Register in terms of the Companies Act No. 7 of 2007, which is deemed to form part and parcel of this Annual Report and is available for inspection upon request.

All related party transactions which encompass the transactions of Directors who were directly or indirectly interested in a contract or a related party transaction with the Company during the accounting period are recorded in the Interest Register in due compliance with the applicable rules and regulations of the relevant Regulatory Authorities.

The relevant interests of Directors as at 31st March 2018 as recorded in the Interest Register are given in this report under Directors' Interest in Contracts and Directors' Shareholding.

Directors' Remuneration

The Directors' Remuneration is disclosed under key management personnel compensation in Note 29.3 to the Financial Statements on page 122.

Directors' interests in contracts

Related party disclosures as required by the Sri Lanka Accounting Standards No.24 are detailed in Note 29 to the financial statements.

The Company carried out transactions in the ordinary course of its business at commercial rates with the following director related entities.

Directors' responsibility for Financial Reporting

The Directors are responsible for the preparation of Financial Statements of the Company to reflect a true and fair view of the state of its affairs. A further statement in this regard is included on page 42.

Auditors

Messrs Ernst & Young, Chartered Accountants served as the Auditors during the year under review and also provide non audit/consultancy services.

A total amount of Rs 737,000/- is payable by the Company to the Messrs Ernst & Young for the year under review comprising 635,000/- as audit fee and Rs. 102,000/- as taxation fee respectively.

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 30 August 2018 recommended that they be re-appointed as Auditors. A resolution to re-appoint the Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Stated Capital

The Stated Capital of the Company as at 31 March 2018 was Rs.2,403,276,182/- representing 96,650,427 ordinary shares (Rs. 2,403,276,182/- representing 96,650,427 ordinary shares as at 31st March 2017)

Directors' Shareholding

Directors' interest in the shares of the Company as at 31st March 2018 and 31st March 2017 were as follows:

	As at 31.3.2018	As at 31.3.2017
Mr. E P ACooray	11,500	11,500
Mr. D S Jayaweera	30,240	30,240
Mr. R Seneviratne	429,665	429,665
Ms. V S F Amunugama	30,240	30,240
Mr. J M B Pilimatalawwe	Nil	Nil
Mr. S D de Mel	100,000	100,000
Mr. P C B Talwatte	Nil	Nil
Mr. P V S Premawardhana	Nil	Nil
Mr. S A Ameresekere	Nil	Nil

Major Shareholders, Distribution Schedule and other information

Information on the distribution of shareholding, analysis of shareholders, market values per share, earnings per share, net assets per share, twenty largest shareholders of the Company, percentage of shares held by the public as per the Listing Rules of the Colombo Stock Exchange are given on pages 128 to 130 under Shareholders' Information.

Employment Policy

The Company's employment policy is totally non-discriminatory which respects individuals and provides career opportunities irrespective of the gender, race or religion.

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

As at 31st March 2018, 27 persons were in employment (29 persons as at 31st March 2017).

There were no material issues pertaining to employees and industrial relations during the financial year.

Statutory Payments

The Directors confirm that to the best of their knowledge, all payments in respect of statutory liabilities including EPF, ETF and PAYE tax have been made within the stipulated periods during the financial year.

Reserves

The reserves of the Company with the movements during the year are given in financial statements on page 58.

Land Holdings

The Company does not hold any freehold land.

Property, Plant & Equipment

Details and movements of property, plant and equipment are given in Note 11 to the Financial Statements on pages 92 to 99.

Investments

Details of the Company's quoted and unquoted investments as at 31st March 2018 are given in Note 14 to the Financial Statements on pages 101 and 102.

Material Foreseeable Risk Factors

As part of the governance process, the Board on a continuous basis reviews and evaluates the Internal Controls and risks of the Group and takes any measures required to mitigate risk.

Donations

No Donations were made by the Company during the year under review.

Dividends

Directors do not recommend a dividend for the year under review.

Corporate Governance

The Board of Directors confirm that the Company is compliant with section 7.10 of the Listing Rules of the Colombo Stock Exchange.

The report on Corporate Governance is given on Pages 20 to 41 of the Annual Report.

Related Party Transactions

The Directors declare that the Company is in compliance with Rule 9 of the Listing Rule of Colombo Stock Exchange pertaining to related party transactions during the financial year ended 31st March 2018.

Events after the Reporting Date

There were no Events after the Reporting Date which would require adjustment to or disclosure in the Financial Statements except Note 28 to the Financial Statements.

Corporate Restructure

The overall strategic restructuring plan of the Group announced on 27th September, 2016 which was fully completed during the Financial Year is described in Note 1.5 to the Financial Statement on Pages 61 and 62.

Annual General Meeting

The Annual General Meeting of the Company will be held at Sri Lanka Foundation, Lecture Hall 08, No. 100, Sri Lanka Padanama Mawatha, Independence Square, Colombo 07 on 27th September 2018 at 9.00 am.

The Notice of the Annual General Meeting is on page 134 of this Report.

This Annual Report is signed for and on behalf of the Board of Directors by



E P A Cooray
Chairman



S A Ameresekere
Director



P W Corporate Secretarial (Pvt) Ltd
Secretaries

30 August 2018
Colombo

Corporate Governance

Board of Directors

The Board of Directors is committed to maintain the highest standards of corporate governance and ethical business conduct in the operations and decision making process. In this regard, the Board of Directors is responsible for the governance of the Company whilst the shareholders role in governance is to appoint the Directors and the Auditors to satisfy themselves that an appropriate governance structure is in place.

The Board of Directors of the Company currently comprises of Nine members. There is a balance of Executive and Non Executive Directors to ensure that the decisions taken by the Board are collective decisions. One third of the Directors retires by rotation at each Annual General Meeting but they are eligible for re-election.

Each Non-Executive Director has submitted a Declaration of his independence or non-independence as required under the Listing Rules of the Colombo Stock Exchange.

Based on the said Declarations the Board has determined that Messrs E P A Cooray, Rajinda Seneviratne and S D De Mel are Independent Non-Executive Directors while Messrs S A Ameresekere, P V S Premawardhana and J M B Pilimalawwe are Non Executive Directors.

Board Sub Committees

Audit Committee

The Audit Committee functions under a written Charter. The primary function of the Committee is to assist the Board in fulfilling its responsibilities by reviewing the financial information provided to Shareholders. The Audit Committee also oversees the relationship between the Company and the Auditor and reviews the Company's financial reporting system.

The Audit Committee of Citrus Leisure PLC comprise of five Non-Executive Directors of whom three are Independent.

The said Audit Committee will also function as the Audit Committee of the Listed Subsidiary Companies namely, Waskaduwa Beach Resort PLC and Hikkaduwa Beach Resort PLC.

Mr. E.P. A Cooray serves as Chairman of the Audit Committee and he is a Certified Management Accountant.

The Report of the Audit Committee appears on Pages 43 and 44.

The names of the members of the Audit Committee are as follows.

Independent Non-Executive Directors

Mr. E P A Cooray - Chairman
Mr. S D de Mel
Mr. R. Seneviratne

Non-Executive Directors

Mr. P V S Premawardhana
Mr. S A Ameresekere

Remuneration Committee

The Remuneration Committee appointed by and responsible to the Board of Directors comprise of five Non-Executive Directors of whom three are Independent. The Committee reviews the remuneration of Senior Management and the Executive Directors.

The said Remuneration Committee will also function as the Remuneration Committee of the Listed Subsidiary Companies namely, Waskaduwa Beach Resort PLC and Hikkaduwa Beach Resort PLC.

The names of the members of the Remuneration Committee are as follows,

Non-Executive Directors

Mr J M B Pilimalawwe - Chairman
Mr. S A Ameresekere

Independent Non-Executive Directors

Mr. E P A Cooray
Mr. R Seneviratne
Mr. S D de Mel

Report of the Remuneration Committee appears on Pages 45 and 46.

Related Party Transactions Review Committee

The Related Party Transactions Review Committee consists of one Executive Director and four Non-Executive Directors of whom two are Independent. The Committee ensures that the interests of the shareholders are taken into account when entering into Related Party Transactions. The Related Party Transactions Review Committee has reviewed all related party transactions that require their review for the year ended 31st March 2018 in compliance with the relevant listing rules.

The said Related Party Transactions Review Committee also functions as the Related Party Transactions Review Committee of the Listed Subsidiary Companies namely, Waskaduwa Beach Resort PLC and Hikkaduwa Beach Resort PLC.

The names of the members of the Related Party Transactions Review Committee are as follows.

Independent Non-Executive Directors

Mr. E P A Cooray - Chairman
Mr. S D De Mel

Non-Executive Directors

Mr. P V S Premawardhana
Mr. S A Ameresekere

Executive Director

Mr. P C B Talwatte

Corporate Governance

Report of the Related Party Transactions Review Committee appears on Pages 47 and 48.

Compliance with Code of Best Practice

The Code of Best Practice on Corporate Governance issued jointly by The Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka, has been adopted by the Board which is on pages 27 to 41.

Effectiveness of the Board

The Board members meet the Directors and the Senior Management staff regularly and as the need arises to consider among other matters, the performance and financial statements for the period under review.

Company Secretaries

P W Corporate Secretarial (Pvt) Ltd who act as Secretaries to the Company are qualified to act as Secretaries as per the provisions of the Companies Act No. 07 of 2007.

Compliance with Legal Requirements

The Board makes every endeavour to ensure that the Company complies with Laws and Regulations. Checks and controls are in place to ensure that the policies of the Board are complied with.

The Board of Directors ensure that the Financial Statements of the Company are prepared in accordance with Sri Lanka Accounting Standards and in accordance with the requirements of the Colombo Stock Exchange. Maximum information is provided to shareholders and full disclosure is made subject only to any sensitive information, which could directly impact the business of the Company.

Board Meetings

The Board meets regularly to discharge their duties effectively. The Board's functions include the assessment of the adequacy and effectiveness of internal controls, compliance with applicable laws and regulations, review of management and operational information, adoption of annual and interim accounts before they are published, review of exposure to key business risks, strategic direction of operational and management units, approval of annual budgets, monitoring progress towards achieving the budgets, approvals relating to key appointments, sanctioning major capital expenditure etc.

The Board met 10 times during the period under review and the attendance is given on the following page.

Directors' Attendance at the Board Meeting from 01.04.2017 to 31.03.2018

Name of Director	2017							2018		
	30.05.2017	20.07.2017	14.08.2017	28.08.2017	17.10.2017	14.11.2017	18.12.2017	09.01.2018	13.02.2018	09.03.2018
Mr. E P A Cooray	√	√	√	√	√	√	√	√	√	√
Mr. D S Jayaweera	√	√	√	×	√	√	√	√	×	×
Mr. R Seneviratne	√	√	√	√	×	√	√	×	√	√
Mrs. V S F Amunugama	√	×	×	×	√	√	√	√	√	√
Mr. J M B Pilimalawwe	√	√	×	√	√	√	×	√	√	√
Mr. S D De Mel	√	×	√	√	×	√	√	×	×	√
Mr. P C B Talwatte	√	√	√	√	×	√	√	√	√	√
Mr. P V S Premawardhana	√	√	√	×	√	√	√	√	×	√
Mr. S A Ameresekere	√	√	√	√	√	√	√	√	√	√

By order of the Board of
Citrus Leisure PLC



P W Corporate Secretarial (Pvt) Ltd
 Secretaries

30 August 2018
 Colombo

Corporate Governance

Compliance with Continuing listing Rules - Checklist

Complied Non-Complied

Rule Ref.	Subject	Applicable requirement	Compliance Status	Applicable section in the Annual Report
7.10.1 (a)	Non-Executive Directors	At least one third of the total number of Directors should be Non-Executives.	√	Corporate Governance
7.10.2 (a)	Independent Directors	Two or one third of Non-Executive Directors whichever is higher should be Independent.	√	Corporate Governance
7.10.2 (b)	Independent Directors(ID)	Each Non-Executive Director should submit a declaration of Independence, non independence in the prescribed format	√	Available with the Secretaries for review
7.10.3 (a)	Disclosure relating to Directors	The Board shall annually determine the independence or otherwise of the non Independence. Names of the Independent Directors should be Disclosed in the Annual Report.	√	Corporate Governance
7.10.3 (b)	Disclosure relating to Directors	The basis for Board to determine Directors as independent, if specified criteria for independence is not met.	√	Corporate Governance
7.10.3 (c)	Disclosure relating to Directors	A brief resume of each Director should be included in the Annual Report including the areas of expertise.	√	Board of Directors (Profile) Section in the AR

Rule Ref.	Subject	Applicable requirement	Compliance Status	Applicable section in the Annual Report
7.10.3 (d)	Disclosure relating to Directors	Provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(a,b,c & d) to the CSE.	N/A	-
7.10.5	Remuneration Committee	A Listed company shall have a Remuneration Committee	√	Corporate Governance
7.10.5 (a)	Composition of the Remuneration Committee.	Shall comprise of Non-Executive Directors a majority of whom will be independent	√	Corporate Governance
7.10.5 (b)	Functions of the Remuneration Committee	The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and Executive Directors.	√	Corporate Governance and Remuneration Committee Report
7.10.5 (c)	Disclosure in the Annual Report relating to Remuneration Committee	The Annual Report should set out (a) Names of Directors comprising the Remuneration Committee. (b) Statement of Remuneration Policy. (c) Aggregated remuneration paid to NED/ NID/ID. (d) Statement of Remuneration Committee.	√	Corporate Governance and the Remuneration Committee Report

Corporate Governance

Compliance with Continuing listing Rules - Checklist

Complied Non-Complied

Rule Ref.	Subject	Applicable requirement	Compliance Status	Applicable section in the Annual Report
7.10.6	Audit Committee	The Company shall have an Audit Committee	√	Corporate Governance
7.10.6 (a)	Composition of an Audit Committee	<p>Shall comprise of Non-Executive Directors the majority of whom should be independent.</p> <p>One Non-Executive Director shall be appointed as the Chairman of the Audit Committee</p> <p>The Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings</p> <p>The Chairman of the Audit Committee or one member should be a member of a professional accounting body</p>	√	Corporate Governance and the Board Committee Reports.
7.10.6 (b)	Audit Committee Functions	Should be as outlined in Section 7 of the listing rules	√	Corporate Governance and the Board Committee Reports.

Rule Ref.	Subject	Applicable requirement	Compliance Status	Applicable section in the Annual Report
7.10.6 (c)	Disclosure in the Annual Report relating to the Audit Committee.	<p>(a) Names of the Directors comprising the Audit Committee</p> <p>(b) The Audit Committee shall make a determination of the independence of the Auditors and disclose for such determination</p> <p>(c) The Annual Report Shall contain a Report of the Audit Committee setting out of the manner of compliance of the functions</p>	√	Corporate Governance and the Board Committee Reports.

Adoption of Joint Code of Best Practice Checklist

Complied √ Non-Complied X

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
A.1 DIRECTORS – Board				
A.1.1	Frequency of Board Meetings	Board should meet regularly, at least once in every quarter	√	Corporate Governance / AR of the BOD

Corporate Governance

Adoption of Joint Code of Best Practice Checklist

Complied ✓ Non-Complied X

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
A.1.2	Responsibilities of the Board	Formulation and implementation of strategy and skill adequacy of management and succession Integrity of information, internal controls and risk management Compliance with laws, regulations and ethical Standards Code of conduct and adoption of appropriate accounting policies	✓	Corporate Governance
A.1.3	Access to professional advice	Procedures to obtain independent professional advice	✓	Corporate Governance
A.1.4	Company Secretary	Ensure adherence to board procedures and applicable rules and regulations Procedure for Directors to access services of Company Secretary	✓	Corporate Governance
A.1.5	Independent Judgement	Directors should exercise independent judgment on issues of strategy, resources performance and standards of business judgments	✓	Corporate Governance
A.1.6	Dedication of adequate time and effort by Directors	Directors should devote adequate time and effort to discharge their responsibilities to the Company satisfactorily	✓	Corporate Governance

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
A.1.7	Training for Directors	Directors should receive appropriate training, hone skills and expand knowledge to more effectively perform duties	√	Corporate Governance
A.2 DIRECTORS - Chairman & Chief Executive Officer				
A.2.	Division of responsibilities to ensure no individual has unfettered powers of decision	A balance of power and authority to be maintained by separating responsibility for conducting Board business from that of executive decision making	√	Corporate Governance
A.3 DIRECTORS - Role of Chairman				
A.3	Ensure good corporate governance	The Chairman should preserve order and facilitate effective discharge of board functions by proper conduct of Board meetings	√	Corporate Governance
A.4 DIRECTORS - Financial Acumen				
A.4	Possession of adequate financial acumen	Board to ensure adequacy of financial acumen and knowledge within Board	√	Corporate Governance
A.5 DIRECTORS - Board Balance				
A.5.1	Composition of Board	The Board should include a sufficient number of Non-Executive Independent Directors	√	Corporate Governance
A.5.2	Proportion of independent Directors	Two or one third of the Non-Executive Directors should be Independent	√	Corporate Governance

Corporate Governance

Adoption of Joint Code of Best Practice Checklist

Complied ✓ Non-Complied X

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
A.5.3	Test of independence	Independent Directors should be Independent of management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgement	✓	Corporate Governance
A.5.4	Declaration of independence	Non-Executive Directors should submit a signed and dated declaration of their Independence /Non-Independence	✓	Corporate Governance/ Annual Report of the Board of Directors
A.5.5	Annual determination of criteria of independence / non - independence and declaration of same by Board	The Board should annually determine and disclose the names of Directors deemed to be independent	✓	Corporate Governance
A.5.6	Appointment of Senior Independent Director	If the roles of Chairman / CEO are combined, a Non-Executive should be appointed as a Senior Independent Director	N/A	-

