

# **HOTEL SIGIRIYA PLC**

ANNUAL REPORT 2019 | 2020

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## Our Vision

*“To be one of the top three contributors to the development of the hospitality industry in Sri Lanka and be the benchmark for guest service, F&B standards and management of human capital”*

## Our Mission

Stakeholder	Mission
<i>Our Guests</i>	<i>To create experiences to write home about by exceeding the expectations of our guests at all times</i>
<i>Our Customers</i>	<i>To be the most trusted hotel partner, delivering consistently superior value at all times</i>
<i>Our People</i>	<i>To create an environment that will inspire our people to work with pride, happiness and passion which will reflect in service excellence thus delighting our guests</i>
<i>Our Community</i>	<i>To develop our community and protect our environment by adopting and implementing sustainable tourism initiatives</i>
<i>Our Shareholders</i>	<i>To deliver superior returns to our shareholders through sustained performance excellence</i>

## Our Values

*We Think Boldly*

*We Lead Change*

*We Thrive on Creativity*

*We Evolve with Our Customers*

*We Personalise Experiences*

*We Keep Learning*

# Financial Highlights

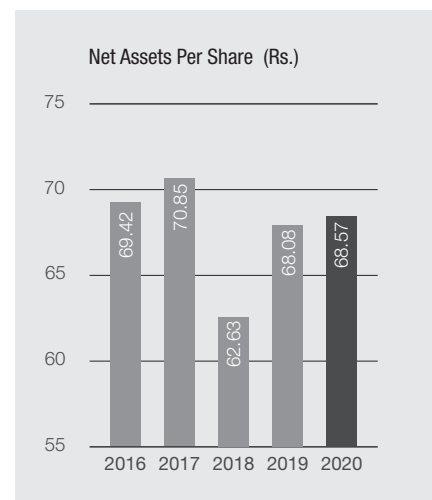
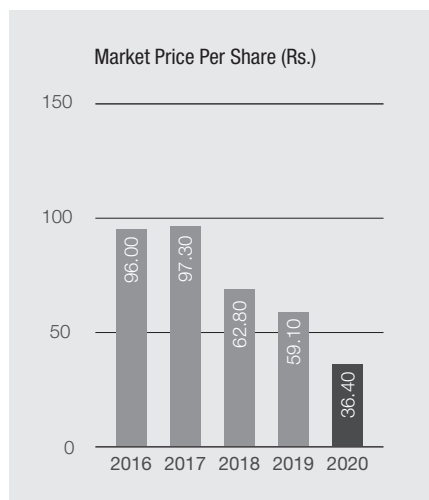
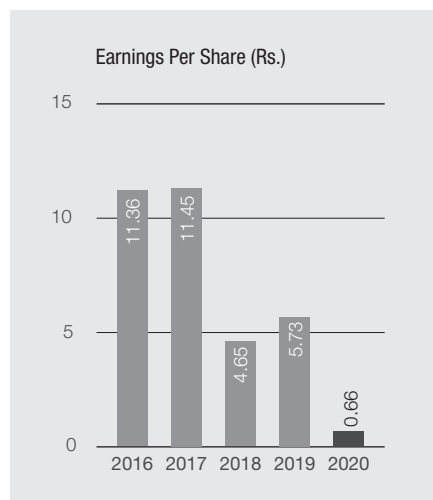
Year ended 31 March		2020	2019
Revenue	Rs.000's	271,874	375,610
Earnings before Interest, Tax, Depreciation & Amortisation (EBITDA)	Rs.000's	35,182	59,700
Profit Before Tax	Rs.000's	11,552	41,109
Profit After Tax	Rs.000's	3,848	33,548
Earnings per Share	Rs.	0.66	5.73
Cash Earnings per Share	Rs.	4.65	9.41
Interest Cover	Times	4.60	Nil
Return on Equity (ROE)	%	0.96	8.41
Return on Capital Employed (ROCE)	%	1.12	8.91

## Balance Sheet Highlights and Ratios

Total Assets	Rs.000's	535,822	524,117
Total Debt	Rs.000's	31,977	-
Total Shareholders' Funds	Rs.000's	401,764	398,899
No. of Shares in Issue	Nos	5,859,000	5,859,000
Net Assets per Share	Rs.	68.57	68.08
Debt / Total Equity	%	7.96	Nil
Debt / Total Assets	%	5.97	Nil

## Market/ Shareholder Information

Market Price of Share as at 31st March	Rs.	36.40	59.10
Market Capitalization	Rs.000's	213,268	346,267
Price Earnings Ratio	Times	55.42	10.32
Dividend Per Share	Rs.	Nil	Nil
Dividend Pay out	%	Nil	Nil



# Chairman's Message



The financial year 2019/20 brought the travel and leisure industry to a turning point and challenged organisation to navigate the status quo armed with a resilient, innovative mindset and a market-sensitive drive to pursue sustainable growth. In this backdrop, Hotel Sigiriya PLC persevered to address prevailing challenges in a prudent manner and plan for the future through adopting timely and more viable strategies.

## **Navigating challenging times**

In 2019, the tourism industry in Sri Lanka witnessed one of its biggest setbacks in recent times in the aftermath of the tragic Easter Sunday attack. Hotel occupancies dropped dramatically in the wake of the tragedy after most tourism generating countries issued travel advisory warnings, advising their citizens against 'non-essential' travel. The financial setback arising from the slowdown in tourism had a considerable impact on the country's economy. The country's earnings from tourism-related activities decreased by 18 percent from USD 4.3 billion to USD 3.6 billion Year on Year by end December 2019.

The Government's efforts to revive the industry through offering a financial relief package which consisted of a moratorium on loan and interest repayments for 12 months, a subsidised soft-working capital loan scheme to be repaid within 24 months and a reduction of VAT from 15% to 7%, were welcome. However, during the latter part of the financial year, the COVID-19 pandemic brought these revival efforts to a halt with inevitable worldwide restrictions and bans on travel. Colombo airport was closed in late March for visitor arrivals and an island-wide curfew was imposed for almost 2 months.

The prevailing situation calls for careful consideration of ground realities and close cooperation with government and health care professionals. At the time of writing this review, Sri Lanka has been largely successful in containing the spread of the virus, presenting an opportunity to reopen borders to tourists. However, reopening the country to tourists will require the implementation of stringent health protocols, which would serve the dual purpose of preventing the spread of the virus and wooing travellers back to the country as a 'safe destination' from COVID-19.

Nevertheless, travel confidence has been deeply impacted by the pandemic and recovery will be slow. Hotel Sigiriya PLC is already taking the necessary steps to create safe spaces for guests in our efforts to adapt to the new norm.

## Chairman's Message (Contd.)

### The Global picture

The World Tourism Organisation (UNWTO) data revealed that international tourist arrivals grew by 4 percent during 2019, which was slower in comparison to the stronger growth rates recorded in 2017 and 2018. All regions across the globe enjoyed increased visitor arrivals in 2019, despite unfavourable geopolitical and trade tensions. However, in the first quarter of 2020, the global health crisis had an unparalleled impact on the global tourism industry, creating a double-digit decrease of winter season arrivals of 22 percent.

Asia and Pacific region experienced a 35 percent drop in tourist arrivals in the first quarter of 2020 while Europe witnessed a decrease of 19 percent. Tourist arrivals in the Americas declined by 15 percent while Africa and the Middle East reported drops by 12 percent and 11 percent respectively.

### Tourism in Sri Lanka

Faced with the spillover effects from the Easter Sunday tragedy, tourist arrivals in Sri Lanka declined by 18 percent Year on Year. As a result, earnings from the sector declined by 18 percent. The lowest tourist arrivals during 2019 were recorded in the months of May, June and July in the immediate aftermath of the Easter Sunday attack. However, arrivals picked up during the latter part of the year. During the first quarter of 2020, tourist arrivals came to a halt with travel restrictions across the world and in Sri Lanka due to the global outbreak of COVID-19.

As Sri Lanka continues to tackle the spread of the virus successfully, re-opening our borders to visitors within a framework of adequate safety measures appears to be a possibility.

### Company Performance

Despite difficulties that the industry faced, Hotel Sigiriya PLC recorded a revenue of Rs 272 million and Rs 4.4 million in operating profits. Nevertheless, Company revenue and operating profits decreased by 28 percent and 88 percent respectively in comparison to the previous financial year. Even though the external environment negatively impacted the industry, the company succeeded in maintaining the occupancy rate for the entire year to a reasonable 54 percent. During the year under review, the Company's TRRevPAR (Total Revenue Per Available Room) stood at Rs 9,403 reflecting a decline of 28 percent when compared to the previous year.

### Looking into the future

The ongoing pandemic and the resulting health and economic crisis have created massive challenges for the global tourism industry. Even if the spread of the virus is brought under control in the near future, realistically global tourism and consequently occupancy rates will be hard hit throughout 2020 and beyond. But, this is also an opportunity to build a more sustainable and resilient industry. In Sri Lanka's case, authorities need to build a regulatory environment that protects heritage sites, prevents unlicensed tourist activity and create a sustainable platform that pivots around protecting wildlife and our natural resources. We need to create a mechanism to protect endangered

species such as Elephants and whales. The global crisis is an opportunity for us to revisit our growth strategies and create an environment that gives priority to sustainable development and preservation of the country's natural resources in order to sustain growth.

Meanwhile, Hotel Sigiriya PLC is already setting up strategies to boost occupancy rates through prioritising safety of our guests when the country is once again ready to welcome travellers. Moreover, we have already implemented a digitalisation strategy to tap into the changing market trends that focus more on the online arena.

### Acknowledgement

I would like to take this opportunity to thank our Board of Directors for their prudent and visionary guidance throughout the years and specially during this most unusual year. Our business partners have always stood by Hotel Sigiriya PLC through thick and thin, contributing immensely to the success of the Company. I am grateful for their unwavering support. The loyalty of our customers propels us forward to seek growth and continue to serve them safely and with care. The team at Hotel Sigiriya is exceptional and I am sure that they will help sail this ship through the storm we all find ourselves in until we reach calmer waters. Let us keep our faith and work together to rebuild the tourism industry to its full potential.



A N Esufally  
Chairman

## Board of Directors



**A N Esufally**  
*Non-Executive Chairman*

With over 40 years' experience in the tourism industry, Mr. Abbas Esufally has played a pivotal role in expanding the Group's Leisure interests and has actively contributed to the growth and development of the country's tourism industry.

He is a Fellow Member of both the Institute of Chartered Accountants of England and Wales and the Institute of Chartered Accountants of Sri Lanka.

Mr. Abbas Esufally serves as a Group Director of Hemas Holdings PLC, Chairman of Serendib Hotels PLC, Dolphin Hotels PLC as well as Diethelm Travel Sri Lanka (Pvt) Ltd, Sri Lanka's premier Destination Management Company.

He also serves on the Boards of several other listed and unlisted companies.

He is an all Island Justice of Peace and serves as the Honorary Consul of Bhutan in Sri Lanka.



**B S M De Silva**  
*Independent Director*

Mr. Sarada De Silva counts over 30 years' experience in the Tourism and Leisure industries. He was appointed to the Board in 1990. He has extensive experience in the Spice industry for over 45 years and is the Founder Chairman of the Spice Council. He is the Chairman and Managing Director of B. Darsin De Silva & Sons (Private) Limited and the Chairman of Cinnamon Training Academy Limited, Ceylon Cinnamon Geographical Indications Association and Ceylinco General Insurance Limited. Mr. De Silva holds directorships in Dolphin Hotels PLC, Sri Lanka International Arbitration Centre, HVA Foods PLC and National Institute of Exports. He was also the former Chairman and Managing Director of Intercom Group of Companies and several other companies and is a Past President of the National Chamber of Exporters of Sri Lanka.

## Board of Directors (Contd.)



**A R Gamage (Mrs)**  
*Independent Director*

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Mrs. Ramani Gamage was appointed to the Board in 1994. She is a Fellow of the Chartered Institute of Management Accountants U.K. Mrs. Gamage also serves as a Director of Dolphin Hotels PLC.



**Shantha Kurumbalapitiya**  
*Executive Director*

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Mr. Shantha Kurumbalapitiya has over 25 years' experience in the areas of Finance, Business Restructure, Production Management, Marketing, Construction and Project Management, Human Resource Management, and General Management, including CEO responsibilities. Prior to joining Serendib Leisure, he was the Group CFO of Rockland Distilleries (Private) Limited. He is a Fellow Member of the Institute of Chartered Accountants Sri Lanka and a Fellow Member of the Chartered Institute of Management Accountants UK. He also holds an MBA from the University of West London. He was a former council member of the Institute of Chartered Accountants of Sri Lanka. Shantha joined Hemas Holdings PLC in 2014 and took over responsibilities of COO of Serendib Leisure Management Ltd., in 2017 and was appointed as the Managing Director of Serendib Leisure Management Ltd., on 1 April 2019, prior to being appointed to the Board in March 2020. He also serves on the Boards of Serendib Hotels PLC, Dolphin Hotels PLC and several other public and private entities.





**Kushan Pathiraja**  
*Executive Director*

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Counting over 7 years of experience in Accounting, Finance and Business Administration, Mr. Kushan Pathiraja currently holds the position of Head of Finance at Serendib Leisure Management Ltd. Kushan is an Associate Member of the Institute of Chartered Accountants of Sri Lanka as well as the Association of Chartered Certified Accountants, UK. He holds an MBA from the University of Southern Queensland and a bachelor's degree from the University of Sri Jayewardenepura specialised in Accounting. He was appointed to the Board in March 2020. He also serves as a Director of Dolphin Hotels PLC and Serendib Leisure Management Ltd.

# Risk Management

Hotel Sigiriya PLC takes a dynamic approach in Risk Management, which ensures proactive identification, assessment and response of key business risks. Our risk assessment process takes the likelihood and the potential impact of an event into account and lists out the action plan taken to mitigate the risk of such an event.

We have adopted the ISO 31000 standard of Risk Management which provides a platform to ensure the quality of managing risks within the guidelines and principles of the framework. The framework elaborates on establishing the context, risk identification, risk assessment, risk response, treatment for the risk, risk reporting and monitoring.

## The Group Risk Policy

Our policy for risk management is to pro-actively manage risks to ensure continued growth of our business and to protect our people, assets and reputation.

This implies that we will;

- Implement an effective and integrated risk management system while maintaining business flexibility.
- Identify, assess, monitor, manage and mitigate risks associated with our business.

## Internal Control and Risk Management

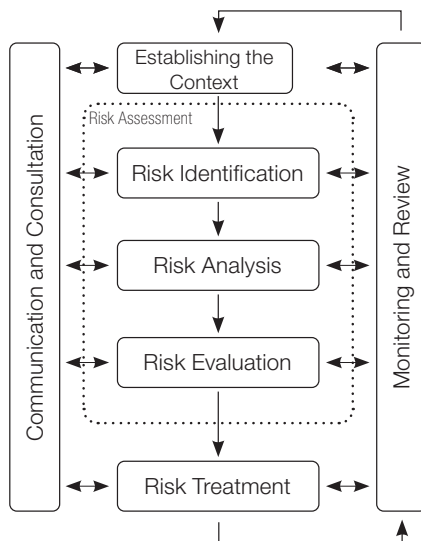
The management team of Serendib Leisure Management Ltd, the managing agent of Hotel Sigiriya PLC, overlooks the risk management process of the company. The Group Risk Management

Committee (GRMC) of Hemas Holdings PLC the ultimate parent of Hotel Sigiriya PLC reviews the company's risk profile and provides guidance on required risk responses on a quarterly basis.

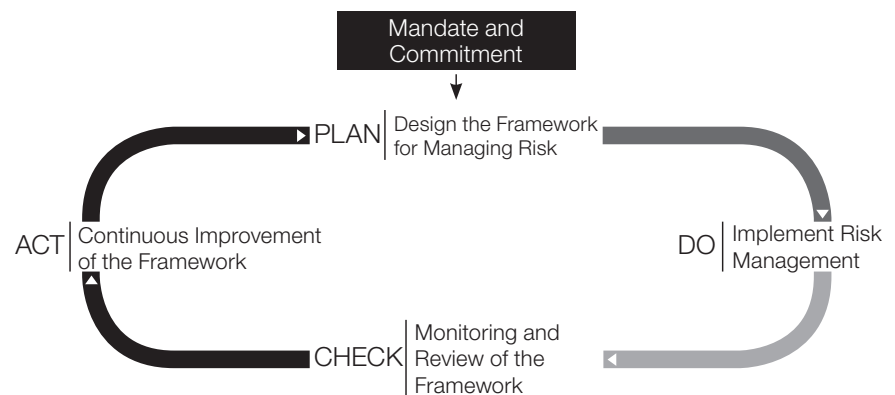
The Audit Committee of Serendib Hotels PLC, reviews and monitors internal controls. The internal audit scope is approved by the Audit Committee at the start of the financial year. Follow-up of internal audit Findings are performed by the internal audit team of Hemas Holdings PLC.

The management reports on compliance to financial and operational controls based on a check-list drafted by GRMC on a quarterly basis. These were reviewed quarterly by the Audit Committee and necessary recommendations were made on risk responses.

**Risk Management Process**  
ISO 31000:2009



**Risk Management Framework**  
ISO 31000:2009



As a part of the Risk Management Process, the Board reviews its strategies, processes, procedures and guidelines on a continuous basis to effectively identify, assess and respond to risks.

The group-wide Risk Management programme is facilitated by the Group Risk and Control division with the inputs from Business Strategy, Corporate Finance, Group Treasury and Group Human Resource divisions.

Risk facilitation is exercised through risk workshops, risk reviews, essential control check-lists and risk reporting.

### Risk Evaluation and Mapping

The risk heat map is developed based on the assessment of the likelihood of occurrence and the potential impact of risks. Likelihood of occurrence is assessed on the basis of past experience and preventive actions in place. A ranking of Rare, Unlikely, Moderate, Likely and Almost Certain is assigned to all risks based on the likelihood of occurrence. The impact of the event is evaluated by determining the loss it would cause and the extent of the impact. After considering the above two factors, the impact is categorised as Insignificant, Minor, Moderate, Major and Extraordinary. The position of a risk in the risk heat map indicates whether it falls below or above the risk appetite level of Hotel Sigiriya PLC.

Risks and their corresponding mitigating action plans are then reviewed by the GRMC. The identified risk is then mapped on the below risk matrix and relevant action is taken as per the risk rating.

### Risk Matrix

Impact	Extraordinary	S				E
	Major	S	S			
	Moderate	M	M	S	S	
	Minor	L	L	M	S	S
	Insignificant	L	L	L	M	S
			Rare	Unlikely	Moderate	Likely
Likelihood						

Risk Rating	Required Action
Extreme	<ul style="list-style-type: none"> <li>Board attention is required.</li> <li>Immediate action by senior management with a detailed research and management of risk through appropriate responses.</li> </ul>
High	<ul style="list-style-type: none"> <li>Board attention is required.</li> <li>Senior management responsibility specified.</li> <li>Risk must be managed by senior management with a detailed risk treatment plan.</li> </ul>
Significant	<ul style="list-style-type: none"> <li>Senior management attention required.</li> <li>Management responsibility specified.</li> <li>Risks should be treated using one or more of the risk treatment options.</li> </ul>
Moderate	<ul style="list-style-type: none"> <li>Risks should be treated using one or more of the risk treatment options.</li> <li>Risk should be managed using specific monitoring or treatment procedures.</li> </ul>
Low	<ul style="list-style-type: none"> <li>Risk is accepted with minimal treatment and can normally be managed using existing routing procedures.</li> <li>Low risks need to be monitored and periodically reviewed to ensure they remain acceptable.</li> </ul>

## Risk Management (Contd.)

### Managing Risk

The following framework depicts the specific and most relevant risks faced by the company and management actions to mitigate them.

