

B S R & Co. LLP

Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Members of Sterling Holiday Resorts (Kodaikanal) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sterling Holiday Resorts (Kodaikanal) Limited ("the Company"), which comprise the balance sheet as at March 31, 2020, and the statement of profit and loss (including other comprehensive income), statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, and loss and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs 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 the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Board's report, but does not include the financial statements and our auditor's report thereon. The Board's report is expected to be made available to us after the date of this auditor's report.

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 identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. When we read the Board's report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take necessary actions as required under applicable laws and regulations.

B S R & Co. LLP is a member firm with
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B S R & Co. LLP a limited liability partnership
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**Independent Auditor's Report to the Members of Sterling Holiday Resorts (Kodaikanal) Limited
For the year ended March 31, 2020**

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Management's and Board of Directors' Responsibility for the Financial Statements

The Company's management and Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the state of affairs, profit/loss and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management and Board of Directors are 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 and Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is also 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 SAs 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 SAs, 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. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



**Independent Auditor's Report to the Members of Sterling Holiday Resorts (Kodaikanal) Limited
For the year ended March 31, 2020**

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- 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.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditors' Report) Order, 2016 ("the Order") issued by the Central Government in terms of section 143 (11) of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

(A) As required by Section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books
- c) The balance sheet, the statement of profit and loss (including other comprehensive income), the statement of changes in equity and the statement of cash flows dealt with by this Report are in agreement with the books of account
- d) In our opinion, the aforesaid financial statements comply with the Ind AS specified under section 133 of the Act.
- e) On the basis of the written representations received from the directors as on March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164(2) of the Act.



**Independent Auditor's Report to the Members of Sterling Holiday Resorts (Kodaikanal) Limited
For the year ended March 31, 2020**

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- f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".
- (B) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company did not have any pending litigations as at March 31, 2020 on its financial position in its financial statements.
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable loss.
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
 - iv. The disclosures in the financial statements regarding holdings as well as dealings in specified bank notes during the period from November 8, 2016 to December 30, 2016 have not been made in these financial statements since they do not pertain to the financial year ended March 31, 2020.
- (C) With respect to the matter to be included in the Auditor's Report under section 197(16):

In our opinion and according to the information and explanations given to us, the Company has not paid/ provided for any managerial remuneration during the year. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

for B S R & Co. LLP

Chartered Accountants

Firm Registration Number: 101248W/W-100022

Satish Vaidyanathan

Partner

Membership No: 217042

ICAI UDIN: 20217042AAAABF4082

Place: Chennai

Date: June 17, 2020

Annexure A to the Independent Auditor's Report to the Members of Sterling Holiday Resorts (Kodaikanal) Limited for the year ended March 31, 2020

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

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- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified on a yearly basis. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noted on such verification.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, there are no immovable properties held in the name of the Company.
- (ii) The inventory has been physically verified by the management during the year. The procedures of physical verification followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business. In our opinion, the frequency of verification is reasonable. The discrepancies noted on verification between physical stock and book records were not material and have been properly dealt with in the books of accounts.
- (iii) According to the information and explanation given to us, the Company has not granted any loans, secured or unsecured, to companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Act. Accordingly, paragraph 3 (iii) of the said Order is not applicable.
- (iv) The Company has not granted any loan or made any investments or provided any guarantees or security to the parties covered under Section 185 and 186 of the Companies Act, 2013. Accordingly, paragraph 3 (iv) of the said Order is not applicable.
- (v) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits within the meaning of sections 73 to 76 of the Act and the rules framed thereunder to the extent notified. Accordingly, paragraph 3(v) of the Order is not applicable.
- (vi) The Central Government of India has not prescribed the maintenance of cost records under sub section (1) of section 148 of the Act for any of the activities of the Company and accordingly paragraph 3(vi) of the Order is not applicable.
- (vii) (a) According to the information and explanations given to us and on the basis of an examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income-tax, goods and services tax, cess and other material statutory dues have been generally regularly deposited by the Company with the appropriate authorities, though there has been a slight delay in a few cases. As explained to us, the Company did not have any dues on account of sales tax, service tax, value added tax, duty of customs and duty of excise.

The extent of the arrears of statutory dues outstanding as at March 31, 2020 for a period of more than six months from the date they became payable is as follows:

Name of the Statute	Nature of the Dues	Amount (Rs.)	Period to which the amount relates	Due Date	Date of Payment
The Income Tax Act, 1961	Fringe benefit tax	1.11	Assessment Years 2008-09 and 2009-10	March 31, 2008 and March 31, 2009 respectively	Yet to be paid

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Annexure A to the Independent Auditor's Report to the Members of Sterling Holiday Resorts (Kodaikanal) Limited for the year ended March 31, 2020

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- (b) According to the information and explanations given to us, there were no dues of duty of customs, duty of excise, service tax, value added tax, income tax and luxury tax which have not been deposited with the appropriate authorities on account of any dispute.
- (viii) In our opinion and according to the information and explanations given to us, the Company did not have any outstanding loans or borrowings to any financial institution, bank, government or debenture holders during the year.
- (ix) The Company did not raise any money by initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, paragraph 3(ix) of the Order is not applicable.
- (x) According to the information and explanations given to us, no fraud by the Company or any material fraud on the Company by its officers or employees has been noticed or reported during the course of our audit.
- (xi) The Company has not paid/ provided for any managerial remuneration during the year. Accordingly, paragraph 3 (ix) of the said Order is not applicable.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- (xiii) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has entered into transactions with related parties in compliance with the provisions of section 188 of the Act where applicable. The details of such related party transactions have been disclosed in the financial statements as required by the applicable accounting standards. The provisions of section 177 of the Act are not applicable to the Company.
- (xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, paragraph 3(xiv) of the Order is not applicable.
- (xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with them. Accordingly, paragraph 3(xv) of the Order is not applicable.
- (xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, paragraph 3(xvi) of the Order is not applicable.

for B S R & Co. LLP

Chartered Accountants

Firm Registration Number: 101248W/W-100022



Satish Vaidyanathan

Partner

Membership No: 217042

ICAI UDIN: 20217042AAAABF4082

Place: Chennai

Date: June 17, 2020

B S R & Co. LLP

Annexure B to the Independent Auditor's Report on the financial statements of Sterling Holiday Resorts (Kodaikanal) Limited for the year ended March 31, 2020

(Referred to in paragraph 1(A)(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

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Report on the internal financial controls with reference to the aforesaid financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

Opinion

We have audited the internal financial controls with reference to financial statements of Sterling Holiday Resorts (Kodaikanal) Limited ("the Company") as of March 31, 2020 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at March 31, 2020, based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note").

Management's Responsibility for Internal Financial Controls

The Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (hereinafter referred to as "the Act").

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements were established and maintained and whether such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of such internal financial controls, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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**Annexure B to the Independent Auditor's Report to the Members of Sterling Holiday Resorts
(Kodaikanal) Limited for the year ended March 31, 2020**

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to financial statements.

Meaning of Internal Financial Controls with reference to the financial statements

A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls with reference to the financial statements

Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

for B S R & Co. LLP

Chartered Accountants

Firm Registration Number: 101248W/W-100022



Satish Vaidyanathan

Partner

Membership No: 217042

ICAI UDIN: 20217042AAAABF4082

Place: Chennai

Date: June 17, 2020

Sterling Holiday Resorts (Kodaikanal) Limited
Balance sheet as at March 31, 2020
(All amounts in Rs. lakhs, unless otherwise stated)

	Note	As at March 31, 2020	As at March 31, 2019
Assets			
Non-current assets			
Property, plant and equipment	3	44.31	42.56
Right of use assets	38	15.00	-
Financial assets			
i. Other financial assets	4	16.95	21.37
Other tax assets	5	9.89	8.85
Other non current assets	6	12.23	4.25
Total non-current assets		98.38	77.03
Current assets			
Inventories	7	7.77	5.01
Financial assets			
i. Trade receivables	8	31.66	8.92
ii. Cash and cash equivalents	9	8.75	8.53
iii. Loans	10	1.00	1.00
iv. Other financial assets	4	-	6.76
Other current assets	6	23.13	15.26
Total current assets		72.31	45.48
Total assets		170.69	122.51
Equity and liabilities			
Equity			
Equity share capital	11	5.00	5.00
Other equity			
Reserves and surplus	12	(1,208.95)	(1,020.26)
Other reserves	13	111.78	111.78
Total equity		(1,092.17)	(903.48)
Liabilities			
Non-current liabilities			
Financial liabilities			
i. Lease liability	38	6.80	-
Provisions			
i. Provision for employee benefit obligations	16	17.36	19.67
Total non-current liabilities		24.16	19.67
Current liabilities			
Financial liabilities			
i. Borrowings	14	947.94	799.13
ii. Trade payables			
Total outstanding dues of micro enterprises and small enterprises	17	3.76	0.24
Total outstanding dues of creditors other than micro enterprises and small enterprises	17	155.36	42.59
iii. Other financial liabilities	18	63.06	127.84
iv. Lease liability	38	8.92	-
Provisions			
i. Provision for employee benefit obligations	16	10.69	7.62
ii. Other provisions	19	1.11	1.11
Other current liabilities	20	47.86	27.79
Total current liabilities		1,238.70	1,006.32
Total liabilities		1,262.86	1,025.99
Total equity and liabilities		170.69	122.51