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
A.5.7	Availability of Senior Independent Director (SID) to other Directors	If warranted the SID should be available to the other directors for confidential discussions	N/A	-
A.5.8	Interaction between Chairman and Non-Executive Independent Directors	The Chairman should meet the Non-Executive Independent Directors at least once a year	√	Corporate Governance
A.5.9	Directors concerns to be recorded	When matters are not unanimously resolved, directors to ensure their concerns are recorded in Board minutes	N/A	-
A.6 DIRECTORS - Supply of information				
A.6.1	Provision of adequate information to Board	Management to ensure the Board is provided with timely and appropriate information	√	Corporate Governance
A.6.2	Adequacy of notice and formal agenda to be discussed at Board meetings	Board minutes , agenda and papers should be circulated at least seven days before the Board meeting	√	Corporate Governance

Corporate Governance

Adoption of Joint Code of Best Practice Checklist

Complied ✓ Non-Complied X

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
A.7 DIRECTORS - Appointment to the Board				
A.7.1	Annual assessment of Board Composition	The Board should annually assess the composition of Board	✓	Corporate Governance
A.7.2	Disclosure of new Board appointments	Profiles of new Board appointments to be communicated to the Shareholders	✓	Corporate Governance/ Notice of Meeting
A.8 DIRECTORS - Re-election				
A.8.1	Appointment of Non-Executive Directors	Appointment of Non-Executive Directors should be for specified terms and re-election should not be automatic	✓	Corporate Governance / Annual Report of the Board of Directors
A.8.2	Shareholder approval of appointment of all Directors	The appointment of all Directors should be subject to election by shareholders at the first opportunity	✓	Corporate Governance / Annual Report of the Board of Directors / Notice of Meeting

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
A.9 DIRECTORS - Appraisal of Board Performance				
A.9.1	Annual appraisal of Board performance	The Board should annually appraise how effectively it has discharged its key responsibilities	√	Corporate Governance
A.9.2	Self evaluation of Board and Board Committees	The Board should evaluate its performance and that of its committees annually	√	Corporate Governance/ Audit Committee Report
A.9.3	Declaration of basis of performance evaluation	The Board should disclose how performance evaluations have been carried out	√	Corporate Governance
A.10 DIRECTORS - Disclosure of information in respect of Directors				
A.10.1	Biographical profiles and relevant details of Directors to be disclosed	The Annual Report should disclose the biographical details of directors and attendance at Board/ Committee meetings	√	Board of Directors , Corporate Governance / Audit Committee Report
A.11 DIRECTORS - Appraisal of Chief Executive Officer				
A.11.1	Short, medium and long term, financial and non - financial objectives to be set	The Board should set out the short, medium and long term, financial and non - financial objectives at the commencement of each year	√	Corporate Governance
A.11.2	Evaluation of CEO performance	The performance of the CEO should be evaluated by the Board at the end of the year	√	Corporate Governance

Corporate Governance

Adoption of Joint Code of Best Practice Checklist

Complied ✓ Non-Complied X

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
B. 1 DIRECTORS REMUNERATION - Remuneration Procedure				
B.1.1	Appointment of Remuneration Committee	The Remuneration Committee of parent may function as such for the Company to make recommendations on Directors remuneration	✓	Corporate Governance
B.1.2	Composition of Remuneration Committee	Board to appoint only Non-Executive Directors to serve on the Remuneration Committee	✓	Corporate Governance
B.1.3	Disclosure of members of Remuneration Committee	The Annual Report should disclose the Chairman and Directors who serve on the Remuneration Committee	✓	Corporate Governance
B.1.4	Remuneration of Non-Executive Directors	Board to determine the level of remuneration of Non-Executive Directors	✓	Corporate Governance
B.1.5	Access to professional advice	The Remuneration Committee should have access to professional advice in order to determine appropriate remuneration for Executive Directors.	✓	Corporate Governance
B. 2 DIRECTORS REMUNERATION - Level and Make up of Remuneration				
B.2.1	Remuneration packages for Executive Directors	Packages should be structured to attract, retain and motivate Executive Directors	✓	Corporate Governance

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
B.2.2	Remuneration packages to be appropriately positioned	Packages should be comparable and relative to that of other companies as well as the relative performance of the Company	√	Corporate Governance
B.2.3	Appropriateness of remuneration and conditions in relation to other Group companies	When determining annual increases remuneration Committee should be sensitive to that of other Group companies	√	Corporate Governance
B.2.4	Performance related elements of Remuneration	Performance related elements of remuneration should be aligned with interests of Company	√	Corporate Governance
B.2.5	Share options	Executive share options should not be offered at a discount	N/A	-
B.2.6	Remuneration packages for Non-Executive Directors	Should reflect time commitment and responsibilities of role and in line with existing market practice	N/A	-

B. 3 DIRECTORS REMUNERATION - Disclosure of Remuneration

B.3.1	Disclosure of details of remuneration	The Annual Report should disclose the remuneration paid to Directors	√	Financial Statements - Note 29
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Corporate Governance

Adoption of Joint Code of Best Practice Checklist

Complied Non-Complied

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
C. 1 RELATIONS WITH SHAREHOLDERS - Constructive use and conduct of Annual General Meeting				
C.1.1	Proxy votes to be counted	The Company should count and indicate the level of proxies lodged for and against in respect of each resolution	√	Corporate Governance
C.1.2	Separate resolutions	Separate resolutions should be proposed for substantially separate issues	√	Corporate Governance/ Notice of Meeting
C.1.3	Availability of Committee Chairman at AGM	The Chairman of Board Sub Committees should be available to answer any queries at AGM	√	Corporate Governance
C.1.4	Notice of AGM	15 calendar days notice to be given to shareholders	√	Notice of Meeting
C.1.5	Procedure for voting at meetings	Company to circulate the procedure for voting with Notice of Meeting	√	Notice of Meeting
C. 2 MAJOR TRANSACTIONS				
C.2.1	Disclosure of Major Transactions	Transactions that have a value which are greater than half of the net assets of the Company should be disclosed	√	Corporate Governance and Annual Report of the Board of Directors
D.1 ACCOUNTABILITY AND AUDIT - Financial Reporting				
D.1.1	Presentation of public reports	Should be balanced, understandable and comply with statutory and regulatory requirements	√	Corporate Governance, Risk Management and Financial Statements

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
D.1.2	Director's Report	<p>The Director's Report should be included in the Annual Report and confirm that</p> <ul style="list-style-type: none"> - the Company has not contravened laws or regulations in conducting its activities - material interests in contracts have been declared by Directors - the Company has endeavoured to ensure equitable treatment of shareholders - that the business is a "going concern" - that there is reasonable assurance of the effectiveness of the existing business systems following a review of the internal controls covering financial, operational and compliance 	√	Annual Report of the Board of Directors, Audit Committee Report, Financial Statements, Corporate Governance and Risk Management
D.1.3	Respective responsibilities of Directors and Auditors	The Annual Report should contain separate statements setting out the responsibilities of the Directors for the preparation and presentation of the financial statements and the reporting responsibilities of the Auditors	√	Statement of Directors' Responsibility and Independent Auditors' Report

Corporate Governance

Adoption of Joint Code of Best Practice Checklist

Complied Non-Complied

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
D.1.4	Going Concern	Directors to substantiate and report that the business is a going concern or qualify accordingly	√	Annual Report of the Board of Directors
D.1.5	Serious Loss of Capital	Directors to summon an Extraordinary General Meeting in the event that the net assets of the Company falls below 50% of the value of Shareholder's Funds	N/A	-
D.2 ACCOUNTABILITY AND AUDIT - Internal Control				
D.2.1	Effectiveness of the system of internal controls	Directors to annually conduct a review of the effectiveness of the system of internal controls. This responsibility may be delegated to the Audit Committee	√	Audit Committee Report Risk Management
D.3 AUDIT COMMITTEE				
D.3.1	Chairman and Composition of The Audit Committee	Should comprise of a minimum of two Independent, Non-Executive Directors. The Audit Committee Chairman should be appointed by the Board	√	Audit Committee Report

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
D.3.2	Duties of Audit Committee	Should include - Review of scope and results of audit and its effectiveness - Independence and objectivity of the Auditors	√	Corporate Governance
D.3.3	Terms of Reference / Charter	The Audit Committee should have a written "Terms of Reference" which define the purpose of the Committee and its duties and responsibilities	√	Corporate Governance
D.3.4	Disclosures	- The Annual Report should disclose the names of Directors serving on the Audit Committee - The Audit Committee should determine the independence of the Auditors and disclose the basis of such determination - The Annual Report should contain a report by the Audit Committee setting out the manner of the compliance of the Company during the period to which the Report relates	√	Corporate Governance and Audit Committee Report

Corporate Governance

Adoption of Joint Code of Best Practice Checklist

Complied √ Non-Complied X

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
D.4 CODE OF BUSINESS CONDUCT AND ETHICS				
D.4.1	Adoption of Code of Business Conduct and Ethics	The Company must adopt a Code of Business Conduct and Ethics for directors and members of the senior management team and promptly disclose any violation of the Code	√	Corporate Governance
D.4.2	Chairman's affirmation	The Annual Report must include an affirmation by the Chairman that he is not aware of any violation of the Code of Business Conduct and Ethics	√	Chairman's Message / Annual Report of the Board of Directors
D.5 CORPORATE GOVERNANCE DISCLOSURES				
D.5.1	Corporate Governance Report	The Annual Report should include a report setting out the manner and extent to which the Company has adopted the principles and provisions of the Code of Best Practice on Corporate Governance	√	Corporate Governance

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
E. INSTITUTIONAL INVESTORS – Structured Dialogue				
E.1	Structured Dialogue with Shareholders	A regular and structured dialogue should be conducted with shareholders and the outcome of such dialogue should be communicated to the Board by the Chairman	√	Corporate Governance
E.2	Evaluation of Governance Disclosures by Institutional Investors	Institutional investors should be encouraged to consider the relevant factors drawn to their attention with regard to Board structure and composition	√	Corporate Governance
F. OTHER INVESTORS – Investment/Divestment decisions				
F.1	Individual Investors	Individual shareholders should be encouraged to carry out adequate analysis and seek professional advice when making their investment/divestment decisions	√	Corporate Governance
F.2	Shareholder Voting	Individual shareholders should be encouraged to participate and exercise their voting rights	√	Corporate Governance / Form of Proxy

Statement of Directors' Responsibility

The Companies Act 07 of 2007 stipulates that Directors are responsible for the preparation of financial statements for each financial year and place before a general meeting financial statements, comprising a Profit and Loss Account and a Statement of Financial Position which presents a true and fair view of the state of affairs of the Company as at the end of the financial year and which comply with the requirements of the above Act.

The financial statements have been prepared and presented in accordance with Sri Lanka Accounting Standards. In preparing the financial statements, appropriate accounting policies have been selected and applied consistently, whilst reasonable and prudent judgments and estimates have been made.

As per Section 148 of the Act, the Directors are required to maintain 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.

The Directors are also responsible for devising proper internal controls for safeguarding the assets of the Company against unauthorized use or disposition, prevention and detection of fraud and for reliability of financial information used within the business or publication.

The Directors continue to adopt the going concern basis in preparing accounts and after making inquiries and following a review of the Company's budget for the financial year 2018/2019, including cash flows and borrowing facilities, consider that the Company has adequate resources to continue in operation.

The Board of Directors is of the opinion that the Board has discharged its responsibilities as set out above.

By order of the Board of
Citrus Leisure PLC



P W Corporate Secretarial (Pvt) Ltd
Secretaries

30 August 2018
Colombo

Audit Committee Report

The Audit Committee of Citrus Leisure PLC comprised of two Independent Non-Executive Directors namely Mr. E P A Cooray (Chairman), Mr. S D De Mel and two Non-Executive Directors, Mr. P V S Premawardhana and Mr. S A Ameresekere.

The Audit Committee of Citrus Leisure PLC was reconstituted with effect from 17th October 2017 comprising of three Independent Non-Executive Directors namely Mr. E P A Cooray (Chairman), Mr. S D De Mel, Mr. R Seneviratne and two Non-Executive Directors, Mr. P V S Premawardhana and Mr. S A Ameresekere.

The said Audit Committee also functions as the Audit Committee of the Listed Subsidiary Companies namely, Waskaduwa Beach Resort PLC, Hikkaduwa Beach Resort PLC and Kalpitiya Beach Resort PLC (ceased to exist w.e.f. 30th January 2018 due to the amalgamation with Hikkaduwa Beach Resort PLC).

The Principal Responsibilities of the Audit Committee

The Audit Committee is empowered by the Board of Directors to examine all matters relating to the financial status of the Company, and its internal and external audits. The Committee pursues and promotes good Corporate Governance by actively creating awareness and providing advice to management on Risk Management, appropriate internal control practices, and other related activities of the Company in compliance with the rules and regulations of the Colombo Stock Exchange. The proceedings of the Audit Committee are regularly reported to the Board of Directors through formal minutes.

Operation of the Audit Committee

The Chairman of the Audit Committee is a Fellow Member of Institute of Certified Management Accountants of Sri Lanka. The Statutory Auditors, the Internal Auditors, Chief Executive Officer, General Managers of the Hotels, Group Accountant and Hotel Accountants attended these meetings of the Audit Committee at the invitation of the Chairman of the Audit Committee. Outsourced Internal Auditors (PricewaterhouseCoopers) are required to attend meetings on a regular basis.

The Company Secretary acts as Secretary to the Audit Committee. The members of the Audit Committee can, where they judge it necessary to discharge their responsibilities, obtain independent professional advice at the Company's expense. The Committee met four times during the financial year ended 31st March 2018.

The Audit Committee's Duties include:

- Monitoring the financial reporting process.
- Monitoring the compliance with financial reporting requirements, information requirements of the Companies Act No. 07 of 2007 and other relevant financial reporting related regulations and requirements.
- Monitoring the statutory audit of the Group's Financial Statements.
- Reviewing the Group's Financial Statements and the material financial reporting judgments contained therein.
- Monitoring the effectiveness of the Group's Internal Control and Risk Management systems.

Audit Committee Report

- Reviewing and monitoring the independence of the External Auditors and the provision of additional services to the Group.
- Advising the Board on the appointment and removal of the External Auditors and the remuneration and terms of engagement of the External Auditors.

Internal Control and Risk Management

The Board is responsible for the Group's system of internal control and risk management and for reviewing its effectiveness. The Audit Committee monitors and reviews each year the effectiveness of, and the framework for, the Group's system of internal control and risk management. The Audit Committee undertook a review of the effectiveness of, and the framework for the Group's system of internal control and risk management, including financial, operational and compliance controls during the year. In addition to this review, the External Auditors and Internal Auditors provided the Audit Committee with comprehensive reports of the results of their testing of controls that were carried out as part of the external audit.

The Audit Committee also reviewed on a quarterly basis, the key risks that the Group faces and the actions being taken by the management to mitigate and manage them.

Review of the Work of the External Auditors

Subject to the annual appointment of the External Auditors by shareholders, the Audit Committee regularly reviews the relationship between the Group and the External Auditors.

This review includes an assessment of their performance, cost effectiveness, objectivity and independence. The Audit Committee is responsible for ensuring that an appropriate relationship is maintained between the Group and the External Auditors.

The Group has implemented a policy of controlling the provision of non-audit services by the External Auditors in order to ensure that their objectivity and independence is safeguarded. The Audit Committee also continued with the appointment of other accountancy firms to provide certain non-audit services to the Group in connection with tax, other services and anticipates that this will continue in 2018/19.

The Audit Committee, having considered the External Auditors' performance during their period in office, recommends their re-appointment for the financial year ending 31st March 2019, subject to the approval of the shareholders at the next Annual General Meeting. A full breakdown of the audit and non-Audit related fees are set out in Note No 8 to the Consolidated Financial Statements on page 87.

This report was approved by the Board and signed on its behalf by:



Prema Cooray
Chairman - Audit Committee

30 August 2018
Colombo

Remuneration Committee Report

The Remuneration Committee of Citrus Leisure PLC, appointed by and responsible to the Board of Directors, comprised of three Non-Executive Directors namely Mr. J M B Pilimatalawwe (Chairman), Mr. P V S Premawardhana, Mr. S A Amersekere and two Independent Non-Executive Directors, Mr. R Seneviratne and Mr. S D De Mel.

The Remuneration Committee of Citrus Leisure PLC was reconstituted with effect from 17th October 2017 comprising of two Non-Executive Directors namely Mr. J M B Pilimatalawwe (Chairman), Mr. S A Amersekere and three Independent Non-Executive Directors, Mr. E P A Cooray, Mr. R Seneviratne and Mr. S D De Mel.

The said Remuneration Committee also functions as the Remuneration Committee of the Listed Subsidiary Companies namely, Waskaduwa Beach Resort PLC, Hikkaduwa Beach Resort PLC and Kalpitiya Beach Resort PLC (ceased to exist w.e.f. 30th January 2018 due to the amalgamation with Hikkaduwa Beach Resort PLC).

Policy

The remuneration policy of the Company endeavours to attract, motivate and retain quality management in a competitive environment with the relevant expertise necessary to achieve the objectives of the Company. The Committee focuses and is responsible to ensure that the total package is competitive to attract the best

talent for the benefit of the Company. The remuneration framework of the Company for the Chairman, Chief Executive Officer and Corporate Management is designed to create and enhance value to all stakeholders of the Company and to ensure alignment qua the short and long-term interest of the Company and its Executives and in designing competitive compensation packages, the Committee consciously balances the short-term performance with medium to long-term goals of the Company.