	Risk Category	Risk Exposure	Risk Mitigating Actions
1	<b>Global Travel Risk</b> Risk Assessment Impact: Extraordinary Likelihood: Almost certain	Adverse impact on global travel due to country borders being shutdown/ negative travel advisories/ cancellation of flights and negative appetite of foreign travel among global travellers due to COVID-19 pandemic.	<ul style="list-style-type: none"> <li>• Implementation of recommended safety protocols to ensure the safety of guests and employees.</li> <li>• Awareness training for COVID-19 for guests and the staff.</li> <li>• Actively participate in industry associations to lobby for releasing negative travel advisories.</li> <li>• Join in Destination marketing campaigns on social media and other digital media.</li> </ul>
2	<b>Liquidity Risk</b> Risk Assessment Impact: Major Likelihood: Likely	Risk of inability to meet short term loan repayments/supplier payments and other liabilities.	<ul style="list-style-type: none"> <li>• New working capital loan taken under government COVID-19 relief package at concessionary interest rates.</li> <li>• Negotiating new Overdraft facilities to fund short term cash requirements.</li> <li>• Negotiation of longer credit periods with suppliers</li> <li>• Re-negotiation of all contracts/subscriptions and Annuities for better credit terms.</li> <li>• Maintaining the fixed overheads at a minimum level to control operational cash-burn.</li> </ul>
3	<b>Market Risk</b> Risk Assessment Impact: Major Likelihood: Likely	Adverse impact on yields and occupancies due to fluctuation in demand.	<ul style="list-style-type: none"> <li>• Closely monitor the socio-economic environment of the traditional markets and targeting new emerging markets.</li> <li>• Analyse resources and capabilities to identify core competencies and differentiate through brand and service excellence.</li> <li>• Sourcing new markets and developing new channels.</li> <li>• Participate in trade fairs both local and foreign in order to promote the properties and to attract new tour operators.</li> <li>• Using the corporate website to improve revenue through direct bookings and marketing the hotel by partnering with popular online travel agents to push web-based sales.</li> <li>• Use of Information Technology for effective revenue management.</li> </ul>

	Risk Category	Risk Exposure	Risk Mitigating Actions
4	<b>Health and Safety Risk</b> Risk Assessment Impact: Moderate Likelihood: Moderate	Risk of litigation due to non-adherence to laid down health and safety regulations. This could be due to, but not restricted to food poisoning, personal or accidental harm to guests or employees.	<ul style="list-style-type: none"> <li>Insurance was taken to cover both employee and guest injuries. Further, regular maintenance of the property and equipments to be done to ensure all operating equipment are of good operating condition.</li> <li>Company has defined its food safety standards in its Procedure Manual and all food handlers are taken through comprehensive training on the same.</li> <li>The hotel takes all precautionary measures, from sourcing the supplier to storage and preparation of food to ensure contamination is avoided.</li> <li>Tour operators' safety standards are complied with and necessary action taken immediately on any concerned area related to health and safety based on audit inspections done by them.</li> <li>The company sources its products and services from approved suppliers.</li> <li>Performing quarterly Health and Safety audit reviews.</li> </ul>
5	<b>Credit Risk</b> Risk Assessment Impact: Moderate Likelihood: Likely	Risk arising due to default by customers. Impact on liquidity and profitability.	<ul style="list-style-type: none"> <li>Signing-up for payment plans with major outstanding debtors.</li> <li>Credit is allowed only for approved customers which is reviewed bi-annually.</li> <li>Obtain payments for advance bookings.</li> <li>Compliance to laid down credit SOP's on credit control.</li> </ul>
6	<b>Foreign Exchange Rate Risk</b> Risk Assessment Impact: Minor Likelihood: Likely	Depreciation of the Rupee and loss on exchange in the conversion of loans denominated in foreign currency.	<ul style="list-style-type: none"> <li>Exchange rate movements taken into consideration when entering into contracts with travel agents.</li> <li>Hedge in Forward Rate Agreements (FRAs).</li> </ul>
7	<b>Interest Rate Risk</b> Risk Assessment Impact: Minor Likelihood: Moderate	Fluctuation in interest rates will affect borrowing cost.	<ul style="list-style-type: none"> <li>Restructuring current borrowings to take advantage of lower interest rates.</li> <li>Borrowings in foreign currency to enjoy lower rates compared to locally sourced borrowings.</li> </ul>
8	<b>Human Resource Risk</b> Risk Assessment Impact: Moderate Likelihood: Rare	Risk of losing skilled and trained human capital and recruitment of staff for new hotel developments. Trade union activities resulting in work disruptions.	<ul style="list-style-type: none"> <li>Establish career development programs and succession plans in order to retain and motivate the talent pool of the company.</li> <li>Provide focused and structured training for staff at all levels to aid personal and professional development.</li> <li>Develop a strong employer brand to attract staff of the right quality.</li> <li>Increasing employee engagement through designing recognition programmes.</li> </ul>

## Risk Management (Contd.)

	Risk Category	Risk Exposure	Risk Mitigating Actions
9	<b>Reputation Risk</b> Risk Assessment Impact: Moderate Likelihood: Unlikely	Adverse impact on the corporate image and brand equity which is likely to diminish shareholder value.	<ul style="list-style-type: none"> <li>• Proper adherence to the statutory, health &amp; safety concerns by obtaining appropriate quality certifications including HACCAP and environmental regulations.</li> <li>• Continuous review of guest comments in order to exceed customer expectations and ensure quality standards are adhered and improved upon.</li> <li>• Reputation management software (Review-Pro) is used to monitor, report and respond to the online reviews in the public domain/review sites. (eg; TripAdvisor, HolidayCheck, etc.)</li> <li>• Maintenance of the highest ethical standards at all times in all business activities.</li> <li>• Conducting quarterly independent mystery audits monitored directly by group operational excellence division.</li> <li>• Conducting meaningful CSR initiatives in the locale of the hotel.</li> </ul>
10	<b>Environmental Risk</b> Risk Assessment Impact: Major Likelihood: Unlikely	Fire or natural disaster can halt or cease operations.	<ul style="list-style-type: none"> <li>• Insurance is taken to cover all aspects of fire and natural disaster.</li> <li>• Fire safety drills and training provided to the staff and regularly monitored.</li> </ul>

Hotel Sigiriya PLC's risk management system engages risks posed to the group on a broad front. The risk management process is entrenched in the core values of the company and the senior management demonstrates leadership in championing the company's risk management initiatives, thereby ensuring the company's competitiveness and sustainability in the long term.

# Corporate Governance

## Introduction

Corporate Governance involves a set of relationships between a company's management, its Board, its shareholders and other stakeholders. Corporate Governance also provides the structure through which the objectives of the company are set and the means of attaining those objectives and monitoring performance are determined.

## Company's Philosophy on Corporate Governance

Hotel Sigiriya PLC is fully aware and committed to implementing governance standards that conform to best practices. As part of the corporate culture, it engages and interacts with all the stakeholders in a way that promotes mutual trust, better understanding and good faith.

The main scope of the Company's Corporate Governance policies encompass; a clear description of duties and responsibilities among the Board of Directors, checks and balances, clear business roles and strategies within the Company, ethical business conduct, engagements with stakeholders through risk mitigation, upholding corporate social responsibility in sustaining good corporate citizenship as well as disclosure of material information in a timely and accurate manner.

Set out below is the extent to which the Company complies with the Code of Best Practice on Corporate Governance issued jointly by the Securities & Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka:

## SECTION 1: THE COMPANY

### A. DIRECTORS

#### The Board

Corporate Governance Principle	SEC & ICASL Code Reference	Level of Compliance
Board Meetings	A 1.1	Four Board Meetings were held during the year to review the strategic direction of the operational units, annual budgets, progress towards achieving those budgets, key business risks and other matters. Ad hoc meetings are also held when necessary. Apart from taking decisions from meetings the Board also take decisions via Circular Resolutions. These resolutions are required to be signed by all the directors.
Responsibilities of the Board	A 1.2	The Directors are responsible for; <ul style="list-style-type: none"> <li>• Formulating, implementing and monitoring overall business policy and strategy.</li> <li>• Ensuring effective systems are in place to secure the integrity of information, internal controls and risk management.</li> <li>• Ensuring compliance with relevant laws, statutes and regulations.</li> <li>• Ensuring all stakeholder interests are considered in corporate decisions.</li> <li>• Promotion of open and proper communication between the Company and its stakeholders.</li> </ul>
Compliance with the law and independent professional advice	A 1.3	The Board collectively and the Directors individually, act in accordance with the laws and regulations applicable to the business enterprise.  In discharging their duties, Directors may seek independent professional advice from external parties when necessary at the expense of the Company.

## Corporate Governance (Contd.)

Corporate Governance Principle	SEC & ICASL Code Reference	Level of Compliance
Company Secretary	A 1.4	<p>All Directors have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that proper Board procedures are followed and applicable rules and regulations are complied with.</p> <p>The appointment and removal of the Company Secretary is a decision taken by the Board as a whole.</p>
Independent judgment	A 1.5	<p>The Directors exercise independent judgement on matters pertaining to strategy, performance, resource allocation and standards of business conduct, and act free from any undue influence and bias from other parties.</p>
Dedication of adequate time and effort by the Directors	A 1.6	<p>The Members of the Board dedicate adequate time and effort in discharging their duties and responsibilities towards the Company.</p> <p>Directors who are unable to attend Board Meetings review Board Papers, submit their observations on the discussion papers to the Chairman prior to the Board Meetings in order that his/her views may be discussed and recorded.</p> <p>The Board has delegated some of its functions to its Sub-Committees. However the Board retains the right to make a final decision in respect of some of the selected matters coming under the purview of the Committees. The composition and the functions of these sub-committees are discussed in detail under the relevant sections of this Report.</p> <p>The management of the hotel owned by the Company has been delegated to Serendib Leisure Management Limited, (Managing Agent) through a formal Hotel Management Agreement. The Managing Agent operates the hotel within the policy framework outlined by the Board and is assessed periodically by way of Management Reports and presentations.</p>
Induction and Training for Directors	A 1.7	<p>An Induction programme for new Directors is in place which includes the provision of key corporate documents, facilitation of visits to the hotels and meetings with the Senior Management Team of the Company.</p> <p>In addition, the Directors are also encouraged to participate in continuous professional and self-development activities.</p>



**Chairman and Managing Director**

Corporate Governance Principle	SEC & ICASL Code Reference	Level of Compliance
Separation of the role of Chairman & MD	A 2	The role of the Chairman and Executive Director is distinct, ensuring the balance of power and authority within the organisation.

**Chairman's Role**

Corporate Governance Principle	SEC & ICASL Code Reference	Level of Compliance
Role of Chairman in conducting meetings	A 3	The Chairman encourages the participation of all the Directors in decision making, seeks and ascertains the views of the Directors, and thereby ensures that the Board functions in an efficient manner which is beneficial to the stakeholders and the Company.

**Financial Acumen**

Corporate Governance Principle	SEC & ICASL Code Reference	Level of Compliance
Availability of those with sufficient financial knowledge	A 4	The Board comprises several professional accountants who possess the necessary knowledge and competence to guide the Board on matters pertaining to finance.

**Board Balance**

Corporate Governance Principle	SEC & ICASL Code Reference	Level of Compliance
Non-Executive Directors	A 5.1	The Board consists of five Directors, three of whom are Non-Executive Directors.
Independent Directors	A 5.2	Two out of the Five Board Directors are considered independent.
	A 5.3	These Directors are independent of management and free of any business or other relationship that could materially interfere with or, could reasonably be perceived to materially interfere, with the exercise of their unfettered and independent judgement.
Annual Declaration	A 5.4	The Independent Directors have submitted written Declarations of their independence as required by section 7.10.2(b) of the Listing Rules.

## Corporate Governance (Contd.)

Corporate Governance Principle	SEC & ICASL Code Reference	Level of Compliance
Determination of independence	A 5.5	The Board annually determines the independence of each Non-Executive Director based on the Declarations submitted by them.  Mr. B S M De Silva and Mrs. A R Gamage meet the criteria of Independence specified in Rule 7.10.4 of the Listing Rules except that they have served on the Board for more than nine years. However, the Board having evaluated all the factors concluded that their independence has not been impaired due to them serving on the Board for continually for a period exceeding nine years from the date of their first appointment.
Alternate Directors	A 5.6	The Alternate Director appointed by the Non-Executive Director is not an executive of the Company.
Chairman's meetings with NEDs	A 5.9	Chairman holds meetings with the Non-Executive Directors only, without the Executive Director being present, whenever necessary.
Recording of concerns in Board Minutes	A 5.10	Concerns raised by the Directors on matters of the Company which cannot be unanimously resolved are recorded in the Board Minutes.

**Supply of Information**

Corporate Governance Principle	SEC & ICASL Code Reference	Level of Compliance
Management's obligation to provide appropriate and timely information	A 6.1	The Board is provided with appropriate and timely information to discharge its duties. The Directors are also entitled to request additional information where they consider such information is necessary to make informed decisions.
	A 6.2	The Agenda for the Board Meetings and connected discussion papers are circulated to the Directors at least seven days in advance to facilitate the effective conduct of the Meeting.

### Appointments to the Board

Corporate Governance Principle	SEC & ICASL Code Reference	Level of Compliance
Nominations Committee	A 7.1	The Board has not established a Nominations Committee to make a recommendation on Board appointments; instead, appointments to the Board are made collectively and with the consent of all the Directors.
Assessment of Board composition	A 7.2	The Board assesses its composition to ascertain whether the combined knowledge and experience of the Board, matches the strategic demands facing the Company and takes this into account when new Board appointments are considered.
Disclosure of required details of new Directors	A 7.3	On the appointment of a new Director, the Company communicates to the Colombo Stock Exchange a brief resume of the Director which includes the nature of his experience in relevant functional areas, other Directorships, or memberships in Board Sub-Committees and whether the Director is considered "Independent".

### Re-election

Corporate Governance Principle	SEC & ICASL Code Reference	Level of Compliance
Re-election of Directors	A 8.1	The Company's Articles require a Director appointed by the Board to hold office until the next Annual General Meeting and seek re-appointment by the Shareholders at that Meeting.
	A 8.2	One third of the Directors including the Chairman retire by rotation at each Annual General Meeting in conformity with the Articles of the Company. Directors who retire are those who have served for the longest period after their re-appointment/ re-election.  In addition, a Director who has reached 70 years of age before the Annual General Meeting vacates office at the Annual General Meeting held after he attains the age of 70 years. A Director so re-appointed will hold office until the next Annual General Meeting at which he will be re-appointed.

### Appraisal of Board Performance

Corporate Governance Principle	SEC & ICASL Code Reference	Level of Compliance
Appraisal of the Board and Sub-committees	A 9	The Board undertakes an annual evaluation of its own performance and the performance of its committees in discharging their key responsibilities.

## Corporate Governance (Contd.)

### Disclosure of Information in Respect of Directors

Corporate Governance Principle	SEC & ICASL Code Reference	Level of Compliance
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Information in respect of Directors	A 10.1	The Biographical details of the Directors, nature of his expertise in relevant functional areas, membership in Board Sub-Committees, attendance at Board and Sub-Committee Meetings, other directorships and Director's Interest in Contracts are disclosed under the relevant sections in the Annual Report.
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The table below provides a record of the Directors' individual attendance at Board Meetings:

Name of Director	Capacity	No. of Board meetings attended
Mr. A N Esufally	Chairman/ Non-Executive Director	4/4
Mr. B S M De Silva	Independent Director	2/4
Mrs. A R Gamage	Independent Director	3/4
Mr. W D U Perera	Non-Executive Director	4/4
Mr. W M De F Arsakularatne	Executive Director	4/4

Mr. J P S Kurumbalapatiya and Mr. K J Pathiraja were appointed to the Board on 23rd March 2020.

## B. DIRECTORS REMUNERATION

### Remuneration Procedure

Corporate Governance Principle	SEC & ICASL Code Reference	Level of Compliance
Establishment of a Remuneration Committee	B 1.1	The Board has delegated its powers to the Remuneration Committee of its Ultimate Parent Company, Hemas Holdings PLC to make recommendations to the Board on remuneration policy and practice, that is consistent with the objectives of the Company.
Composition	B 1.2	The Remuneration Committee of the Ultimate parent company consists of three Non-Executive Directors majority of whom are independent.  The Chairman of the Committee is an Independent Director appointed by the Board of the Ultimate Parent Company.
	B 1.3	The names of the Chairman and Members of the Committee are indicated in the Annual Report of the Board of Directors.
Determination of remuneration	B 1.4	In terms of the Articles of the Company, the Board determines the fees payable to the Independent Directors.

Corporate Governance Principle	SEC & ICASL Code Reference	Level of Compliance
Consultation of the Chairman and access to professional advice	B 1.5	The Committee consults the Chairman on proposals relating to the remuneration of the Executive Director and has access to professional advice in discharging their duties.

#### Disclosure of Remuneration

Corporate Governance Principle	SEC & ICASL Code Reference	Level of Compliance
Disclosures	B 3.1	The remuneration policy supports a strong performance-oriented culture and ensures that individual rewards and incentives relate directly to the performance of the individual, the operations and functions for which they are responsible for and the Group as a whole.

Independent Directors were not paid remuneration during the financial year.

### C. RELATIONS WITH SHAREHOLDERS

#### Constructive use of the Annual General Meeting and conduct of General Meetings

Corporate Governance Principle	SEC & ICASL Code Reference	Level of Compliance
Proxy votes	C 1.1	The Company counts all proxies lodged on each resolution.
Separate resolutions	C 1.2	Separate resolutions are proposed for each agenda item at the Annual General Meeting and in particular, for the adoption of the reports and accounts.
Adequate notice of AGM	C 1.4	The Notice of Meeting of the Annual General Meeting and the relevant documents are published and dispatched to the shareholders 15 working days prior to the meeting as required by the Companies Act No. 7 of 2007.
Procedure of voting at General meetings	C 1.5	The procedure for voting at the General Meeting is circulated along with the Notice of Meeting.

## Corporate Governance (Contd.)

### Communication with Shareholders

Corporate Governance Principle	SEC & ICASL Code Reference	Level of Compliance
Policy and methodology for communication with shareholders	C 2	The Company disseminates information pertaining to the performance of the Company through the publication of the Interim Financial Statements and the Annual Report in a timely manner. Announcements are also made to the Colombo Stock Exchange on any information which may materially affect share performance.  The Company Secretary could be contacted in relation to shareholder matters. The contact details are indicated in the Corporate Information section of this Report.

### Major Transactions

Corporate Governance Principle	SEC & ICASL Code Reference	Level of Compliance
Disclosure on major transactions	C 3.1	The Directors ensure that any corporate transaction that would materially affect the Net Asset base of the Company is communicated to the Shareholders.  There were no major transactions as defined under section 185 of the Companies Act No. 7 of 2007 during the year under review.

## D. ACCOUNTABILITY AND AUDIT

### Financial Reporting

Corporate Governance Principle	SEC & ICASL Code Reference	Level of Compliance
Board's responsibility for statutory and regulatory reporting	D 1.1	The Board is accountable for presenting the Financial Statements of the Company as well as the information required to be presented by Statute, to Regulators.
Declarations by Directors	D 1.2	The Declarations to be made by the Directors are included in the Annual Report of the Board of Directors from page 26 to 30 of the Annual Report.
Statement of Directors and Auditors responsibility for the Financial Statements	D 1.3	The Statement of Directors' Responsibilities in the preparation of the Financial Statements is given on page 38 while the Independent Auditor's Statement from page 39 to 41 sets out the Auditor's responsibilities.
Declaration on Going Concern of business	D 1.5	The Declaration by the Board that the Company is a 'going concern' is given in the Annual Report of the Board of Directors.

Corporate Governance Principle	SEC & ICASL Code Reference	Level of Compliance
Serious loss of Capital	D 1.6	The Directors ensure that in the event the net assets of the Company fall below 50% of the value of the Company's Shareholders' funds an Extraordinary General Meeting will be called to notify the shareholders of the position and the remedial action being taken.
Related Party Transactions	D 1.7	The transactions entered into by the Company with related parties are disclosed in Note 29 to the Financial Statements.