The accompanying notes are an integral part of these financial statements

As per our report of even date

for BSR & Co. LLP

Chartered Accountants

Firm Registration Number: 101248W/W-100022


Satish Vaidyanathan

Partner

Membership No.: 217042

Place: Chennai

Date: June 17, 2020

For and on behalf of the Board of Directors
Sterling Holiday Resorts (Kodaikanal) Limited
 (CIN U92490TN1937PLC014215)


Ramesh Shanmugam
 Director

DIN No.: 06646158

Place: Chennai

Date: June 5, 2020


M. Balasubramanian
 Director

DIN No.: 03088801

Sterling Holiday Resorts (Kodaikanal) Limited
Statement of profit and loss for the year ended March 31, 2020
(All amounts in Rs. lakhs, unless otherwise stated)

	Note	For the year ended March 31, 2020	For the year ended March 31, 2019
Income			
Revenue from operations	21	1,164.14	981.04
Other income	22	52.59	77.19
Total income		1,216.73	1,058.23
Expenses			
Cost of materials consumed	23	80.96	70.25
Employee benefit expenses	24	319.31	327.79
Finance cost	25	99.66	75.50
Depreciation	26	12.85	3.38
Other expenses	27	895.08	726.49
Total expenses		1,407.86	1,203.41
Loss before tax		(191.13)	(145.18)
Income tax expense			
Current tax		-	-
Deferred tax	28	-	-
Loss for the year		(191.13)	(145.18)
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurement of post employment benefit obligations		2.44	4.16
Income tax relating to these items		-	-
Other comprehensive income for the year, net of tax		2.44	4.16
Total comprehensive income for the year		(188.69)	(141.02)
Earnings per share (Face value of Rs. 10 each)			
Basic and diluted earnings per share (in Rs.)	39	(382.26)	(290.36)
Significant accounting policies	1.3		

The accompanying notes are an integral part of these financial statements

As per our report of even date

for **BSR & Co. LLP**
Chartered Accountants
Firm Registration Number: 101248W/W-100022



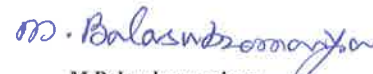
Satish Vaidyanathan
Partner
Membership No.: 217042

Place: Chennai
Date: June 17, 2020

For and on behalf of the Board of Directors
Sterling Holiday Resorts (Kodaikanal) Limited
(CIN U92490TN1987PLC014215)



Ramesh Shanmugam
Director
DIN No.: 06646158



M. Balasubramaniyan
Director
DIN No.: 03088801

Place: Chennai
Date: June 5, 2020

Sterling Holiday Resorts (Kodaikanal) Limited
Statement of changes in equity as at March 31, 2020
(All amounts in Rs. lakhs, unless otherwise stated)

I) Equity share capital

	Note	Amount
Balance as at April 1, 2018		5.00
Changes in equity share capital during the year	11	-
Balance as at March 31, 2019		5.00
Changes in equity share capital during the year	11	-
Balance as at March 31, 2020		5.00

II) Other equity

	Notes	Reserves and surplus Retained earnings	Other reserves Contribution from holding company	Total
Balance as at April 1, 2018		(879.24)	111.78	(767.46)
Loss for the year	12 & 13	(145.18)	-	(145.18)
Other comprehensive income	12 & 13	4.16	-	4.16
Balance as at March 31, 2019		(1,020.25)	111.78	(908.47)
Loss for the year	12 & 13	(191.13)	-	(191.13)
Other comprehensive income	12 & 13	2.44	-	2.44
Balance as at March 31, 2020		(1,208.93)	111.78	(1,097.15)

Significant accounting policies 1.3

The accompanying notes are an integral part of these financial statements

As per our report of even date

for **B S R & Co. LLP**

Chartered Accountants

Firm Registration Number: 101248W/W-100022



Satish Valdyanathan
Partner

Membership No.: 217042

Place: Chennai

Date: June 17, 2020

For and on behalf of the Board of Directors

Sterling Holiday Resorts (Kodaikanal) Limited

(CIN U92490TN1987PLC014215)



Ramesh Shanmugam
Director



M Balasubramanian
Director

DIN No.: 06646158

DIN No.: 03088801

Place: Chennai

Date: June 5, 2020

Sterling Holiday Resorts (Kodaikanal) Limited

Notes to the financial statements as at and for the year ended March 31, 2020

1.1. Reporting entity

Sterling Holiday Resorts (Kodaikanal) Limited (the "Company") is engaged in providing resort operations and maintenance services (being leisure hospitality services). Sterling Holiday Resorts Limited ('Parent company') holds 98% of the share capital. The ultimate holding company is Fairfax Financial Holdings Limited, Canada.

1.2. Basis of preparation

1.2.1. Statement of compliance

The financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 notified under Section 133 of Companies Act, 2013, (the 'Act') and other relevant provisions of the Act.

The financial statements were authorised for issue by the Company's Board of Directors on June 05, 2020

Basis of measurement

The financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities are measured at fair value (Refer Note 29).
- defined benefit plans — plan assets measured at fair value (Refer Note 16).

1.2.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief operating decision maker.

The Chairman-Managing Director (CMD) of the Parent company has been identified as the chief operating decision maker of the Company who assesses the financial performance and position of the Company and makes strategic decisions. Refer Note 35 for segment information presented.

1.2.3. Current/ Non-current classification

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of products and services and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as twelve months for the purpose of current and non-current classification of assets and liabilities.

1.2.4. Foreign currency transaction

a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Indian rupee (Rs.) which is the Company's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.



Sterling Holiday Resorts (Kodaikanal) Limited
Notes to the financial statements as at and for the year ended March 31, 2020

1.3. Significant accounting policies

1.3.1. Revenue recognition

The Company adopted Ind AS 115, Revenue from Contracts with Customers (which replaces earlier revenue recognition standards) using the cumulative effect method (without practical expedients). The effect of initially applying this standard was recognised at the date of initial application (i.e. April 1, 2018) and included in retained earnings.

Under Ind AS 115 an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard establishes a five-step approach to revenue recognition that includes identifying contracts with customers, identifying performance obligations, determining transaction prices, allocating transaction prices to performance obligations and recognising revenues when or as the performance obligations are satisfied.

Income from resort operations and maintenance services (being leisure hospitality services) comprising of sale of food and beverages, room rentals and other services are recognised when these are sold and when services are rendered.

Contract balances

(i) Contract assets

A contract asset is the right to consideration in exchange for services rendered to the customer. If the Company renders services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

(ii) Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration has received consideration, or for which an amount of consideration is due from the customer. Contract liabilities are recognised as revenue when the Company performs under the contract

1.3.2. Income taxes

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit (tax loss). Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.



Sterling Holiday Resorts (Kodaikanal) Limited

Notes to the financial statements as at and for the year ended March 31, 2020

1.3. Significant accounting policies (contd.)

1.3.2. Income taxes (contd.)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

1.3.3. Leases

The Company adopted Ind AS 116, Leases with effect from April 1, 2019. This standard replaces the earlier standard Ind AS 17. Ind AS 116 introduces a single on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to the underlying asset and a lease liability representing its obligation to make lease payments. Lessor accounting remains similar to the earlier standard – i.e., lessors continue to classify leases as finance or operating leases.

The Company has adopted Ind AS 116 and applied the Standard to its leases, retrospectively, with the cumulative effect of initially applying the Standard recognised at the date of initial application (April 1, 2019). Accordingly, the information presented for the for the year ended March 31, 2019 has not been restated – i.e. it is presented, as previously reported, under Ind AS 17. The company has elected to measure right-of-use asset for all leases at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before the date of initial application. Further, the company has elected not to apply the requirements of Ind AS 116 to short-term leases and leases for which the underlying asset is of low value.

The Company has used the following practical expedients permitted under Ind AS 116:

- (a) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- (b) The accounting for operating leases with a remaining lease term of less than 12 months as at April 1, 2019 as short-term leases.
- (c) Not to separate non-lease components from lease components where information is not clearly evident and instead account for each lease component and any associated non-lease components as a single lease component.
- (d) Not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the company relied on its assessment made applying Ind AS 17.

The Company had adopted the revaluation model for measurement of land (including leasehold land) as per Ind AS 16 Property, plant and equipment. Consequently, the company has elected to apply the same revaluation model to all of the right-of-use assets related to leasehold land. Refer note 38 on detailed impact of adopting Ind AS 116.

1.3.4. Impairment of assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group of assets (cash-generating units). Non-financial assets other than



Sterling Holiday Resorts (Kodaikanal) Limited

Notes to the financial statements as at and for the year ended March 31, 2020

1.3. Significant accounting policies (contd.)

1.3.4. Impairment of assets (contd.)

goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

1.3.5. Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

1.3.6. Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment / cancellation.