Scope

The Committee reviews all significant changes in the corporate sector in determining salary structures and terms and conditions relating to staff at Senior Executive level. In this decision making process, necessary information and recommendations are obtained from the Chief Executive Officer. The Committee deliberates and recommends to the Board of Directors the remuneration packages and annual increments and bonuses of the Chief Executive Officer, members of the Corporate Management and Senior Executive staff and lays down guidelines for the compensation structure for all Executive staff and overviews the implementation thereof.

The Chief Executive Officer who is responsible for the overall management of the Company attends all meetings by invitation and participates in the deliberations except when his own performance and compensation package is discussed.

Remuneration Committee Report

Fees

None of the Non-Executive Directors receive a fee for attendance at Board Meetings. They do not receive any performance or incentive payment.

Meetings

The Committee met four times during the financial year under review. A Report of decisions approved and recommended by the committee is reported to the Board of Directors.

Professional Advice

The Committee has the authority to seek external professional advice on matters within its purview.

Committee Evaluation

Self-Assessment by the Committee members was complied with at the commencement.



J. M. B. Pilimatalawwe

Chairman - Remuneration Committee

30 August 2018

Colombo

Related Party Transactions Review Committee Report

The Role And Responsibilities

The Related Party Transactions Review Committee ("the Committee") is tasked with reviewing all Related Party Transactions of the Company and ensuring that it complies with the Listing Rules of the Colombo Stock Exchange (CSE) and other relevant statutes and regulations. The Committee reviews and pre-approves all proposed non-recurrent Related Party Transactions of the Company. Further, the Committee reviews all recurrent Related Party Transactions on a quarterly basis and annually to ensure compliance with the limits and reporting guidelines specified by the Listing Rules of CSE.

Related Party Transactions Review Committee Composition

The Committee comprises of one Executive Director and four Non-Executive Directors of whom two are Independent.

The said Related Party Transactions Review Committee also function as the Related Party Transactions Review Committee of the Listed Subsidiary Companies namely, Waskaduwa Beach Resort PLC, Hikkaduwa Beach Resort PLC and Kalpitiya Beach Resort PLC (ceased to exist w.e.f. 30th January 2018).

The names of the members of the Related Party Transactions Review Committee are as follows

Independent Non-Executive Directors

Mr. E P A Cooray - Chairman
Mr. S D de Mel

Non-Executive Directors

Mr. P V S Premawardhana
Mr. S A Ameresekere

Executive Director

Mr. P C B Talwatte

The Committee met four times during the financial year under review. The members of the management attend the meetings upon invitation to brief the Committee on specific issues.

Key Activities Of The Related Party Transactions Review Committee During The Financial Year

- Review and pre-approve all non-recurrent related party transactions of the Company prior to approval by the Board of Directors.
- Review all related party transactions to ensure that they are in the best interests of the Company.
- Ensure that all reporting requirements of the of the CSE Listing Rules and other relevant statutes and regulations are met.
- Update the Board of Directors on the Related Party Transactions of the Company.


Related Party Transactions Review Committee Report

- Assess the adequacy of related party reporting systems along with the advice of the External and Internal Auditors.
- Ensure that all transactions with related parties are in the best interest of all shareholders and adequate transparency is maintained.
- Establish guidelines and policies for the management and reporting of related party transactions.

The Committee has reviewed all related party transactions during the period and has established that they are in the best interest of the Company and comply with all standards of best practice and reporting.

Key Management Personnel

The Board of Directors are designated as Key Management Personnel of the Company. The Committee ensures that no participants in the discussions of a related party transaction shall have a direct related party for that transaction. However, such persons may participate in the discussion for the sole purpose of providing information on such transactions.



Prema Cooray

Chairman - Related Party Transactions
Review Committee

30 August 2018
Colombo

Independent Auditors' Report



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**TO THE SHAREHOLDERS OF
CITRUS LEISURE PLC
Report on the audit of the Consolidated
Financial Statements**

Opinion

We have audited the financial statements of Citrus Leisure PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

Key audit matters

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

Independent Auditors' Report

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of

material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter	How our audit addressed the key audit matter
<p>Valuation of Land and Buildings</p> <p>As at 31 March 2018, Land and Buildings carried at fair value, classified as Property, Plant & Equipment amounted to Rs. 5,340.3 Mn.</p> <p>The fair value of such properties was determined by external valuers engaged by the Group. The valuation of land and buildings was significant to our audit due to the use of significant estimates such as per perch price and value per square foot.</p>	<p>Our audit procedures focused on the valuations performed by the external valuers engaged by the Group, and included the following;</p> <ul style="list-style-type: none"> • Assessed the competency, capability and objectivity of the external valuers engaged by the Group. • Read the external valuer's report and understood the key estimates made and the approach taken by the valuers in determining the fair value. • Engaged our internal specialised resources to assess the reasonableness of the valuation techniques, per perch price and value per square foot. • We have also assessed the adequacy of the disclosures made in Notes 3.5.2, 3.10 and 11 to the financial statements relating to the valuation technique and estimates used by the external valuers.

Key Audit Matter	How our audit addressed the key audit matter
<p>Impairment of investment in Associate</p> <p>Financial statements of the Group include investment in associate amounting to Rs. 2,085.3Mn.</p> <p>Management has performed an impairment testing of the carrying amount as disclosed in note 15 to the financial statements the impairment loss identified through such test amounting to Rs. 176.5 Mn is recognised in the statement of profit or loss.</p> <p>Given the high level management judgement in the impairment assessment and the significant of the carrying value of the investment in the financial statements we considered this area to be important to audit.</p>	<p>Our audit procedures included the following;</p> <ul style="list-style-type: none"> • Assessed the competency, capability and objectivity of the management expert engaged by the Group. • Read the Management expert's report and understood the key estimates made and the approach taken by the valuers in determining the fair value. • Engaged our internal specialised resources to assess the reasonableness of the valuation techniques. • We have also assessed the adequacy of the disclosures made in Notes 2.6, 3.10 and 15 to the financial statements.

Other information included in the Group's 2018 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the

financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial

Independent Auditors' Report

statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit

evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 1518.



30th August 2018
Colombo

Partners: W R H Fernando FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W K B S P Fernando FCA FCMA
Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA Ms. P V K N Sajeewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA

Principal T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

Statement of Profit or Loss

Year Ended 31 March	Note	Group		Company	
		2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Revenue	5	1,276,643,642	1,212,955,803	65,396,950	63,102,602
Cost of Sales		(310,064,358)	(277,564,645)	-	-
Gross Profit		966,579,284	935,391,157	65,396,950	63,102,602
Other Income	6	24,906,655	25,153,976	1,792,932	1,792,932
Administrative Expenses		(557,498,438)	(518,570,207)	(82,970,754)	(27,781,756)
Other Operating Expenses		(335,642,267)	(315,809,248)	(26,624,857)	(24,704,684)
Selling and Marketing Expenses		(59,422,400)	(49,056,618)	(472,457)	(10,307)
Operating Profit/ (Loss)		38,922,834	77,109,062	(42,878,186)	12,398,788
Finance Cost	7.1	(501,117,561)	(445,317,736)	(91,147,426)	(84,828,062)
Finance Income	7.2	34,078,751	28,041,142	28,976,228	23,439,842
Share of Profit of Associate	15.1	557,594,006	62,124,826	-	-
Impairment of Investment in Associate	15.1	(176,491,910)	-	-	-
Loss before Tax	8	(47,013,880)	(278,042,706)	(105,049,383)	(48,989,433)
Tax Expenses	9	(84,795,865)	(36,533,553)	-	(4,266,051)
Loss for the year		(131,809,745)	(314,576,259)	(105,049,383)	(53,255,484)
Profit Attributable to:					
Equity Holders of the Parent		(153,785,194)	(244,599,421)	(105,049,383)	(53,255,484)
Non Controlling Interest		21,975,450	(69,976,838)	-	-
		(131,809,745)	(314,576,259)	(105,049,383)	(53,255,484)
Loss Per Share	25	(1.59)	(2.53)	(1.09)	(0.55)

The Accounting Policies and Notes on pages 61 through 125 form an integral part of these Financial Statements.

Statement of Other Comprehensive Income

Year Ended 31 March	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Loss for the Year	(131,809,745)	(314,576,259)	(105,049,383)	(53,255,484)
Other Comprehensive Income				
Other comprehensive income not to be reclassified to profit or loss in subsequent periods				
Revaluation Gain on Land and Buildings (Note 11)	895,964,136	-	-	-
Deferred Tax effect on Revaluation of Land and Buildings	(134,400,027)	-	-	-
Share of other comprehensive loss of equity accounted investees	110,303	(2,487)	-	-
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods	761,674,412	(2,487)	-	-
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods				
Actuarial Gain/ (Loss) on Defined Benefit Plan	(1,771,164)	1,567,811	29,678	(416,060)
Income tax effect (Note 9.2)	227,558	(215,241)	-	-
Share of other comprehensive income/(loss) of equity accounted investees	(3,276)	691,872	-	-
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	(1,546,882)	2,044,442	29,678	(416,060)
Other Comprehensive Income/(loss) for the year, net of tax	760,127,530	2,041,955	29,678	(416,060)
Total Comprehensive Income/(loss) for the year, net of tax	628,317,785	(312,534,304)	(105,019,705)	(53,671,544)
Total Comprehensive Income/(loss) Attributable to:				
Equity Holders of the Parent	390,258,269	(243,051,459)	(105,019,705)	(53,671,544)
Non Controlling Interest	238,059,516	(69,482,844)	-	-
	628,317,785	(312,534,304)	(105,019,705)	(53,671,544)

The Accounting Policies and Notes on pages 61 through 125 form an integral part of these Financial Statements.

Statement of Financial Position

As at 31 March	Note	Group		Company	
		2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	11	5,975,274,124	5,224,940,066	10,159,099	9,111,984
Leasehold Property	12	73,868,432	74,672,902	52,425,033	52,996,414
Intangible Assets	13	1,835,811	1,903,726	11,449	43,397
Investments in Subsidiaries	14	-	-	3,239,548,048	3,289,457,825
Investment in Associate	15	2,085,321,113	1,704,111,997	-	-
Amount Due From Related Parties	19.1	-	-	180,095,574	207,127,924
Deferred Tax Asset	9.3	6,853,086	10,810,096	-	-
		8,143,152,566	7,016,438,788	3,482,239,203	3,558,737,544
Current Assets					
Inventories	17	28,205,332	25,090,179	-	-
Trade and Other Receivables	19	274,865,599	213,808,739	101,726,953	81,767,117
Advances and Prepayments	20	40,272,615	43,983,994	7,496,807	6,272,769
Tax Receivables		4,172,426	6,533,899	-	-
Other Current Financial Assets	16	308,131,880	311,765,246	11,432,289	10,000,000
Cash and Bank Balances	21	53,840,159	39,614,346	1,127,820	11,429,929
		709,488,011	640,796,401	121,783,869	99,469,815
Total Assets		8,852,640,577	7,657,235,189	3,604,023,072	3,658,207,359
EQUITY AND LIABILITIES					
Capital and Reserves					
Stated Capital	22	2,403,276,182	2,403,276,182	2,403,276,182	2,403,276,182
Revaluation Reserve		704,487,773	258,929,874	-	-
Retained Earnings		(429,203,294)	58,418,040	252,170,920	357,190,625
		2,678,560,661	2,720,624,096	2,655,447,102	2,760,466,807
Non Controlling Interest		1,515,658,567	845,857,688	-	-
Total Equity		4,194,219,228	3,566,481,785	2,655,447,102	2,760,466,807

As at 31 March	Note	Group		Company	
		2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Non-Current Liabilities					
Interest Bearing Loans and Borrowings	18	1,551,184,810	1,842,807,326	-	-
Amounts Due to Related Parties	23.2	197,000,000	-	521,101,435	554,287,510
Retirement Benefit Obligation	24	18,088,994	14,142,040	2,694,312	1,864,605
Advance Received for Leasehold Rights	23.3	-	-	163,156,555	164,949,487
Deferred Tax Liability	9.2	193,110,122	14,977,296	-	-
		1,959,383,926	1,871,926,661	686,952,302	721,101,602
Current Liabilities					
Trade and Other Payables	23.1	955,725,527	785,777,332	205,520,270	163,090,210
Tax Payables		29,303,421	44,128,673	2,039,837	2,292,857
Interest Bearing Loans and Borrowings	18	1,714,008,475	1,513,079,809	54,063,562	11,255,883
		2,699,037,422	2,218,826,744	261,623,668	176,638,949
Total Equity and Liabilities		8,852,640,577	7,657,235,189	3,604,023,072	3,658,207,359

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



D C A Sandanayake
Group Accountant

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



E P A Cooray
Chairman



S A Ameresekere
Director

The Accounting Policies and Notes on pages 61 through 125 form an integral part of these Financial Statements.

30 August 2018
Colombo

Statement of Changes in Equity

Group	Stated Capital	Revaluation Reserve	Retained Earnings	Total	Non Controlling Interest	Total Equity
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01 April 2016	2,403,276,182	258,929,874	301,469,500	2,963,675,556	915,985,199	3,879,660,755
Loss for the year	-	-	(244,599,421)	(244,599,421)	(69,976,838)	(314,576,259)
Other Comprehensive Income	-	-	1,547,962	1,547,962	493,993	2,041,955
Total Comprehensive Loss	-	-	(243,051,459)	(243,051,459)	(69,482,844)	(312,534,304)
Dividend Paid to Non Controlling Interest	-	-	-	-	(644,666)	(644,666)
Balance as at 31 March 2017	2,403,276,182	258,929,874	58,418,040	2,720,624,096	845,857,688	3,566,481,785
Profit/(Loss) for the year	-	-	(153,785,194)	(153,785,194)	21,975,450	(131,809,745)
Other Comprehensive Income/(Loss)	-	544,976,680	(933,216)	544,043,464	216,084,067	760,127,530
Total comprehensive Income/(Loss)	-	544,976,680	(154,718,410)	390,258,269	238,059,516	628,317,786
Changes In Ownership	-	(99,418,781)	(332,902,925)	(432,321,706)	432,321,706	-
Dividend Paid to Non Controlling Interest	-	-	-	-	(580,345)	(580,345)
Balance as at 31 March 2018	2,403,276,182	704,487,773	(429,203,294)	2,678,560,661	1,515,658,567	4,194,219,228

Company	Stated Capital	Retained Earnings	Total Equity
	Rs.	Rs.	Rs.
Balance as at 01 April 2016	2,403,276,182	410,862,169	2,814,138,351
Loss for the year	-	(53,255,484)	(53,255,484)
Other Comprehensive Income/(Loss)	-	(416,060)	(416,060)
Total Comprehensive Loss	-	(53,671,544)	(53,671,544)
Balance as at 31 March 2017	2,403,276,182	357,190,625	2,760,466,807
Loss for the year	-	(105,049,383)	(105,049,383)
Other Comprehensive Income	-	29,678	29,678
Total Comprehensive Loss	-	(105,019,705)	(105,019,705)
Balance as at 31 March 2018	2,403,276,182	252,170,920	2,655,447,102

The Accounting Policies and Notes on pages 61 through 125 form an integral part of these Financial Statements.

Cash Flow Statement

Year Ended 31 March	Note	Group		Company	
		2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Cash Flows From/(Used in) Operating Activities					
		(47,013,880)	(278,042,706)	(105,049,383)	(48,989,433)
Adjustments for					
Depreciation	11	218,374,503	235,258,358	1,643,373	1,717,266
Amortisation of Intangible assets	13.2	607,732	727,089	31,948	34,983
Amortisation of Leasehold Property	12	804,470	804,470	571,380	571,380
Share of Lease Right		-	-	(1,792,932)	(1,792,932)
Share of Profit of Associate	15.1	(557,594,006)	(62,124,826)	-	-
Finance Costs	7.1	501,117,561	445,317,736	91,147,426	84,828,062
Finance Income	7.2	(34,078,751)	(28,041,142)	(28,976,228)	(23,439,842)
Dividend Income	5.1	-	-	(4,601,306)	(5,112,724)
Provision for Defined Benefit Plans	24	4,968,841	3,948,973	859,385	632,437
Disposal of Investments (Note 1.5)		-	-	49,909,777	-
Gain on Disposal of Property, Plant & Equipment		(2,079,170)	(9,615,803)	42,082	-
Fair value gain/loss on financial assets		-	(70,840)	-	-
Provision / (Reversal) for Bad Debts		2,317,959	(591,222)	-	-
Impairment of Investment in Associate	15	176,491,910	-	-	-
Mortgage Fee Charges	7.1	-	-	1,700,000	1,700,000
Operating Profit before Working Capital Changes		263,917,170	307,570,087	5,485,522	10,149,197
(Increase)/Decrease in Trade and Other Receivables		(60,728,982)	32,195,830	(17,058,533)	(5,908,509)
(Increase)/ Decrease in Advance and Prepayment		3,711,379	(7,492,222)	(1,224,038)	(752,780)
Increase in Inventories		(3,115,153)	(3,097,416)	-	-
Increase in Trade and Other Payables		232,336,118	290,168,781	42,430,060	79,036,589
Cash Generated from Operations		436,120,533	619,345,060	29,633,011	82,524,497
Finance Cost Paid		(451,527,176)	(419,558,371)	(5,052,779)	(9,001,848)
Income Tax Paid		(57,026,263)	(18,059,099)	(253,020)	(1,083,599)
Defined Benefit Plan Cost Paid		(2,793,052)	(1,294,554)	-	(425,000)
Net Cash From/(Used in) Operating Activities		(75,225,958)	180,433,036	24,327,213	72,014,050

Cash Flow Statement

Year Ended 31 March	Note	Group		Company	
		2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Cash Flows from/(Used in) Investing Activities					
Acquisition of Property, Plant and Equipment	11	(73,217,600)	(71,972,021)	(2,732,570)	(300,123)
Acquisition of Intangible Asset	13	(539,816)	(18,272)	-	-
Investment in Government Securities		-	2,827,109	-	-
Interest Received		34,078,751	26,747,511	1,249,238	1,162,809
Investment in Related Parties		-	-	54,759,341	(21,351,936)
Proceeds from Disposal of Property, Plant and Equipment		2,552,346	11,103,967	-	-
Proceeds from Withdrawal of Fixed Deposits		3,584,605	4,503,694	-	-
Net Cash Flow From/ (Used in) Investing Activities		(33,541,714)	(26,808,012)	53,276,008	(20,489,250)
Cash Flows from/(Used in) Financing Activities					
Proceeds from Interest Bearing Loans and Borrowings	17.1	35,000,000	-	-	-
Repayment of Interest Bearing Loans and Borrowings	17.1	(175,174,327)	(272,664,000)	-	(120,000,000)
Financing from Related Parties		197,000,000	-	(119,280,723)	(87,641,200)
Principal Payments under Lease Liabilities	17.2	(3,106,969)	(3,789,350)	-	-
Dividend Paid to Non Controlling Interest		(580,345)	(644,666)	-	-
Net Cash flows From/(Used in) Financing Activities		53,138,359	(277,098,016)	(119,280,723)	(207,641,200)
Net Increase in Cash and Cash Equivalents		(55,629,313)	(123,472,992)	(41,677,498)	(156,116,396)
Cash and Cash Equivalents at the beginning of the year	21	(1,073,637,691)	(950,164,700)	174,046	156,290,442
Cash and Cash Equivalents at the end of the year	21	(1,129,267,004)	(1,073,637,692)	(41,503,452)	174,046

The Accounting Policies and Notes on pages 61 through 125 form an integral part of these Financial Statements.