### Internal Control

Corporate Governance Principle	SEC & ICASL Code Reference	Level of Compliance
Annual review of the system of internal controls	D 2	<p>The Board maintains a sound system of internal control to safeguard shareholders' investments and the Company's assets. The adequacy and the effectiveness of the Internal controls are reviewed by the Internal Auditors under the direction of the Audit Committee.</p> <p>Strategies adopted by the Company to manage its risks are set out in its report on Risk Management on pages 8 to 12.</p>

### Audit Committee

Corporate Governance Principle	SEC & ICASL Code Reference	Level of Compliance
Composition	D 3.1	<p>As permitted by the Listing Rules of the Colombo Stock Exchange, the Audit Committee of the Parent Company, Serendib Hotels PLC functions as the Audit Committee of the Company.</p> <p>The Audit Committee of Serendib Hotels PLC consists two Independent Directors and a Non-Executive Director who is a Fellow member of both the Institute of Chartered Accountants of England &amp; Wales and the Institute of Chartered Accountants of Sri Lanka, thereby complying with the Listing Rules of the Colombo Stock Exchange. The Chairman of the Committee is an Independent Director.</p>
Duties	D 3.2	The main purpose of the committee is to assist the Board in the effective discharge of its responsibilities on financial reporting, risk management and internal control. It also reviews the nature and extent of non-audit services provided by the Auditors seeking to balance objectivity and independence.
Terms of Reference	D 3.3	The Committee has written Terms of Reference dealing clearly with its authority and duties.

## Corporate Governance (Contd.)

Corporate Governance Principle	SEC & ICASL Code Reference	Level of Compliance
Disclosures	D 3.4	The Members of the Committee are indicated in the Annual Report of the Board of Directors. The Executive Director of the Parent Company attends the Meetings by invitation.

The Committee met five times during the year under review and the attendance at these meetings are given below:

Name of Director	Capacity	No. of Meetings Attended
Mr. M A Jafferjee	Committee Chairman/Senior Independent Director	5/5
Mr. A N Esufally	Member/Non-Executive Director	3/5
Mr. T M Wijesinghe	Member/ Independent Director	2/2
Deshamanya Dr. R N A Athukorala	Member/Independent Director	2/3

A report of the Audit Committee of the Parent Company for the period under review is set out on pages 35 to 36 of the Annual Report.

**Code of Business Conduct and Ethics**

Corporate Governance Principle	SEC & ICASL Code Reference	Level of Compliance
Disclosure of Code of Business Conduct and Ethics	D 4.1	The Company has adopted a Code of Business Conduct and Ethics and the Directors and Members of the Senior Management are committed to the Code and the principles contained therein.



**SECTION 2: SHAREHOLDERS****E: INSTITUTIONAL INVESTORS****Shareholder Voting**

Corporate Governance Principle	SEC & ICASL Code Reference	Level of Compliance
Communication with shareholders	E 1.1	The Company conducts a structured dialogue with the institutional shareholders based on the mutual understanding of objectives and the Chairman ensures that the views of the Shareholders are communicated to the Board as a whole.
Evaluation of Governance disclosures	E 2	When evaluating the governance arrangements, particularly in relation to Board structure and composition, institutional investors are encouraged to give due weight to all relevant factors drawn to their attention.

**F: OTHER INVESTORS****Investing /Divesting Decision**

Corporate Governance Principle	SEC & ICASL Code Reference	Level of Compliance
Individual shareholders	F 1	Individual investors are encouraged to carry out adequate analysis or seek independent advice when making investing and divesting decisions.  The Company places great emphasis on releasing its Financial Statements in a timely manner as to ensure that shareholders have access to adequate information on which they could make informed decisions.

**Shareholder Voting**

Corporate Governance Principle	SEC & ICASL Code Reference	Level of Compliance
Individual shareholder voting	F 2	All Shareholders are encouraged to participate at General Meetings of the Company and a Form of Proxy accompanies each Notice, providing Shareholders who are unable to attend such Meeting, the opportunity to cast their vote.

## Corporate Governance (Contd.)

The following table presents the Company's compliance with Section 7.10 of Listing Rules on Corporate Governance issued by the Colombo Stock Exchange.

CSE Rule No.	Applicable Rule	Requirement	Status of compliance
<b>Board of Directors</b>			
7.10.1	Non-Executive Directors(NEDs)	One-third of the total number of Directors subject to a minimum of two.	Complied
7.10.2 (a)	Independent Directors	One-third of the Non-Executive Directors subject to a minimum of two.	Complied
7.10.2 (b)	Declaration of Independence	Each Non-Executive Director should submit a declaration of independence/ non-independence.	Complied
7.10.3 (a) and (b)	Disclosure relating to Directors Independence	Names of Independent Directors should be disclosed in the Annual Report and the basis for determination of independence of Non-Executive Directors, if criteria for independence is not met.	Complied
7.10.3 (c)		A brief resume of each Director including his area of expertise should be included in the Annual Report.	Complied
7.10.3 (d)		Upon appointment of a new Director, a brief resume of the Director to be submitted to the Stock Exchange.	Complied
<b>Remuneration Committee</b>			
7.10.5 (a)	Composition	The Remuneration Committee of the Ultimate Parent Company may function as the Remuneration Committee for the subsidiaries.	Complied
		The Committee shall comprise of Non-Executive Directors, a majority of whom shall be independent.	Complied
		The Chairman of the Committee shall be a Non-Executive Director.	
7.10.5 (b)	Functions of the Remuneration Committee	The Committee shall recommend the remuneration payable to the Executive Directors and Chief Executive officer or equivalent role.	Complied
7.10.5 (c)	Disclosure in the Annual Report	The Annual Report should set out the names of the Members of the Remuneration Committee, a statement of Remuneration Policy and the aggregate remuneration paid to Executive and Non-Executive Directors.	Complied

CSE Rule No.	Applicable Rule	Requirement	Status of compliance
<b>Audit Committee</b>			
7.10.6 (a)	Composition	The Audit Committee of the Parent Company may function as the Audit Committee of the subsidiaries.	Complied
7.10.6 (b)	Functions	<ul style="list-style-type: none"> <li>• Overseeing the preparation, presentation and adequacy of the disclosures in the Financial Statements in accordance with the SLFRSs and LKASs.</li> <li>• Overseeing compliance with financial reporting related regulations and requirements.</li> <li>• Overseeing the processes to ensure that internal controls and risk management are adequate to meet the Sri Lanka Auditing Standards.</li> <li>• Assessing the independence and performance of the External Auditor.</li> <li>• Recommending to the Board the appointment, re- appointment and removal of the External Auditors and approving their remuneration and terms of engagement.</li> </ul>	Complied
7.10.6 (c)	Disclosure in the Annual Report	<p>The names of the Members of the Audit Committee should be disclosed in the Annual Report.</p> <p>The Audit Committee to determine the independence of Auditors and disclose the basis of such determination in the Annual Report.</p> <p>Annual Report to contain a report by the Audit Committee setting out the manner of compliance in relation with their functions.</p>	Complied

# Annual Report of the Board of Directors

The Board of Directors of Hotel Sigiriya PLC takes pleasure in presenting their Report together with the Audited Financial Statements of the Company for the year ended 31 March 2020.

## Principal Activity of the Company

The Principal activity of the Company is operating a tourist hotel remained unchanged during the year under review. The Company owns and operates a 79 room hotel in Sigiriya.

The Directors to the best of their knowledge and belief confirm that the Company has not been engaged in any activity that contravenes laws and regulations.

## Review of Operations and Future Developments

The financial and operational performance of the Company during the year under review and future developments are discussed in the Chairman's Message. This report together with the Audited Financial Statements reflect the state of affairs of the Company.

## Corporate Governance

The Directors confirm that the Company complies with the Rules on Corporate Governance laid down by the Colombo Stock Exchange and has adopted the relevant rules on Corporate Governance issued by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka. The Corporate Governance practices of the Company are given from page 13 to 25 of the Annual Report.

## Risk Management

The Company has put in place a process to identify, evaluate and manage any significant risks faced by the entity, where annual risk reviews are carried out by the Group Risk & Control Department. The principal risks and mitigating actions are reviewed by the Audit Committee on a quarterly basis. A detailed overview of the Risk Management process is outlined in the Risk Management Report on page 8 to 12.

## Going Concern

The Board having considered the financial position, operating conditions, regulatory and other factors and such matters required to be addressed in the Corporate Governance Code, have a reasonable expectation that the Company possesses adequate resources to continue its operations for the foreseeable future. For this reason, the Company continues to adopt the 'Going Concern basis' in preparing the Financial Statements.

## Financial Statements & Auditor's Report

The Financial Statements of the Company as at 31 March 2020 duly signed by the Directors are given from page 42 to 87, while the Auditor's Report on the Financial Statements is provided from page 39 to 41.

## Accounting Policies

The Financial Statements for the period ended 31 March 2020 have been prepared in accordance with the Sri Lanka Accounting Standards which were in effect upto that date. The Accounting Policies adopted in the preparation of these Financial Statements are given from page 47 to 62.

## Results

The Financial Results of the Company for the year ended 31 March 2020 are tabulated below:

	2020 (Rs.)	2019 (Rs.)
Revenue	271,874,034	375,610,424
Gross Profit	199,911,629	273,976,472
Profit Before Tax	11,552,071	41,109,481
Income Tax Expenses	(7,703,834)	(7,561,281)
Profit for the Year	3,848,237	33,548,200

## Dividends

The Directors have not recommended payment of dividend for the year under review.

### Property, Plant and Equipment

The capital expenditure incurred by the Company during the year amounted to Rs. 20,399,790 /- (2019 – Rs. 33,436,817/-).

Details of Property, Plant and Equipment and their movement during the financial year is disclosed under Note 12 to the Financial Statements.

### Stated Capital

The stated capital of the Company as at 31 March 2020 amounted to Rs. 97,650,000/- (2019 - Rs. 97,650,000/-) divided into 5,859,000 (2019 - 5,859,000) ordinary shares. There was no change to the Stated Capital of the Company during the year under review.

### Events Occurring After the Balance Sheet Date

No circumstances have arisen since the Balance Sheet date that would require adjustment to or disclosure in the Accounts other than those disclosed in Note 28 to the Financial Statements.

### Statutory Payments and Compliance with Laws and Regulations

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company as at the Reporting date have been paid or where relevant provided for in the Financial Statements.

The Company has also ensured that it complied with the applicable laws and regulations including the Listing Rules of the Colombo Stock Exchange.

### Details of Material Issues Pertaining to Employees and Industrial Relations of the Entity

There are no material issues pertaining to Employees and Industrial Relations of the Entity during the year other than those disclosed in Note 26 to the Financial Statements found on page 80.

### Employment

Permanent and Contract employees of the Company as at 31 March 2020 were 131 (2019 -131).

The Company also adopts a non- discriminatory policy in recruitment and employment which gives full and fair consideration to persons in selection, training, development and promotions, ensuring that all decisions are based on merit.

### Sustainability

The Company has taken specific steps, particularly in ensuring the conservation of the natural resources and environment and addressing material issues highlighted by its stakeholders. Every endeavour is made to minimise the adverse effect on the environment to ensure sustainable continuity of our natural resources.

### Corporate Donations

Donations made by the Company during the year under review amounted to Rs. 45,184 /- (2019 – Rs. 26,500/-).

### Directors

The Board of Directors of the Company during the financial year under review is given below:

Mr. A N Esufall	- Non-Executive Chairman
Mr. B S M De Silva	- Independent Director
Mrs. A R Gamage	- Independent Director
Mr. J P S Kurumbalapitiya	- Executive Director (Appointed with effect from 23 March 2020)
Mr. K J Pathiraja	- Executive Director (Appointed with effect from 23 March 2020)
Prof. L D K B Gamage	- Alternate Director to Mrs. A R Gamage
Mr. W D U Perera	- Non-Executive Director (Resigned with effect from 13 March 2020)
Mr. W M De F Arsakularatne	- Executive Director (Resigned with effect from 13 March 2020)
Mr. V H A Perera	- Alternate Director to Mr. A N Esufally (Resigned with effect from 23 March 2020)

## Annual Report of the Board of Directors (Contd.)

Mr. B S M De Silva retires by rotation in terms of Article 86 of the Articles of Association of the Company and being eligible, offers himself for re-election, with the unanimous support of the Board.

Mr. J P S Kurumbalapitiya and  
Mr. K J Pathiraja retire in terms of Article 74 of the Articles of Association of the Company and being eligible, offer themselves for re-appointment, with the unanimous support of the Board.

### Board Committees

#### Audit Committee

The Audit Committee of the Parent Company, Serendib Hotels PLC, functions as the Audit Committee of the Company. The names of the Members of the Committee are given below:

Mr. M A Jafferjee - *Chairman / Senior Independent Director*

Mr. A N Esufally - *Non-Executive Director*

Mr. T M Wijesinghe - *Independent Director*

#### Remuneration Committee

The Remuneration Committee of the Ultimate Parent Company, Hemas Holdings PLC functions as the Remuneration Committee of the Company. The remuneration committee comprises two Independent Directors, Dr. Anura Ekanayake and Mr. Shaktha Amaratunga, and one Non-Independent Non-Executive Director, Mr. Hussein Esufally. In addition Mr. Dimuth De Alwis, Director - Group Human Resources and Mr. Kapila Welmillage, Managing Director Talent Development and Transformation attend meetings by invitation.

#### Related Party Transactions Review Committee

The Related Party Transactions Review Committee of the Parent Company, Serendib Hotels PLC, functions as the Related Party Transactions Review Committee of the Company. The names of the Members of the Committee are given below;

Mr. M A Jafferjee - *Chairman/ Senior Independent Director*

Mr. A N Esufally - *Non-Executive Director*

Mr. J P S Kurumbalapitiya - *Executive Director*

The report of the Related Party Transactions Review Committee is given on page 33 to 34 of this report. The Committee has reviewed the related party transactions of the Company during the financial year and reported their comments and observations to the Board of Directors. The details of the related party transactions

carried out during the year are set out on page 80 to 82 of the Annual Report. The Directors declare that the Company is in compliance with the Rules of the Colombo Stock Exchange and the Code of Best Practices on Related Party Transactions.

### Remuneration and Other Benefits of Directors

No remuneration was paid to the Directors for the year under review.

### Interest Register

In compliance with the requirements of the Companies Act No. 7 of 2007, an Interest Register was maintained by the Company during the accounting period ended 31 March 2020.

### Directors' Interest in Contracts

In terms of Section 192 (2) of the Companies Act, the Directors have declared their interests in contracts in the Company and have refrained from voting on matters in which they were materially interested. Directors' Interest in contracts with the Company is disclosed on page 31 to 32 of the report.

### Directors' interest in shares

In compliance with Section 200 of the Companies Act, the Directors have disclosed their relevant interest in shares of the Company.

The shareholdings of the Directors during the financial year were as follows:

	31 March 2020 No of Shares	31 March 2019 No of Shares
Mr. A N Esufally	Nil	Nil
Mr. B S M De Silva	19,500	19,500
Ms. A R Gamage	2,100	2,100
Mr. J P S Kurumbalapitiya	Nil	Nil
Mr. K J Pathiraja	Nil	Nil

### Public Holding of Shares

The number of ordinary shares held by the public as at 31 March 2020 was 2,141,353 amounting to 36.55% of the issued share capital of the Company.

The minimum public holding requirement as at 31 March 2020 as per section 7.6(iv) of the Listing Rules is as follows:

Category	Float Adjusted Market Capitalisation (Rs.)	Public Holding Percentage	No. of Shareholders	Option
Ordinary Shares	77,945,042	36.55%	997	5

### Related Party Transactions

Details of transactions carried out by the Company during the year ended 31 March 2020 which require disclosure in the Annual Report as per Colombo Stock Exchange Listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions published in accordance with the Securities and Exchange Commission Directive Issued under Section 13(c) of the Securities and Exchange Commission Act are as below;

#### Recurrent Transactions

Name of the Related Party	Relationship	Nature of the Transaction	Aggregate value of the Related Party transactions entered into during the financial year (Rs.)	Aggregate value of Related Party Transactions as a % of Net Revenue/ Income	Terms and conditions of the Related Party Transactions
Serendib Hotels PLC	Parent Company	Treasury Loan	38,000,000	10.1%	Shot term lending, receivable - At a margin over 1 month AWPLR
		Aggregate recurrent transactions	45,200,527	12.0%	Standard Terms on Alarms length basis
Serendib Leisure	Other Related Party	Aggregate recurrent transactions	42,576,848	11.3%	Standard Terms on Alarms length basis

## Annual Report of the Board of Directors (Contd.)

All other related party transactions have been disclosed in Note 29 to the Financial Statements. All related party transactions during the year has been on normal commercial terms on arms length basis and is not prejudicial to the interest of the Company and it's minority shareholders.

### Company Secretaries

Messrs. Hemas Corporate Services (Pvt) Ltd. of Hemas House, No. 75, Braybrooke Place, Colombo 02 functions as the Secretaries to the Company.

### Registrars

Messrs. SSP Corporate Services (Pvt) Ltd. of No. 101, Inner Flower Road, Colombo 03, functions as the Registrars of the Company.

### Internal Control

The Board has reviewed the internal controls covering financial, operational compliance and risk management and have obtained reasonable assurance of its effectiveness.

### Shareholders

The Company has made all endeavours to ensure equitable treatment to all its Shareholders.

### Auditors

During the year under review Messrs. Ernst & Young, Chartered Accountants served as the External Auditors of the Company. The Audit Fees payable and fees paid for other services rendered are as follows;

#### Audit Fees

Rs. 541,964/- (2019 - Rs. 548,376/-)

#### Fees for Non-Audit Services

Rs. 148,643/- (2019 – Rs. 466,778/-)

The Directors have confirmed that to the best of their knowledge the Auditors have had no interest in or relationship with the Company other than that of External Auditors.

The Auditors have confirmed that they are independent in accordance with the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka.

Messrs. Ernst & Young have expressed their willingness to continue in office. A resolution to re-appoint them and to authorise the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

### Annual General Meeting

The Forty Sixth (46th) Annual General Meeting of the Company will be held at 11.30 a.m. on Friday 25th September 2020, as a Virtual AGM emanating from the Registered Office at "Hemas House" No 75, Braybrooke Place, Colombo 2.

### Acknowledgement of the Content of the Report

As required by Section 168 (1) (K) of the Companies Act No. 7 of 2007, the Board of Directors hereby acknowledge the contents of this Report.

By Order of the Board of  
Hotel Sigiriya PLC



A N Esufally  
Chairman



J P S Kurumbalapitiya  
Executive Director



Hemas Corporate Services (Pvt) Ltd.  
Secretaries

30 June 2020



## Directors' Interest in Contracts with the Company

Related party disclosures as required by the Sri Lanka Accounting standards No. 24 on Related Party Disclosures are detailed in Note 29 to the Financial Statements. In addition, the Company carried out transactions in the ordinary course of business with entities where the Directors of the Company are Directors of such entities.