1.3.7. Inventories

Inventories comprising of provisions, perishables, beverages and operating supplies are stated at lower of cost and net realisable value. Cost is determined using the first-in-first out (FIFO) method. The cost comprises of purchase price, non-refundable taxes and delivery handling cost incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Inventories are written down for slow moving / non-moving items, wherever necessary.

1.3.8. Investments and other financial assets

a) Classification:

The Company classifies its financial assets in the following measurement categories:

- a. those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- b. those measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

b) Measurement:

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.



Sterling Holiday Resorts (Kodaikanal) Limited
Notes to the financial statements as at and for the year ended March 31, 2020

1.3. Significant accounting policies (contd.)

1.3.8. Investments and other financial assets (contd.)

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

-Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

-Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

-Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

Debt instruments:

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

i. Amortised cost:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

ii. Fair value through other comprehensive income (FVOCI):

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss.

When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in other income using the effective interest rate method.

iii. Fair value through profit or loss:

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit and loss within other gains/(losses) in the period in which it arises. Interest income from these financial assets is included in other income.



Sterling Holiday Resorts (Kodaikanal) Limited
Notes to the financial statements as at and for the year ended March 31, 2020

1.3. Significant accounting policies (contd.)

1.3.8. Investments and other financial assets (contd.)

Equity instruments:

The Company subsequently measures all equity investments other than investment in subsidiaries and associates, at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments are recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gain/(losses) in the statement of profit and loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

c) Impairment of financial assets

The Company assesses on a forward-looking basis the expected credit losses associated with its assets carried at amortised cost and FVOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 30 details how the Company determines whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument. In all cases, the maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

d) De-recognition of financial assets:

A financial asset is derecognised only when

- a. the Company has transferred the rights to receive cash flows from the financial asset or
- b. retains the contractual rights to receive the cash flows of the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the entity has transferred an asset, the Company evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognised. Where the entity has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognised.



Sterling Holiday Resorts (Kodaikanal) Limited
Notes to the financial statements as at and for the year ended March 31, 2020

1.3. Significant accounting policies (contd.)

1.3.8. Investments and other financial assets (contd.)

Where the entity has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if the Company has not retained control of the financial asset. Where the Company retains control of the financial asset, the asset is continued to be recognised to the extent of continuing involvement in the financial asset.

1.3.9. Property, plant and equipment

Recognition and measurement

All items of property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation methods, estimated useful lives and residual value:

Based on technical evaluation carried out, depreciation on property, plant and equipment is provided, on a pro-rata basis, on Straight Line Method (SLM) over the estimated useful lives of the assets, which equates to the useful lives prescribed under Schedule II to the Companies Act, 2013, as follows:

Asset class	Useful life (in years)
Building	60
Plant and machinery	15
Furniture and fixtures – general	10
Furniture and fixtures – others	8
Office equipment	5
Computer equipment – Servers & network	6
Computer equipment – Desktop, laptop and end-user items	3
Electrical installations	10
Vehicles	8

Assets constructed on leasehold land/leasehold improvements are amortised over the primary period of lease or its estimated useful life, whichever is lower.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss within other gains/ (losses).

1.3.10. Trade and other payables

These amounts represent unsecured liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.



Sterling Holiday Resorts (Kodaikanal) Limited
Notes to the financial statements as at and for the year ended March 31, 2020

1.3. Significant accounting policies (contd.)

1.3.11. Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other gains/(losses).

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Where there is a breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, the entity does not classify the liability as current, if the lender agreed, after the reporting period and before the approval of the financial statements for issue, not to demand payment as a consequence of the breach.

1.3.12. Provisions (other than for employee benefits)

Provisions for legal claims, volume discounts and returns are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

1.3.13. Interest income

Interest income from debt instruments is recognised using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses.

1.3.14. Employee benefits

a) Defined contribution plan

Contribution towards provident fund for employees is made to the regulatory authorities, where the Company has no further obligations. Such benefits are classified as Defined contribution plan as the Company does not carry any further obligations, apart from the contributions made on a monthly basis.

b) Defined benefit plan

The Company provides for gratuity, a defined benefit plan (the "Gratuity Plan") covering eligible employees in accordance with the Payment of Gratuity Act, 1972. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. The Company's liability is actuarially determined (using the Projected Unit Credit method) by an independent actuary at the end of each year. Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income.



Sterling Holiday Resorts (Kodaikanal) Limited

Notes to the financial statements as at and for the year ended March 31, 2020

1.3. Significant accounting policies (contd.)

1.3.14 Employee benefits (contd.)

c) Compensated absences

Accumulated compensated absences, which are expected to be availed or encashed within 12 months from the end of the year are treated as short-term employee benefits. The obligation towards the same is measured at the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlement as at the year end.

Accumulated compensated absences, which are expected to be availed or encashed beyond 12 months from the end of the year are treated as other long-term employee benefits. The Company's liability is actuarially determined (using the Projected Unit Credit method) by an independent actuary at the end of each year. Actuarial losses/gains are recognised in the Statement of Profit and Loss in the year in which they arise.

1.3.15. Earnings per share

a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company
- by the weighted average number of equity shares outstanding during the financial year, adjusted for bonus elements in equity shares issued during the year and excluding treasury shares (Note 39).

b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential equity shares, and
- the weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

1.3.16. Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off and presented in lakhs with decimals as per the requirement of Schedule III, unless otherwise stated.

2. Critical estimates and judgements:

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

The areas involving critical estimate or judgement are:

Note 16 - The cost of the defined benefit gratuity plan and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Note 37 – Going concern



3 Property, plant and equipment

Reconciliation of the carrying value for the year ended March 31, 2019 are as follows:

Asset Description	Gross carrying amount			Accumulated depreciation			Net carrying amount	
	As at April 1, 2018	Additions	Disposals	As at March 31, 2019	Depreciation for the year	Disposals	As at March 31, 2018	As at March 31, 2019
Building	1.31	-	-	1.31	0.03	-	1.25	1.22
Computer equipment	0.49	-	-	0.49	0.06	-	0.34	0.28
Plant and machinery	24.09	7.91	-	32.00	1.97	-	18.89	24.83
Office equipment	0.22	-	-	0.22	0.01	-	0.22	0.21
Electrical installations	0.69	6.08	-	6.77	0.48	-	0.41	6.01
Vehicles	-	7.87	-	7.87	0.76	-	-	7.11
Furniture and fixtures	0.23	2.82	-	3.05	0.07	-	0.15	2.90
Total	27.03	24.69	-	51.71	3.38	-	21.26	42.56

Reconciliation of the carrying value for the year ended March 31, 2020 are as follows:

Asset Description	Gross carrying amount			Accumulated depreciation			Net carrying amount	
	As at April 1, 2019	Additions	Disposals	As at March 31, 2020	Depreciation for the year	Disposals	As at March 31, 2019	As at March 31, 2020
Building	1.31	-	-	1.31	0.02	-	1.22	1.20
Computer equipment	0.49	0.10	-	0.59	0.18	-	0.28	0.20
Plant and machinery	32.00	3.32	-	35.32	2.70	-	24.83	25.45
Office equipment	0.22	-	-	0.22	0.01	-	0.21	0.20
Electrical installations	6.77	3.13	-	9.90	1.20	-	6.01	7.94
Vehicles	7.87	-	-	7.87	0.61	-	7.11	6.50
Furniture and fixtures	3.05	0.29	-	3.34	0.37	-	2.90	2.82
Total	51.71	6.84	-	58.55	5.09	-	42.56	44.31

Due to the outbreak of COVID-19, Management has performed impairment assessment of all its property, plant & equipment as at March 31, 2020 and concluded that non-usage for a short term will not have any material impact on useful life or recoverable amount of such property, plant & equipment.

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Sterling Holiday Resorts (Kodaikanal) Limited
Notes forming part of financial statements as at and for the year ended March 31, 2020
(All amounts in Rs. lakhs, unless otherwise stated)
4 Other financial assets

	As at March 31, 2020		As at March 31, 2019	
	Current	Non Current	Current	Non Current
Security deposits	-	16.95	-	21.37
Unbilled revenue	-	-	6.76	-
Total	-	16.95	6.76	21.37

5 Other tax assets

	As at March 31, 2020	As at March 31, 2019
Taxes receivable	9.89	8.85
Total	9.89	8.85

6 Other assets

	As at March 31, 2020		As at March 31, 2019	
	Current	Non Current	Current	Non Current
Prepaid expenses	-	12.23	13.37	4.25
Advances to suppliers	4.37	-	1.14	-
Balances with statutory authorities	18.76	-	0.75	-
Total	23.13	12.23	15.26	4.25

7 Inventories

	As at March 31, 2020	As at March 31, 2019
Food and beverages	2.61	1.01
Operating supplies	5.16	4.00
Total	7.77	5.01

Due to outbreak of COVID-19, Management has performed impairment assessment of all inventories and ascertained that there are no items as at March 31, 2020 with shorter shelf-life which need to be written off.