Notes to the Financial Statements

Year ended 31 March 2018

1. CORPORATE INFORMATION

1.1 Reporting Entity

The Citrus Leisure PLC (“the Company”) is a public limited liability Company incorporated and domiciled in Sri Lanka. The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka. The registered office of the Company is located at No 7/5, Gregory’s Road, Colombo 07.

1.2 Consolidated Financial Statements

The Consolidated Financial Statements of the Company for the year ended 31 March 2018 comprise the Company and its subsidiaries (together referred to as “the Group”)

The Financial Statements of all subsidiaries in the Group are prepared for a common financial year, which ends on 31 March and are incorporated in Sri Lanka. Principal activities of the subsidiaries are disclosed in Note 2.5

1.3 Principal Activities and Nature of Operations

During the year, the principal activities of the Company were investing and managing subsidiaries. The principal activities of the Group includes provision of food and beverage, lodging, and other hospitality industry related activities.

1.4 Parent Entity and Ultimate Parent Entity

At present the Company does not have an identifiable parent or an ultimate parent entity of its own.

1.5 Citrus Group Restructure

Consequent to the approvals received from the Colombo Stock Exchange (CSE) and the Securities and Exchange Commission of Sri Lanka (SEC), Group Restructure was completed and 147,208,457 shares of Hikkaduwa Beach Resort PLC (CITH) were issued by way of a Private Placement of Shares to all the shareholders of Kalpitiya Beach Resort PLC (CITK), sole shareholder of Passikudah Beach Resorts Ltd (PBR) and to the shareholders of Waskaduwa Beach Resort PLC (CITW) who accepted the Voluntary Offer made by CITH, as consideration for the amalgamation of CITK with CITH, amalgamation of PBR with CITH and the Voluntary Offer made by CITH to the shareholders of CITW.

The said 147,208,457 Shares now being listed on the Trading Floor of the CSE, the total number of shares now in issue in CITH is 204,782,354. CITK and PBRL ceased to exist effective from 30th January 2018 and 2nd February 2018 respectively, being the respective dates of amalgamation.

The approval was received from SEC on 28th February 2018 to the application made for the off-the-floor transfer of 190,509,218 shares of Waskaduwa Beach Resort PLC (CITW) to Hikkaduwa Beach Resort PLC (CITH) constituting to 94.43% of the issued shares of CITW, the transfer of shares of CITW to CITH had been

Notes to the Financial Statements

Year ended 31 March 2018

completed, and accordingly the Citrus Group Restructure which was announced on 27th September 2016 was fully completed.

With the completion of the Citrus Group Restructure, the management is currently focused on attracting high spending tourist groups especially from European markets. The Group has already entered into new agreements with tour agents operating from such markets and is currently exploring further similar possibilities for entering in to some more agreements.

In order to reduce the high finance cost the Group has taken steps to restructure the existing short term borrowings in to long term borrowings with favourable interest rates. The existing long term borrowings at CITW have also been restructured favourably further extending its loan tenure (refer Note 29.3 for more details).

In addition, the Group is currently evaluating suitable ways of reducing its interest bearing related party borrowings and other short term borrowings. Furthermore, as resolved at the Extraordinary General Meeting the CITH is actively looking at divesting its Kalpitiya land.

Management believes that above initiatives together with the Government of Sri Lanka's current plans to market and bring high spending tourists to the destination would turnaround the Group in the ensuing financial year.

1.6 Responsibility for Financial Statements.

The responsibility of the Directors in relation to the Financial Statements is set out in the Statement of Directors' Responsibility Report in the Annual Report.

1.7 Date of Authorization for Issue

The Consolidated Financial Statements of the Group for the year ended 31st March 2018 were authorized for issue in accordance with a resolution of the Board of Directors on 30th August 2018.

2 GENERAL

2.1 Statement of Compliance

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

2.2 Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position.

- Land which are recognized as property plant and equipment are measured at cost at the time of the acquisition and subsequently carried at fair value
- Financial assets at fair value through profit or loss are carried at fair value

Where appropriate, the specific policies are explained in the succeeding Notes.

2.3 Comparative Information

The accounting policies have been consistently applied by the Group and, are consistent with those used in the previous year. Previous year's figures and phrases have been re-arranged whenever necessary to conform to current presentation.

2.4 Basis of Consolidation

The consolidated financial statements (referred to as the "Group") comprise the financial statements of the Company and Its Subsidiary as at 31 March 2018.

Subsidiaries are those entities controlled by the Group. Control is achieved when

the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the

Notes to the Financial Statements

Year ended 31 March 2018

parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

Accounting under separate financial statements

Investment in subsidiary is measured at cost less accumulated impairment in the separate financial statements.

2.5 Subsidiaries

Subsidiaries & their controlling percentages of the Group, which have been consolidated are as follows.

Company	Effective Holding 2018	Effective Holding 2017	Principal Activities
Hikkaduwa Beach Resort PLC	76.18%	88.8%	Provision of food and beverage, lodging, other hospitality industry related activities.
Waskaduwa Beach Resort PLC	71.93%	68.62%	
Passikudah Beach Resorts Limited	-	100%	Ceased to exist w.e.f. 02nd February 2018 as a result of the Citrus Group Restructure - Note 1.5

Company	Effective Holding 2018	Effective Holding 2017	Principal Activities
Citrus Aqua Limited	58.20%	58.20%	Provision of food and beverages, lodging, and other hospitality related activities The commercial operations have stopped temporary since February 2014.
Kalpitiya Beach Resort PLC	-	69.26%	Ceased to exist w.e.f. 30th January 2018 as a result of the Citrus Group Restructure - Note 1.5
Citrus Vacations Limited	98%	98%	Carrying out inbound and outbound travels and business of travel agents.
Citrus Equity Limited	100%	100%	Dormant Company
Citrus Sliver Limited	100%	100%	Provision of food and beverage, lodging, other hospitality industry related activities.

2.6 Investment in Associates

The Group's investment in associate is accounted for using the equity method of accounting. An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment individually.

The statement of profit or loss reflects the share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

2.7 Materiality and Aggregation

Each material class of similar items is presented separately in the Consolidated

Notes to the Financial Statements

Year ended 31 March 2018

Financial Statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Group in preparing its Consolidated Financial Statements:

3.1 Current versus non-current classification

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

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Expected to be realised within twelve months after the reporting period
- Holds the asset primarily for the purpose of trading
- The asset is cash or a cash equivalent (as defined in LKAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is due to be settled within twelve months after the reporting period
- The liability is due to be settled within twelve months after the reporting period; or
- It does not have a right at the reporting date to defer settlement of the liability by the transfer of cash or other assets for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Company classifies all other liabilities as non-current

3.2 Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year.

3.3 Foreign Currency Translations

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

3.3.1 *Transactions and balances*

Transactions in foreign currencies are translated to the functional currency of Group entities at exchange rulings applicable on the dates of the transaction.

Transactions in foreign currencies are initially recorded by the Group at the functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the Statement of Profit or Loss.

3.4 **Statement of Profit or Loss**

For the purpose of presentation of the Statement of Profit or Loss, the function of expenses method is adopted.

3.4.1 *Revenue*

The Group's gross turnover comprises proceeds from provision of food, beverage, lodging and other hospitality industry related activities. The net group's turnover excludes turnover taxes and trade discounts.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be

reliably measured, regardless of when the payment is being made.

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

Room revenue

Room revenue is recognized on the rooms occupied on a daily basis.

Food, Beverage and other hotel related sales

Food, Beverage and other hotel related sales are accounted at the point of sales.

Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Interest income is included in finance income in the statement of profit or loss.

Gains and losses on Disposal of Assets

Gains and losses on disposal of Assets are determined by comparing the net sales

Notes to the Financial Statements

Year ended 31 March 2018

proceeds with the carrying amounts of the Assets and are recognised net within "other operating income" in the statement of profit or loss.

Dividend Income

Dividend income is recognised in statement of profit or loss on the date the entity's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

3.4.2 Taxation

a) Current Taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit and loss except to the extent that it relates to items recognised directly in equity, when it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date and any adjustments to tax payable in respect of previous years.

The Company

The company subject to normal provisions of the Inland Revenue Act and profits from operations other income are taxed at 28%.

Subsidiaries -

Hikkaduwa Beach Resort PLC and Citrus Silver Limited

Profit from the hotel operations is taxed at 12% and the other income is taxed at 28%.

Waskaduwa Beach Resort PLC

Pursuant to agreement dated 19 March 2012, entered into with Board of Investments of Sri Lanka under section 17 of the Board of Investment Law No. 04 of 1978, the provision of the Inland Revenue Act No. 10 of 2006 relating to the imposition, payment and recovery of income tax in respect of the profit and income of the Company shall not apply for a period of twelve (12) years reckoned from the year of assessment 2016/17. Interest income is taxed at the rate of 28%. After expiration of the concessionary period, the taxable profits of the Subsidiary are subject to taxed at applicable rates.

b) Deferred Taxation

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of an asset

or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of taxable temporary differences associated with investments in subsidiary, equity accounted investee, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred Tax on Undistributed profits of Equity Accounted Investees

The Group does not control its equity accounted investees. It is therefore generally not in a position to control the timing of the reversal of a possible

Notes to the Financial Statements

Year ended 31 March 2018

taxable temporary difference relating to the undistributed profits of the equity accounted investees.

The group calculates deferred tax based on the most likely manner of reversal taking into account management's intent and the tax jurisdiction applicable to relevant equity accounted investees.

The management intends to recover the carrying amount of the investment primarily through sale of the investment rather than through dividends. The deferred tax implications are evaluated based on the tax consequences on the sale of investments.

Since the carrying amount is expected to be recovered through a sale transactions which has no tax consequences. No temporary difference arise on the equity accounted investees and no deferred tax is provided.

c) *Sales tax*

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

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of

acquisition of the asset or as part of the expense item, as applicable

- Receivables and payables that are stated with the amount of sales tax included

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

3.4.3 *Expenses*

All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year.

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

3.4.4 *Borrowing costs*

Borrowing costs are recognized as an expense in the period in which they are incurred, except to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalized as part of the cost of that asset.

3.4.5 *Finance costs*

Finance costs comprise interest expense on borrowings that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition,

construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

3.5 Assets and bases of their valuation

3.5.1 *Intangible Assets*

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

3.5.2 *Property, Plant and Equipment*

The group applies the requirements of LKAS 16 on 'Property Plant and Equipment' in accounting for its owned assets which are held for and use in the provision of the services and for administration purpose and are expected to be used for more than one year

a) *Basis of measurement*

Items of property, plant & equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any, whilst land and buildings are carried at revalued amounts.

The cost of property, plant & equipment includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable

to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets. Purchased software that is integral to the functionality of the related equipment is capitalised as a part of that equipment.

When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives.

b) *Revaluation*

Revaluation of land is done with sufficient frequency to ensure that the fair value of the land dose not differ materially from its carrying amount, and is undertaken by professionally qualified valuers.

Any revaluation surplus is recorded in Other Comprehensive Income and credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Statement of Profit or Loss, in which case, the increase is recognised in the Statement of Profit or Loss. A revaluation deficit is recognised in the Statement of Profit or Loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve. Upon disposal,

Notes to the Financial Statements

Year ended 31 March 2018

any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

c) Subsequent Costs

The cost of replacing a component of an item of Property, Plant and Equipment is recognised 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 derecognised in accordance with the derecognition policy given below.

The costs of the day-to-day servicing of Property, Plant and Equipment are recognised in profit and loss as incurred.

d) Derecognition

The carrying amount of an item of Property, Plant and Equipment is derecognised on disposal; or when no future economic benefits are expected from its use. Gains and losses on derecognition are recognised in statement of profit or loss and gains are not classified as revenue. When revalued assets are sold, any related amount included in the Revaluation Reserve is transferred to Retained Earnings.

e) Depreciation

Depreciation is recognised in the Statement of profit or loss on a straight-line basis over the estimated useful lives of

each part of an item of Property, Plant and Equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

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

Depreciation of an asset begins when it is available for use and ceases at the earlier of the dates on which the asset is classified as held for sale or is derecognized.

Buildings	40 Years
Furniture and Fittings	6 Years
Entertainment Equipment	4 Years
Office Equipment	4 Years
Machinery and Other Equipment	10 Years
Electrical Fittings	10 Years
Furnishing and Linen	3 years
Kitchen Utensils and Other Equipment	10 years
Air Condition System	15 years
Gardening and Landscaping	6 Years
Crockery, Cutlery and Glasswear	3 Years
Motor Vehicles	5 Years
Generator and Transformers	15 Years
Computers and Hardware	3 Years
Sundry Equipment	4 Years

The asset's residual values, useful lives are reviewed, and adjusted if appropriate, at each financial year end and adjusted prospectively, if appropriate.

3.5.3 Leases

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

Group as a lessee

Finance Leases

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

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

Operating Leases

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

3.5.4 Inventories

Inventories are valued at the lower of cost and estimated net realisable value, after making due allowances for obsolete and slow moving items. Net realisable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

The cost incurred in bringing inventories to its present location and condition is accounted using the following cost formulae.

Food and Beverage	At actual cost on weighted average basis
Housekeeping and Maintenance	
Other Stocks	

3.5.5 Cash and cash equivalents

Cash and cash equivalents are cash in hand, demand deposits and short-term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

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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.

3.5.6 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Calculation of recoverable amount

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, 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. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets.

Impairment / Reversal of impairment

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised

in statement of profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.6 Financial instruments – initial recognition and subsequent measurement

Financial assets

a) Initial recognition and measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the

classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables which are classified as Loans and receivables and investment in quoted equity instruments classified as investments fair value through profit or loss.

b) Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated

upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with net changes in fair value recognised in finance income or finance costs in the statement of profit or loss.

Financial assets designated upon initial recognition at fair value through profit and loss are designated at their initial recognition date and only if the criteria under LKAS 39 are satisfied. The Group has not designated any financial assets at fair value through profit or loss.

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When in rare circumstances the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value

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through profit or loss using the fair value option at designation, these instruments cannot be reclassified after initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in other operating expenses for receivables.

c) *Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without

material delay to a third party under a 'pass-through' arrangement; and either

- (a) The Group has transferred substantially all the risks and rewards of the asset, or
- (b) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

d) *Impairment of financial assets*

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a 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 (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually

significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for

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the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the statement of profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

Financial liabilities

a) *Initial recognition and measurement*

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts and loans and borrowings which are classified as Loans and Borrowings.

b) *Subsequent measurement*

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

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

c) *Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an

exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

3.6.1 Fair Value Measurement

The Group measures investments in quoted equity securities, land and Buildings, at fair value. Fair value related disclosures for financial and non-financial assets that are measured at fair value are summarised in the following notes:

- Quantitative disclosures Note 10
of fair value measurement
hierarchy
- Land and Buildings Note 11.1.9.2
under revaluation model

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised 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

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- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Financial Statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's Management determines the policies and procedures for recurring fair value measurement, such as land.

External valuers are involved for valuation of Lands. Involvement of external valuers is decided upon annually by the Management after discussion with and approval by the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

The Management decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

For the purpose of fair value disclosures, the Company has determined classes of

assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3.7 Provisions

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

3.7.1 Post-Employment Benefits

3.7.1.1 Defined Benefit Plan - *Gratuity*

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated by independent actuaries using Projected Unit Credit (PUC) method as recommended by revised LKAS 19 – "Employee benefits". The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in

which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability.

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions about discount rate, expected rates of return on assets, future salary increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

Accordingly, the liability recognised in the statement of financial position is made based on the actuarial valuation as of 31 March 2018, carried out by Messrs. Actuarial and Management Consultants (Private) Limited, actuaries. The current service cost and the interest expensed are recognised in the statement of profit or loss and any Actuarial gain or losses are recognised in other comprehensive income.