Company	Director/s	Nature of Transaction	Value 2019/20	Value 2018/19
Hemas Holdings PLC	Mr. A N Esufally Mr. W M De F Arsakularatne	Purchase of Goods / Services	(1,198,320)	(3,529,774)
		Expenses Incurred on Behalf of the Company by Others	(72,683)	-
		Settlement of Dues to Related Parties	1,855,291	3,297,262
Serendib Hotels PLC	Mr. A N Esufally Mr. W M De F Arsakularatne Mr. J P S Kurumbalapitiya	Sale of Goods / Services	7,500	-
		Purchase of Goods / Services	(10,000)	(5,228,054)
		Expenses Incurred on Behalf of the Company by Others	(563,687)	-
		Treasury loans granted	38,000,000	35,000,000
		Recovery of treasury loans granted	-	(5,000,000)
		Loan Interest Income	6,619,340	2,879,155
		Settlement of Dues from Related Parties	(151,257)	(2,359,954)
		Settlement of Dues to Related Parties	1,233,703	5,015,627
Dolphin Hotels PLC	Mr. A N Esufally Mr. B S M De Silva Mr. A R Gamage Mr. W D U Perera Mr. W M De F Arsakularatne Mr. J P S Kurumbalapitiya Mr. K J Pathiraja	Sale of Goods / Services	31,732	189,669
		Purchase of Goods / Services	(384,674)	(3,518,063)
		Expenses Incurred on Behalf of the Company by Others	(175,011)	-
		Expenses Incurred on Behalf of Others by the Company	1,464,321	-
		Settlement of Dues from Related Parties	(868,487)	(28,568,150)
		Settlement of Dues to Related Parties	2,309,518	2,672,534

## Directors' Interest in Contracts with the Company (Contd.)

Company	Director/s	Nature of Transaction	Value 2019/20	Value 2018/19
Serendib Leisure Management Ltd	Mr. A N Esufally Mr. W M De F Arsakularatne Mr. J P S Kurumbalapitiya Mr. K J Pathiraja	Sale of Goods / Services	90,105	9,227,357
		Management Fee & Accounting Fees	(16,599,961)	(29,272,226)
		Expenses Incurred on Behalf of the Company by Others	(25,404,658)	(39,485,225)
		Settlement of Dues from Related Parties	(302,467)	(9,227,357)
		Settlement of Dues to Related Parties	43,297,852	68,082,139
Frontier Capital Lanka (Pvt) Ltd	Mr. A N Esufally Mr. W M De F Arsakularatne Mr. J P S Kurumbalapitiya	Sale of Goods / Services	15,577	-
		Purchase of Goods / Services	-	(3,432)
		Settlement of Dues from Related Parties	(15,577)	-
		Settlement of Dues to Related Parties	3,432	-
Jada Resort & Spa (Pvt) Ltd	Mr. A N Esufally	Sale of Goods / Services	-	381,797
		Settlement of Dues from Related Parties	-	(24,388)
		Settlement of Dues to Related Parties	-	-
P H Resorts (Pvt) Ltd	Mr. A N Esufally Mr. W M De F Arsakularatne Mr. J P S Kurumbalapitiya	Purchase of Goods / Services	(65,715)	(3,257,539)
		Settlement of Dues to Related Parties	(75,913)	2,852,344
Diethelm Travel Lanka (Pvt) Ltd	Mr. A N Esufally Mr. W M De F Arsakularatne	Sale of Goods / Services	5,931,613	6,945,520
		Purchase of Goods / Services	(134,454)	(71,113)
		Settlement of Dues from Related Parties	(6,887,263)	(6,122,930)
		Settlement of Dues to Related Parties	183,961	-

Mr. W M De F Arsakularatne and Mr. W D U Perera resigned from the Board on 13 March 2020 and Mr. J P S Kurumbalapitiya and Mr. K J Pathiraja were appointed to the Board on 23 March 2020.

# Report of the Related Party Transactions Review Committee

The Related Party Transactions Review Committee of the Parent Company, Serendib Hotels PLC functions as the Related Party Transactions Review Committee of the Company.

The Related Party Transactions Review Committee comprised of the following members during the period under review and the composition is in compliant with the Listing Rules of the Colombo Stock Exchange;

Mr. M A Jafferjee  
*Senior Independent Non-Executive Director (Committee Chairman)*

Mr. A N Esufally  
*Non-Executive Director*

Mr. J P S Kurumbalapiya  
*Executive Director*

Mr. Malinga Arsakularatne  
*Executive Director*  
(Resigned on 13 March 2020)

Deshamanya Dr. R N A Athukorala  
*Independent Non-Executive Director*  
(Retired on 31 August 2019)

Director Finance of the Managing Agent and the Managing Director of the Managing Agent attends these meetings by invitation and M/s Hemas Corporate Services (Private) Limited serves as Secretaries to the Committee.

The objective of the Committee is to exercise oversight on behalf of the Board, that all Related Party Transactions (“RPTs”) of Serendib Hotels PLC and its listed subsidiaries, other than those exempted by the Code of Best Practices on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka (“Code”) are consistent with the Code and that the required disclosures are made in a timely manner as required by the Code.

Accordingly, the Committee developed and recommended for adoption by the Board of Directors of Serendib Hotels PLC and its listed subsidiaries, a RPTs Policy which is consistent with the operating model and the delegated decision rights of Serendib Hotels Group which sets out, amongst others, the following:

- Definition and establishment of threshold values for each of the listed companies as per the Code which requires discussion in detail; RPTs which have to be pre-approved by the Board, those that require immediate market disclosure, those that require Shareholder approval and RPTs which require disclosure in the Annual Report.
- The principles that guide RPTs which require pre-approval of the Board and those transactions that do not require prior Board approval and therefore, can be reviewed retrospectively.

- Establishment of a process to identify the recurrent RPTs from the total RPTs.
- Guidelines which Senior Management must follow in dealing with Related Parties, including the conformance with the Transfer Pricing regulations and the Code.
- Identifying instances where an immediate market disclosure of an RPT is required in line with the definitions of the code.
- Introduction of standardised documentation that should be used by the listed companies in the Group presenting the RPT information to the Committee.

Further, in accordance with the RPT Policy, the criteria for identifying the Group’s Key Management Personnel (KMP) was established and all Executive & Non-Executive Directors of Boards, were identified as the KMPs in order to establish greater transparency and governance. Also, declarations were obtained from each Director and KMP of the Company for the purpose of identifying parties related to them and to provide annual disclosure.

## Report of the Related Party Transactions Review Committee (Contd.)

The Committee met four times during the year ended 31 March 2020. The attendance of the members at these meetings are detailed below:

Name of Director	No. of Meetings Attended
Mr. M A Jafferjee	4/4
Mr. A N Esufally	4/4
Deshamanya Dr. R N A Athukorala (Resigned w.e.f. 31st August 2019)	2/2
Mr. W M De F Arsakularatne (Resigned w.e.f. 13th March 2020)	2/2

The RPTRC Charter, operational procedures, activities and the observations by the Committee have been communicated to the Board of Directors through verbal briefings and by tabling the minutes of the Committee Meetings at subsequent Board Meetings.

The details of the Related Party Transactions reviewed and approved by the Committee are disclosed in Note 29 of the Financial Statements for the year ended 31 March 2020 found on pages 80 to 82 of the Annual Report.



**M A Jafferjee**

*Chairman of the Related Party Transactions Review Committee*

30 June 2020

# Report of the Audit Committee

The Audit Committee of the Parent Company, Serendib Hotels PLC functions as the Audit Committee of the Company.

## Composition

The members of the Audit Committee as at 31 March 2020 were as follows:

- Mr. M A Jafferjee - Senior Independent Non-Executive Director  
(Committee Chairman)
- Mr. A N Esufally - Non-Independent Non-Executive Director
- Mr. T M Wijesinghe - Independent Non-Executive Director

The Audit Committee (“the Committee”) is formally appointed by the Board of Directors of the Company in conformity with the Listing Rules of the Colombo Stock Exchange. The Committee comprises two Independent Non-Executive Directors and one Non-Independent Non-Executive Director who is a Fellow Member of both the Institute of Chartered Accountants of England & Wales and the Institute of Chartered Accountants of Sri Lanka, thereby complying with the Listing Rules of the Colombo Stock Exchange. The Chairman of the Audit Committee is an Independent Non-Executive Director.

Deshamanya Dr. R N A Athukorala retired with effect from 31st August 2019 and Mr. T M Wijesinghe, an Independent Non-Executive Director was appointed to the Committee in his place.

The Audit Committee held 5 meetings during the year under review. The attendance of the members at these meetings is detailed in the Corporate Governance Report found on page 22 of the Annual Report.

The Executive Director, the Director Finance of the Managing Agent and the Chief Risk & Control Officer of Hemas Group attends these Meetings by invitation. M/s Hemas Corporate Services (Private) Limited functions as the Secretaries to the Committee.

The activities and views of the Committee have been communicated to the Board through verbal briefings and by tabling the Minutes of the Committee Meetings.

## Role of the Committee

The Audit Committee operates within the Terms of Reference outlined in its Charter and assists the Board in fulfilling their oversight responsibilities in the following areas;

- (i) Ensuring quality and integrity of the Company’s Financial Statements and financial reporting process, including the preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with the Sri Lanka Accounting Standards.
- (ii) Monitoring system of internal accounting and financial controls of the Company.
- (iii) Ensuring compliance with legal and statutory requirements including financial reporting requirements, disclosure requirements of the Companies Act and other relevant financial reporting related regulations and requirements.
- (iv) Overseeing the performance of Internal Audit functions including the process to ensure that the internal controls and risk management of the Company are adequate.
- (v) Assessing the independence and performance of the External Auditors of the Company and make recommendations to the Board pertaining to the appointment, re-appointment or removal of External Auditors and their remuneration and approve terms of engagement.

## Report of the Audit Committee (Contd.)

### Main Activities Carried Out During the Year

The Audit Committee carried out the following activities during the year ended 31 March 2020;

- Reviewed and discussed the Unaudited Quarterly Financial Statements with the Management prior to publication.
- Reviewed and discussed the Audited Financial Statements with both the Management and External Auditors prior to publication.
- Discussed the Management Letter issued by the External Auditors along with the management responses and monitored follow up action.
- Approved the Internal Audit Plan and monitored the performance of the Internal Auditors.
- Monitored follow-up action taken by the Management on Internal Audit Reports.
- Reviewed the Risk profile of the Group together with the remedial measures taken to manage them.
- Reviewed the Reports on statutory and regulatory compliance submitted by the Management.
- The Audit Committee met the External Auditors of the Company with the Management and also held a private discussion without the participation of the Management.

### Internal Audit

The Internal Audit function of the Company was carried out by the Hemas Group Risk & Control Revision for the year. Internal audit independently reviews the financial and internal control system of the Company.

It carries out independent audits in accordance with an Internal Audit Plan which is approved by the Audit Committee before the commencement of the financial year.

The Hemas Group Risk & Control Division follows up on the implementation of recommendations and reports progress to the Audit Committee.

### External Audit

The External Audit function of the Company is carried out by Messrs. Ernst & Young, Chartered Accountants.

The External Auditors Letter of Engagement including the scope of the Audit is discussed with the External Auditors and the Management prior to commencement of the Audit.

The Committee is satisfied that the independence of the External Auditors has not been impaired by any event or service that gives rise to a conflict of interest. Confirmation has been obtained from the External Auditors of their compliance with the independence guidance given in the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka.

Having reviewed the effectiveness of the external audit, the Committee recommended to the Board that Messrs. Ernst & Young, Chartered Accountants, be re-appointed External Auditors of the Company for the year ending 31 March 2021, subject to approval by the Shareholders at the forthcoming Annual General Meeting.



**M A Jafferjee**  
*Chairman of Audit Committee*

30 June 2020

# Hotel *Sigiriya*

## Financial Reports

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# Statement of Directors' Responsibility in Relation to Preparing Financial Statements

The Statement of Directors' responsibilities is to be read in conjunction with the Report of the Auditors and is made to distinguish the respective responsibilities of the Directors and of the Auditors in relation to the Financial Statements.

The Companies Act No. 7 of 2007 requires that the Directors to prepare and circulate amongst the Shareholders, Financial Statements which give a true and fair view of the state of affairs of the Company as at the Balance Sheet date and the profit and loss of the Company for the financial year.

The Directors are required to ensure that in preparing the Financial Statements;

- Appropriate accounting policies are used, selected and applied in a consistent manner, and material departures, if any, have been disclosed and explained.
- All applicable and relevant Accounting Standards have been followed.
- Judgements and estimates have been made which are reasonable and prudent.

The Directors confirm that the Company maintains accounting records with reasonable accuracy. The financial position of the Company and that Financial Statements have been prepared in accordance with the Companies Act No. 7 of 2007, Sri Lanka Accounting Standards and have provided the information required by or otherwise complied with the Listing Rules of the Colombo Stock Exchange.

The Directors having reviewed the Company's future financial projections, cash flows and current performance are satisfied that the Company has adequate resources to continue its operations in the foreseeable future. The Directors have thus adopted a 'Going Concern basis' in preparing the Financial Statements.

The Directors have also taken reasonable steps to safeguard the assets of the Company and to establish proper systems of internal control with a view to detect and prevent any irregularities.

The Directors are of the view that they have discharged their responsibilities as set out in this Statement.

## Compliance Report

The Directors confirm that to the best of their knowledge, all statutory payments relating to employees and the Government that were due in respect of the Company as at the Balance Sheet date have been paid or where relevant provided for in the Financial Statements.

By Order of the Board of  
HOTEL SIGIRIYA PLC



Hemas Corporate Services (Pvt) Ltd  
*Secretaries*

30 June 2020



# Independent Auditor's Report



Ernst & Young  
Chartered Accountants  
201 De Saram Place  
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Sri Lanka

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## TO THE SHAREHOLDERS OF HOTEL SIGIRIYA PLC

### Opinion

We have audited the financial statements of Hotel Sigiriya PLC (“the Company”), which comprise the statement of financial position as at 31 March 2020, statement of profit or loss, statement of comprehensive income, statement of changes in equity, 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 give a true and fair view of the financial position of the Company as at 31 March 2020 and of its financial performance and its 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 Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

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

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

## Independent Auditor's Report (Contd.)

Key audit matter	How our audit addressed the key audit matter
<p><b>Management's Assessment of the probable impact of the COVID-19 pandemic on the operations of the Company</b></p> <p>Management has assessed the impact of COVID-19 pandemic on its business and financial statements of the company as disclosed in Note 2.2 and 4.4.1</p> <p>We considered management's assessment in the wake of the impact of COVID-19 pandemic as a key audit matter since it involved the use of significant management judgments and estimates considering future events, circumstances and impacts on cash flows.</p> <p>The nature of the significant assumptions involved, and their sensitivity are disclosed in Note 4.4.1 to the Financial Statements.</p>	<p>Our audit procedures included the following;</p> <ul style="list-style-type: none"> <li>We gained an understanding of Management's assessment of the impact of the COVID-19 pandemic on the operations of the company.</li> <li>We obtained an understanding of the procedures adopted by the management to manage and mitigate the prevailing business interruption which are disclosed in Note 2.2</li> <li>We engaged our internal specialized resources to assist us in: <ul style="list-style-type: none"> <li>assessing the reasonableness of the significant assumptions such as occupancy levels, anticipated average room rates and cost management measures in such cash flow projections, and</li> <li>evaluating the sensitivity of the projected available funding by considering assumed scenarios together with reasonable changes to the key assumptions.</li> </ul> </li> <li>We inspected the facility agreements for the Company's interest bearing loans and assessed the Company's compliance with the covenants in understanding the availability of adequate funding.</li> <li>We reviewed the adequacy of the disclosures made in notes 2.2 and 4.4.1 in the Financial Statements.</li> </ul>

### Other Information included in the 2020 Annual Report

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

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

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

### Responsibilities of the management and those charged with governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

### Auditor's responsibilities for the audit of the financial statements

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

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

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

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 relevant ethical requirements 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 2097.



30 June 2020

Colombo

**Partners:** W R H Fernando FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W R H De Silva ACA ACMA 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

**Principals:** G B Goudian ACMA A A J R Perera ACA ACMA T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

# Statement of Financial Position

As at 31 March	Note	2020 Rs.	2019 Rs.
<b>Non-Current Assets</b>			
Property, Plant and Equipment	12	344,772,340	350,482,185
Leasehold Right	13	-	1,748,713
Right-of-Use Assets	14	21,124,986	-
Intangible Assets	15	9,446,010	12,225,311
Other Financial Assets	16	77,478,200	2,730,538
		<b>452,821,536</b>	<b>367,186,747</b>
<b>Current Assets</b>			
Inventories	17	6,387,470	5,748,443
Trade and Other Receivables	18	30,370,295	46,253,947
Tax Recoverables		919,719	-
Other Financial Assets	16	-	30,000,000
Cash and Cash Equivalents	19	45,322,711	74,927,869
		83,000,195	156,930,259
<b>Total Assets</b>		<b>535,821,731</b>	<b>524,117,006</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Stated Capital	20	97,650,000	97,650,000
Other Component of Equity		142,262,684	142,509,806
Retained Earnings		161,851,273	158,739,509
<b>Total Equity</b>		<b>401,763,957</b>	<b>398,899,315</b>
<b>Non-Current Liabilities</b>			
Interest Bearing Loans and Borrowings	23	18,018,059	-
Deferred Tax Liability	10	40,190,157	37,606,980
Retirement Benefit Obligation	22	12,627,174	10,687,569
		<b>70,835,390</b>	<b>48,294,549</b>
<b>Current Liabilities</b>			
Trade and Other Payables	24	46,879,222	63,888,957
Income Tax Payables	-	-	1,009,326
Dividends Payable	25	2,383,826	2,540,849
Other Financial Liability	-	-	269,000
Interest Bearing Loans and Borrowings	23	4,371,948	-
Bank Overdraft	19	9,587,388	9,215,010
		<b>63,222,384</b>	<b>76,923,142</b>
<b>Total Equity and Liabilities</b>		<b>535,821,731</b>	<b>524,117,006</b>

These financial statements are in compliance with the requirements of the Companies Act No.07 of 2007.



K J Pathiraja  
Head of Finance

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



A N Esufally  
Chairman



J P S Kurumbalapatiya  
Director

The accounting policies and notes on page 47 through 87 form an Integral Part of the Financial Statements.

# Statement of Profit or Loss

Year Ended 31 March	Note	2020 Rs.	2019 Rs.
Revenue	6	271,874,034	375,610,424
Cost of Sales		(71,962,405)	(101,633,952)
<b>Gross Profit</b>		<b>199,911,629</b>	<b>273,976,472</b>
Other Operating Income and Gains	7	1,363,142	2,129,400
Sales and Marketing Expenses		(4,238,991)	(6,747,255)
Administrative Expenses		(192,186,066)	(233,834,119)
<b>Operating Profit</b>		<b>4,849,714</b>	<b>35,524,498</b>
Finance Cost	8	(3,207,062)	(882,164)
Finance Income	8	9,909,419	6,467,147
<b>Profit Before Tax</b>		<b>11,552,071</b>	<b>41,109,481</b>
Income Tax Expense	10	(7,703,834)	(7,561,281)
<b>Net Profit Before Dividend Income</b>		<b>3,848,237</b>	<b>33,548,200</b>
Earnings Per Share - Basic	11	0.66	5.73

The accounting policies and notes on page 47 through 87 form an Integral Part of the Financial Statements.

# Statement of Comprehensive Income

Year Ended 31 March	Note	2020 Rs.	2019 Rs.
Profit for the Year		3,848,237	33,548,200
Other Comprehensive Income			
Other Comprehensive Income not to be Reclassified to Profit or Loss in Subsequent Periods			
Fair Value Loss on Fair Value Through OCI Investments	16	(247,122)	(1,269,462)
Actuarial Loss on Defined Benefit Obligations	22	(856,364)	(66,865)
Deferred Taxation Attributable to Actuarial Loss	10	119,891	9,361
Net Other Comprehensive Loss not to be Reclassified to Profit or Loss in Subsequent Periods		(983,595)	(1,326,966)
Other Comprehensive Loss for the Year, Net of Tax		(983,595)	(1,326,966)
<b>Total Comprehensive Income for the Year, Net of Tax</b>		<b>2,864,642</b>	<b>32,221,234</b>

The accounting policies and notes on page 47 through 87 form an integral Part of the Financial Statements.