8 Trade receivables

Considered good	31.66	8.92
Considered doubtful	-	0.25
	31.66	9.17
Less: Loss allowance	-	(0.25)
Total	31.66	8.92

Of the above, trade receivables from related parties are as below:

Total trade receivables from related parties (Refer Note 32)	-	1.62
Less: Loss allowance	-	-
Net trade receivables	-	1.62

The Company's exposure to credit and currency risks, and loss allowances related to trade receivables are disclosed in Note 30.

9 Cash and cash equivalents

Balances with banks		
- in current accounts	7.26	7.14
Cash on hand	1.49	1.39
Total	8.75	8.53

10 Loans

Employee advances	1.00	1.00
Total	1.00	1.00

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11 Equity share capital

Authorised equity share capital

Authorised

0.5 lakhs (March 31, 2019: 0.5 lakhs) equity shares of Rs.10 each

Issued, subscribed and paid-up

0.5 lakhs (March 31, 2019: 0.5 lakhs) equity shares of Rs.10 each

	As at March 31, 2020	As at March 31, 2019
Authorised	5.00	5.00
Issued, subscribed and paid-up	5.00	5.00
	5.00	5.00

Reconciliation of shares outstanding at the beginning and at the end of the year

	March 31, 2020		March 31, 2019	
	Number in lakhs	Amount in lakhs	Number in lakhs	Amount in lakhs
Equity shares				
At the commencement of the year	0.50	5.00	0.50	5.00
Shares issued during the year	-	-	-	-
At the end of the year	0.50	5.00	0.50	5.00

All issued shares are fully paid up.

Rights, preferences and restrictions attached to equity shares

The Company has a single class of equity shares. Accordingly, all equity shares rank equally with regard to dividends and share in the company's residual assets on winding up. The equity shares are entitled to receive dividend as declared from time to time. The dividend proposed, if any, by the Board of Directors is subject to the approval of the Shareholders in the ensuing Annual General Meeting, except in case of interim dividend. The voting rights of an equity shareholder are in proportion to his/its share of the paid-up equity share capital of the Company. On winding up of the company, the holders of equity shares will be entitled to receive the residual assets of the Company, in proportion to the number of equity shares held.

Shares held by holding/ultimate holding company (i.e., parent of the Group) and/or their subsidiaries/associates

	March 31, 2020		March 31, 2019	
	Number in lakhs	Amount in lakhs	Number in lakhs	Amount in lakhs
Equity shares of Rs. 10 each held by the Holding Company	0.49	4.90	0.49	4.90

Particulars of shareholders holding more than 5% shares of a class of shares

	March 31, 2020		March 31, 2019	
	Number in lakhs	% of total shares in class	Number in lakhs	% of total shares in class
Equity shares of Rs. 10 each held by Sterling Holiday Resorts Limited and its nominees (Holding Company)	0.49	98%	0.49	98%

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	As at March 31, 2020	As at March 31, 2019
12 Reserves and surplus		
Retained earnings	(1,208.95)	(1,020.26)
Total	(1,208.95)	(1,020.26)

Movement in retained earnings balances is as follows :

Opening balance	(1,020.26)	(879.24)
Loss for the year	(191.13)	(145.18)
<i>Items of other comprehensive income recognised directly in retained earnings</i>		
- Remeasurements of post-employment benefit obligation, net of tax	2.44	4.16
Closing balance	(1,208.95)	(1,020.26)

13 Other reserves**Contribution from Holding Company**

Opening balance	111.78	111.78
Additions during the year	-	-
Closing balance	111.78	111.78

The loan received from holding company has been measured at fair value by discounting the expected future cashflows at a discount rate based on the risk and other factors applicable to the Company's cashflows. The difference between the carrying value and the fair value has been considered as capital contribution by the holding company considering the substance of the transaction.

14 Current borrowings

Unsecured loan from holding company	947.94	799.13
Total	947.94	799.13

Unsecured loan from holding company

Unsecured loan amounting to Rs. 947.94 lakhs outstanding as on March 31, 2020 (March 31, 2019: Rs. 799.13 lakhs) from Sterling Holiday Resorts Limited (holding company) carries an interest rate of 10% and is repayable on demand.

Reconciliation of movement of liabilities to cash flows arising from financing activities

Particulars	March 31, 2020	March 31, 2019
Current borrowings	947.94	799.13
Net debt	947.94	799.13

Particulars	Current borrowings	Total
Balance as at April 1, 2018	667.53	667.53
Proceeds from loans and borrowings	1,515.59	1,515.59
Repayment of borrowings	(1,383.99)	(1,383.99)
Balance as at March 31, 2019	799.13	799.13
Proceeds from loans and borrowings	1,396.39	1,396.39
Repayment of borrowings	(1,247.58)	(1,247.58)
Balance as at March 31, 2020	947.94	947.94

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Sterling Holiday Resorts (Kodaikanal) Limited

Notes forming part of financial statements as at and for the year ended March 31, 2020

(All amounts in Rs. lakhs, unless otherwise stated)

15 Deferred tax assets and liabilities

The balance comprises temporary differences attributable to:

	As at March 31, 2020	As at March 31, 2019
Deferred tax liabilities		
Depreciation	0.82	1.41
Total deferred tax liabilities	0.82	1.41
Deferred tax assets		
Unabsorbed depreciation allowance and business loss carried forward	175.37	150.27
Provision for employee benefits	11.46	10.60
Set-off of deferred tax assets to the extent of deferred tax liabilities	(0.82)	(1.41)
Net deferred tax asset/ liability as per the balance sheet	-	-
Unrecognised deferred tax assets	186.01	159.46

Movement in deferred tax liabilities

	Depreciation
At April 1, 2018	1.15
Charged/(credited):	
- to profit or loss	0.26
- to other comprehensive income	-
At March 31, 2019	1.41
Charged/(credited):	
- to profit or loss	(0.59)
- to other comprehensive income	-
At March 31, 2020	0.82

Movement in deferred tax assets

	Unabsorbed depreciation allowance and business loss carried forward	Provision for employee benefits	Total
At April 1, 2018	110.26	8.41	118.67
Movement during the year	40.01	0.78	40.79
At March 31, 2019	150.27	9.19	159.46
Movement during the year	25.10	1.45	26.55
At March 31, 2020	175.37	10.64	186.01

In the absence of reasonable certainty that the Company will be able to use the deferred tax asset in the future, the deferred tax assets have not been recognised.

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16 Provision for employee benefit obligations

	As at March 31, 2020			As at March 31, 2019		
	Current	Non-current	Total	Current	Non-current	Total
Compensated absence	1.48	3.41	4.89	1.25	3.45	4.70
Gratuity	9.21	13.95	23.16	6.37	16.22	22.59
Total	10.69	17.36	28.05	7.62	19.67	27.29

(i) Gratuity

The Company provides for gratuity for employees as per the Payment of Gratuity Act, 1972. Employees who are in continuous service for a period of 5 years are eligible for gratuity. The amount of gratuity payable on retirement/termination is the employees last drawn basic salary per month computed proportionately for 15 days salary multiplied for the number of years of service.

	March 31, 2020	March 31, 2019
Opening present value of obligation	22.61	22.49
Current service cost	3.03	3.37
Interest expense/(income)	1.49	1.61
Total amount recognised in profit or loss	4.52	4.98
<i>Remeasurements</i>		
(Gain)/loss from change in demographic assumptions	(0.06)	(0.05)
(Gain)/loss from change in financial assumptions	(0.33)	(1.90)
Experience (gains)/losses	(2.05)	(2.17)
Total amount recognised in other comprehensive income	(2.44)	(4.12)
Benefit payments	(1.52)	(0.75)
Closing present value of obligation	23.16	22.61

The net liability disclosed above relates to funded and unfunded plans are as follows:

Unfunded plans	23.16	22.61
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(iii) Principal actuarial assumptions used in valuation of gratuity

Discount rate	6.15%	7.13%
Salary growth rate	First year- 0% thereafter- 4%	4%
Attrition rate	30%	28%
Estimates of future salary increases considered in actuarial valuation takes account of inflation, seniority, promotion and other relevant factors, such as supply and demand in employment market.		

(iv) Sensitivity analysis

a) Gratuity

	March 31, 2020	March 31, 2019
Discount rate:		
+ 100 basis points	(0.47)	(0.52)
- 100 basis points	0.58	0.54
Salary escalation rate:		
+ 100 basis points	0.60	0.65
- 100 basis points	(0.55)	(0.62)

b) Compensated absence

Discount rate:		
+ 100 basis points	(0.12)	(0.12)
- 100 basis points	0.13	0.13
Salary escalation rate:		
+ 100 basis points	0.15	0.16
- 100 basis points	(0.15)	(0.15)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumption may be correlated. When calculating the sensitivity of the defined benefit obligation to the significant actuarial assumptions the same

The methods and types of assumption used in preparing the sensitivity analysis did not change compared to the prior period.