Funding Arrangements

The Gratuity liability is not externally funded.

3.7.1.2 *Defined Contribution Plans - Employees' Provident Fund and Employees' Trust Fund*

A defined contribution plan is a post-employment benefit plan under which

an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Provident and Trust Funds covering all employees are recognised as an employee benefit expense in statement of profit or loss in the periods during which services are rendered by employees.

The Company contributes 12% and 3% of gross emoluments to employees as Provident Fund and Trust Fund contribution respectively.

3.7.2 *Short term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is received.

3.8 Stated Capital

Ordinary Shares

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

3.9 General

3.9.1 *Earnings/ (Loss) Per Share*

The Company presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders

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of the Company by the weighted average number of ordinary shares outstanding during the period.

3.9.2 Cash Flow Statement

The Cash Flow Statement has been prepared using the "indirect method". Interest paid is classified as an operating cash flow. Grants received, which are related to purchase and construction of Property, Plant and Equipment are classified as investing cash flows. Dividend and interest income are classified as cash flows from investing activities.

3.10 Significant Accounting Judgements, Estimates and Assumptions

In the process of applying the Group's accounting policies, management has exercised judgment and estimates in determining the amounts recognized in the Financial Statements. Use of available information, estimates and assumptions and application of judgment is inherent in the preparation of the Financial Statements as they affect the application of accounting policies and the recorded amounts in the Financial Statements.

The Group believes its estimates including the valuation of assets and liabilities are appropriate. Estimates and Underline assumptions are reviewed on a continuous basis. However, the actual results may differ from those estimates. The most

significant uses of judgment and estimates are as follows.

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 and operations.

Deferred Taxation

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

Fair value of Freehold Land and Buildings

The Group measures freehold land and buildings at fair value with changes in fair value being recognized in other comprehensive income. Land and buildings were valued by reference to market-based evidence and depreciated replacement cost method using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

Fair value related disclosures for assets measured at fair value are summarized in the Note 10 to the financial statements.

Impairment of Non Financial Assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on the available data including valuation conducted by management expert and other observable market information on the costs for disposing of the asset.

When values in use calculations are undertaken, management must estimate the expected future cash flows from the assets or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Employee Benefit Liability – Gratuity

The cost of the defined benefit plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities

involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds. The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates.

Further details about defined benefit obligations are given in Note 24.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards issued but not yet effective up to the date of issuance of the Company's Financial Statements are listed below. The Company intends to adopt these standards when they become effective.

SLFRS 9 - Financial Instruments

SLFRS 9 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, a new expected

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credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39. SLFRS 9 is effective for annual reporting periods beginning on or after 1st January 2018, with early adoption permitted.

SLFRS 15 - Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. SLFRS 15 is effective for annual reporting periods beginning on or after 1st January 2018, with early adoption permitted.

SLFRS 15 establishes a comprehensive framework for determining whether, how much, and when, revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

SLFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under SLFRS

15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Group is in the process of adopting the SLFRS 15 with the assistance of external consultants.

SLFRS 16 - Leases

SLFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model requiring leases recognise assets and liabilities for all leases unless the term is 12 months or less or the underlying asset has a lower value. The Lessors continue to classify leases as operating or finance as SLFRS 16's approach for lessor accounting substantially unchanged from its predecessor. SLFRS 16 is effective for financial reporting periods beginning on or after 1st January 2018, with early adoption permitted.

This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group expects no significant impact on its financial position and equity.

Changes in accounting standards and standards issued but not yet effective

The following amendments and improvements are not expected to have a significant impact on the Group's Financial Statements

- Long-term Interests in Associates (Amendments to LKAS 28)
- Prepayment Features with Negative Compensation (Amendments to SLFRS 9)
- Insurance Contracts (Amendments to SLFRS 4)
- Share Based Payment (Amendments to SLFRS 2)
- Annual Improvements Cycle - 2014-2016

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	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
5. REVENUE				
Revenue (Note 5.1)	1,276,643,642	1,212,955,803	65,396,950	63,102,602
	1,276,643,642	1,212,955,803	65,396,950	63,102,602
5.1 Revenue				
Hotel Income	1,264,294,665	1,197,701,928	-	-
Ticketing and Tour Income	12,348,977	15,253,875	-	-
Management Fees	-	-	60,795,644	57,989,878
Dividend Income	-	-	4,601,306	5,112,724
	1,276,643,642	1,212,955,803	65,396,950	63,102,602

	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
6. OTHER INCOME AND GAINS				
6.1 Other Income				
Income from sublease	-	-	1,792,932	1,792,932
Other Income from Hotel Related Activities	3,541,915	1,467,052	-	-
Exchange gain	2,021,385	755,715	-	-
Commission and Service charge income	11,643,929	6,824,331	-	-
Guest Telephone	22,523	20,077	-	-
Guest Laundry	384,462	464,342	-	-
Swimming Pool	246,366	220,209	-	-
Ayurvedic Centre	1,272,303	540,490	-	-
Bad debt Recovery	400,000	-	-	-
Gain on Disposal of Property, Plant, and Equipment	2,079,170	9,615,863	-	-
Sundry Income	3,294,601	5,245,959	-	-
	24,906,655	25,153,976	1,792,932	1,792,932

	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
7. FINANCE COSTS AND INCOME				
7.1 Finance Cost				
Interest Expenses on Bank Overdrafts	188,138,531	149,931,705	3,352,778	6,966,956
Interest Expenses on Finance Leases	989,811	1,428,610	-	-
Interest Expenses on Bank Loans	262,398,834	268,198,057	-	334,892
Interest on Related Party Payables	49,541,625	25,759,365	86,094,648	75,826,214
Mortgage Fee Charge	-	-	1,700,000	1,700,000
Fair value loss on financial assets at fair value through profit or loss	48,760	-	-	-
	501,117,561	445,317,736	91,147,426	84,828,062
7.2 Finance Income				
Interest Income on Fixed Deposits and Savings Accounts	34,078,751	26,840,407	1,249,238	711,577
Interest on Related Party Receivables	-	-	27,726,990	22,277,033
Interest income on loans granted to non-related entities	-	963,575	-	451,232
Interest Income on Government Securities	-	166,320	-	-
Fair value Gain on financial assets at fair value through profit or loss	-	70,840	-	-
	34,078,751	28,041,142	28,976,228	23,439,842
8. LOSS BEFORE TAX				
Stated after Charging				
Included in Administrative & other Operating Expenses				
Employees Benefits including the following				
- Salaries and Wages	179,278,219	165,162,518	28,812,542	25,955,898
- Defined Benefit Plan Costs - Gratuity	4,606,016	3,948,972	794,123	632,437
- Defined Contribution Plan Costs - EPF and ETF	24,033,656	25,016,615	4,321,884	3,893,385
Depreciation	218,374,503	235,258,358	1,643,373	1,717,266
Amortisation of Intangible Assets	1,738,913	727,089	31,948	34,983
Audit Fees	2,149,193	1,747,694	635,00	254,000
Included in Selling and Distribution Costs				
Advertising Costs	1,129,340	3,498,585	-	-

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9. INCOME TAX EXPENSE

The major components of income tax expense for the years ended 31 March are as follows :

	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Statement of Profit or Loss				
Current Income Tax				
Current Income Tax charge (Note 9.1)	40,431,666	44,562,484	-	4,266,051
Deemed Dividend Tax (Over)/Under provision in respect of previous year	- (3,553,167)	- 2,958,503	-	-
	36,878,499	47,520,986	-	4,266,051
Deferred Income Tax				
Deferred Taxation Charge/(Reversal) (Note 9.3)	47,917,366	(10,987,434)	-	-
Income tax expense reported in the Statement of Profit or Loss	84,795,865	36,533,553	-	4,266,051

9.1 A reconciliation between tax expense and the product of accounting profit/(Loss) multiplied by the statutory tax rate is as follows :

	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Accounting Profit/(Loss) before income tax	(47,013,880)	(278,042,706)	(105,049,383)	(48,989,433)
Allowable Items	(508,885,920)	(562,999,305)	(1,283,488)	(1,508,328)
Disallowable Items	(8,845,485)	347,010,452	4,728,504	3,179,864
Interest Income	(164,888,549)	(177,885,427)	-	(23,439,842)
Dividend Income	(4,601,306)	(5,112,724)	(4,601,306)	(5,112,724)
Agricultural Income	(119,300)	(307,800)	-	-
Business loss set-off	-	-	-	-
Profit/(Loss) Exempt from Tax (Note 9.1.1)	383,657,267	(6,775,032)	-	-
Taxable Profit/ (Loss)	(47,013,880)	(684,112,453)	(105,049,383)	(75,870,463)

	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Interest Income	164,888,549	178,180,570	-	23,439,842
Agricultural Income	119,300	307,800	-	-
Trade income	1,425,205	-	-	-
Total Statutory Income	166,433,055	178,488,370	-	23,439,842
Tax Losses Brought Forward and Utilised	(22,076,445)	(19,138,771)	-	(8,203,945)
Assessable/Taxable Income	144,356,609	159,349,599	-	15,235,897
	-	-	-	-
Statutory Tax Rate 10%	11,930	30,780	-	-
Statutory Tax Rate 28%	40,419,736	44,531,704	-	4,266,051
	40,431,666	44,562,484	-	4,266,051

9.1.1 The trade loss of Rs. 383,657,267/- belonging to Waskaduwa Beach Resort PLC cannot be claimed during the year nor can be carried forward in to the future years due to the tax exemption period enjoyed as detailed in Note 3.4.2.

9.2 Deferred Tax Assets, Liabilities and Income Tax relates to the followings :

9.2.1 *Deferred Tax Liability*

Group	Statement of Financial Position		Statement of Profit or Loss/ Other Comprehensive Income	
	2018	2017	2018	2017
Deferred Tax on Revaluation of Land and Buildings	153,925,374	19,525,347	134,400,027	-
Deferred Tax Asset/ (Liability)	153,925,374	19,525,347		
Capital allowances for tax purposes	(41,205,486)	3,329,867	44,535,353	28,224
Retirement Benefit Obligation - Through statement of profit or loss	2,020,738	1,218,184	(573,049)	(205,562)
Retirement Benefit Obligation - Through Other Comprehensive Income	-	-	(229,505)	215,241
	(39,184,748)	4,548,051		
Deferred Tax Charge			43,732,799	37,903
Net Deferred Tax Asset/(Liability)	(193,110,122)	(14,977,296)		

Notes to the Financial Statements

Year ended 31 March

9.2.2 Deferred Tax Asset

Group	Statement of Financial Position		Statement of Profit or Loss	
	2018	2017	2018	2017
Deferred Income Tax Asset/ (Liability)				
Capital allowances for tax purposes	(1,745,300)	(1,274,713)	470,587	(1,274,713)
Retirement Benefit Obligation - Through statement of profit or loss	54,367	16,761	(39,553)	16,761
Retirement Benefit Obligation - Through Other Comprehensive Income	-	-	1,947	-
Carried Forward Business Loss	8,544,019	12,068,047	3,524,028	12,068,047
	6,853,086	10,810,096		
Deferred income tax charge/(reversal)			3,957,010	10,810,096
Net Deferred Tax Asset/(Liability)	6,853,086	10,810,096		

	Group	
	2018 Rs.	2017 Rs.
9.3 Reconciliation of Deferred Tax Charge / (Reversal)		
Deferred Tax Charge reported in the Statement of Profit or Loss	47,917,366	(10,987,434)
Deferred Tax Charge reported in Other Comprehensive Income	134,172,469	215,241
	182,089,836	(10,772,193)

9.4 Deferred Tax on Unutilized Tax Losses

The Group has a carried forward tax loss amounting to Rs.1,538,364,473/- (2017 - Rs.1,908,836,226/-) that is available to offset against future Statutory Income of the Group subject to limitation of 100% of Statutory Income in each year of assessment subject to the provisions of the New Inland Revenue Act, No 24 of 2017 which was certified on 24th of October 2017 and became effective from 1st April 2018. A deferred tax asset amounting to Rs. 215,371,026/- (2017 - Rs.249,043,954/-) has not been recognised in respect of this tax loss as it is anticipated that the deferred tax asset will not realise in the foreseeable future.

10. FAIR VALUE MEASUREMENT

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

Fair value measurement hierarchy for assets as at 31 March 2018 and 2017:

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

Cash and short term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short term maturities of these instruments.

Long term fixed - rate and variable -rate receivable / borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, and individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 March 2018, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.

Fair value of quoted investments designated as available for sale and fair value through profit or loss is derived from quoted market price of Colombo stock Exchange as at each reporting date.

As at 31 March 2018, the Group held the following assets carried at fair value in the Statement of Financial Position.

	2018		2017	
	Date of valuation	Rs.	Date of valuation	Rs.
Financial Assets				
Fair Value through profit or loss - Level 1	31-Mar-18	461,840	31-Mar-17	510,600

Non Financial Assets

Details of Non-Financial assets carried at fair value is given in Note 11.1.6.

Notes to the Financial Statements

Year ended 31 March

	Balance As At 31.04.2017 Rs.	Additions/ Transfers in Rs.	Revaluations Rs.	Disposals/ Transfers on Revaluation Rs.	Balance As At 31.03.2018 Rs.
11. PROPERTY, PLANT AND EQUIPMENT					
11.1 Group					
11.1.1 <i>Gross Carrying Amounts</i>					
<i>At Cost / Valuation</i>					
Freehold Land	1,481,225,000	-	431,857,500	-	1,913,082,500
Buildings	3,186,981,327	24,934,621	464,106,636	(237,825,014)	3,438,197,570
Motor Vehicles	5,890,950	-	-	-	5,890,950
Furniture and Fittings	240,854,483	12,291,308	-	(952,267)	252,193,524
Machinery & Others	130,817,180	238,834	-	-	131,056,014
Entertainment Equipment	52,577,801	1,391,101	-	-	53,968,902
Office Equipment	10,865,419	1,488,336	-	-	12,353,755
Gardening and Landscaping	32,147,289	3,750	-	-	32,151,039
Sundry Equipment	20,692,513	1,473,234	-	-	22,165,748
Linen and Furnishing	72,711,740	12,073,435	-	(2,913,003)	81,872,173
Kitchen Utensils and Other Equipment	146,356,817	9,048,269	-	-	155,405,086
Air Conditioner	238,931,541	788,337	-	-	239,719,877
Computer Equipment	21,251,245	1,303,868	-	-	22,555,113
Generator	48,775,593	-	-	-	48,775,593
Electrical Fittings	106,693,220	4,351,405	-	-	111,044,625
Crockery and Cutlery	17,012,555	3,632,439	-	(2,192,964)	18,452,030
	5,813,784,673	73,018,937	895,964,136	(243,883,248)	6,538,884,498

	Balance as at 01.04.2017 Rs.	Additions/ Transfers in Rs.	Revaluations Rs.	Disposals/ Transfers (out) Rs.	Balance as at 31.03.2018 Rs.
11.1.2 Assets on Finance Leases					
Motor Vehicle	21,283,229	-	-	-	21,283,229
	21,283,229	-	-	-	21,283,229
Total Value of Depreciable Assets	5,835,067,901	73,018,937	895,964,136	(243,883,248)	6,560,167,727
11.1.3 In the Course of Construction					
Building Work in Progress	27,895,173	198,663	-	-	28,093,836
Total Gross Carrying Amount	5,862,963,075	73,217,600	895,964,136	(243,883,248)	6,588,261,563
	Balance as at 01.04.2017 Rs.	Charge for the year Rs.	Revaluations Rs.	Disposals/ Transfers in/ (out) Rs.	Balance as at 31.03.2018 Rs.
11.1.4 Depreciation					
At Cost / Valuation					
Buildings	159,970,981	79,508,510	(237,825,014)	-	1,654,478
Motor Vehicles	4,819,030	368,333	-	-	5,187,362
Furniture and Fittings	120,354,752	39,761,906	-	(576,274)	159,540,384
Machinery & Others	36,666,964	13,123,662	-	-	49,790,626
Entertainment Equipment	36,059,298	12,080,904	-	-	48,140,203
Office Equipment	7,503,226	1,780,230	-	-	9,283,456
Gardening and Landscaping Equipment	14,568,448	5,195,879	-	-	19,764,327
Sundry Equipment	19,350,143	1,045,494	-	-	20,395,637
Linen and Furnishing	58,901,692	11,280,136	-	-	70,181,828
Kitchen Utensils and Other Equipment	41,834,296	14,610,816	-	(2,913,003)	53,532,109
Air Conditioner	54,866,943	16,540,942	-	-	71,407,885
Computer Equipment	16,583,145	2,820,451	-	-	19,403,596
Generator	11,281,161	3,359,133	-	-	14,640,294
Electrical Fitting	34,830,850	10,589,728	-	-	45,420,578
Crockery and Cutlery	15,013,991	2,008,380	-	(2,095,781)	14,926,590
	632,604,922	214,074,503	(237,825,014)	(5,585,057)	603,269,353

Notes to the Financial Statements

Year ended 31 March

	Balance as at 01.04.2017	Charge for the year	Revaluations	Disposals/ Transfers in/ (out)	Balance as at 31.03.2018
	Rs.	Rs.	Rs.	Rs.	Rs.
11.1.5 Assets On Finance Leases					
Motor Vehicle	5,418,086	4,300,000	-	-	9,718,086
	5,418,086	4,300,000	-	-	9,718,086
Total Depreciation	638,023,008	218,374,503	(237,825,014)	(5,585,057)	612,987,439

	2018 Rs.	2017 Rs.
11.1.6 Net Book Values		
At Cost / Valuation		
Freehold Land	1,913,082,500	1,481,225,000
Buildings	3,436,543,093	3,027,010,345
Motor Vehicles	703,588	1,071,921
Furniture and Fittings	92,653,140	120,499,731
Machinery & Others	81,265,388	94,150,216
Entertainment Equipment	5,828,699	16,518,502
Office Equipment	3,070,299	3,362,193
Gardening and Landscaping	12,386,712	17,578,841
Sundry Equipment	1,770,110	1,342,370
Linen and Furnishing	11,690,344	13,810,048

	2018 Rs.	2017 Rs.
Kitchen Utensils and Other Equipment	101,872,976	104,522,521
Air Condition	168,311,992	184,064,598
Computer Equipment	3,151,516	4,668,100
Generator	34,135,299	37,494,432
Electrical Fittings	65,624,047	71,862,369
Crockery and Cutlery	3,525,440	1,998,564
	5,935,615,145	5,181,179,751
Assets on Finance Leases		
Motor Vehicle	11,565,143	15,865,142
	11,565,143	15,865,142
In the Course of Construction		
Building Work in Progress	28,093,836	27,895,173
Total Carrying Amount of Property, Plant and Equipment	5,975,274,124	5,224,940,066

11.1.7 During the financial year, the Group acquired Property, Plant and Equipment to the aggregate value of Rs.73,217,600/- (2017- Rs.71,972,021/-). Cash payment amounting to Rs.73,217,600/- (2017-Rs. 71,972,021/-) were made during the year for purchase of Property, Plant and Equipment.