# Statement of Changes in Equity

	Note	Stated Capital Rs.	Revaluation Reserve Rs.	Fair Value Reserve Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 1 April 2018		97,650,000	143,779,268	-	125,248,813	366,678,081
Net Profit for the Year		-	-	-	33,548,200	33,548,200
<b>Other Comprehensive Income</b>						
Fair Value Loss on Fair Value Through						
OCI Investments	16	-	-	(1,269,462)	-	(1,269,462)
Actuarial Gain/ (loss) on Defined Benefit Obligation	22	-	-	-	(66,865)	(66,865)
Deferred Taxation Attributable						
to Actuarial Gain/ (Loss)	10	-	-	-	9,361	9,361
<b>Total Comprehensive Income</b>		-	-	(1,269,462)	33,490,696	32,221,234
<b>Balance as at 31 March 2019</b>		<b>97,650,000</b>	<b>143,779,268</b>	<b>(1,269,462)</b>	<b>158,739,509</b>	<b>398,899,315</b>
Balance as at 1 April 2019		97,650,000	143,779,268	(1,269,462)	158,739,509	398,899,315
Net Profit for the Year		-	-	-	3,848,237	3,848,237
<b>Other Comprehensive Income</b>						
Fair Value Loss on Fair Value Through						
OCI Investments	16	-	-	(247,122)	-	(247,122)
Actuarial Gain/ (loss) on Defined Benefit Obligation	22	-	-	-	(856,364)	(856,364)
Deferred Taxation investment measured at FVTOCI	10	-	-	-	119,891	119,891
<b>Total Comprehensive Income</b>		-	-	(247,122)	3,111,764	2,864,642
<b>Balance as at 31 March 2020</b>		<b>97,650,000</b>	<b>143,779,268</b>	<b>(1,516,584)</b>	<b>161,851,273</b>	<b>401,763,957</b>

The accounting policies and notes on page 47 through 87 form an integral Part of the Financial Statements.

# Statement of Cash Flows

Year ended 31 March	Note	2020 Rs.	2019 Rs.
<b>Operating Activities</b>			
Net Profit/(Loss) Before Income Tax		11,552,071	41,109,481
<b>Adjustments for</b>			
Depreciation	12&14	27,552,745	22,595,070
Amortisation of Intangible Assets	15	2,779,301	1,390,016
Amortisation of Lease Hold Property	13	-	190,683
Loss on Sale of Fixed Assets		133,915	-
Finance Income	8	(9,909,419)	(6,467,147)
Foreign Currency (Gain)/Losses		(204,559)	2,423,556
Charge/(Reversal) of Debtor Impairment Provision	18	(99,869)	156,473
Finance Costs	8	3,207,062	882,164
Provision for Employee Benefit Liability	22	2,297,171	2,265,313
		<b>37,308,418</b>	<b>64,545,609</b>
<b>Working Capital Adjustments:</b>			
(Increase)/Decrease in Inventories		(639,027)	98,344
(Increase)/Decrease in Trade and Other Receivables		14,050,971	(5,147,275)
Increase/(Decrease) in Trade and Other Payables		(15,248,068)	4,030,479
<b>Cash Generated from Operations</b>		<b>35,472,294</b>	<b>63,527,157</b>
<b>Finance Cost Paid</b>			
Finance Cost Paid		-	(867,914)
Defined Benefit Plan Costs Paid	22	(1,213,930)	(1,108,937)
Income Tax Paid		(7,001,776)	(5,589,150)
<b>Net Cash Flows used in from Operating Activities</b>		<b>27,256,588</b>	<b>55,961,156</b>
<b>Investing Activities</b>			
Purchase of Property, Plant & Equipment	12	(20,399,790)	(33,436,817)
Proceeds from Sale of Property, Plant & Equipment		(100,853)	-
Loans Given to Related Parties		(38,000,000)	(35,000,000)
Loans Settlements from Related Parties		-	5,000,000
Interest Received		3,093,042	6,467,147
<b>Net Cash Flows Used in Investing Activities</b>		<b>(55,407,601)</b>	<b>(56,969,670)</b>
<b>Financing Activities</b>			
Repayment of Lease Liability	23	(1,669,500)	-
Dividend Paid		(157,023)	-
<b>Net Cash Flows Used in Financing Activities</b>		<b>(1,826,523)</b>	<b>-</b>
Net Decrease in Cash and Cash Equivalents		(29,977,536)	(1,008,514)
Cash and Cash Equivalents at the Beginning of the Year		65,712,859	66,721,373
<b>Cash and Cash Equivalents at the End of the Year</b>		<b>35,735,323</b>	<b>65,712,859</b>

The accounting policies and notes on page 47 through 87 form an integral part of the Financial Statements.



# Notes to the Financial Statements

## 1. CORPORATE INFORMATION

### 1.1 General

Hotel Sigiriya PLC ("Company") is a limited liability Company listed in the Colombo Stock Exchange incorporated and domiciled in Sri Lanka. The registered office is located at Level 3, Hemas House, No. 75, Braybrooke Place, Colombo 2.

### 1.2 Principal Activities and Nature of Operations

The principal activity of the Company is operation of a hotel in Sigiriya, Sri Lanka.

### 1.3 Parent Entity and Ultimate Parent Entity

The Company's parent undertaking is Serendib Hotels PLC. In the opinion of the directors, the Company's ultimate parent undertaking and controlling party is Hemas Holdings PLC, which is incorporated in Sri Lanka.

### 1.4 Date of Authorization for Issue

The Financial Statements of Hotel Sigiriya PLC for the year ended 31 March 2020 were authorised for issue, in accordance with a resolution of the Board of Directors on 30 June 2020.

### 1.5 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.

## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

The financial statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards, (SLFRS/ LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the Companies Act No. 07 of 2007.

This is the first set of the Company's annual financial statements in which SLFRS 16 - Leases has applied. Changes to significant accounting policies are described in Note 3.

### 2.2 Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Therefore, the financial statements continue to be prepared on a going concern basis.

Due to the significant uncertainty arising from the COVID-19 pandemic management has performed a detailed going concern review of company's liquidity positions to ensure that there is enough headroom to withstand negative cash flow impacts, performance of the company and the related impact to the company considering the evolving situations as outlined below.

Subsequent to the outbreak of COVID-19, the Company has taken appropriate measures including, engaging high quality medical and public health advice, social distancing, provision of protective equipment and working from home to safeguard the

health of all our employees and ensure compliance with various directives issued by the Government of Sri Lanka (GoSL).

To date the overall impact of the pandemic on the company revenues and profitability was negative, both in the last few weeks of FY 2019/20 and continuing on to FY 2020/21. Cost cutting and cash conservation measures to protect the business have already been initiated. We have deferred capital expenditure and discretionary spending and instituted salary cuts at the senior levels in the Company. Company is working through a detailed plan on cash conservation and cost containment. Moreover, Company has also looked at the potential sources of funding that can use if required. Management is also working on a sound business continuity plan designed for the Company. The existing and anticipated impact of the pandemic on the Company have been adequately evaluated and addressed through wide range of factors under multiple stress tested scenarios.

Being one of the industries that has been significantly affected from COVID-19 pandemic, the last 2 weeks of year 2019/20 and the early part of 2020/21 is ended with zero or minimum occupancy due to social distancing requirements, travel disruptions/restrictions, and quarantine requirements from the start of the lockdown. However, with strong measures taken by the management to curtail the impact from the pandemic to the Company and considering the available resources with the Company, the Directors have concluded that the

## Notes to the Financial Statements (Contd.)

use of the going concern assumption is appropriate and the Company has adequate resources to continue its operations for the foreseeable future.

Following challenging current operational and economic conditions due to the ongoing COVID-19 pandemic, the group has reassessed the expected future business performance relating to cash generating units where the management has concluded that the recoverable value of CGUs exceeds its carrying values.

### 2.3 Basis of Measurement

The Financial Statements of the Company have been prepared on an accrual basis and under the historical cost convention other than land & buildings carried at valuation.

### 2.4 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees, which is also the parent company's functional and presentation currency.

### 2.5 Materiality and Aggregation

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

### 2.6 Comparative Information

The presentations and classification of Financial Statements of the previous years have been amended for better presentation and to be comparable with those of the current year.

## 3. CHANGES IN ACCOUNTING POLICIES

The Company adopted SLFRS 16 for the first time. The nature and effect of the changes as a result of the adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2019/2020, but do not have an impact on the Financial Statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

### 3.1 SLFRS 16 – Leases

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

Lessor accounting under SLFRS 16 is substantially unchanged from under LKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in LKAS 17. Therefore, SLFRS 16 does not have an impact for leases where the Company is the lessor.

The Company has adopted SLFRS 16 using modified retrospective method from 1 April 2019, without restating comparatives for the 2018/19 reporting period, as permitted under the specific transitional provisions in the standard. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

The effect of adoption SLFRS 16 as at 1 April 2020 is as follows:

Non-Current Assets	Rs.
Right of use assets	22,601,158
Lease rentals paid in advance	(1,748,713)
<b>Total Assets</b>	<b>20,852,445</b>
<b>Equity and Liabilities</b>	
<b>Non-Current Liabilities</b>	
Interest-bearing loans and borrowings	17,282,445
<b>Current Liabilities</b>	
Interest-bearing loans and borrowings	3,570,000
<b>Total Equity and Liabilities</b>	<b>20,852,445</b>

### 3.1.1 Nature of the effect of adoption of SLFRS 16

Upon adoption of SLFRS 16, the Company applied a single recognition and measurement approach for all leases for which it is the lessee, except for short-term leases and leases of low-value assets. The Company recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### 3.1.1.1 Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

The Company is not acting as a lessor in any lease arrangement as of 01 April 2019 and 31 March 2020

#### 3.1.1.2 Company as a lessee

##### Leases previously classified as finance leases

For leases previously classified as finance leases, the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The requirements of SLFRS 16 was applied to these leases from 1 April 2019.

##### Leases previously accounted for as operating leases

The Company recognised right of use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right of use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The lease liabilities as at 1 April 2019 can be reconciled to the operating lease commitments as of 31 March 2019 as follows:

Operating lease commitments as at 31 March 2019	36,225,000
Discounted operating lease commitments at 1 April 2019	20,852,445
Lease liabilities as at 1 April 2019	20,852,445
Incremental Borrowing Rate (IRB)	15.5%

#### 3.1.1.3 Estimating the incremental borrowing rate (IBR)

The rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently for all periods presented in the Financial Statements by the Company except the accounting policies on Leases. Changes to the accounting policies have been disclosed in the Note number 3.

### 4.1 Foreign Currency

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

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

Differences arising on settlement or transaction of monetary items are recognized in Profit or Loss with the exception of all monetary items that forms part of a net investment in a foreign operation. These are recognised in other comprehensive

## Notes to the Financial Statements (Contd.)

income until the disposal of the net investment, at which time they are reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items measured fair value is treated in line with the recognition of gain or loss on change in fair value in the item (translation differences on items whose gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss respectively).

### 4.2 Current versus non-current classification

The Company presents assets and liabilities in the Statement of Financial Position based on current/non-current classification.

An asset is current when it is:

- Expected to be realised or intended to sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or
- It does not have the right at the reporting date to defer the settlement of the liability by the transfer of cash or other assets for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

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

### 4.3 Fair Value Measurement

The Company measures financial instruments such as Fair Value Through OCI, Fair Value Through Profit or Loss, Derivatives and Non-Financial Assets such as certain classes of Property, Plant and Equipment, at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarised under the respective notes.

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.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. 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

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 recognized in the Financial Statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization at the end of each reporting period. External valuers are involved for valuation of significant assets, such as properties and significant liabilities, such as defined benefit obligations.

Involvement of external valuers is decided upon annually after discussion with and approval by the Company's Board Audit Committee wherever necessary. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Board Audit Committee whenever necessary after discussions with the Company's

external valuers decide which valuation techniques and inputs to use for each case.

At each reporting date the Management analyses the movements in the values of assets and liabilities which are required to be remeasured or reassessed as per the Company's accounting policies. For this analysis, the Management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Management in conjunction with the Company's external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. This includes a discussion of the major assumptions used in the valuations.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Profit or Loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

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.

#### **4.4 Significant Accounting Judgments, Estimates and Assumptions**

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

##### **4.4.1 Impact of COVID-19 Pandemic**

The management has assessed the impact of COVID-19 outbreak on the Company considering multiple stress-tested scenario such as optimistic, most likely and pessimistic.

The key assumptions used in this assessment and their sensitivities are as follows.

## Notes to the Financial Statements (Contd.)

Key assumption	Details	Stress condition and Sensitivity	Indication of adequacy of funding available if the assumed stress condition occurs*
Occupancy	First 3 months (April through June 2020) at 0% occupancy, next 9 months (July through March 2021) at progressively increasing occupancy between 0% - 45%.	Extension of each duration by one month will deplete undrawn borrowing facilities between Rs 1Mn - Rs 8Mn.	Adequate
Average Room Rate (ARR)	ARR is expected to be discounted by 20% - 30%	Further reduction of 5% on assumed discount on budgeted ARR will deplete undrawn borrowing facilities by Rs. 3 Mn. – 8 Mn	Adequate
Anticipated cost management measures	Assumed to take place up to 12 months from the reporting date	Reduction of the period of favorable results of cost management measures taken by 1 month will deplete undrawn borrowing facilities by Rs 3 Mn. – 8 Mn	Adequate

Above indication of adequacy of funding available is assessed with the stated stress factor assumed to take place exclusively without any bearing on other key assumptions simultaneously.

There is a considerable degree of judgement involved in making the above assessment. The underlying assumptions are also subject to uncertainties which are often outside the control of the Company. Accordingly, actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting judgements and estimates included in these financial statements.

#### 4.4.2 Judgements

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the financial statements:

##### 4.4.2.1 Revenue

The Company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

##### a) Principal versus agent considerations

In determining whether the Company is the principal or the agent pertaining to the certain revenue contracts the Company has evaluated who has control over the goods and service before transferring it to the customer;

The following factors were also considered;

- The primarily responsibility for fulfilling the promise to provide the specified goods or the service.
- Inventory risk before or after the specified goods has been transferred to the customer.
- The discretion in establishing the price for the specified equipment.



Based on the above factors if the Company concludes that it has control over the goods & services before transferring it to the customer, Company act as the principal in which case revenue will be recognised at gross and if the Company does not have the control over the goods before transferring it to the customer, it will recognise revenue on the contract on net basis as an agent.

#### b) Evaluation of Point of Transfer of Control of Goods or Services to the Customer

The following factors were considered in determining the point of transfer of control to the customer.

- The entity has a present right to payment for the asset
- The customer has legal title to the asset
- The entity has transferred physical possession of the asset
- The customer has the significant risks and rewards of ownership of the asset
- The customer has accepted the asset

Whilst the above indicators assist in the determination of transfer of control, none of the indicators above are meant to individually determine whether control has been transferred. Further not all of them must be present. Hence the above evaluation requires significant judgement.

#### 4.4.2.2 Deferred Tax Assets

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 judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

#### 4.4.3 Estimates and Assumptions

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

#### 4.4.3.1 Revaluation of Property, Plant and Equipment

The Company carries its Land and buildings at revalued amounts with changes in fair value being recognised in OCI. The Company engages an independent valuation specialist to assess fair value for land and buildings. Land and buildings values by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. The valuation

methodology adopted and the key assumptions to determine the fair value of the properties and sensitivity analyses are provided in relevant notes as required.

#### 4.4.3.2 Impairment of Non - Financial Assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

## Notes to the Financial Statements (Contd.)

Impairment losses of continuing operations, including impairment on inventories, are recognised in the Statement of Profit or Loss in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Profit or Loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

#### 4.4.3.3 Defined Benefit Plans

The cost of defined benefit plans-gratuity is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, futures salary increases

and retirement age. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

### 4.5 Revenue from contracts with customers

#### 4.5.1 Recognition of Revenue

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

SLFRS 15 requires entities to exercise judgement, taking into consideration all the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

In determining the transaction price for the revenue contracts, the Company considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration to the customer (if any).

Room Revenue is recognized based on the rooms occupied, on a daily basis, and food and beverage are accounted for at the time of sale.

In connection with contracts with travel agents, tour operators, on-line travel agents, corporate customers and free-individual- travelers, the Company

identified certain principal versus agent considerations. In recognizing revenue from these transactions, the Company considered whether the nature of its promise is a performance obligation to provide the hotel services itself (acting as a principal) or to arrange for the other party to provide those such services (acting as an agent).

#### 4.5.1.1 Goods Transferred at a Point in Time

Under SLFRS 15, revenue is recognised upon satisfaction of performance obligation. The revenue recognition occurs at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods and services.

#### 4.5.1.2 Services Transferred Over Time

Under SLFRS 15, the Company determines at contract inception whether it satisfies the performance obligation over time or at a point in time. For each performance obligation satisfied overtime, the Company recognises the revenue over time by measuring the progress towards complete satisfaction of that performance obligation.

### 4.5.2 Contract Liabilities

Contract liabilities are Company's obligation to transfer goods or services to a customer for which the Company has received consideration from the customer. Contract liabilities includes advances received for reservations. Contract liabilities of the Company have been disclosed in Trade and Other Payable note.



## 4.6 Taxation

### 4.6.1 Current Income Taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the Commissioner General of Inland Revenue. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date in the country where the Company operates and generates taxable income. Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit or loss.

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act No 24 of 2017 and amendments thereto.

Management has used its judgment on the application of tax laws including transfer pricing regulations involving identification of associated undertakings, estimation of the respective arm's length prices and selection of appropriate pricing mechanism.

### 4.6.2 Deferred Taxation

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

Deferred income tax liabilities are recognised for all taxable temporary differences except;

Where the deferred income 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; and

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward unused tax credits and unused tax losses, 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 utilized except:

Where the deferred income 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.

The carrying amount of deferred income 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 income tax asset to be utilized. Unrecognised deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled,

based on tax rates (and tax laws) that have been enacted or substantively enacted as at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

## 4.7 Property, Plant and Equipment

Plant and Machinery, Furniture, Fittings and Equipment, Motor Vehicles, Land Improvements and Cutlery, Crockery, Glassware and Silverware are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company de-recognises the replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of profit or loss as incurred.

## Notes to the Financial Statements (Contd.)

Buildings are measured at fair value at the date of revaluation less accumulated depreciation and any impairment losses. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

Where Buildings are subsequently revalued, the entire class of such assets is revalued. Any revaluation surplus is recognised in other comprehensive income and accumulated in equity in the asset revaluation reserve, 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.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation is calculated on straight line basis over the estimated useful lives of the assets as follows:

	2020	2019
Buildings on Leasehold Land	Up to a maximum period of 60 Years	Up to a maximum period of 60 Years
Furniture, Fittings and Equipment	5 -10 Years	5 -10 Years
Plant and Machinery	5 -10 Years	5 -10 Years
Motor Vehicles	5 -10 Years	5 -10 Years
Swimming Pool	Up to a maximum of 60 Years	Up to a maximum of 60 Years
Land Improvements	Up to 30 Years	Up to 30 Years
Cutlery, Crockery Glassware and Silverware	2-3 Years	2-3 Years

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

### Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All

other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### 4.8 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the statement of profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

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

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is de-recognised.

#### 4.9 Inventory

Inventories are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items.

The cost incurred in bringing inventories to its present location and conditions are accounted using the following cost formulae:

Food and Beverage Stocks - At actual cost on weighted average basis.  
Maintenance and Others - At actual cost on weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

#### 4.10 Financial Instruments

##### 4.10.1 Financial Assets

###### 4.10.1.1 Initial Recognition and Measurement

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

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

###### 4.10.1.2 Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon de-recognition (equity instruments)
- Financial assets at fair value through profit or loss.

##### a) Financial Assets at Amortised Cost (Debt Instruments)

The Company measures financial assets at amortised cost if both of the following conditions are met:

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

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

The Company's financial assets at amortised cost includes trade receivables, loans to employees and loans to related parties.

##### b) Financial Assets at Fair Value Through OCI (Debt Instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

## Notes to the Financial Statements (Contd.)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the Statement of Profit or Loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon de-recognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Company do not classify any instrument under this category as of 31 March 2020.

### c) Financial Assets Designated at Fair Value Through OCI (Equity Instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to Statement of Profit or Loss. Dividends are recognised as other income in the Statement of Profit or Loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company elected to classify irrevocably its listed and non-listed equity investments under this category.