(iii) Defined contribution plans

The Company has also certain defined contribution plans. Contributions are made to provident fund in India for employees at the rate of 12% of gross salary as per regulations. The contributions are made to registered provident fund administered by Government. The obligation of the Company is limited to the amount contributed and it has no further contractual nor any constructive obligation. The expense recognised during the period towards defined contribution plan is Rs.17.46 lakhs (March 31, 2019: Rs.17.24 lakhs)



Sterling Holiday Resorts (Kodaikanal) Limited**Notes forming part of financial statements as at and for the year ended March 31, 2020***(All amounts in Rs. lakhs, unless otherwise stated)*

	As at March 31, 2020	As at March 31, 2019
17 Trade payables		
Dues to micro and small enterprises (Refer Note 36)	3.76	0.24
Dues to creditors other than micro and small enterprises	155.36	42.59
Total	159.12	42.83
The Company's exposure to liquidity risks related to trade payables is disclosed in Note 30.		
18 Other financial liabilities		
Interest accrued but not due on borrowings	27.10	89.75
Security deposits	35.91	38.03
Others	0.05	0.06
Total	63.06	127.84
19 Other provisions		
Provision for fringe benefit tax	1.11	1.11
Total	1.11	1.11
20 Other current liabilities		
Salaries, wages, bonus and other employee payables	21.91	14.90
Statutory liabilities	5.43	6.70
Contract liability - Advance received from customer	20.47	6.19
Interest payable- MSME	0.05	-
Total	47.86	27.79

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Sterling Holiday Resorts (Kodaikanal) Limited
Notes forming part of financial statements as at and for the year ended March 31, 2020
(All amounts in Rs. lakhs, unless otherwise stated)

	For the year ended March 31, 2020	For the year ended March 31, 2019
21 Revenue from operations		
(a) Dissaggregation of revenue:		
On the basis of nature of goods or services:		
Sale of products		
Food and beverages	270.49	269.14
Sale of services		
Income from resorts:		
- Room rentals (Refer Note 32)	752.93	583.92
- Others	121.79	109.42
Other operating revenues		
Service charges	18.93	18.56
Total	1,164.14	981.04
On the basis of timing of transfer of goods or services:		
At a point in time	411.21	397.12
Over a period of time	752.93	583.92
Total	1,164.14	981.04
(b) Movement in contract liabilities as per Ind AS 115 - Revenue from contracts with customers		
Opening balance	For the year ended March 31, 2020	For the year ended March 31, 2019
Additions during the year (net)	6.19	3.57
Income recognized during the year	20.47	6.19
Closing balance	(6.19)	(3.57)
	20.47	6.19
Contract liabilities pertain to advances received from customers which will be recognized as revenue when the service is rendered.		
22 Other income		
Interest income on bank deposits	*	1.14
Scrap sales	0.68	0.33
Management services income	51.91	75.72
Total	52.59	77.19
23 Cost of materials consumed		
Inventory of materials at the beginning of the year	1.01	1.40
Add: Purchases	82.56	69.86
Less: Inventory of materials at the end of the year	2.61	1.01
Cost of food, beverages and operating supplies consumed	80.96	70.25
24 Employee benefit expenses		
Salaries, wages and bonus	254.88	257.13
Contribution to provident and other funds	22.16	23.51
Gratuity and compensated absences	5.32	4.08
Staff welfare expenses	36.95	43.07
Total	319.31	327.79
25 Finance cost		
Interest on financial liabilities not measured at fair value through profit and loss	97.80	75.50
Interest on lease liability	1.86	-
Total	99.66	75.50
26 Depreciation		
Depreciation of property, plant and equipment	5.08	3.38
Depreciation of right of use assets	7.77	-
Total	12.85	3.38



	For the year ended March 31, 2020	For the year ended March 31, 2019
27 Other expenses		
Consumption of stores and spares	29.49	22.79
Power and fuel	97.22	91.23
Rent	89.96	84.95
Repairs and maintenance:		
- Building	15.40	9.34
- Plant and machinery	25.87	15.70
- Others	8.90	3.47
Insurance	0.93	0.31
Rates and taxes	26.55	26.78
Guest supplies	21.21	16.60
Laundry expenses	20.78	19.66
Communication	1.39	1.92
Recruitment and training	1.53	1.96
Travel and tours	32.82	30.68
Legal and professional	6.89	4.76
Management fees	390.43	290.18
Payment to statutory auditors:		
As Auditor:		
- Statutory audit	3.50	3.50
- Other services	-	0.50
Travel and conveyance	12.05	12.52
Security charges	19.11	18.75
Sales commission	67.54	50.01
Sales promotion	0.99	1.85
Bank charges	4.90	5.17
Printing and stationery	3.05	2.90
Miscellaneous expenses	14.57	10.96
Total	895.08	726.49
28 Income tax expense		
a) Amount recognised in profit or loss		
Current tax	-	-
Current tax for the year	-	-
Total	-	-
Deferred tax expense		
(Increase)/Decrease in deferred tax assets	-	-
Increase/(Decrease) in deferred tax liabilities	-	-
Total	-	-
b) Reconciliation of tax expense and the accounting profit multiplied by India's Tax Rate:		
Loss before income tax expense	(191.13)	(145.18)
Tax at the Indian tax rate of 22.88% (Previous year: 27.82%)	(43.73)	(40.39)
Net tax effects of temporary differences which are (deductible)/disallowed in calculating taxable income	5.93	1.92
Tax impact of unrecognised tax losses	37.80	38.47
Income tax expense	-	-
c) Tax losses		
Amount of deductible temporary differences on which no deferred tax assets has been recognised	38.26	33.04
Unused tax losses for which no deferred tax assets have been recognised	630.37	540.14
Potential tax benefit at 22.88%	152.98	159.46
Tax losses on account of unrecognised deferred tax assets		
Date of expiry to carry forward	March 31, 2020	March 31, 2019
31-Mar-29	178.42	-
31-Mar-28	135.64	138.32
31-Mar-27	9.56	9.56
31-Mar-26	94.00	94.00
31-Mar-24	14.84	14.84
31-Mar-22	103.53	103.53
31-Mar-21	65.27	65.27
31-Mar-20	-	92.84
Indefinite period to carry forward	29.12	21.78
Total	630.37	540.14



29 Fair value measurements

Financial instruments by category

	March 31, 2020			March 31, 2019		
	FVTPL	FVOCI	Amortised cost	FVTPL	FVOCI	Amortised cost
Financial assets						
Trade receivables	-	-	31.66	-	-	8.92
Cash and cash equivalents	-	-	8.75	-	-	8.53
Loans	-	-	1.00	-	-	1.00
Other financial assets	-	-	16.95	-	-	28.13
Total financial assets	-	-	58.36	-	-	46.58
Financial liabilities						
Borrowings	-	-	947.94	-	-	799.13
Lease liability	-	-	15.72	-	-	-
Trade payables	-	-	159.12	-	-	42.83
Other financial liabilities	-	-	63.06	-	-	127.84
Total financial liabilities	-	-	1,185.84	-	-	969.80

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are measured at amortised cost and for which fair values are disclosed in the financial statements. There are no financial instruments that are measured at fair value through OCI or PL. To provide an indication about the reliability of the inputs used in determining fair value, the company has classified its financial instruments into the three levels prescribed under the accounting standard. An explanation of each level follows underneath the table.

Assets and liabilities which are measured at amortised cost for which fair values are disclosed

At March 31, 2020	Notes	Level 1	Level 2	Level 3	Total
Financial liabilities					
Borrowings	14	-	-	947.94	947.94
Interest accrued and not due on borrowings	18	-	-	27.10	27.10
Lease liability	38	-	-	15.72	15.72
Total		-	-	990.76	990.76

Assets and liabilities which are measured at amortised cost for which fair values are disclosed

At March 31, 2019	Notes	Level 1	Level 2	Level 3	Total
Financial liabilities					
Borrowings	14	-	-	799.13	799.13
Interest accrued and not due on borrowings	18	-	-	89.75	89.75
Lease liability	38	-	-	-	-
Total		-	-	888.88	888.88

There are no transfers between levels 1 and 2 during the year.

(ii) Valuation technique used to determine fair value

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments
- the fair value of foreign currency option contracts is determined using Black Scholes valuation model.
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis.

All of the resulting fair value estimates are included in level 2

(iii) Fair value of financial assets and liabilities measured at amortised cost

	March 31, 2020		March 31, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Borrowings	947.94	947.94	799.13	799.13
Interest accrued and not due on borrowings	15.72	15.72	0.00	0.00
Total	963.66	963.66	799.13	799.13

The carrying amounts of trade receivables, trade payables, cash and cash equivalents, other financial assets and other financial liabilities approximate their fair values, due to their short-term nature. The carrying amounts of borrowings and interest accrued are carried at effective interest rate of 15% which is determined based on the risk and other factors applicable to the Company's cashflows. Hence the carrying amount is considered as the fair value.



30 Financial risk management

The Company's activities expose it to market risk, liquidity risk and credit risk.

This note explains the sources of risk which the entity is exposed to and how the entity manages the risk in the financial statements.

Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and cash equivalents, trade receivables, financial assets measured at amortised cost	Aging analysis and credit rating	Diversification of bank deposits, credit limits and letters of credit
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines. The borrowings are from the holding company and there are no fixed repayment schedule.

The company's risk management is carried out by a central treasury department (group treasury) under policies approved by the board of directors. The board provides principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk, non-derivative financial instruments and investment of excess liquidity.

(A) Credit risk

Credit risk arises from cash and cash equivalents, investments carried at amortised cost and deposits with banks and financial institutions, as well as credit exposures to wholesale customers including outstanding receivables.

(i) Credit risk management

Credit risk is managed on a company basis. For banks and financial institutions, only high rated banks/institutions are accepted.

For other financial assets, the company assesses and manages credit risk based on internal credit rating system. The finance function consists of a separate team who assess and maintain an internal credit rating system. Internal credit rating is performed on a group basis for each class of financial instruments with different characteristics. The company assigns the following credit ratings to each class of financial assets based on the assumptions, inputs and factors specific to the class of financial assets.

C1 : High-quality assets, negligible credit risk

C2 : Doubtful assets, credit-impaired

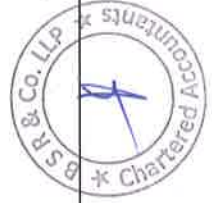
The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information and the company majorly manages the credit risk through internal credit rating system.

A default on a financial asset is when the counterparty fails to make contractual payments as and when they fall due. This definition of default is determined by considering the business environment in which entity operates and other macro-economic factors.

(ii) Provision for expected credit losses

The company provides for expected credit loss based on the following:

Internal rating	Category	Description of category	Basis for recognition of expected credit loss provision	
			Trade receivables	Others
C 1	High quality assets, negligible credit risk	Assets where the counter-party has strong capacity to meet the obligations and where the risk of default is negligible or nil	Life-time expected credit losses	12-month expected credit losses
C 2	Doubtful assets, credit-impaired	Assets are fully provided for when there is no reasonable expectation of recovery. The company categorises a receivable or provisioning when the debtor fails to make the contractual payment within 180 days from the date they become due. Where loans or receivables have been provided for, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.	Asset is provided for fully	Asset is provided for fully



Sterling Holiday Resorts (Kodaikanal) Limited
Notes forming part of financial statements as at and for the year ended March 31, 2020
(All amounts in Rs. lakhs, unless otherwise stated)

For the year ended March 31, 2020 and March 31, 2019:

(a) Expected credit loss for deposits

The estimated gross carrying amount at default is Nil (March 2019: Nil) for deposits. Consequently there are no expected credit loss recognised for these financial assets

(b) Expected credit loss for trade receivables under simplified approach

As at March 31, 2020

Ageing	Upto 180 days past due	More than 180 days past due	Total
Gross carrying amount	31.66	-	31.66
Expected loss rate	0%	0%	0%
Expected credit losses (loss allowance provision)	-	-	-
Carrying amount of trade receivables (loss allowance provision)	31.66	-	31.66
As at March 31, 2019			

Ageing

Gross carrying amount	Upto 180 days past due	More than 180 days past due	Total
Expected loss rate	6.91	2.01	9.17
Expected credit losses (loss allowance provision)	0%	12%	3%
	-	0.25	0.25
Carrying amount of trade receivables (loss allowance provision)	6.91	1.76	8.92

(b) Reconciliation of loss allowance provision- Trade receivables

Loss allowance on April 1, 2018

Changes in loss allowances due to
Provision made during the year

Loss allowance on March 31, 2019

Changes in loss allowances due to
Provision made during the year
Recoveries

Loss allowance on March 31, 2020

0.25	-	0.25	-
-	-	-	(0.25)
-	-	-	-

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(B) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. The Company's treasury maintains flexibility in funding by maintaining availability under committed credit lines. Management monitors rolling forecasts of the company's liquidity position and cash and cash equivalents on the basis of expected cash flows. Company also manages its financing requirements through borrowings from the Holding Company which does not have any fixed repayment schedule.

Maturities of financial liabilities

The tables below analyse the company's financial liabilities into relevant maturity groupings based on their contractual maturities for:

- all non-derivative financial liabilities, and
- net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities:

	Carrying amount	Less than 3 months	Within one year	Between 1 and 2 years	Between 2 and 5 years	Total
March 31, 2020						
Non-derivatives						
Borrowings	947.94	947.94	-	-	-	947.94
Trade payables	155.36	155.36	-	-	-	155.36
Other financial liabilities	63.06	63.06	-	-	-	63.06
Total non-derivative liabilities	1,166.36	1,166.36	-	-	-	1,166.36
March 31, 2019						
Non-derivatives						
Borrowings	908.86	908.86	-	-	-	908.86
Trade payables	42.83	42.83	-	-	-	42.83
Other financial liabilities	38.09	38.09	-	-	-	38.09
Total non-derivative liabilities	989.78	989.78	-	-	-	989.78

31 Capital management

Risk management

The company's objectives when managing capital are to:

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

The Company borrows from the holding company at 10% per annum in order to meet its capital requirements. As at March 31, 2020, the net-worth of the Company has been fully eroded. The Company has shown improvement in operating results due to increase in occupancy rate and tariffs. The Company expects higher growth and profitability in future due to increase in occupancy rates and tariffs from property which was recently refurbished. It is also fully supported by the holding company for funding.

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32 Related party transactions

(a) Parent entities

Name of entity	Type	Ownership interest held by the group	
		March 31, 2020	March 31, 2019
Fairfax Financial Holdings Limited, Canada	Ultimate holding company	-	-
Thomas Cook (India) Limited	Intermediate holding company	-	-
Sterling Holiday Resorts Limited	Holding company	98%	98%

(b) Transactions with related parties

Transactions with related parties are as follows:

	For the year ended March 31, 2020	For the year ended March 31, 2019
Sale of services		
Thomas Cook (India) Limited	-	0.70
Rent expenses		
Sterling Holiday Resorts Limited	89.12	67.93
Brand expenses		
Sterling Holiday Resorts Limited	34.94	19.65
Miscellaneous income		
Sterling Holiday Resorts Limited	51.91	75.72
Management fees		
Sterling Holiday Resorts Limited	355.49	270.53
Interest on borrowings		
Sterling Holiday Resorts Limited	97.80	75.45
Loans availed		
Sterling Holiday Resorts Limited	1,396.39	1,515.59
Loans repaid		
Sterling Holiday Resorts Limited	1,247.58	1,383.99
(c) Outstanding balances as at year end	As at March 31, 2020	As at March 31, 2019
The following balances are outstanding at the end of the reporting period:		
Trade receivables		
Thomas Cook (India) Limited	-	1.62
Borrowings		
Sterling Holiday Resorts Limited	947.94	799.13
Interest accrued but not due		
Sterling Holiday Resorts Limited	27.10	89.75

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33 Contingent liabilities and contingent assets

Claims against the Company not acknowledged as debt:

(a) Show cause notice issued for the wrong availment of service tax input credit

As at March 31, 2020	As at March 31, 2019
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12.49

(b) Supreme Court vide their judgement dated February 28, 2019 clarified that Provident fund deduction is to be made on basic salary and on other salary components which are universally made available to all employees. The Company, based on external advice, believes that there are interpretative challenges on the application of the judgement retrospectively. Based on the advice and in the absence of the reliable measurement of the provision for earlier periods, the Company has not recorded a provision with respect to any period. The Company would update the provision in future based on clarification received from the relevant authorities.

34 Sterling Holiday Resorts Limited (SHRL) holds 98% equity shares in the Company and the Company is responsible for maintaining the property Kodai By the Lake, pursuant to the property timeshare agreement with the property timeshare members. However, certain property timeshare weeks are unsold and retained by the SHRL. Pursuant to the necessary approvals obtained by the Company as required under The Companies Act, 2013, the Company is permitted to rent out weeks sold to property timeshare members and unsold weeks retained by SHRL which are vacant and earn revenue from it. The property timeshare members and SHRL shall have no claim on the revenue generated by the Company. Further, pursuant to the exchange clause under property timeshare agreement, property timeshare members of the said property are also eligible to utilize facilities at SHRL's other resorts.

35 The Company has identified only one reportable segment. The entire Company's business is from resort operations and maintenance services (being leisure hospitality services) and there are no other reportable segments. Thus, the segment revenue, segment results, total carrying value of segment assets, total carrying amount of segment liabilities, total cost incurred to acquire segment assets, total amount of charge of depreciation during the year are all as reflected in the financial statements as at and for the year ended March 31, 2019.