11.1.8 Property Plant & Equipments includes fully depreciated assets having carrying amounts of Rs. 117,456,619/- (2017 - Rs. 44,466,751/-)

Notes to the Financial Statements

Year ended 31 March

11.1.9 Information on the Freehold Land and Freehold Buildings of the Group.

Company	Location	Ownership	Extent	Lease Period	No. of Buildings
Hikkaduwa Beach Resort PLC	Hikkaduwa	Freehold	9320 Perches	-	1
Waskaduwa Beach Resort PLC	Waskaduwa	Freehold	1313.25 Perches	-	1

11.1.9.1 The freehold land and building belonging to Waskaduwa Beach Resort PLC and the freehold lands located at Hikkaduwa, Kalpitiya and buildings belonging to Hikkaduwa Beach Resort PLC were revalued by Mr. T. M. H. Mutaliph - D. I. V. (Sri Lanka), Incorporated Valuer as at 31 March 2018. Further, the freehold land located at Passikudah belonging to Hikkaduwa Beach Resort PLC were revalued on the same date by Mr. S. Sivaskantha - F. I. V. (Sri Lanka), Incorporated Valuer. The results of such revaluation were incorporated in these financial statements from its effective date which is 31 March 2018. Such assets were valued based on market based evidence and depreciated replacement cost method. The surplus arising from the revaluation was transferred to the revaluation reserve.

11.1.9.2 The following properties were revalued and recorded under freehold land and buildings. Fair Value measurement disclosure for revalued land and buildings based on unobservable input as follows,

- A) Quoted Price (unadjusted) in active markets for identical assets or liabilities (Level -1).
- B) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is derived from prices) (Level - 2)
- C) Input for the assets or liability that are not based on observable market data (that is, unobservable inputs) (Level -3).

Fair value measurement disclosures relating to revalued land and buildings are provided in Note 10.

Significant unobservable valuation inputs:	Price range per perch/ Sq.ft
--	------------------------------

Hikkaduwa Beach Resort PLC

- Land - located at Hikkaduwa	Rs. 1,200,000/- per perch
- Land - located at Kalpitiya	Rs. 31,250/- per perch
- Land - located at Passikudah 1,280 perches	Rs. 175,000/- per perch
836 perches	Rs. 135,000/- per perch

Waskaduwa Beach Resort PLC

- Land	Rs. 750,000/- per perch
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Buildings	Room Area (Sq. ft.)	Other (Sq. ft.)
Ground floor	Rs. 16,500/-	Rs. 12,500/-
First floor	Rs. 16,500/-	Rs. 5,000/-
Second floor	Rs. 16,500/-	Rs. 4,000/-
Third floor	Rs. 16,500/-	Rs. 15,000/- and Rs.6,000/-
Roof Top and Other	-	Rs.3,000/- and Rs.2,750

** Significant increases/ (decreases) in estimated price per perch in isolation would result in a significantly higher (lower) fair value.

11.1.10 The carrying amount of revalued assets that would have been included in the financial statements had the assets been carried at cost less accumulated depreciation is as follows.

	Cost Rs.	Cumulative Depreciation if assets were carried at cost Rs.	Net Carrying Amount 2017 Rs.	Net Carrying Amount 2016 Rs.
Class of Assets				
Land	1,328,670,395	-	1,328,670,395	1,328,670,395
Building	3,123,830,619	334,356,756	2,789,473,863	2,846,505,237
	4,452,501,014	334,356,756	4,118,144,258	4,175,175,632

	2018 Rs.	2017 Rs.
11.2.3 Net Book Values		
At Cost		
Buildings	6,933,335	5,102,131
Furniture and Fittings	391,733	946,639
Office Equipment	2,111,760	2,166,378
Sundry Equipment	7,367	13,259
Linen and Furnishing	-	-
Kitchen Utensils and Other Equipment	714,905	883,578
Total Carrying Amount of Property, Plant and Equipment	10,159,099	9,111,984

11.2.4 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 2,732,570/- (2017 - Rs.300,123/-). Cash payment amounting to Rs. 2,732,570/- (2017 - Rs. 300,123/-) were made during the year for purchase of Property, Plant and Equipment.

	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
12. LEASEHOLD PROPERTY				
As at 01 April	74,672,902	75,477,372	52,996,414	53,567,794
Amortisation for the year	(804,470)	(804,470)	(571,380)	(571,380)
At 31 March	73,868,432	74,672,902	52,425,033	52,996,414

The above balances represent the leasehold right obtained from Asia Sports Management (Private) Limited for a period of 99 years by Citrus Leisure PLC and sub-lease of the property to Hikkaduwa Beach Resort PLC, a subsidiary company for 99 years. Both Citrus Leisure PLC and Hikkaduwa Beach Resort PLC amortise the leasehold right over 99 years.

The details of the property are as follows,

Property: Sanathoduwa, Kalpitiya, Puttalam
Land Extent (In Perches) : 5,680

Notes to the Financial Statements

Year ended 31 March

	Balance As at 01.04.2017 Rs.	Additions Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2018 Rs.
13. INTANGIBLE ASSETS				
13.1 Intangible Assets - Group				
13.1.1 Cost				
Website Development Cost	3,402,709	539,816	-	3,942,525
	3,402,709	539,816	-	3,942,525
13.1.2 Amortisation				
Website Development Cost	1,498,983	607,732	-	2,106,715
	1,498,983	607,732	-	2,106,715
Net Book Values			2018	2017
13.1.3 Intangible Assets			1,835,810	1,903,726
			1,835,810	1,903,726
	Balance As at 01.04.2017 Rs.	Additions Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2018 Rs.
13.2 Intangible Assets - Company				
13.2.1 Cost				
Website Development Cost	104,666	-	-	104,666
	104,666	-	-	104,666

	Balance As at 01.04.2017 Rs.	Charge for the Year Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2018 Rs.
13.2.2 Amortisation				
Website Development Cost	61,269	31,948		93,217
	61,269	31,948	-	93,217
13.2.3 Net Book Value				
Website Development Cost			11,449	43,397
			11,449	43,397
13.3 * The above website development cost include the cost incurred for underwater video recording, which published in their website and intend to use more than one year that could promote their water sports and tourism business. Intangible Asset is amortized over 04 years				
14. INVESTMENT IN SUBSIDIARIES - COMPANY				
Investments in Quoted Subsidiaries (Note 14.1)			3,176,669,472	3,226,579,239
Investments in Non - Quoted Subsidiaries (Note 14.2)			62,878,576	62,878,586
Total Carrying Value of Investments in Subsidiaries			3,239,548,048	3,289,457,825

Notes to the Financial Statements

Year ended 31 March

	Holding		Cost 2018 Rs.	Market Value 2018 Rs.	Cost 2017 Rs.	Market Value 2017 Rs.
	2018	2017				
	%	%				
14.1 Investment in Subsidiaries - Quoted						
Waskaduwa Beach Resort PLC	71.94%	68.62%	-	-	1,392,662,498	415,309,503
Hikkaduwa Beach Resort PLC	76.18%	88.80%	3,176,669,472	1,123,165,778	1,174,079,461	301,465,533
Kalpitiya Beach Resort PLC (Note 1.5)	-	69.26%	-	-	659,837,280	674,879,555
Total Quoted Investment in Subsidiaries			3,176,669,472	-	3,226,579,239	1,391,654,591
	Holding		Cost 2018 Rs.	Directors' Valuation 2018 Rs.	Cost 2017 Rs.	Directors' Valuation 2017 Rs.
2018	2017					
%	%					
14.2 Investment in Subsidiaries - Non-Quoted						
Citrus Aqua Limited	58.20%	58.20%	12,000,000	12,000,000	12,000,000	12,000,000
Citrus Vacations Limited	97.76%	97.76%	25,612,000	25,612,000	25,612,000	25,612,000
Passikudah Beach Resorts Limited (Note 1.5)	-	100.00%	-	-	10	10
Citrus Equity Limited	100.00%	100.00%	10	10	10	10
Citrus Silver Ltd	100.00%	100.00%	25,266,556	25,266,556	25,266,556	25,266,556
Citrus Villas Limited	100.00%	100.00%	10	10	10	10
Total Non-Quoted Investment in Subsidiaries			62,878,576	62,878,576	62,878,586	62,878,586

15. INVESTMENT IN ASSOCIATES

Cost of investment in Associate

The Group acquired a 20.22% interest in Colombo Land & Development Company PLC which is involved in leasing out investment property under operating leases and also involved in development of investment property. The cost of investment as at acquisition date is Rs.1,303,303,398/-.

Colombo Land and Development Company PLC ("Company") is a public limited liability Company listed on Colombo Stock Exchange and incorporated and domiciled in Sri Lanka. The registered office and principal place of business of the Company is located at No. 250 - 3/8, (3rd Floor) Liberty Plaza, R. A. De Mel Mawatha, Colombo 3.

	Number of Shares		2018	2017
	2018	2017	Rs.	Rs.
15.1 Quoted				
Colombo Land & Development Company PLC	40,413,200	40,413,200	1,704,111,997	1,641,297,786
Share of Profit of Associate			557,594,006	62,124,826
Share of Other Comprehensive Income of Associate			107,020	689,385
Impairment of Investment in Associate			(176,491,910)	-
Carrying Value of the Investment			2,085,321,113	1,704,111,997

The following table illustrates the summarised financial information of Colombo Land & Development Company PLC as at / for the period/year ended 31 March 2018.

	As at 31.03.2018	As at 31.12.2016
	Rs.	Rs.
Statement of Financial Position		
Current Assets	142,143,832	1,079,046,379
Non- Current Assets	12,247,508,724	8,530,537,779
Current Liabilities	598,757,730	1,462,547,662
Non- Current Liabilities	4,450,679,254	3,564,882,951
Total Equity	7,340,215,572	4,582,153,545
Attributable to:		
Equity holders of Parents	7,342,204,468	4,583,067,002
Non Controlling Interest	(1,988,896)	(913,457)
Carrying amount of the Investment	7,340,215,572	4,582,153,545

Notes to the Financial Statements

Year ended 31 March

15.1 Quoted (Contd...)

	15 Months Ended 31.03.2018 Rs.	12 Months Ended 31.12.2016 Rs.
Statement of Profit or Loss		
Revenue	566,448,210	422,435,628
Profit before Income Tax	3,872,195,742	510,975,131
Income Tax	(1,114,559,668)	(203,730,690)
Profit after tax	2,757,636,074	307,244,441
Other Comprehensive Income	529,313	3,409,422
Total comprehensive Income	2,758,165,387	310,653,863
	2018 Rs.	2017 Rs.
15.2 Market value of the investment as at 31 March,		
Market Value of a Share	18.80	24.70
Market Value of the Investment	759,768,160	998,206,040

- 15.3 The Group performed an impairment test of carrying value of the investment considering the external market factor. This indicated a potential impairment of the investments. The Recoverable amount of the investment in Associates as at 31.03.2018 has been determined by valuation performed by management expert. The significant assumption use such as discount rate is negatively correlated to recoverable value of the investments.

15.4 Contingent Liabilities

Contingent Liabilities of Colombo Land and Development Company PLC as at 31st March 2018 amounting to Rs. 108 Million.

	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
16. OTHER CURRENT FINANCIAL ASSETS				
Fair value through profit or loss				
Investment in Quoted Securities (Note 16.1)	461,840	510,600	-	-
Other Financial Assets -Loans and Receivable				
Investments in Fixed Deposits	307,670,040	311,254,646	11,432,289	10,000,000
Investments in Treasury Bills	-	-	-	-
Total Other Financial Assets	308,131,880	311,765,246	11,432,289	10,000,000

	No. of Shares		Carrying Value	
	2018	2017	2018 Rs.	2017 Rs.
16.1 Investment in Quoted Securities - Current - Group				
Quoted				
Asian Hotels and Properties PLC	9,200	9,200	461,840	510,600
	9,200	9,200	461,840	510,600

Notes to the Financial Statements

Year ended 31 March

	Group	
	2018 Rs.	2017 Rs.
17. INVENTORIES		
Food & Beverage	16,180,466	16,431,847
House Keeping and Maintenance	4,572,509	4,395,576
Other Stocks	7,452,357	4,262,756
	28,205,332	25,090,179

	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
18. INTEREST BEARING LOANS AND BORROWINGS				
Other Financial Liabilities				
Current Interest -bearing loans and borrowings				
Obligations under finance leases	3,154,514	3,106,969	-	-
Bank Loans (Note 18.1)	352,285,674	203,992,000	-	-
Bank Overdraft (Note 21)	1,246,638,738	1,181,821,770	54,063,562	11,255,883
	1,602,078,926	1,388,920,739	54,063,562	11,255,883
Non-Current Interest -bearing loans and borrowings				
Bank Loans (Note 18.1)	1,545,936,000	1,834,404,000	-	-
Obligations under finance leases	5,248,811	8,403,326	-	-
	1,551,184,811	1,842,807,326	-	-
Total Interest-bearing loans and borrowings	3,153,263,737	3,231,728,065	54,063,562	11,255,883

	Rate of Interest	Term of Repayment	As at 01.04.2017		Repayments		As at 31.03.2018	
			Rs.	Rs.	Obtained During the Year	Rs.	Rs.	Rs.
18.1 Bank Loans - Group								
Sampath Bank Loan I&II	Variable (AWPLR + Margin)	114 instalments	1,518,900,000	-	(70,806,327)	1,448,093,673		
Sampath Bank Loan III		84 Instalments	371,760,000	-	(68,400,000)	303,360,000		
Hatton National Bank		84 Instalments	147,736,000	-	(24,288,000)	123,448,000		
Sampath Bank Loan	Short Term Loan		-	35,000,000	(11,680,000)	23,320,000		
			2,038,396,000	35,000,000	(175,174,327)	1,898,221,673		
<hr/>								
					2018	2017		
					Rs.	Rs.	Rs.	
Current					352,285,674	203,992,000		
Non Current					1,545,936,000	1,834,404,000		
					1,898,221,674	2,038,396,000		

Notes to the Financial Statements

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	As at 01.04.2017 Rs.	New Lease Obtained	Repayment	As at 31.03.2018 Rs.
18.2 Finance Lease Group				
Hatton National Bank	13,612,544	-		13,612,544
Gross Liability	13,612,544	-	(4,096,780)	9,515,764
Finance Charges Allocated to Future Periods	(2,102,250)	-	989,811	(1,112,439)
Net Liability	11,510,294	-	(3,106,969)	8,403,326

The minimum lease payments and the present value of minimum lease payments are as follows:

	Gross Liability		Net liability	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Payable within 1 year	3,154,514	4,096,780	3,154,514	3,106,969
Payable after 1 year before 5 years	6,361,250	9,515,765	5,248,811	8,403,326
Less: Amount representing finance charges	(1,112,439)	(2,102,250)		
Net liability	8,403,325	11,510,295	8,403,325	11,510,295

	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
19. TRADE AND OTHER RECEIVABLES				
Trade Debtors	208,733,444	170,013,818	-	-
Less -Allowance for doubtful debts	(6,949,802)	(4,631,843)	-	-
	201,783,642	165,381,975	-	-
Other Receivables -Related Parties (Note 19.1)	486,575	342,141	75,466,331	60,384,481
- Others	72,595,382	48,084,623	26,260,622	21,382,636
	274,865,599	213,808,739	101,726,953	81,767,117

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

Group	Total Rs.	Neither Past Due nor Impaired < 30 days Rs.	Past Due not Impaired			
			31 - 60 days Rs.	61 - 90 days Rs.	91 - 120 days Rs.	> 120 days Rs.
2018	201,783,641	72,717,002	45,345,745	39,755,535	25,751,678	18,213,680
2017	165,381,975	80,549,520	41,405,438	15,402,011	10,199,059	17,825,947

Notes to the Financial Statements

Year ended 31 March

	2018		2017	
	Number	Rs.	Number	Rs.
22.1 Fully Paid Ordinary Shares				
Balance at beginning of the year	96,650,427	2,403,276,182	96,650,427	2,403,276,182
Balance at end of the year	96,650,427	2,403,276,182	96,650,427	2,403,276,182

23. TRADE AND OTHER PAYABLES

Current	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
23.1 Trade Payables	47,392,368	34,302,509	-	-
Other Payables to Related Parties (Note 23.2)	541,682,412	386,623,285	186,365,426	151,993,916
Other Payables	84,100,446	105,457,992	-	-
Sundry Creditors including Accrued Expenses	164,711,884	135,234,475	11,453,050	7,798,584
Notes Payable	117,838,414	124,159,071	5,908,864	1,504,780
Advance Received for Leasehold Rights (Note 23.3)	-	-	1,792,930	1,792,930
	955,725,527	785,777,332	205,520,270	163,090,210

This amount reflects the advance amount received from Kalpitiya Beach Resort PLC on leasehold land.