### d) Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the Statement of Financial Position at fair value with net changes in fair value recognised in the Statement of Profit or Loss.

The Company did not classify any instrument under this category as of 31 March 2020.

### 4.10.1.3 De-recognition

A financial asset is de-recognised when:

- The rights to receive cash flows from the asset have expired.
- The Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Company's continuing involvement in it.

### 4.10.1.4 Impairment of financial assets

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

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

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

#### 4.10.2 Financial Liabilities

##### 4.10.2.1 Initial Recognition and Measurement

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

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

##### 4.10.2.2 Subsequent Measurement

The measurement of financial liabilities depends on their classification as follows:

###### a) Financial Liabilities at Fair Value Through Profit or Loss

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

###### b) 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 profit or loss when the liabilities are de-recognised as well as through the EIR amortisation process.

Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs

in the Statement of Profit or Loss. This category generally applies to interest bearing loans and borrowings.

##### 4.10.2.3 De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.

##### 4.10.2.4 Offsetting of financial instruments

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

#### 4.10.3 Derivative Financial Instruments

##### 4.10.3.1 Initial Recognition and Subsequent Measurement

The Company uses derivative financial instruments such as forward currency contracts. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

##### 4.10.4 Cash and Short-Term Deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.



## Notes to the Financial Statements (Contd.)

For the purpose of the Company statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

### 4.11 Provisions

Provisions are recognised when the Company 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. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, 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.

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

### 4.12 Retirement Benefits

#### 4.12.1 Defined Contribution Plans - Employees' Provident Fund and Employees' Trust Fund

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

employees to Employees' Provident Fund and Employees' Trust Fund respectively.

#### 4.12.2 Defined Benefit Plans – Gratuity

A defined benefit plan is post-employment benefits plan other than a defined contribution plans - Employees' Provident Fund and Employees' Trust Fund. The liability recognised in the Statement of Financial Position in respect of defined benefit plans is the present value of the defined benefit obligation at the reporting date. The defined benefit obligation is calculated using the 'Projected Unit Credit method'. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms of maturity approximating to the terms of the liability.

Provision has been made in the Financial Statements for retiring gratuities from the first year of service for all employees, in conformity with LKAS 19 - "Employee Benefits". Actuarial gain or losses are recognised in Other Comprehensive Income (OCI) in the period which it arises.

However, according to the Payment of Gratuity Act No. 12 of 1983, the liability for payment to an employee arises only after the completion of 5 years continued service. The liability is not externally funded.

### 4.13 SLFRS 16 – Leases

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

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

The Company only reassesses whether a contract is, or contains, a lease subsequent to initial recognition if the terms and conditions of the contract are changed.

#### 4.13.1 Right of use assets

The Company recognises right of use assets at the commencement date of the lease, when the underlying asset is available for use. Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. If ownership of the leased asset transfers to the Company at the end of the lease

term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. Right of use assets are subject to impairment.

#### 4.13.2 Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. The Company's lease liabilities are included in Interest-bearing loans and borrowings.

#### 4.13.3 Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

#### 4.13.4 Amounts recognised in the statement of financial position and income statement

Set out below, are the carrying amounts of the Company's right of use assets and lease liabilities (Included under Interest bearing Borrowings) and the movements for the period ended 31 March 2020.

<b>Right of Use Assets</b>	
<b>Cost</b>	
At the beginning of the year	22,601,158
<b>At the end of the year</b>	<b>22,601,158</b>
<b>Accumulated depreciation and impairment</b>	
Depreciation	1,476,172
At the end of the year	1,476,172
<b>Carrying value</b>	<b>21,124,986</b>
<b>Lease Liabilities</b>	
At the beginning of the year	20,852,445
Interest expense	3,207,062
Payments	(1,669,500)
<b>At the end of the year</b>	<b>22,390,007</b>
Current	4,371,948
Non-current	18,018,059
<b>Total</b>	<b>22,390,007</b>

#### 4.13.5 The following are the amounts recognised in profit or loss:

Depreciation expense of right-of-use assets	1,476,172
Interest expense on lease liabilities	3,207,062
Deferred Tax	177,103
<b>Total amount recognised in profit or loss</b>	<b>4,860,337</b>

## Notes to the Financial Statements (Contd.)

### 5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

#### 5.1 Amendments to LKAS 1 and LKAS 8: Definition of Material

Amendments to LKAS 1 Presentation of Financial Statements and IAS 8 Accounting policies, Changes in accounting Estimates and Errors are made to align the definition of "material" across the standard and to clarify certain aspects of the definition. The new definition states that, "information is material if omitting or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments are applied prospectively for the annual periods beginning on or after 1 January 2020 with early application permitted.

#### 5.2 Amendments to SLFRS 3: Definition of a Business

Amendments to the definition of a business in SLFRS 3 Business Combinations are made to help the entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definition of a business and of outputs, and introduce an optional fair value concentration test.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

#### 5.3 Amendments to references to the conceptual framework in SLFRS standards

Revisions to the Conceptual Framework were made because some important issues were not covered, and some guidance was unclear or out of date. The revised Conceptual Framework includes: a new chapter on measurement; guidance on reporting financial performance; improved definitions of an asset and a liability, and guidance supporting these definitions; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting

The amendments are effective for annual periods beginning on or after 1 January 2020, with early application is permitted.



**6. REVENUE**

Year Ended 31 March	2020 Rs.	2019 Rs.
Accommodation, Food and Beverage	256,831,562	358,053,953
Others (Hotel Operations)	15,042,472	17,556,471
	<b>271,874,034</b>	<b>375,610,424</b>

**7. OTHER OPERATING INCOME AND GAINS**

Year Ended 31 March	2020 Rs.	2019 Rs.
Rental Income from Others	614,816	823,089
Sundry Income	444,684	625,592
Exchange Gains on Operations	-	190,372
Foreign Currency Encashment	203,773	490,347
Reversal of Bad Debt Provision	99,869	-
	<b>1,363,142</b>	<b>2,129,400</b>

**8. FINANCE COST AND INCOME****8.1 Finance Costs**

Year Ended 31 March	2020 Rs.	2019 Rs.
Interest Expense on Overdrafts	-	9,914
Fair Value Loss on Forward Exchange Contracts	-	872,250
Interest on Lease Liability	3,207,062	-
	<b>3,207,062</b>	<b>882,164</b>

**8.2 Finance Income**

Year Ended 31 March	2020 Rs.	2019 Rs.
Interest Income from - Related Parties	6,619,340	2,932,522
Interest Income from - Others	3,021,077	3,534,625
Fair Value Gain on Forward Exchange Contracts	269,002	-
	<b>9,909,419</b>	<b>6,467,147</b>

## Notes to the Financial Statements (Contd.)

**9. PROFIT BEFORE TAX**

Year Ended 31 March	2020 Rs.	2019 Rs.
Stated After Charging/(Crediting)		
Included in Administrative Expenses		
Employees Benefits including the following		
- Defined Benefit Plan Costs - Gratuity	2,297,172	2,265,313
- Defined Contribution Plan Costs - EPF and ETF	5,927,195	6,271,047
Depreciation and Amortization	30,332,046	24,175,769
Loss on Disposal of Property, Plant and Equipment	133,915	-
Auditors' Remuneration (Fees and Expenses)	541,964	548,376
Management Fees	13,912,943	20,691,588
Charge on Impairment of Debts	-	156,473
Legal Fees	402,944	718,195
Donations	45,184	26,500

**10. INCOME TAX EXPENSE**

Year Ended 31 March	2020 Rs.	2019 Rs.
Statement of Profit or loss		
Current Income Tax		
Current Tax Expense on Ordinary Activities for the Year	642,546	5,132,113
Under Provision of Current Taxes in Respect of Prior Years	4,358,220	3,119
Deferred Income Tax		
Deferred Taxation Charge	2,703,068	2,426,049
	<b>7,703,834</b>	<b>7,561,281</b>
Statement of Other Comprehensive Income		
Deferred Tax Impact on Re-measurement of Post Employment Benefit Obligation	(119,891)	(9,361)
	<b>(119,891)</b>	<b>(9,361)</b>
Income Tax Expense Recorded in Total Comprehensive Income	<b>7,583,943</b>	<b>7,551,920</b>

**10.1 Reconciliation Between Current Tax Expense and the Product of Accounting Profit**

Year ended 31 March	2020 Rs.	2019 Rs.
Accounting Profit (Profit Before Tax)	11,552,071	41,109,481
Aggregate Disallowable Items	36,975,859	27,015,581
Income from Other Sources	(9,640,417)	(7,290,236)
Aggregate Allowable Items	(45,659,819)	(38,757,350)
Taxable Profit from Trade Income	(6,772,306)	22,077,475
Taxable Profit from Other Sources	9,640,417	7,290,236
	<b>2,868,111</b>	<b>29,367,711</b>
Income Tax - 14% (2019-14%)	64,121	3,090,847
Income Tax - 24% (2019-28%)	578,425	2,041,266
Current Income Tax Expense	<b>642,546</b>	<b>5,132,113</b>
Effective Tax Rate	6%	12%

**10.1.2** The business profit of the Company is liable for income tax at the rate of 14% which is applicable for tourism promotion as per the Inland Revenue Act No.24 of 2017 and amendments thereto. Other sources of income are taxable at 24%.

**10.2 Deferred Tax****10.2.1 Deferred Tax Assets and Liabilities Relate to the Following;**

As at 31 March	2020 Rs.	2019 Rs.
Deferred Tax Liability	42,030,074	39,189,335
Deferred Tax Assets	(1,839,917)	(1,582,355)
Net Deferred Tax Liability	<b>40,190,157</b>	<b>37,606,980</b>

## Notes to the Financial Statements (Contd.)

**10. INCOME TAX EXPENSE (Contd..)****10.2.2 Deferred Taxation Charge /(Reversal) - Statement of Profit or Loss/Other Comprehensive Income**

Year Ended 31 March	Statement of Profit or Loss		Other Comprehensive Income	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
<b>Deferred Tax Liability</b>				
Capital Allowances for Tax Purposes	2,663,636	2,645,237	-	-
Operating Leases	177,103	-	-	-
	<b>2,840,739</b>	<b>2,645,237</b>	<b>-</b>	<b>-</b>
<b>Deferred Tax Assets</b>				
Defined Benefit Plans	(151,653)	(159,935)	-	-
Collective Impairment of Trade and Other Receivables	13,982	(59,253)	-	-
Actuarial Loss	-	-	(119,891)	(9,361)
	<b>(137,671)</b>	<b>(219,188)</b>	<b>(119,891)</b>	<b>(9,361)</b>
	<b>2,703,068</b>	<b>2,426,049</b>	<b>(119,891)</b>	<b>(9,361)</b>

Deferred tax provision as of 31 March 2020 has been computed based on the future tax rate applicable to company (14%) in accordance with Inland Revenue Act, No.24 of 2017.

**10.2.3 Deferred Tax Asset/Liability relates to the following;**

As at 31 March	Statement of Financial Position	
	2020 Rs.	2019 Rs.
<b>Deferred Tax Liability</b>		
Capital Allowances for Tax Purposes	20,509,432	17,845,796
Operating Leases	177,103	-
Revaluation of Assets	21,343,539	21,343,539
	<b>42,030,074</b>	<b>39,189,335</b>
<b>Deferred Tax Assets</b>		
Defined Benefit Plans	1,647,913	1,496,260
Collective Impairment of Trade and Other Receivables	74,071	88,053
Actuarial (Gain)/Loss	117,933	(1,958)
	<b>1,839,917</b>	<b>1,582,355</b>
<b>Net Deferred Tax Liability</b>	<b>40,190,157</b>	<b>37,606,980</b>

## 11. EARNINGS PER SHARE

**11.1** Basic Earnings Per Share amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

### 11.2 The following reflects the income and share data used in the Basic Earnings Per Share computation

	2020 Rs.	2019 Rs.
Amounts Used as the Numerator:		
Profit Attributable to Ordinary Shareholders	3,848,237	33,548,200
	2020 Number	2019 Number
Number of Ordinary Shares Used as the Denominator:		
Weighted Average Number of Ordinary Shares in Issue Applicable to Basic Earnings Per Share	5,859,000	5,859,000
Earnings Per Share - Basic	0.66	5.73

As there were no potential ordinary shares outstanding as at the year end, Diluted Earnings per Share is equal to the Basic Earnings per Share for the year and last year.

## 12. PROPERTY, PLANT & EQUIPMENT

### 12.1 Gross Carrying Amounts

	Balance As at 01 April 2019 Rs.	Addition Rs.	Disposals Rs.	Balance As at 31 March 2020 Rs.
At Cost				
Plant and Machinery	35,492,877	14,917,268	(71,000)	50,339,145
Furniture, Fittings and Equipment	147,676,548	7,125,644	(9,473,248)	145,328,944
Motor vehicle	4,970,222	-	(15,000)	4,955,222
	188,139,647	22,042,912	(9,559,248)	200,623,311
At Valuation				
Buildings on Leasehold Land	276,568,458	-	-	276,568,458
Swimming pool	6,631,542	-	-	6,631,542
Land Improvements	10,000,000	-	-	10,000,000
	293,200,000	-	-	293,200,000
<b>Total Value of Depreciable Assets</b>	<b>481,339,647</b>	<b>22,042,912</b>	<b>(9,559,248)</b>	<b>493,823,311</b>

## Notes to the Financial Statements (Contd.)

**12. PROPERTY, PLANT & EQUIPMENT (Contd..)****12.2 In the Course of Construction**

	Balance as at 01.04.2019 Rs.	Capitalized during the year Rs.	Balance as at 31.03.2020 Rs.
Capital Work in Progress	1,643,122	(1,643,122)	-
Total Gross Carrying Amount	1,643,122	(1,643,122)	-

**12.3 Depreciation**

	Balance as at 01.04.2019 Rs.	Charge for the Year During the Year Rs.	Disposal Rs.	Balance as at 31.03.2020 Rs.
<b>At Cost</b>				
Plant and Machinery	25,884,370	2,447,894	(68,621)	28,263,643
Furniture, Fittings and Equipment	97,302,508	14,940,855	(9,442,565)	102,800,798
Motor Vehicles	1,138,184	505,091	(15,000)	1,628,275
	124,325,062	17,893,840	(9,526,186)	132,692,716
<b>At Valuation</b>				
Buildings on Leasehold Land	6,716,492	7,425,483	-	14,141,975
Swimming Pool	459,130	423,950	-	883,080
Land Improvements	999,900	333,300	-	1,333,200
	8,175,522	8,182,733	-	16,358,255
Total Depreciation	132,500,584	26,076,573	(9,526,186)	149,050,971

**12.4 Net Book Value**

	2020 Rs.	2019 Rs.
<b>At Cost</b>		
Plant and Machinery	22,075,502	9,608,507
Furniture, Fittings and Equipment	42,528,146	50,374,040
Motor Vehicle	3,326,947	3,832,038
	67,930,595	63,814,585

At Valuation	2020 Rs.	2019 Rs.
Buildings on Leasehold Land	262,426,483	269,851,966
Swimming Pool	5,748,462	6,172,412
Land and Improvements	8,666,800	9,000,100
<b>Total Carrying Amount of Property, Plant and Equipment</b>	<b>344,772,340</b>	<b>350,482,185</b>

#### In the Course of Construction

Capital Work in Progress	-	1,643,122
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**12.5** During the financial year, Company acquired Property, Plant and Equipment to the aggregate value of Rs. 20,399,790/- (2019- Rs.33,436,817/-), the consideration for which was settled by cash.

**12.6** Property, plant and equipment includes fully depreciated assets having a gross carrying amount of Rs 88,246,736/- (2019 - Rs. 83,676,782/-) which were in use during the year.

**12.7** The Company has stated its following properties at revalued amounts. The valuation was carried out by Perera Sivaskantha & Company - Chartered Valuers, a professional and independent valuer. The loss arising from the revaluation was transferred to revaluation reserve against brought forward surpluses.

#### 12.7.1 The movement of revaluation reserve and other information are disclosed under note (21).

Property	Number of Buildings	Extent	Method of Valuation and Significant Unobservable Inputs	Range of Estimate for Unobservable Inputs	Valuation Rs.	Date of Valuation
Buildings and Swimming Pool on Leasehold land at Sigiriya	7	65,763 Sq. Ft 79 Rooms	Profit Basis of Valuation Average Daily Rate Discount Rate	Rs. 10,000 - Rs. 8,000 8% -10%	293,200,000	31-Mar-18
Land improvements					10,000,00	

## Notes to the Financial Statements (Contd.)

Valuation Technique	Significant unobservable valuation inputs	Sensitivity of the fair value measurement to inputs
<b>Profit Basis of Valuation</b>		
In a trade related property the best measure of value is the income generation. It is based on a hypothetical operator who is knowledgeable prudent and efficient rather than actual. The income is estimated taking the potential into account as against the past records of income and expenditure latter is taken on the basis of sector derived expenditure and EBITDA is thus arrived, the residual profits are deducted and the balance as rent for a fully operational unit is either capitalized at a market derived all risk rate or cast into a DCF.	Average Daily Rate	Positive
	Discount Rate	Negative

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

Class of Asset	Cost Rs.	Cumulative Depreciation If Assets Were Carried at Cost Rs.	Net Carrying Amount 2020 Rs.	Net Carrying Amount 2019 Rs.
Buildings on leasehold land	339,878,487	113,101,295	226,777,192	232,441,833
Swimming Pool	4,621,199	2,418,882	2,202,317	2,279,337

**12.9 Impact of COVID-19 Pandemic**

The Company reassessed the value of its Property, Plant and Equipment with COVID-19 outbreak and based on that assessment there was no significant change to the fair value reported as of 31 March 2019. The said reassessment has been carried out by the same independent professional valuers disclosed in the note 12.7.

Accordingly, the Company has not recognised any impairment relating to the Property, Plant and Equipment as of the reporting date due to the COVID-19 outbreak and the property functions under the respective business continuity plans whilst strictly adhering to relevant measures and guidelines given by Ministry of Health.



**13. LEASEHOLD RIGHT**

	2020 Rs.	2019 Rs.
Balance as at 31 March 2019		
Balance as at 31 March 2019	1,748,713	1,939,396
Impact on Implementation of SLFR 16	(1,748,713)	-
	-	1,939,396
Amortisation for the Year	-	(190,683)
Balance as at 31 March 2020	-	1,748,713

**14. RIGHT-OF-USE ASSETS**

	2020 Rs.
Balance as at 31 March 2019	-
Impact on Implementation of SLFRS 16	22,601,158
Balance as at 1 April 2019	22,601,158
Addition During the Year	-
Balance as at 31 March 2020	22,601,158
Balance as at 31 March 2019	-
Depreciation	1,476,172
Balance as at 31 March 2020	1,476,172
Carrying Value as at 31 March 2020	21,124,986

**14.1 Right to use asset has been recognised relating to the following operating leases that the Company has with SLTB**

The Company has obtained leasehold rights to two lots of land situated in Sigiriya from Sri Lanka Tourist Board by the agreement dated 25/07/2004 and 01/05/2017 respectively (the both leases expire on 24/07/2034). The management intends to extend the lease period upon expiry.

**14.2 Impact of COVID-19 Pandemic**

The Company has not recognised any impairment relating to the right of use assets as of the reporting date due to the COVID-19 outbreak as the property functions under the respective business continuity plans whilst strictly adhering to relevant measures and guidelines given by Ministry of Health and the Company has not discontinued any right of use assets as of the reporting date.

## Notes to the Financial Statements (Contd.)

**15. INTANGIBLE ASSETS**

	2020 Rs.	2019 Rs.
Computer Software		
At the Beginning of the Year	18,280,302	18,280,302
At the End of the Year	18,280,302	18,280,302
Amortisation & Impairment		
At the Beginning of the Year	6,054,991	4,664,975
Amortisation	2,779,301	1,390,016
At the End of the Year	8,834,292	6,054,991
Carrying Value	9,446,010	12,225,311

**15.1** Intangible assets are amortised over their useful economic life and useful economic life is estimated as 5 - 10 years.