36 Disclosure under Micro, Small and Medium Enterprises Development Act, 2006 are provided as under for the year 2019-20, to the extent the Company has received intimation from the "Suppliers" regarding their status under the Act

	As at March 31, 2020	As at March 31, 2019
i Principal amount due to suppliers registered under the MSMED Act and remaining unpaid as at year end	3.76	0.24
ii Interest due to suppliers registered under the MSMED Act and remaining unpaid as at year end	0.05	0.05
iii Principal amounts paid to suppliers registered under the MSMED Act, beyond the appointed date during the year	0.47	0.24
iv Interest paid, other than under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-
v Interest paid, under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-
vi Interest due and payable towards suppliers registered under MSMED Act, for payments already made	0.01	0.00
vii Further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the MSMED Act	0.04	0.00

37 In March 2020, the World Health Organization declared COVID-19 to be a pandemic. The Company has adopted measures to curb the spread of infection in order to protect the health of its employees and ensure business continuity with minimal disruption (including temporary closure and phased reopening of its resort).

The financial statements for the year ended March 31, 2020 reflect that the Company has incurred losses of Rs. 191.13 lakhs during the year and has accumulated losses of approximately Rs. 1,208.95 lakhs (which have fully eroded the net worth of the Company) as at the balance sheet date. The Company has considered various internal and external sources of information, up to the date of approval of the financial statements, in determining the potential impact on the financial position and business operations of the Company including those arising from of the COVID-19 pandemic.

Based on the approved cash flow projections for the next 12 months and financial support from the parent company Sterling Holiday Resorts Limited (SHRL), the Company believes that it would be able to meet its financial requirements and no adjustments would be required in respect of the carrying values of assets/liabilities. Accordingly, these financial statements are prepared on a going concern basis.

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38 Recently adopted accounting standard

Ind AS 116, Leases

Transition

Pursuant to the notification dated March 30, 2019 of the Ministry of Corporate Affairs, Ind AS 116, Leases became applicable to the Company with effect from April 1, 2019. This standard replaces the earlier standard, Ind AS 17 Leases.

Ind AS 116 introduces a single on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to the underlying asset and a lease liability representing its obligation to make lease payments. Lessor accounting remains similar to the earlier standard – i.e., lessors continue to classify leases as finance or operating leases.

The Company has adopted Ind AS 116 and applied the Standard to its leases, retrospectively, with the cumulative effect of initially applying the Standard recognized at the date of initial application (April 1, 2019). Accordingly, the information presented for the for the year ended March 31, 2019 has not been restated – i.e. it is presented, as previously reported, under Ind AS 17. The Company has elected to measure right-of-use asset for all leases at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before the date of initial application. Further, the Company has elected not to apply the requirements of Ind AS 116 to short-term leases and leases for which the underlying asset is of low value.

The Company has used the following practical expedients permitted under Ind AS 116:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- the accounting for operating leases with a remaining lease term of less than 12 months as at April 1, 2019 as short-term leases
- not to separate non-lease components from lease components where information is not clearly evident and instead account for each lease component and any associated non-lease components as a single lease component.
- not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the company relied on its assessment made applying Ind AS 17.

Impact on financial statements

On transition to Ind AS 116 the Company recognised lease liability of Rs 22.77 lakhs measured at the present value of remaining lease payments and right-of-use assets of Rs 22.77 lakhs measured at lease liability adjusted for prepayments in the balance sheet as at April 1, 2019.

When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at April 1, 2019. The weighted average rate applied is 9.5%

	Amount
Operating lease commitment at March 31, 2019	26.19
---Recognition exemption for	
short term leases	-
leases of low values	-
Lease commitments to be recognized as at April 1, 2019	26.19
Present value of lease liabilities recognised at April 1, 2019	22.77

As a lessee, the Company leases many assets including land and building, vehicles

Right of use assets

Balance at April 1, 2019

Transition adjustment on adopting IND AS 116

Addition to right of use assets

Depreciation charge for the year

Derecognition of right of uses assets

Balance at March 31, 2020

Building	Total
-	-
22.77	22.77
-	-
(7.77)	(7.77)
-	-
15.00	15.00

Lease liabilities

Balance at April 1, 2019

Transition adjustment

Additions

Deletions

Finance cost accrued during the period

Discharge of lease liabilities

Balance at March 31, 2020

Current

Non current

31-Mar-20	Total
-	-
22.78	22.78
-	-
-	-
1.86	1.86
(8.92)	(8.92)
15.72	15.72
8.92	8.92
6.80	6.80

Maturity analysis contractual undiscounted cash flows

Less than one year

One to five years

More than five years

Total

31-Mar-20	Total
8.92	8.92
8.36	8.36
-	-
17.28	17.28

Amounts recognised in profit or loss

Interest on lease liability

Variable lease payments not included in the measurement of lease liability

Expenses relating to short term leases

Expenses relating to leases of low value assets, excluding short term leases of low value assets

2019-20	Total
1.86	1.86
89.12	89.12
0.84	0.84
-	-

Amounts recognised in statement of cash flow

Total cash outflow for leases

2019-20	Total
8.92	8.92



The following table summarizes the amount by which each financial statement line item is affected in the current year as a result of applying Ind AS 116.

Balance sheet as at March 31, 2020	Note	Amounts without adoption of Ind AS 116	Impact of Ind AS 116	As reported
Particulars				
Non-current assets				
Property, plant and equipment	3	44.31	-	44.31
Right of use assets	38	-	15.00	15.00
Financial assets				
i. Other financial assets	4	16.95	-	16.95
Other tax assets		9.89	-	9.89
Other non current assets	6	12.23	-	12.23
Total non-current assets		83.38	15.00	98.38
Current assets				
Inventories	7	7.77	-	7.77
Financial assets				
i. Trade receivables	8	31.66	-	31.66
ii. Cash and cash equivalents	9	8.75	-	8.75
iii. Loans	10	1.00	-	1.00
iv. Other financial assets	4	-	-	-
Other current assets	6	23.13	-	23.13
Total current assets		72.31	-	72.31
Total assets		155.69	15.00	170.69
Equity and liabilities				
Equity				
Equity share capital	11	5.00	-	5.00
Other equity				
Reserves and surplus	12	(1,208.23)	(0.72)	(1,208.95)
Other reserves	13	111.78	-	111.78
Total equity		(1,091.45)	(0.72)	(1,092.17)
Liabilities				
Non-current liabilities				
Financial liabilities				
i. Lease liability	38	-	6.80	6.80
Provisions				
i. Provision for employee benefit obligations	16	17.36	-	17.36
Total non-current liabilities		17.36	6.80	24.16
Current liabilities				
Financial liabilities				
i. Borrowings	14	947.94	-	947.94
ii. Trade payables	17	159.12	-	159.12
iii. Other financial liabilities	18	63.06	-	63.06
iv. Lease liability	38	-	8.92	8.92
Provisions				
i. Provision for employee benefit obligations	16	10.69	-	10.69
ii. Other provisions	19	1.11	-	1.11
Other current liabilities	20	47.86	-	47.86
Total current liabilities		1,229.78	8.92	1,238.70
Total liabilities		1,247.14	15.72	1,262.86
Total equity and liabilities		155.69	15.00	170.69

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Statement of profit and loss for the year ended March 31, 2020

Particulars	Note	Amounts without adoption of Ind AS 116	Impact of Ind AS 116	As reported
Revenue from operations	21	1,164.14	-	1,164.14
Other income	22	52.59	-	52.59
Total income		1,216.73	-	1,216.73
Cost of materials consumed	23	80.96	-	80.96
Employee benefit expenses	24	319.31	-	319.31
Finance costs	25	97.80	1.86	99.66
Depreciation	26	5.08	7.77	12.85
Other expenses	27	903.99	(8.91)	895.08
Total expenses		1,407.14	0.72	1,407.86
Loss before tax		(190.41)	(0.72)	(191.13)
Income-tax expense / (benefit)	28	-	-	-
Loss for the period		(190.41)	(0.72)	(191.13)
Other Comprehensive Income		2.44	-	2.44
Total Comprehensive Income		(187.97)	(0.72)	(188.69)

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39 Earnings per share

	March 31, 2020	March 31, 2019
Loss attributable to the equity holders	(191.13)	(145.18)
Weighted average number of equity shares outstanding (in numbers)	50,000	50,000
Basic & diluted earnings per share (in Rs.)	(382.26)	(290.36)

As per our report of even date

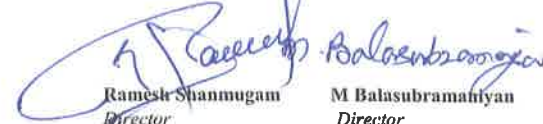
for B S R & Co. LLP
Chartered Accountants
Firm Registration Number: 101248W/W-100022



Satish Vaidyanathan
Partner
Membership Number: 217042

Place: Chennai
Date: June 17, 2020

For and on behalf of the Board of Directors
Sterling Holiday Resorts (Kodalkanal) Limited
(CIN U92490TN1987PLC014215)



Ramesh Shanmugam
Director
DIN No.: 06646158

M Balasubramanian
Director
DIN No.: 03088801

Place: Chennai
Date: June 5, 2020

BSR & Co. LLP

Chartered Accountants

KRM Tower, 1st and 2nd Floor
No. 1, Harrington Road, Chennai
Chennai - 600 031, India

Telephone +91 44 4608 3100
Fax +91 44 4608 3199

INDEPENDENT AUDITOR'S REPORT

To the Members of Sterling Holidays (Ooty) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sterling Holidays (Ooty) Limited ("the Company"), which comprise the balance sheet as at March 31, 2020, and the statement of profit and loss (including other comprehensive income), statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, and profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs 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 the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Board's report, but does not include the financial statements and our auditor's report thereon. The Board's report is expected to be made available to us after the date of this auditor's report.