	Relationship	Group			Company			
		2018	2018	2017	2018	2018	2017	2017
		Non Current	Current	Current	Current	Non Current	Current	Non Current
23.2 Other Payables to Related Parties								
Triad (Private) Limited	Affiliate Company	-	2,716,867	2,778,067	2,615,985	-	2,615,985	-
Citrus Aqua Limited	Subsidiary Company	-	-	-	-	-	-	432,895
Hikkaaduwa Beach Resort PLC	Subsidiary Company	-	-	-	-	136,288,500	6,329,705	385,318,496
Citrus Vacations Limited	Subsidiary Company	-	-	-	-	924,181	-	4,906,699
Divasa Equity (Pvt) Limited	Affiliate Company	-	107,026,903	97,645,371	29,919,998	-	27,280,000	-
Citrus Silver Limited	Subsidiary Company	-	-	-	1,978,359	186,888,754	3,530,705	163,629,420
George Stewart & Co Ltd	Affiliate Company	-	293,357,131	225,980,154	140,182,491	-	87,232,117	-
Sarva Integrated (Pvt) Ltd	Affiliate Company	-	35,214,287	35,214,288	-	-	-	-
Power House Ltd	Affiliate Company	197,000,000	103,367,224	25,005,405	11,668,593	197,000,000	25,005,405	-
		197,000,000	541,682,412	386,623,285	186,365,426	521,101,435	151,993,916	554,287,510

	Company	
	2018	2017
23.3 Advance Received for Leasehold Rights		
Current (Note 23.1)	1,792,930	1,792,930
Non-Current	163,156,555	164,949,487
	164,949,485	166,742,417

*This amount reflects the advance amount received from Kalpitiya Beach Resort (Note 1.5) PLC on leasehold land.

Notes to the Financial Statements

Year ended 31 March

	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
24. RETIREMENT BENEFIT OBLIGATIONS GRATUITY				
Balance as at 01 April	14,142,040	13,055,432	1,864,605	1,241,108
Current Service Cost	3,201,086	2,633,192	626,309	508,326
Interest Cost	1,767,755	1,315,781	233,076	124,111
Actuarial (Gain)/Loss	1,771,164	(1,567,811)	(29,678)	416,060
Payments made during the period	(2,793,052)	(1,294,554)	-	(425,000)
Balance as at 31 March	18,088,994	14,142,040	2,694,312	1,864,605

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

The principle assumptions used were as follows,

Assumptions regarding the future mortality are based on a 67/70 mortality table, issued by the Institute of Actuaries, London.

	2018	2017
24.1 Assumptions used - Group / Company		
Discount Rate	10%	12.50%
Future Salary Increment Rate	9.00%	9.00%
Retirement Age	55	55

	Expected Future Salaries		Discount Rate	
	1% increase Rs.	1% decrease Rs.	1% increase Rs.	1% decrease Rs.

24.2 Sensitivity of the principal assumptions used - Company				
Change in Present value of Defined Benefit Obligation	2,757,997	(2,632,770)	(2,649,422)	2,741,713

	Expected Future Salaries		Discount Rate	
	1% increase Rs.	1% decrease Rs.	1% increase Rs.	1% decrease Rs.

24.3 Sensitivity of the principal assumptions used - Group

Change in Present value of Defined Benefit Obligation	18,671,254	(17,533,157)	(17,562,975)	18,649,542
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25. LOSS PER SHARE

Basic Loss Per Share is calculated by dividing the net loss for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Group	2018 Rs.	2017 Rs.
Amounts used as the Numerator		
Net Loss attributable to Equity Holders of the Parent for Basic Loss Per Share	(153,785,194)	(244,599,421)

	2018 Number	2017 Number
Number of Ordinary Shares Used as the Denominator		
Weighted Average Number of Ordinary Shares in issue applicable to Basic Loss Per Share	96,650,427	96,650,427

Company	2018 Rs.	2017 Rs.
Amounts used as the Numerator		
Net Loss attributable to Equity Holders of the Parent for Basic Loss Per Share	(105,049,383)	(53,255,484)

	2018 Number	2017 Number
Number of Ordinary Shares Used as the Denominator		
Weighted Average Number of Ordinary Shares in issue applicable to Basic Loss Per Share	96,650,427	96,650,427

Notes to the Financial Statements

Year ended 31 March

26. COMMITMENTS AND CONTINGENCIES

26.1 The Group does not have significant capital commitments and contingencies as at the reporting date.

27. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

Nature of Assets	Nature of Liability	Carrying Amount of the asset Pledged		Included under
		2018 Rs.	2017 Rs.	
Fixed Deposit of Hikkaduwa Beach Resort PLC	Rs. 39 Mn (2017 - Rs. 33.15 Mn) Permanent Overdraft Facility of Hikkaduwa Beach Resort PLC	44.4 Mn	36.8 Mn	Fixed Deposits of Hikkaduwa Beach Resort PLC
Property named Hotel Citrus Hikkaduwa situated at Hikkaduwa depicted as Lot A in Plan No.1647 dated 15/06/2004 in extent of IA:3R:32.1P belonging to Hikkaduwa Beach Resort PLC	Primary Mortgage Bond for Rs.480 Mn Long Term Loan obtained from Sampath Bank PLC by Hikkaduwa Beach Resort PLC	1,037.7 Mn	940.6 Mn	Property, Plant & Equipment of Hikkaduwa Beach Resort PLC
Fixed Deposits of Waskaduwa Beach Resort PLC	Rs. 15.4 Mn Permanent Overdraft Facility of Waskaduwa Beach Resort PLC	17.6 Mn	16 Mn	Fixed Deposits of Waskaduwa Beach Resort PLC

Nature of Assets	Nature of Liability	Carrying Amount of the asset Pledged		Included under
		2018 Rs.	2017 Rs.	
Land and building of hotel Citrus Waskaduwa at Waskaduwa, belonging to Waskaduwa Beach Resort PLC	Mortgage Bond for Rs. 1,048 Mn and Rs. 602 Mn Long Term Loans and Rs. 75 Mn Permanent Overdraft Facility obtained from Sampath Bank PLC by Wasakduwa Beach Resort PLC	4,300 Mn	3,695 Mn	Property, Plant & Equipment of Waskaduwa Beach Resort PLC
Land called "Sanathoduwa" situated in Kalpitiya belonging to Hikkaduwa Beach Resort PLC	Rs. 50 Mn Permenent Overdraft Facility of Waskaduwa Beach Resort PLC	216.6 Mn	195 Mn	Property, Plant & Equipment of Hikkaduwa Beach Resort PLC
Fixed Deposit of Hikkaduwa Beach Resort PLC	Rs. 75 Mn Permenent Overdraft Facility of Hikkaduwa Beach Resort PLC	209.5 Mn	209.5 Mn	Fixed Deposits of Hikkaduwa Beach Resort PLC
Fixed Deposit of Citrus Silver Limited	Rs. 14.3 Mn (2017-Rs. 12.1 Mn) Permanent Overdraft Facility of Citrus Silver Limited	16.1 Mn	13.6 Mn	Cash and cash equivalents of Citrus Silver Limited
Fixed Deposit of Citrus Leisure PLC	Rs. 10.3 Mn (2017 - Rs. 9 Mn) Permanent Overdraft Facility of Citrus Leisure PLC	11.4 Mn	10 Mn	Cash and cash equivalents of Citrus Leisure PLC

Notes to the Financial Statements

Year ended 31 March

Nature of Assets	Nature of Liability	Carrying Amount of the asset Pledged		Included under
		2018 Rs.	2017 Rs.	
Quoted Equity Shares of 40,338,600 invested in Colombo Land and Development Company PLC by Hikkaduwa Beach Resort PLC	Rs. 715 Mn Permanent Overdraft Facility of Hikkaduwa Beach Resort PLC	2,085 Mn	1,700 Mn	Investment in Associates of Hikkaduwa Beach Resort PLC
Immovable property situated at Passikudah depicted as Lot No. 1 & 2 in Survey Plan No. Sa/195/2075/W dated 22/07/2015 made by Mr. S. Anthonypillai – L.S. officially valued at Rs. 198 Mn (Fsv) by Mr. G K D K Abeytungna (Frv) belonging to Hikkaduwa Beach Resort PLC	Registered Primary Floating Mortgage Bond for Rs. 170 Mn Long Term Loan obtained from Hatton National Bank PLC by Citrus Silver Limited	337 Mn	317.5 Mn	Property, Plant & Equipment of Hikkaduwa Beach Resort PLC

28. EVENTS OCCURRING AFTER THE REPORTING DATE

28.1 Utilisation of funds raised through the Initial Public Offering (IPO) of Hikkaduwa Beach Resort PLC

Rs. 17.7 Million of the remaining Rs. 31.6 Million IPO funds with Hikkaduwa Beach Resort PLC (CITH), a subsidiary of the Company were utilized for the purpose of upgrading the hotel in order to be compliant with the recently introduced requirements set out in Gazette (Extraordinary No.1963/28 dated 20th April 2016) for star classification as presently enjoyed by the hotel. As per the Extraordinary General Meeting held on 21st May 2018 the shareholders unanimously resolved to utilize the remaining IPO funds of Rs. 13.9 Mn to reduce the debts of CITH. Accordingly, the said funds were utilized to reduce the debts of CITH by way of settling the Permanent Overdraft Facility obtained from the Bank.

28.2 **Development of Ayurveda Resort and Spa Hotel at Kalpitiya and Utilisation of funds raised through the Initial Public Offering (IPO) of Kalpitiya Beach Resort PLC (now amalgamated with Hikkaduwa Beach Resort PLC)**

As per the Extraordinary General Meeting held on 21st May 2018 the shareholders unanimously resolved to not proceed with the objective of setting-up an Ayurveda Resort and Spa Hotel in Kalpitiya and to utilize the remaining IPO funds of Rs. 277,633,228/- to reduce the debts of the Hikkaduwa Beach Resort PLC (CITH) and furthermore to proceed to dispose of the lands in Kalpitiya and to utilise such proceeds in a manner that the Board of Directors deem fit by either restructuring the then existing debts or for the development of the other properties owned by the CITH.

Accordingly the CITH utilized the remaining IPO funds of Rs. 277,633,228/- to reduce the debts of the CITH by way of settling the Permanent and Casual Overdrafts by Rs. 244,433,228/- and part repayment of bank term loans by Rs. 33,200,000/-.

28.3 **Loan Restructure**

Casual Overdraft of the Group amounting to Rs. 140 Mn as at 31 March 2018 was settled in the month of July 2018 by converting to a term loan which is repayable in 8 years. The repayment includes a one-year grace period and two-year concessionary payment plan with reduced interest rate.

The Hikkaduwa Beach Resort PLC (CITH) converted Rs. 405 Mn of its Permanent Overdraft Facility to a term loan repayable within 7 years with a concessionary capital repayment for the first year from June 2018. Further, the CITH uplifted its Rs. 209 Mn Fixed Deposit and part settled the remaining Permanent Overdraft Facility from the funds of the same.

Term loan balance as at 31 March 2018 amounting to Rs.1,448 Mn of Waskaduwa Beach Resort PLC was restructured w.e.f. 02 July 2018 as follows;

- Repayment period extended up to 2029/30 from original period ending 2024/25
- Annual repayment reduced significantly from Rs. 179 Mn to Rs. 12 Mn for the first three years from July 2018

28.4 **No circumstances have arisen since the Statement of Financial Position date, which would require adjustments to or disclosure in the financial statement except disclosed above.**

Notes to the Financial Statements

Year ended 31 March

29. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

	Affiliates*	
	2018	2017
29.1 Transaction with the parent and related entities - Group		
As at 1 April	(386,281,145)	(176,212,205)
Fund Transfer from	(428,000,000)	(136,000,000)
Fund Transfer to	125,000,000	75,622,598
Inter-company Interest Expense	(49,541,626)	(25,750,537)
Interest/ Other settlement Payments	7,934,032	-
Expenses incurred on behalf of the Related Party	-	500
Refundable Deposit Payable	-	(10,000,000)
Transfer from Interest Bearing Loans and Borrowings	-	(69,750,685)
Building Lease Payable	(7,451,532)	(44,190,816)
Written off of unrecoverable balances	(342,141)	-
As at 31 March	(738,682,412)	(386,281,145)
Included in		
Trade and Other Receivable	-	342,141
Trade and Other Payable	(738,682,412)	(386,623,285)
Total	(738,682,412)	(386,281,145)

* The transactions with Triad (Private) Limited, Divasa Equity (Private) Limited, George Steuart & Company Limited, Sarva Integrated (Private) Limited, Citrus Equity Limited, Citrus Villas Limited and Power House Limited are included here.

29.2 Transaction with the parent and related entities - Company

Nature of Transaction	Subsidiaries*		Other Related Parties**			Total	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.	
As at 1 April	(296,635,514)	(355,847,266)	(142,133,507)	(74,190,407)	(438,769,021)	(430,037,673)	
Fund Transfer from	(293,264,424)	(79,400,000)	(345,000,000)	(108,000,000)	(638,264,424)	(187,400,000)	
Fund Transfer to	465,559,356	114,542,769	127,000,000	46,971,968	592,559,356	161,514,737	
Expenses incurred on Behalf of the Company	(2,945,959)	(7,210,374)	-	-	(2,945,959)	(7,210,374)	
Expenses incurred on Behalf of the Related Party	26,978,678	17,373,999	-	-	26,978,678	17,373,999	
Inter-company Interest Income	27,726,990	22,277,033	-	-	27,726,990	22,277,033	
Inter-company Interest Expense	(61,485,094)	(68,910,975)	(24,609,555)	(6,915,068)	(86,094,648)	(75,826,043)	
Interest/ Other settlements made	-	-	3,355,994	-	3,355,994	-	
Management Fee	69,710,228	66,129,233	-	-	69,710,228	66,129,233	
Mortgage Fee Charges	(1,700,000)	(1,700,000)	-	-	(1,700,000)	(1,700,000)	
Collections made on behalf of the Company	(4,245,952)	(3,889,934)	-	-	(4,245,952)	(3,889,934)	
Written Off of unrecoverable balances	(216,201)	-	-	-	(216,201)	-	
As at 31 March	(70,517,890)	(296,635,514)	(381,387,068)	(142,133,507)	(451,904,958)	(438,769,021)	
Included in							
Trade and Other Receivables - Non-current	180,095,574	207,344,125	-	-	180,095,574	207,344,125	
- Current	75,466,346	60,168,280	-	-	75,466,346	60,168,280	
Trade and Other Payables - Non-current	(324,101,435)	(554,287,510)	-	-	(324,101,435)	(554,287,510)	
- Current	(1,978,359)	(9,860,410)	(381,387,068)	(142,133,507)	(383,365,427)	(151,993,916)	
	(70,517,874)	(296,635,514)	(381,387,068)	(142,133,507)	(451,904,943)	(438,769,021)	

* The transactions with Waskaduwa Beach Resorts PLC, Kalpitiya Beach Resort PLC, Hikkaduwa Beach Resort PLC, Citrus Aqua Limited, Citrus Vacations Limited, Citrus Silver Limited and Passikudah Beach Resorts Limited are included here.

Kalpitiya Beach Resort PLC (KBRL) and Passikudah Beach Resorts Limited ceased exist w.e.f. 30th January 2018 and 2nd February 2018 respectively as a result of the Citrus Group Restructure as detailed in note 1.5.

Notes to the Financial Statements

Year ended 31 March

29.3 Transactions with Key Management Personnel of the Company and its Parent

The Key Management Personnel (KMP's) includes the Board of Directors of the Company.

	2018	2017
a) Key Management Personnel Compensation		
Short-term employee benefits	6,600,000	5,700,000
	6,600,000	5,700,000

Amounts outstanding in respect of Key Management Personnel

- Recoverable by the Company

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

30.1 Risk management framework

The Group's principal financial liabilities comprise Interest Bearing loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group has trade and other receivables, and cash and short-term deposits that arrive directly from its operations. The Group also holds investments designated under fair value through profit or loss.

The Group is exposed to market risk, credit risk and liquidity risk.

The Group's senior management oversees the management of these risks. The Group's senior management is supported by a financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The financial risk committee provides assurance to the Group's senior management that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with group policies and group risk appetite.

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

Market risk

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

Interest rate risk

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

The Group's interest rate are stated in Note 18 in these financial statements.

Interest rate sensitivity

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

	Increase decrease in basis points	Effect on profit before tax
2018	+50	(25,418,387)
	-50	16,247,107
2017	+50	(15,446,024)
	-50	14,025,278

Notes to the Financial Statements

Year ended 31 March

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency) and the borrowings.