**16. OTHER FINANCIAL ASSETS**

	2020 Rs.	2019 Rs.
As at 31 March		
Fair Value Through OCI Investments (16.1)	2,483,416	2,730,538
Loans Due from Related Parties (16.2)	74,994,784	30,000,000
Total Carrying Value	77,478,200	32,730,538

**16.1 Fair Value Through OCI Investments**

	2020		2019	
	No. of Shares	Rs.	No. of Shares	Rs.
As at 31 March				
Rainforest Ecolodge (Pvt) Ltd	400,000	2,730,538	400,000	4,000,000
Change in fair value	-	(247,122)	-	(1,269,462)
	400,000	2,483,416	400,000	2,730,538

Investment in Equity Securities solely comprises application and allotment money paid to Rainforest Ecolodge (Pvt) Ltd for purchase of 400,000 shares of Rs.10/- each. Investment in Rainforest Ecolodge (Pvt) Ltd is carried at fair value.

The Company recorded a total impairment loss of Rs. 247,122 relating to this investment during the year ended 31 March 2020.

**16.2 Loans Due from Related Parties**

As at 31 March	Relationship	2020 Rs.	2019 Rs.	Terms and Conditions	Rates of Interest
Loans to Serendib Hotels PLC	Parent Company	74,994,784	30,000,000	On demand from 01 April 2021	At a margin over 1 month AWPLR
Total Carrying Value of Other Current Financial Assets		74,994,784	30,000,000	58,019,773	

**16.2.1 Movement of Loans Granted to Related Parties**

	As at 01.04.2019 Rs.	Loans Granted Rs.	Repayment Rs.	As at 31.03.2020 Rs.
Serendib Hotels PLC	30,000,000	44,994,784	-	74,994,784
	30,000,000	44,994,784	-	74,994,784

The Company has granted one year loan moratorium starting from 31 March 2020 for the above loan as tourism industry is currently showing critical downturn with the COVID-19 outbreak.

**17. INVENTORIES**

As at 31 March	2020 Rs.	2019 Rs.
Food	2,022,175	1,510,139
Beverage	2,149,922	2,220,897
Housekeeping and Maintenance	2,215,373	2,017,407
	6,387,470	5,748,443

**17.1 Impact of COVID-19 Pandemic**

The Company has reassessed the net realisable value of its inventories with COVID-19 outbreak. However no adjustment to the carrying value of the inventory to reflect its net realisable value was required as Company has taken a decision either to return the perishable products with short shelf lives to suppliers or to use those for internal requirements.

## Notes to the Financial Statements (Contd.)

**18. TRADE AND OTHER RECEIVABLES**

As at 31 March	Note	2020 Rs.	2019 Rs.
Trade Debtors - Related Parties	18.3	711,193	1,517,143
- Other		16,506,937	33,073,896
		17,218,130	34,591,039
Less: Provision for Impairment of Trade Receivables	18.2	(529,081)	(628,950)
		16,689,049	33,962,089
Advances and Prepayments		12,547,207	11,334,163
		12,547,207	11,334,163
Non Trade Dues from Related Parties	18.5	1,009,147	957,695
Loans and Advances to Company Officers	18.4	124,892	-
		1,134,039	957,695
		30,370,295	46,253,947

**18.1 Trade Debtors Age Analysis**

	Total	Within credit period	Past due		
			30-90 days	91-120 days	>120 days
2020	17,218,130	3,110,684	12,645,555	1,461,891	-
2019	34,591,039	23,280,449	11,309,028	-	1,562

The Company grants credit approvals to its customers subjected to the internal credit limits which are regularly reviewed and controlled by the Management .

**18.2 The Movement of the Provision for Impairment of Trade Receivables**

	2020			2019		
	Individual Impairment	Collective Impairment	Total Impairment	Individual Impairment	Collective Impairment	Total Impairment
Opening Balance	-	628,950	628,950	-	472,477	472,477
Reversal of Receivables Impairment	-	(99,869)	(99,869)	-	156,473	156,473
Closing Balance	-	529,081	529,081	-	628,950	628,950

**18.3 Trade Dues Receivables from Related Parties**

As at 31 March	Relationship	2020 Rs.	2019 Rs.
Diethem Travel Lanka (Pvt) Ltd.	Other Related Party	561,493	1,517,143
Serendib Leisure Management Limited	Other Related Party	17,700	-
Hemas Manufacturing (Pvt) Ltd.	Other Related Party	132,000	-
		<b>711,193</b>	<b>1,517,143</b>

**18.4 Loans and Advances to Company Officers**

	2020 Rs.	2019 Rs.
Balance as at the Beginning of the Year	-	-
Loans Granted During the Year	124,892	-
Less: Repayments	-	-
Balance as at the End of the Year	<b>124,892</b>	<b>-</b>

**18.5 Other Receivables From Related Parties**

As at 31 March		2020 Rs.	2019 Rs.
Serendib Hotel PLC	Parent Company	-	519,201
Dolphin Hotels PLC	Other Related Party	627,566	-
Jada Resort & Spa (Pvt) Ltd	Other Related Party	362,581	362,581
PH Resorts (Pvt) Ltd	Other Related Party	-	75,913
Serendib Leisure Management Limited	Other Related Party	11,000	-
Digital Healthcare (Pvt) Ltd	Other Related Party	8,000	-
		<b>1,009,147</b>	<b>957,695</b>

**18.6 Impact of COVID-19 Pandemic**

The Company has re-visited the existing practice on the provisioning for trade receivables and necessary adjustments have been made to expected credit loss model and to the default rates to reflect the impact of COVID-19 outbreak.

Moreover, though the average credit period granted to debtors in normal circumstances are 30 Days, Company has got in to payment plan agreements up to 6 months with most of the debtors due to COVID-19 outbreak.

## Notes to the Financial Statements (Contd.)

**19. CASH AND CASH EQUIVALENTS**

As at 31 March	2020 Rs.	2019 Rs.
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**19.1 Favourable Cash and Cash Equivalents Balances**

Cash and Bank Balances	45,322,711	22,822,185
Money Market Investments	-	52,105,684

**19.2 Unfavourable Cash and Cash Equivalent Balances**

Bank Overdraft	(9,587,388)	(9,215,010)
Cash and Cash Equivalents for the Purpose of Cash Flow Statement	<b>35,735,323</b>	<b>65,712,859</b>

**20. STATED CAPITAL**

As at 31 March	2020 No. of shares	2019 No. of shares	2020 Rs.	2019 Rs.
Fully Paid Ordinary Share	5,859,000	5,859,000	97,650,000	97,650,000
			<b>97,650,000</b>	<b>97,650,000</b>

**20.1** The holders of ordinary shares possess the right to receive dividends as declared from time to time. The holders of Ordinary Shares are entitled to one vote per share at a meeting of the company.

**21. RESERVES****21.1 Other Components of Equity**

	2020 Rs.	2019 Rs.
Revaluation Reserve		
At the Beginning of the Year	143,779,268	143,779,268
At the End of the Year	<b>143,779,268</b>	<b>143,779,268</b>

The above Revaluation Surplus consists of net surplus resulting from the revaluation of buildings on leasehold land. The unrealised amount cannot be distributed to shareholders.

**22. RETIREMENT BENEFIT OBLIGATION**

	Note	2020 Rs.	2019 Rs.
At the Beginning of the Year	22.1	10,687,569	9,464,328
Charge for the Year	22.2	2,297,171	2,265,313
Actuarial (Gain)/Loss		856,364	66,865
Benefit Paid		(1,213,930)	(1,108,937)
At the End of the Year		12,627,174	10,687,569

**22.1 Expense Recognised in Statement of Profit or Loss**

Current Service Cost	1,068,101	1,271,559
Interest Cost	1,229,070	993,754
	2,297,171	2,265,313

**22.2 Expense Recognised in Statement of Other Comprehensive Income**

Actuarial (gain)/loss;		
Due to Changes in Demographic Assumptions	–	770,931
Due to Changes in Financial Assumptions	848,133	(521,030)
Due to Changes in Experience	8,231	(183,036)
	856,364	66,865

Messers K.A Pandith Actuaries, consultants and Actuaries carried out an actuarial valuation of the defined benefit plan on 31 March 2020. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principle assumptions used are as follows :

**22.3 The Principle Assumption Used were as Follows:**

	2020 Rs.	2019 Rs.
Financial Assumptions		
Discount Rate	10.0%	11.5%
Future Salary Increment Rate	8.5%	8.5%
Demographic Assumptions		
Attrition Rate	10%	10%
Retirement Age	55 Years	55 Years

## Notes to the Financial Statements (Contd.)

**22. RETIREMENT BENEFIT OBLIGATION (Contd..)****22.4 Sensitivity of Assumptions in Actuarial Valuation**

The following table demonstrates the sensitivity to possible changes in key assumptions employed with all other variables held constant in the retiring gratuity obligations measurement as at 31 March 2020. The sensitivity of the statement of financial position and statement of comprehensive income is the effect of the assumed changes in the discount rate, salary increment rate and employee turnover on the profit or loss and retiring gratuity obligation for the year.

Sensitivity Effect on Defined Benefit Obligation	2020		2019	
	Delta Effect of +1%	Delta Effect of (-1%)	Delta Effect of +1%	Delta Effect of (-1%)
Increase/(Decrease) in Discount Rate	(578,562)	637,363	(473,234)	521,030
Increase/(Decrease) in Salary Increment Rate	640,421	(591,378)	531,034	(489,997)
Increase/(Decrease) in Employee Turnover	16,713	(21,202)	67,507	(75,801)

**22.5 Following Payments are the Expected Weighted Average Life Span Obligation on the Future Years:**

Years From the Current Period	2020 Rs.	2019 Rs.
1st Following Year	1,621,734	1,662,570
2nd Following Year	1,315,905	1,244,447
3rd Following Year	1,717,733	1,182,378
4th Following Year	1,227,345	1,429,129
5th Following Year	2,255,106	1,077,230
Sum of beyond 5 Years	7,646,271	7,504,960

**23. INTEREST BEARING LOANS AND BORROWINGS****23.1 LEASE LIABILITY**

	Rs.
Balance as at 31 March 2019	-
Impact on Implementation of SLFR 16	20,852,445
Balance as at 1 April 2019	20,852,445
Addition During the Year	-
Interest Expense on Lease Liability	3,207,062
Lease Payment	(1,669,500)
Balance as at 31 March 2020	22,390,007
Amount Repayable After 1 Year	18,018,059
Amount Repayable Within 1 Year	4,371,948



### 23.2 Impact of COVID-19 Pandemic

The Company has requested to waive off lease Payment for the period of 12 months from Sri Lanka Tourism Development Authority (SLTDA) in light of the industry difficulties due to COVID-19 outbreak. However, lease liability has not been reassessed as no confirmation has been received from SLTDA on the said request as of the reporting date.

### 24. TRADE AND OTHER PAYABLES

As at 31 March	Note	2020 Rs.	2019 Rs.
Trade Payable		5,487,322	12,964,222
Other Payables - Related Parties	24.1	5,724,597	9,604,532
- Other		24,688,973	19,959,290
Contract Liabilities		4,908,920	6,389,496
Sundry Creditors Including Accrued Expenses		6,069,410	14,971,417
		<b>46,879,222</b>	<b>63,888,957</b>

The average credit period of the company is 60 days.

#### 24.1 Other Payables to Related Parties

	Relationship	2020 Rs.	2019 Rs.
Hemas Holdings PLC	Ultimate Parent Company	202,147	786,435
Serendib Hotels PLC	Parent Company	158,932	818,948
Dolphin Hotels PLC	Other Related Party	72,556	1,822,389
Serendib Leisure Management Limited	Other Related Party	4,511,255	5,563,426
Vishwa (BPO) (Pvt) Ltd.	Other Related Party	228,336	118,069
Hemas Corporate Services (Pvt) Ltd.	Other Related Party	58,856	15,525
P H Resorts (Pvt) Ltd.	Other Related Party	470,909	405,195
Diethelm Travel Lanka (Pvt) Ltd.	Other Related Party	21,606	71,113
Frontier Capital Lanka (Pvt) Ltd.	Other Related Party	-	3,432
		<b>5,724,597</b>	<b>9,604,532</b>

## Notes to the Financial Statements (Contd.)

### 25. DIVIDEND PAYABLE

As at 31 March	2020 Rs.	2019 Rs.
Unclaimed Dividend	2,383,826	2,540,849
	<b>2,383,826</b>	<b>2,540,849</b>

### 26. COMMITMENTS AND CONTINGENCIES

#### 26.1 Contingencies

**26.1.1** Danushka Abeyanayake (Assistant Store Clerk- Hotel Sigiriya) has filed a case against Hotel Sigiriya PLC at Labour Tribunal – Colombo claiming for back compensation and reinstatement on grounds of wrongful termination.

**26.1.2** Labour Commissioner has filed a case against Hotel Sigiriya PLC at Magistrate's Court - Dambulla, charged for violation of the provisions of the Industrial Disputes Act.

### 27. ASSETS PLEDGED

There are no assets pledged as security for liabilities.

### 28. EVENTS OCCURRING AFTER THE REPORTING PERIOD

There have been no material events after the reporting period that require adjustments to or disclosure in the Financial Statements.

However, the Company has been closely monitoring the impact of the COVID-19 outbreak on its business operations.

### 29. RELATED PARTY DISCLOSURES

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

Transactions with related parties are carried out in the ordinary course of the business and are at arms length. Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash. Interest bearing borrowings are at pre-determined interest rates and terms.

#### 29.2 Non-recurrent related party transactions

There were no non-recurrent Related Party Transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Company as per 31 March 2020 audited financial statements, which required additional disclosures in the 2019/20 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13(c) of the Security Exchange Commission Act.

### 29.3 Recurrent related party transactions

In addition to the transaction disclosed in Annual report of the Board of Directors on page number 26, there were no other recurrent related party transactions which in aggregate value exceeds 10% of the revenue of the Company as per 31 March 2020 audited financial Statements, which required additional disclosures in the 2019/20 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13(c) of the Security Exchange Commission Act.

### 29.4 Transaction With the Parent and Related Entities

Details of significant Related Party Transactions are as follows:

Nature of Transaction	Ultimate Parent Hemas Holding PLC		Parent Serendib Hotels PLC		Other Related Parties		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Sale of Goods / Services	-	-	7500	-	6,209,027	16,744,343	6,216,527	16,744,343
Finance Income Receivables	-	-	6,619,340	2,879,155	-	-	-	-
Purchase of Goods / Services	(1,198,320)	(3,529,774)	(10,000)	(5,228,054)	(2,417,135)	(9,321,485)	(3,625,455)	(18,079,313)
Management Fees & Accounting Fee Payable	-	-	-	-	(16,599,961)	(29,272,226)	(16,599,961)	(29,272,226)
Expenses Incurred on Behalf of the Company	(72,683)	-	(563,687)	-	(25,579,669)	(39,485,225)	(26,216,039)	(39,485,225)
Expenses Incurred on Behalf of the Others	-	-	-	-	1,464,321	-	1,464,321	-
Settlement of Dues from Related Parties	-	-	(151,257)	(2,359,954)	(8,149,707)	(15,564,344)	(8,300,964)	(17,924,298)
Settlement of Dues to Related Parties	1,855,291	3,297,262	1,233,703	5,015,627	47,473,456	76,052,087	50,562,450	84,364,977
Treasury Loans Granted	-	-	38,000,000	35,000,000	-	-	38,000,000	35,000,000
Treasury Loan Payments Received - Capital	-	-	-	(5,000,000)	-	-	-	(5,000,000)
	584,288	(232,512)	45,135,599	30,306,774	2,400,332	(846,850)	48,120,219	29,227,412

\* Other Related Parties include; Dolphin Hotels PLC  
Serendib Leisure Management Ltd.  
Hemas Corp. Services Ltd.  
Jada Resorts & Spa (Pvt) Ltd.  
Vishwa BPO (Pvt) Ltd.  
PH Resorts (Pvt) Ltd.  
Hemas Manufacturing (Pvt) Ltd.  
Digital Healthcare (Pvt) Ltd.  
Diethlm Travels Lanka (Pvt) Ltd.

## Notes to the Financial Statements (Contd.)

### 29.5 Terms and Conditions:

Management Fees	Management fees are paid based on the management agreement with Serendib Leisure Management Limited.
Expenses Incurred	Expenses Incurred on behalf of/by Related parties are reimbursed on actual cost basis.
Sales and purchases of Goods/Services	The Company carries out these transactions in the ordinary course of business.

**29.6** The details of the loans given to the related parties are set out in Note 16.

**29.7** The Company wise break down of related party receivable and payable balances are given in note 18 and 24 respectively.

### 30. TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL OF THE COMPANY

The Key Management Personnel of the Company are the Board of Directors of the Company.

#### a) Key Management Personnel Compensation

There were no compensation to the Key Management Personnel during the year.

#### b) Transactions, Arrangements and Agreements involving Key Management Personnel

No significant transactions had taken place involving Key Management Personnel & their close family members.

#### c) Directors' Interest in Contracts

Directors do not have any other interest in contracts than ones mentioned on pages 31 to 32 of the Annual Report.

### 31. FAIR VALUE OF FINANCIAL INSTRUMENTS

Set out below is a comparison by class of the carrying amounts and fair values of the Company's financial instruments that are carried in the financial statements.

	Carrying amount		Fair value	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
<b>Financial Assets</b>				
Trade and Other Receivables	17,823,088	34,919,784	17,823,088	34,919,784
Other Financial Assets	74,994,784	30,000,000	74,994,784	30,000,000
FVTOCI investments	2,483,416	2,730,538	2,483,416	2,730,538
Cash and Short Term Deposits	45,322,711	74,927,869	45,322,711	74,927,869
<b>Total</b>	<b>140,623,999</b>	<b>142,578,191</b>	<b>140,623,999</b>	<b>142,578,191</b>
<b>Financial Liabilities</b>				
Trade and Other Payables	46,879,225	63,888,958	46,879,225	63,888,958
Bank over draft	9,587,388	9,215,010	9,587,388	9,215,010
<b>Total</b>	<b>56,466,613</b>	<b>73,103,968</b>	<b>56,466,613</b>	<b>73,103,968</b>

### 31. FAIR VALUE OF FINANCIAL INSTRUMENTS (Contd.)

The fair values of the financial assets are stated 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 & cash equivalents/ trade & other receivables/related party loans:	The carrying amount approximates their fair value largely due to the short maturities of these instruments.
Investment in equity securities:	These investments are carried at fair value Refer note 16 for their measurement basis/ assumptions.
Long-term floating - rate receivables/borrowings	These are evaluated by the Company based on parameters such as interest rates, specific country risk factors, 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 2020, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.

The fair value of other financial liabilities approximate their carrying values.

#### Fair Value Hierarchy

As at 31 March 2020, the company held the following financial instruments carried at fair value in the Statement of Financial Position:

The company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques.

Level 1:	quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2:	other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3:	techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

Non-Financial Assets Measured at Fair Value	31.03.2020	Level 1	Level 2	Level 3
Buildings on leasehold land	276,841,745	-	-	276,841,745
Non-Financial Assets Measured at Fair Value	31.03.2019	Level 1	Level 2	Level 3
Buildings on leasehold land	285,024,478	-	-	285,024,478
Non-Financial Assets Measured at Fair Value	31.03.2020	Level 1	Level 2	Level 3
Fair Value Through OCI Investments	2,483,416			2,483,416
Non-Financial Assets Measured at Fair Value	31.03.2019	Level 1	Level 2	Level 3
Fair Value Through OCI Investments	2,730,538			2,730,538

## Notes to the Financial Statements (Contd.)

### 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Company is exposed to market risk, credit risk and liquidity risk due to the financial assets/ liabilities it possess.

The Company's senior management oversees the management of these risks. The Company's senior management is supported by the Board of Directors (BOD) that advises on financial risks and the appropriate financial risk governance framework for the Company. BOD provides assurance to the Company's senior management that the Company'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. It is the Company's policy that all derivative activities for risk management purposes are required to be approved by Board of Directors of Hemas Holdings PLC (The Ultimate Parent of the Company).