Equity price risk

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

Credit risk

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

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, loans, and finance leases. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

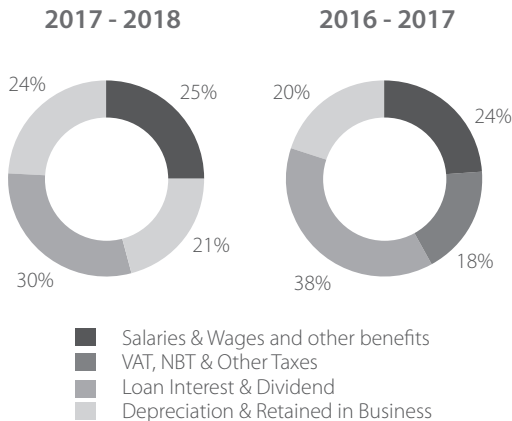
	2018		2017	
	Hikkaduwa Beach Resorts PLC Rs.	Waskaduwa Beach Resort PLC Rs.	Hikkaduwa Beach Resorts PLC Rs.	Waskaduwa Beach Resort PLC Rs.
31. MATERIAL PARTLY-OWNED SUBSIDIARIES				
Revenue	340,666,741	693,579,858	304,803,988	685,759,063
Cost of sales	(74,615,701)	(167,955,919)	(66,512,717)	(152,594,522)
Other Income and Gains	5,349,599	5,927,328	3,170,718	7,077,230
Administrative expenses	(119,212,493)	(301,314,901)	(96,204,317)	(310,940,335)
Operating Expenses	(66,149,928)	(187,756,068)	(57,145,058)	(168,425,263)
Selling and Distribution Expenses	(16,772,950)	(15,291,324)	(17,445,728)	(17,759,598)
Finance costs	(99,772,985)	(288,025,862)	(51,161,344)	(274,761,279)
Finance Income	98,243,379	6,589,081	81,679,835	4,243,586
Share of Associate Profit	3,082,134	-	-	-
Impairment of Investment in Associates	(176,491,910)	-	-	-
Profit/(loss) before tax	(105,674,114)	(254,247,807)	101,185,376	(227,401,118)
Income tax	(64,780,152)	(982,090)	(22,794,917)	(669,258)
Profit/(loss) for the year	(170,454,266)	(255,229,897)	78,390,459	(228,070,376)
Other comprehensive income/ (loss) for the year, Net of tax	117,474,646	642,679,646	1,106,587	471,847
Total comprehensive income	(52,979,620)	387,449,749	79,497,045	(227,598,529)
Summarised Statement of Financial Position				
Current Assets	512,847,915	151,188,768	204,847,298	146,234,791
Non- Current Assets	8,498,503,167	4,367,435,503	1,652,493,597	3,730,995,941
Current Liabilities	(2,284,342,847)	(866,339,244)	(296,099,675)	(695,572,238)
Non- Current Liabilities	(1,827,573,050)	(1,910,876,722)	(305,100,089)	(1,827,699,938)
Total equity	4,899,435,186	1,741,408,305	1,256,141,132	1,353,958,555
Summarised Cash Flow Information				
Operating	(13,323,360)	(83,012,629)	63,139,984	(11,981,528)
Investing	(924,576,058)	(50,006,917)	(40,921,847)	(18,187,772)
Financing	41,428,760	46,559,945	(81,860,238)	(1,122,104)
Net increase / (decrease) in cash and cash equivalents	(896,470,659)	(86,459,601)	(59,642,101)	(31,291,405)

Five Year Summary

		2013/14	2014/15	2015/16	2016/17	2017/18
TRADING RESULTS						
Turnover and Other Income	Rs:'000s	316,815	930,859	1,119,962	1,238,110	1,301,550
Loss before Tax	Rs:'000s	(49,448)	(390,475)	(37,832)	(278,043)	(47,014)
Income Tax Expense	Rs:'000s	(5,102)	(3,912)	(22,138)	(36,534)	(84,796)
Net Loss	Rs:'000s	(54,550)	(394,386)	(59,970)	(314,576)	(131,810)
ASSETS						
Non-Current Assets	Rs:'000s	5,515,016	6,958,852	7,109,102	7,016,439	8,143,153
Current Assets	Rs:'000s	1,288,342	569,680	785,244	640,796	709,488
Total Assets		6,803,358	7,528,532	7,894,346	7,657,235	8,852,641
EQUITY AND LIABILITIES						
Capital and Reserves						
Stated Capital	Rs:'000s	2,403,273	2,403,273	2,403,276	2,403,276	2,403,276
Revaluation Reserve	Rs:'000s	-	233,229	258,930	258,930	704,488
Revenue Reserve	Rs:'000s	436,131	211,646	301,470	58,418	(429,203)
Non-Controlling Interest	Rs:'000s	1,199,526	1,088,003	915,985	845,858	1,515,659
Total Equity		4,038,930	3,936,151	3,879,661	3,566,482	4,194,219
Non-Current Liabilities						
Interest Bearing Loans and Borrowings	Rs:'000s	1,203,404	1,630,612	2,013,074	1,842,807	1,748,185
Differed Tax Liabilities	Rs:'000s	-	9,784	14,939	14,977	193,110
Provisions for Liabilities and Charges	Rs:'000s	6,341	9,737	13,055	14,142	18,089
		1,209,745	1,650,133	2,041,068	1,871,927	1,959,384
Current Liabilities	Rs:'000s	1,554,683	1,598,960	1,973,617	2,218,827	2,699,037
Total Liabilities		2,764,428	3,249,093	4,014,686	4,090,753	4,658,421
Total Equity and Liabilities		6,803,358	7,528,532	7,894,346	7,657,235	8,852,641
VALUE TO SHAREHOLDERS						
Loss per Share - Basic	Rs.	(0.22)	(2.28)	(0.53)	(2.53)	(1.59)
Loss per Share - Diluted	Rs.	(0.22)	(2.28)	(0.53)	(2.53)	(1.59)
Dividend Per Share	Rs.	-	-	-	-	-
Dividend Pay-out Ratio	%	-	-	-	-	-
Net Asset per Share	Rs.	29.38	29.47	30.66	28.15	27.71
Debt to Equity Ratio	Times	0.30	0.41	0.52	0.52	0.42
Current Ratio	Times	0.83	0.29	0.40	0.29	0.26
Quick Asset Ratio	Times	0.83	0.29	0.39	0.28	0.25
Interest Cover	Times	1.00	0.40	0.88	0.38	0.15

Statement of Value Added

	2017/18		2016/17	
Turnover	1,676,433,468		1,606,350,504	
Other Income/(Loss)	616,579,412		265,254,367	
	2,293,012,880		1,871,604,871	
Less: Cost of Material & Services bought in	(747,822,489)		(715,336,045)	
	1,545,190,391		1,156,268,826	
Value Allocated to Employees				
Salaries & Wages and other benefits	421,531,158	25%	367,218,423	24%
To Government				
VAT, NBT & Other Taxes	357,569,898	21%	271,914,315	18%
To Providers of Capital				
Loan Interest & Dividend	501,697,906	30%	593,459,227	38%
To Expansion & Growth				
Depreciation & Retained in Business	396,565,319	24%	317,229,493	20%
	1,677,364,281	100%	1,549,821,458	100%



Share Information

Ordinary Shareholders

There were 3,344 registered shareholders as at 31st March 2018, distributed as follows.

Shareholders Categorized Summary Report – As At 31st March 2018

From	To	No of Holders	No of Shares	%
1	1,000	2,203	568,509	0.59
1,001	10,000	834	3,000,237	3.11
10,001	100,000	253	7,047,294	7.29
100,001	1,000,000	41	10,111,735	10.46
Over 1,000,000		13	75,922,652	78.55
Total		3,344	96,650,427	100.00

Categories of Shareholders

Category Shareholders	No of Holders	No of Shares	%
Local Individuals	3,145	15,499,720	16.04
Local Institutions	178	80,843,805	83.65
Foreign Individuals	18	53,502	0.05
Foreign Institutions	3	253,400	0.26
Total	3,344	96,650,427	100.00

The percentage of the shares held by public as at 31 March 2018 was 58.775% (As at 31 March 2017 was 58.772%) and the number of public shareholders was 3,326 (As at 31 March 2017 was 3,417).

The Float Adjusted Market Capitalisation of the Company as at 31st March 2018 is Rs. 426,047,164 and the Company complies with the minimum public holding requirement under Option 5 of the Listing Rules 7.13.1 (a).

Share Prices for the year

Market price per share	As at 31.3.2018 Rs.	As at 31.3.2017 Rs.
Highest during the year	11.30 (20.06.2017)	15.00 (30.09.2016)
Lowest during the year	6.60 (03.04.2017)	6.30 (28.03.2017)
As at end of the year	7.50	7.00

20 Major Shareholders of the Company

Name	No of Shares as at 31.03.2018	(%)	No of Shares as at 31.03.2017	(%)
1 Union Bank of Colombo PLC/George Steuart & Company Ltd	25,655,500	26.55	25,655,500	26.55
2 Pan Asia Banking Corporation PLC/Divasa Equity (Pvt) Ltd - 8,677,070 Seylan Bank Plc / Divasa Equity (Pvt) Ltd - 5,900 Divasa Equity (Pvt) Ltd - 907,060	9,590,030	9.92	9,590,030	9.92
3 Vallibel One PLC	8,672,810	8.97	8,672,810	8.97
4 Seylan Bank PLC/George Steuart Engineering (Pvt) Ltd	8,389,400	8.68	8,389,400	8.68
5 Lotus Technologies (Private) Limited	7,063,819	7.31	7,063,819	7.31
6 Hatton National Bank PLC/Capital Trust Holdings Limited	5,906,175	6.11	-	-
Seylan Bank PLC / Capital Trust Holdings Limited	-	-	5,818,013	6.02
7 Royal Ceramics Lanka PLC	2,768,276	2.86	2,768,276	2.86
8 George Steuart & Co Ltd A/C No 01	1,846,000	1.91	1,846,000	1.91
9 Corona T Stores (Private) Limited	1,585,331	1.64	1,585,331	1.64
10 Laugfs Gas PLC	1,500,000	1.55	1,500,000	1.55
11 Capital Trust Holdings Ltd	1,463,788	1.52	-	-
Sampath Bank PLC / Capital Trust Holdings Ltd	-	-	1,423,776	1.47
12 Mr. C N Samarathunga & Mrs. W M Botheju	1,263,428	1.31	1,263,428	1.31
13 Seylan Bank PLC/Jayantha Dewage	1,131,055	1.17	1,131,055	1.17
14 Mr. T G Thoradeniya	732,310	0.76	732,310	0.76
15 Mrs. W M Botheju	568,300	0.59	568,300	0.59
16 People's Leasing & Finance PLC/K I Udayananda	549,416	0.57	400,000	0.42
17 Pan Asia Banking Corporation PLC/Mr Ravindra Erle Rambukwelle	522,489	0.54	622,745	0.64
18 Mrs. K M Goonewardene	486,519	0.50	486,519	0.50
19 Mrs. L A I Silva	389,528	0.40	389,528	0.40
20 Admiral W K J Karannagoda	373,824	0.39	472,640	0.49
Sub Total	80,457,998	83.25	80,379,480	83.16
Others	16,192,429	16.75	16,270,947	16.84
Total	96,650,427	100.00	96,650,427	100.00

Directors' and CEO's Shareholding

Name	No of Shares as at 31.03.2018	%	No of Shares as at 31.03.2017	%
1 Mr. E P A Cooray	11,500	0.01	11,500	0.01
2 Mr. D S Jayaweera	30,240	0.03	30,240	0.03
3 Mrs. V S F Amunugama	30,240	0.03	30,240	0.03
4 Mr S A Ameresekere	-	-	-	-
5 Mr. P C B Talwatte (CEO)	-	-	-	-
6 Mr. P V S Premawardhana	-	-	-	-
7 Mr R Seneviratne - Shares held in the following manner				
Mr. R Seneviratne - 248,665				
Mr. R Seneviratne & Amitha Seneviratne - 175,100				
Ms Keshini K K Goonathileke Seneviratne & Mr R Seneviratne - 5,900				
	429,665	0.45	429,665	0.45
8 Mr. J M B Pilimatalawwe	-	-	-	-
9 Mr. S D De Mel	100,000	0.10	100,000	0.10

*The fractional shares of 14 issued jointly in the names of Messrs E P A Cooray and D S Jayaweera

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirty Sixth Annual General Meeting of Citrus Leisure PLC will be held at Sri Lanka Foundation Institute, Lecture Hall No. 08, No. 100, Sri Lanka Padanama Mawatha, Independence Square, Colombo 07 on 27th September 2018 at 9.00 a.m. for the following purposes.

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and the Financial Statements for the year ended 31st March 2018 and the Report of the Auditors thereon.
2. To pass the ordinary resolution set out below to re-appoint Mr. E P A Cooray who has attained 70 years of age, as a Director of the Company;
"IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act, No.07 of 2007 shall not apply to Mr. E P A Cooray who has attained 70 years of age and that he be and is hereby re-appointed as a Director of the Company."
3. To re-elect as a Director Mr. D S Jayaweera who retires by rotation in terms of Article 84 of the Articles of Association of the Company.
4. To re-elect as a Director Mr. J M B Pilimathalawwe who retires by rotation in terms of Article 84 of the Articles of Association of the Company.
5. To re-appoint M/s Ernst & Young, as Auditors of the Company and to authorize the Directors to determine their remuneration.
6. To authorize the Directors to determine donations for the year ending 31st March 2019 and up to the date of the next Annual General Meeting.

By order of the Board

Citrus Leisure PLC



P W Corporate Secretarial (Pvt) Ltd

Secretaries

30 August 2018

Colombo

Notes:

1. A Shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on behalf of him/her.
2. A proxy need not be a Shareholder of the Company.
3. The Form of Proxy is enclosed for this purpose.
4. The completed Form of Proxy must be deposited at the Registered office of the Secretaries: 3/17, Kynsey Road, Colombo 8 not later than 48 hours before the meeting.

Form of Proxy

*I/We
 (NIC No
 of being a shareholder / shareholders of
 Citrus Leisure PLC hereby appoint
 (NIC No.) of(or failing him/her).

Mr. E P A Cooray	of Colombo	or failing him
Mr. D S Jayaweera	of Colombo	or failing him
Mr. R Seneviratne	of Colombo	or failing him
Ms. V S F Amunugama	of Colombo	or failing her
Mr. J M B Pilimatalawwe	of Colombo	or failing him
Mr. S D De Mel	of Colombo	or failing him
Mr. P C B Talwatte	of Colombo	or failing him
Mr. P V S Premawardhana	of Colombo	or failing him
Mr. S A Amersekere		

as my/our* proxy to represent and speak and vote as indicated hereunder for me/us* and on my/our* behalf at the Thirty Sixth Annual General Meeting of the Company to be held on 27th September 2018 at 9.00 am and at every poll which may be taken in consequence of the aforesaid Meeting and at any adjournment thereof.

	For	Against
i) To pass the ordinary resolution set out under item 2 of the Notice of Meeting for the re-appointment of Mr. E P A Cooray as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
ii) To re-elect Mr. D S Jayaweera as a Director in terms of Article 84 of the Articles of Association the Company.	<input type="checkbox"/>	<input type="checkbox"/>
iii) To re-elect Mr. J M B Pilimathalawwe as a Director in terms of Article 84 of the Articles of Association the Company.	<input type="checkbox"/>	<input type="checkbox"/>
iv) To re-appoint Messrs Ernst & Young, Chartered Accountants, as Auditors of the Company and to authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
v) To authorize the Directors to determine donations for the year ending 31st March 2019 and up to the date of the next Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day of Two Thousand and Eighteen.

*Please delete as appropriate

.....
 Signature of Shareholder

Notes:

1. A proxy need not be a shareholder of the Company
2. Instructions as to completion appear overleaf.

Form of Proxy

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the Form of Proxy by filling in legibly your full name address and signing in the space provided and filling in the date of signature.
2. A shareholder entitled to attend and vote at the meeting is entitled to appoint a Proxy who need not be a shareholder, to attend and vote instead of him. Please indicate with an "X" in the boxes provided how your Proxy is to vote on each resolution. If no indication is given, the Proxy in his discretion will vote as he thinks fit.
3. If you wish to appoint a person other than the Chairman or a Director of the Company as your Proxy, please insert the relevant details in 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 appointer is a Company / Incorporated body this Form must be executed in accordance with the Articles of Association / Statute.
6. The completed Form of Proxy should be deposited at the office of the Secretaries; 3/17, Kynsey Road, Colombo 8 not later than 48 hours before the meeting.

Corporate Information

Name of Company

Citrus Leisure PLC

Director/ Chief Executive Officer

Mr. Chandana Talwatte

Legal Form

Public Quoted Company with limited liability
Incorporated in Sri Lanka.

Director Marketing

Mr. Mani Sugathapala

Company Registration No.

PQ 211

Stock Exchange Listing

The Shares of the Company are listed on the
Colombo Stock Exchange.

Registered Office

No: 7/5 Gregory's Road, Colombo 07.

Company Secretaries

P W Corporate Secretarial (Pvt) Ltd.
No.3/17, Kynsey Road, Colombo 08.

Telephone : 0115 755 055

Fax : 0115 470 000

E-mail : direct@citrusleisure.com

Website : www.citrusleisure.com

Auditors

Ernst & Young Chartered Accountants 201,
De Saram Place, Colombo 10.

Board of Directors

Mr. E. P. A. Cooray (Chairman)

Mr. D. S. Jayaweera

Ms. V. S. F. Amunugama

Mr. S. A. Ameresekere

Mr. P. C. B. Talwatte

Mr. P. V. S. Premawardhene

Mr. R. Seneviratne

Mr. J. M. B. Pilimatalawwe

Mr. S. D. De Mel

Bankers

Sampath Bank PLC

Bank of Ceylon

Pan Asia Bank PLC

Commercial Bank of Ceylon PLC

Hatton National Bank PLC

Nations Trust Bank PLC

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Digital Plates & Printing by Printage (Pvt) Ltd

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Citrus Leisure PLC