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

#### 32.1 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.

The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the entity's financial performance.

#### 32.2 Interest Rate Risk

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

##### 32.2.1 Impact of COVID-19 Pandemic

As a policy decision taken to keep the economic system active through improved liquidity during COVID-19 outbreak, CBSL has eased its policy rates by encouraging the financial system in the country to reduce the lending rates. Thus, interest rate risk has not been adversely changed due to the COVID-19 outbreak.

#### 32.3 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 Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's functional currency).

##### 32.3.1 Impact of COVID-19 Pandemic

The Sri Lankan Rupee showed steep depreciation against US Dollar in March 2020 with the COVID-19 outbreak. However, the Company's exposure to foreign currency risk has not been changed adversely with the said currency depreciation as the Company has sufficient foreign currency reserves to meet its foreign currency commitments.

### 32.3.2 Foreign currency sensitivity

The following table demonstrates the sensitivity of profit before taxation to a reasonably possible change of foreign currencies (GBP, EURO and USD) exchange rate against LKR, with all other variables held constant. The company's exposure to foreign currency changes for all other currencies is not material.

	Foreign Currency	Change in exchange rate	Effect on Profit Before Tax Rs.
2020	GBP	1%	63,876
	EURO	1%	652
	USD	1%	1,511,453
2019	GBP	1%	184,908
	EURO	1%	23,625
	USD	1%	1,917,978

The Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company's Board of Directors reviews and approves all equity investment decisions.

### 32.4 Credit Risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities which includes deposits with banks.

#### 32.4.1 Trade Receivables

Customer credit risk is managed by the Company subject to Serendib Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on the credit risk evaluation model and individual credit limits are defined in accordance with this assessment.

Outstanding customer receivables are regularly monitored and contracts are signed and agreed with all credit customers.

Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for Impairment collectively. The calculation is based on actual incurred historical data, adjusted for forward-looking factors specific to the debtors and the economic environment. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 16. The Company does not hold collateral as security.

#### 32.4.2 Financial Instruments and Cash Deposits

Credit risk from balances with banks is managed by the Managing Agent's treasury department in accordance with the Serendib Group policy. Investments of surplus funds are made only with approved counterparties as per the Treasury Policy and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Board. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty's failure. The company's maximum exposure to credit risk for the components of the statement of financial position is the carrying amounts as illustrated in Note 18 except for financial guarantees and derivative financial instruments.

## Notes to the Financial Statements (Contd.)

### 32.4.3 Impact of COVID-19 Pandemic

With the COVID-19 Pandemic, Company has implemented more sound mechanism to monitor the recoverability of its debtors closely on an ongoing basis. However, no significant increase in credit risk has been identified as the Company trades only with recognised, creditworthy third parties.

### 32.5 Liquidity Risk

The Company monitors its risk to a shortage of funds by setting up a minimum liquidity level. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. The Company 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.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual payments.

	On Demand Rs.	Less than 3 Months Rs.	3 to 12 Months Rs.	1 to 5 Years Rs.	> 5 Years Rs.	Total Rs.
<b>As at 31 March 2020</b>						
Trade and Other Payable	-	46,879,222	-	-	-	46,879,222
Bank Overdraft	9,587,388	-	-	-	-	9,587,388
	<b>9,587,388</b>	<b>46,879,222</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>56,466,610</b>
<b>As at 31 March 2019</b>						
Trade and Other Payable	-	63,888,958	-	-	-	63,888,958
Bank Overdraft	9,215,010	-	-	-	-	9,215,010
	<b>9,215,010</b>	<b>63,888,958</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>73,103,968</b>

### 32.5.1 Maturity Profile of Lease Liability

	2020 Rs.	2019 Rs.
<b>Lease rentals on non cancellable operating leases:</b>		
Within One Year	5,470,500	2,362,500
One to Five Years	10,710,000	9,450,000
More than Five Years	36,802,500	24,412,500
	<b>52,983,000</b>	<b>36,225,000</b>

Lease Commitments	Leased Property	Lessor
Hotel Sigiriya PLC	Land	Sri Lanka Tourist Board

Except for the above there are no other significant commitments and contingencies as at the reporting date.



### **32.5.2 Impact of COVID-19 Pandemic**

Following the World Health Organisation (WHO) declaring that COVID-19 was officially a pandemic, from 12 of March onwards, world tourism has been severely affected as travel restrictions has been imposed by all countries. Hotel Sigiriya PLC also has taken relevant measures according to the guidelines given by Ministry of Health, whilst the hotel remain currently closed for the normal operations accordingly. Having such an industry environment, management beleives that securing cash is the most critical during the current situation. Accordingly, the Company has adopted a sound cash management Programme supported with a series of cost saving initiatives in order to maintain the liquidity within the Company.

### **32.6 Capital Management**

Capital includes ordinary shares. The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes managing capital during the years ended 31 March 2020 and 31 March 2019. The Company monitors capital using a gearing ratio, which is debt divided by total capital plus debt. The Company's policy is to keep the gearing ratio below 40%.

# Investor Information

## Share Distribution

	31.03.2020			31.03.2019		
	No. of Shareholders	Total Holding	%	No. of Shareholders	Total Holding	%
1-1,000	809	143,554	2.46	805	143,794	2.45
1,001-10,000	152	513,056	8.76	165	563,593	9.62
10,001-100,000	33	944,178	16.11	29	834,529	14.25
100,001-1,000,000	2	562,165	9.59	2	621,037	10.60
Over 1,000,000	1	3,696,047	63.08	1	3,696,047	63.08
<b>Total</b>	<b>997</b>	<b>5,859,000</b>	<b>100.00</b>	<b>1002</b>	<b>5,859,000</b>	<b>100.00</b>

## Categories of Shareholders

Institutions	57	4,776,276	81.52	60	4,721,660	80.59
Individuals	940	1,082,724	18.48	942	1,137,340	19.41
<b>Total</b>	<b>997</b>	<b>5,859,000</b>	<b>100.00</b>	<b>1002</b>	<b>5,859,000</b>	<b>100.00</b>

## Public Holding

	2020	2019
Public holding as a percentage of the Issued share capital	36.55%	36.55%
Number of shareholders representing the public holding	994	999

## Share Trading

	2020	2019
Highest Market Price (Rs)	69.00 (18/11/2019)	74.00 (21/01/2019)
Lowest Market Price (Rs)	36.00 (20/03/2020)	45.00 (28/08/2018)
Last Traded Price (Rs)	36.40 (20/03/2020)	59.10 (29/03/2019)
No. of Shares Traded	324,106	647,344
No. of Trades	1,303	3,022
Turnover (Rs)	17,040,160.80	35,365,423.40

**Twenty Major Shareholders**

As at 31 March	2020		2019	
	No of Shares	%	No of Shares	%
Serendib Hotels PLC	3,696,047	63.08	3,696,047	63.08
Bansei Securities Capital (Pvt) Ltd./ R C J Goonewardene	322,132	5.46	321,040	5.48
Freudenberg Shipping Agencies Ltd.	242,033	4.13	299,997	5.12
People's Merchant Finance PLC/ K. K. Shujeevan	72,666	1.24	72,666	1.24
Mrs. J De Soysa & Mr. E J De Soysa	70,000	1.19	70,000	1.19
Merchant Bank of Sri Lanka PLC/Mr. P S M Fernando	65,085	1.11	65,085	1.11
People's Merchant Finance PLC/ P T S De Silva	61,502	1.05	-	-
Mr. N Balasingam	52,100	0.89	52,100	0.89
Elgin Investments Ltd	50,310	0.86	-	-
Mrs. J K P Singh	41,575	0.71	41,575	0.71
Rosewood (Pvt) Ltd- Acc No-01	35,549	0.61	35,549	0.61
Alliance Finance Company PLC	35,000	0.60	35,000	0.60
Dr. S Yaddehige	33,888	0.58	33,888	0.58
People's Leasing & Finance PLC/Mr. K.K.Shujeevan	30,588	0.52	-	-
People's Leasing & Finance PLC/Dr. H S D Soysa & Mrs. G Soysa	29,300	0.50	29,300	0.50
Mr. B V Selvanayagam	27,719	0.47	27,719	0.47
Mr. M S M Husnee	26,750	0.46	26,600	0.45
Miss. E K N Selvadurai	25,000	0.43	25,000	0.43
Mr. A M E Fernando	25,000	0.43	25,000	0.43
Mr. K T Karunanayake	24,000	0.41	19,510	0.33
<b>Total held by Major Shareholders</b>	<b>4,966,244</b>	<b>84.76</b>		
<b>Shares held by the balance shareholders</b>	<b>892,756</b>	<b>15.24</b>		
<b>Total Issued Capital</b>	<b>5,859,000</b>	<b>100.00</b>		

# Ten Year Financial Review

Year ended 31 March	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<i>(Figures in Rs. '000 unless otherwise stated)</i>										
<b>Trading Results</b>										
Revenue	271,874	375,610	325,235	325,263	333,029	258,288	211,883	251,797	214,108	163,401
Profit/(Loss) Before Tax	11,552	41,109	47,184	69,573	86,120	63,930	30,727	80,291	51,835	18,385
Profit/(Loss) for the year	3,848	33,548	27,230	67,108	66,529	60,808	27,589	68,257	46,256	14,966
<b>Hotel Operations</b>										
Annual Sales Growth (%)	(27.62)	15.49	(0.01)	(2.33)	28.94	21.90	(15.85)	17.60	31.03	60.85
Room Occupancy (%)	54.42	79.50	73.00	74.00	75.73	73.66	70.00	71.00	73.00	71.00
Current Ratio (Times)	1.31	2.04	1.71	1.67	2.38	1.63	1.20	2.42	1.97	1.05
Interest Cover (Times)	4.60	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	8.49
Debt / Total Equity Ratio (%)	7.96	Nil	Nil	Nil	Nil	Nil	Nil	3.17	4.72	12.64
<b>Market/ Shareholder Information</b>										
Return on Equity (%)	0.96	8.41	7.40	16.17	16.36	18.72	10.43	28.75	21.69	10.85
Net assets per Share (Rs.)	68.57	68.08	62.63	70.85	69.42	55.54	45.14	40.53	36.39	23.56
Earnings/(Loss) per Share (Rs.)	0.66	5.73	4.65	11.45	11.36	10.38	4.71	11.65	7.89	2.55
Market value per share (Rs.)	36.40	59.10	62.80	97.30	96.00	87.90	78.00	79.00	71.60	76.10
Price Earnings Ratio (Times)	55.42	10.32	13.51	8.49	8.45	8.50	16.56	6.78	9.07	29.79
Dividend (per Share)	Nil	Nil	12.00	10.00	5.00	Nil	Nil	5.00	5.00	1.50

# Notice of Meeting

NOTICE IS HEREBY GIVEN that the FORTY SIXTH (46th) ANNUAL GENERAL MEETING of HOTEL SIGIRIYA PLC will be held at 11.30 a.m. on Friday 25th September 2020 (immediately after the AGM of Dolphin Hotels PLC), as a Virtual AGM emanating from the Registered Office at “Hemas House” No 75, Braybrooke Place, Colombo 2 for the following purposes;

## AGENDA

1. To receive and consider the Statement of Accounts for the year ended 31st March 2020 together with the Report of the Directors and Auditors thereon.
2. To re-elect Mr. B S M De Silva, who retires by rotation in terms of Article 86 of the Articles of Association of the Company.
3. To re-appoint Mr. J P S Kurumbalapatiya, who retires in terms of Article 74 of the Articles of Association of the Company.
4. To re-appoint Mr. K J Pathiraja, who retires in terms of Article 74 of the Articles of Association of the Company.
5. To re-appoint Messrs. Ernst & Young, Chartered Accountants, as the Auditors of the Company for the ensuing year and authorise the Directors to determine their remuneration.
6. To authorise Directors to determine and make contributions to charity.
7. To consider any other business of which due notice has been given.

By Order of the Board of  
HOTEL SIGIRIYA PLC



HEMAS CORPORATE SERVICES (PVT) LTD  
*Secretaries*

Colombo  
30 June 2020

## Notes:

- The AGM will be held as a Virtual AGM in conformity with the regulatory provisions of the Company.
- The Shareholders who wish to participate in the Virtual AGM are kindly requested to forward a duly completed Form of Registration to the email address [achinia@hemas.com](mailto:achinia@hemas.com) or deliver to the Registered Office of the Company, ‘Hemas House’ No. 75 Braybrooke Place, Colombo 02, not later than 3 days before holding of the meeting. The Shareholders are requested to provide an email address through which the web link to participate at the Virtual AGM and the relevant instructions for same could be communicated to the respective shareholder.
- A member entitled to attend and vote at the AGM may appoint a Proxy to attend and vote in his/her place at the virtual AGM.
- A Proxy need not be a Member of the Company.
- A Form of Proxy accompanies this Notice.
- The completed Form of Proxy should be forwarded to the email address [achinia@hemas.com](mailto:achinia@hemas.com) or directly deposited at the Registered Office of the Company ‘Hemas House’ No. 75, Braybrooke Place, Colombo 2 not later than 48 hours before holding of the meeting.
- Kindly note that only registered shareholders and proxy holders will be permitted to participate in the Virtual AGM.
- Shareholders who are unable to participate at the Virtual AGM are encouraged to appoint a director as his/her/its proxy by forwarding the duly completed Form of Proxy clearly indicating their vote under each matter set out in the Form of Proxy and forward the Form of Proxy to the email address [achinia@hemas.com](mailto:achinia@hemas.com) or deposit the Form of Proxy at the Registered Office of the Company, ‘Hemas House’ No. 75 Braybrooke Place, Colombo 02 not later than 48 hours prior to holding of the meeting, in order that their vote may be identified and recorded as if he/she/it were present at the Meeting.



# Shareholder Registration Form

Folio/CDS Account Number .....

## HOTEL SIGIRIYA PLC

### 46th Annual General Meeting – 2020

#### Registration of Shareholder Information

The Secretaries  
Hemas Corporate Services (Pvt) Ltd.  
'Hemas House' No. 75, Braybrooke Place  
Colombo 02

1. Full name of Shareholder : .....

2. Address of Shareholder : .....

3. Shareholder's NIC no./ Passport no./ Company registration no. : .....

4. Shareholder's contact no. (Residence) : .....

(Mobile) : .....

5. Shareholder's Email address : .....

\*Kindly note that the web link to participate at the Virtual Annual General Meeting will be communicated to the aforementioned e-mail address of the shareholder.

6. Full name of joint shareholder 1 : .....

7. NIC no./ Passport of joint shareholder 1 : .....

8. Full name of joint shareholder 2 : .....

9. NIC no./ Passport of joint shareholder 2 : .....

.....  
Principal Shareholder's  
Signature & Date

.....  
1st Joint Shareholder's  
Signature & Date

.....  
2nd Joint Shareholder's  
Signature & Date





# Form of Proxy

I/We ..... (NIC No. ....)  
of..... being a Member/s of HOTEL SIGIRIYA PLC do hereby  
appoint .....  
..... (NIC No. ....)  
of ..... or failing him/her

Mr. Abbasally Nuruddin Esufally of Colombo 03	or failing him
Mr. Bodahandi Sarada Mohanjith De Silva of Ambalangoda	or failing him
Mrs. Arlene Ramani Gamage of Rajagiriya	or failing her
Mr. Joseph Priyanjan Shantha Kurumbalapitiya of Dehiwala	or failing him
Mr. Kushan Jayathu Pathiraja of Ja-ela	

as\*my/our proxy holder to represent \*me/us and to vote on \*my/our behalf at the Forty Sixth (46th) Annual General Meeting ("AGM") of the Company to be held as a Virtual AGM emanating from the Registered Office of the Company 'Hemas House' No. 75 Braybrooke Place, Colombo 02 on Friday 25th September 2020 at 11.30 a.m. (immediately after the AGM of Dolphin Hotels PLC) and at any adjournment thereof.

	For	Against
1. To receive and consider the Statement of Accounts for the year ended 31st March 2020 together with the Report of the Directors and Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. B S M De Silva, who retires by rotation in terms of Article 86 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-appoint Mr. J P S Kurumbalapitiya, who retires in terms of Article 74 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-appoint Mr. K J Pathiraja, who retires in terms of Article 74 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-appoint Messrs. Ernst & Young as Auditors and authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
6. To authorise Directors to determine and make contributions to charity.	<input type="checkbox"/>	<input type="checkbox"/>

Signature of Shareholder/s .....

NIC/Passport No. ....

Dated this ..... day of ..... 2020.

- (i) \*Please delete the inappropriate words.  
(ii) Instructions regarding completion appear on the reverse hereof.

**INSTRUCTIONS FOR COMPLETION**

1. Kindly perfect the Form of Proxy after filling in legibly your full name and address and by signing in the space provided. Please fill in the date of signature.
2. A Shareholder entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote instead of him/her. A shareholder who appoints a Director as his/her proxy to represent him/her need not fill the email address of the proxy holder.
3. In the case of Corporate Shareholder, the Form of Proxy must be completed under the Common Seal, which should be affixed and attested in the manner prescribed by the Articles of Association /Statutes.
4. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should also accompany the completed Form of Proxy.
5. The completed Form of Proxy should either be:
  - (i) addressed to the ‘Company Secretary’ and posted or hand delivered to the registered office of the Company at Hemas House, No 75 Braybrooke Place, Colombo 2;
  - or
  - (ii) Scanned and emailed to the email address: [achinia@hemas.com](mailto:achinia@hemas.com) with the email subject titled “HOTEL SIGIRIYA PLC PROXY” not less than 48 hours before the time appointed for the holding of the AGM together with the following information.

Folio no./ CDS Account number	
Name of Shareholder	
Telephone number of the shareholder	
Email address to which the web link and relevant instructions, should be forwarded for proxy holder's participation at the Virtual AGM.	
Proxy holder's NIC number	

# Corporate Information

## **Name of the Company**

Hotel Sigiriya PLC (Formerly Ceylon Luxury Hotels Ltd.)

## **Legal Form**

A Public Quoted Company with Limited Liability, incorporated on 1st October 1971 under the Companies Ordinance No. 51 of 1938 (Cap 145) and Re-registered under the Companies Act No. 7 of 2007.

## **Company Registration No.**

PQ 81

## **Board of Directors**

A N Esufally – Chairman

B S M De Silva

A R Gamage (Mrs) - (Alt. Prof. L D K B Gamage)

J P S Kurumbalapatiya

K J Pathiraja

## **Registered Office**

“Hemas House”,

No. 75, Braybrooke Place, Colombo 02

Tel: +94 (11) 4790500-6

Fax: +94 (11) 2438933

E-mail: [inquiries@serendibleisure.lk](mailto:inquiries@serendibleisure.lk)

Website: [www.serendibleisure.com](http://www.serendibleisure.com)

## **Secretaries**

Hemas Corporate Services (Pvt) Ltd.

Level 9, “Hemas House”,

No. 75, Braybrooke Place, Colombo 02

Tel: + 94 (11) 4731731

Fax: +94 (11) 4731777

## **Registrars**

SSP Corporate Services (Pvt) Ltd.

No. 101, Inner Flower Road Colombo 03

Tel: + 94 (11) 2573894

Fax: +94 (11) 2573609

## **Managing Agent**

Serendib Leisure Management Limited

## **Auditors**

Ernst & Young

Chartered Accountants

201, De Saram Place, Colombo 10

## **Bankers**

Commercial Bank of Ceylon PLC

Deutsche Bank AG

Sampath Bank PLC

Hatton National Bank PLC

Nations Trust Bank PLC

Bank of Ceylon

## **Hotel**

Hotel Sigiriya Sigiriya

Tel: + 94 (66) 4930500-3

Fax: + 94 (66) 2286820

Concept & Designed by



[www.serendibleisure.com](http://www.serendibleisure.com)



Hotel *Sigiriya*