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 identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. When we read the Board's report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take necessary actions as required under applicable laws and regulations.



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Independent Auditor's Report to the Members of Sterling Holidays (Ooty) Limited
For the year ended March 31, 2020
Page 2 of 4

Management's and Board of Directors' Responsibility for the Financial Statements

The Company's management and Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the state of affairs, profit/loss and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management and Board of Directors are 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 the management and Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors is also 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 SAs 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 SAs, 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. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



Independent Auditor's Report to the Members of Sterling Holidays (Ooty) Limited

For the year ended March 31, 2020

Page 3 of 4

- 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.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditors' Report) Order, 2016 ("the Order") issued by the Central Government in terms of section 143 (11) of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

(A) As required by Section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books
- c) The balance sheet, the statement of profit and loss (including other comprehensive income), the statement of changes in equity and the statement of cash flows dealt with by this Report are in agreement with the books of account
- d) In our opinion, the aforesaid financial statements comply with the Ind AS specified under section 133 of the Act.
- e) On the basis of the written representations received from the directors as on March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164(2) of the Act.
- f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".



Independent Auditor's Report to the Members of Sterling Holidays (Ooty) Limited
For the year ended March 31, 2020
Page 4 of 4

(B) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

- i. The Company has disclosed the impact of pending litigations as at March 31, 2020 on its financial position in its financial statements - Refer Note 33 to the financial statements.
- ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable loss.
- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
- iv. The disclosures in the financial statements regarding holdings as well as dealings in specified bank notes during the period from November 8, 2016 to December 30, 2016 have not been made in these financial statements since they do not pertain to the financial year ended March 31, 2020.

(C) With respect to the matter to be included in the Auditor's Report under section 197(16):

In our opinion and according to the information and explanations given to us, the Company has not paid/ provided for any managerial remuneration during the year. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

for **B S R & Co. LLP**
Chartered Accountants
Firm Registration Number: 101248W/W-100022



Satish Vaidyanathan
Partner
Membership No: 217042
ICAI UDIN: 20217042AAAABG8055
Place: Chennai
Date: June 17, 2020

Annexure A to the Independent Auditor's Report to the Members of Sterling Holidays (Ooty) Limited for the year ended March 31, 2020

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of Sterling Holidays (Ooty) Limited of even date)

Page 1 of 2

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified on a yearly basis. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noted on such verification.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, there are no immovable properties held in the name of the Company.
- (ii) The inventory has been physically verified by the management during the year. The procedures of physical verification followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business. In our opinion, the frequency of verification is reasonable. The discrepancies noted on verification between physical stock and book records were not material and have been properly dealt with in the books of accounts.
- (iii) According to the information and explanation given to us, the Company has not granted any loans, secured or unsecured, to companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Act. Accordingly, paragraph 3 (iii) of the said Order is not applicable.
- (iv) The Company has not granted any loan or made any investments or provided any guarantees or security to the parties covered under Section 185 and 186 of the Companies Act, 2013. Accordingly, paragraph 3 (iv) of the said Order is not applicable.
- (v) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits within the meaning of sections 73 to 76 of the Act and the rules framed thereunder to the extent notified. Accordingly, paragraph 3(v) of the Order is not applicable.
- (vi) The Central Government of India has not prescribed the maintenance of cost records under sub section (1) of section 148 of the Act for any of the activities of the Company and accordingly, paragraph 3(vi) of the Order is not applicable.
- (vii) (a) According to the information and explanations given to us and on the basis of an examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income-tax, goods and services tax, cess and other material statutory dues have been generally regularly deposited by the Company with the appropriate authorities, though there has been a slight delay in a few cases. As explained to us, the Company did not have any dues on account of sales tax, service tax, value added tax, duty of customs and duty of excise.

The extent of the arrears of statutory dues outstanding as at March 31, 2020 for a period of more than six months from the date they became payable is as follows:

Name of the Statute	Nature of the Dues	Amount (Rs.)	Period to which the amount relates	Due Date	Date of Payment
The Income Tax Act, 1961	Fringe benefit tax	0.36	Assessment Years 2008-09 and 2009-10	March 31, 2008 and March 31, 2009 respectively	Yet to be paid



Annexure A to the Independent Auditor's Report to the Members of Sterling Holidays (Ooty) Limited for the year ended March 31, 2020

Page 2 of 2

- (b) According to the information and explanations given to us, there were no dues of income tax, sales tax, service tax, duty of customs, goods and services tax and luxury tax which have not been deposited with the appropriate authorities on account of a dispute, except for items as set out below

Name of the Statute	Nature of dues	Amount in Rs. Lakhs	Period to which the amount relates	Forum where the dispute is pending
Tamil Nadu Luxury Tax Act	Luxury tax	196.38	Assessment Year 1998-99 to 2005-06	Madras High Court

- (viii) In our opinion and according to the information and explanations given to us, the Company did not have any outstanding loans or borrowings to any financial institution, bank, government or debenture holders during the year.
- (ix) The Company did not raise any money by initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, paragraph 3(ix) of the Order is not applicable.
- (x) According to the information and explanations given to us, no fraud by the Company or any material fraud on the Company by its officers or employees has been noticed or reported during the course of our audit.
- (xi) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not paid/ provided for any managerial remuneration during the year. Accordingly, paragraph 3 (ix) of the said Order is not applicable.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- (xiii) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has entered into transactions with related parties in compliance with the provisions of section 188 of the Act where applicable. The details of such related party transactions have been disclosed in the financial statements as required by the applicable accounting standards. The provisions of section 177 of the Act are not applicable to the Company.
- (xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, paragraph 3(xiv) of the Order is not applicable.
- (xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with them. Accordingly, paragraph 3(xv) of the Order is not applicable.
- (xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, paragraph 3(xvi) of the Order is not applicable.

for B S R & Co. LLP

Chartered Accountants

Firm Registration Number: 101248W/W-100022

Satish Vaidyanathan

Partner

Membership No: 217042

ICAI UDIN: 20217042AAAABG8055

Place: Chennai

Date: June 17, 2020

Annexure B to the Independent Auditor's Report on the financial statements of Sterling Holidays (Ooty) Limited for the year ended March 31, 2020

(Referred to in paragraph 1(A)(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Page 1 of 2

Report on the internal financial controls with reference to the aforesaid financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

Opinion

We have audited the internal financial controls with reference to financial statements of **Sterling Holidays (Ooty) Limited** ("the Company") as of March 31, 2020 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at March 31, 2020, based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note").

Management's Responsibility for Internal Financial Controls

The Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (hereinafter referred to as "the Act").

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements were established and maintained and whether such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of such internal financial controls, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.



B S R & Co. LLP

Annexure B to the Independent Auditor's Report to the Members of Sterling Holidays (Ooty) Limited for the year ended March 31, 2020

Page 2 of 2

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to financial statements.

Meaning of Internal Financial Controls with reference to financial statements

A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls with reference to financial Statements

Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

for B S R & Co. LLP

Chartered Accountants

Firm Registration Number: 101248W/W-100022



Satish Vaidyanathan

Partner

Membership No: 217042

ICAI UDIN: 20217042AAAABG8055

Place: Chennai

Date: June 17, 2020

Sterling Holidays (Ooty) Limited
Balance sheet as at March 31, 2020
(All amounts in Rs. lakhs, unless otherwise stated)

	Notes	As at March 31, 2020	As at March 31, 2019
Assets			
Non-current assets			
Property, plant and equipment	4	15.65	10.85
Right of use assets	38	5.06	-
Financial assets			
i. Other financial assets	5	24.13	23.44
Other tax assets	5A	7.68	0.66
Deferred tax assets (net)	14	9.11	10.18
Total non-current assets		61.63	45.13
Current assets			
Inventories	6	7.32	5.07
Financial assets			
i. Trade receivables	7	33.86	17.81
ii. Cash and cash equivalents	8	2.02	3.17
iii. Other financial assets	5	11.74	7.52
Other current assets	9	28.81	15.60
Total current assets		83.75	49.17
Total assets		145.38	94.30
Equity and liabilities			
Equity			
Equity share capital	10	5.00	5.00
Other equity			
Reserves and surplus	11	(399.35)	(471.20)
Other reserves	12	68.58	68.58
Total equity		(325.77)	(397.62)
Liabilities			
Non-current liabilities			
Provisions			
i. Provision for employee benefit obligations	15	14.86	13.12
Total non-current liabilities		14.86	13.12
Current liabilities			
Financial liabilities			
i. Borrowings	13	122.63	179.20
ii. Trade payables	16		
Total outstanding dues of micro enterprises and small enterprises		0.88	2.15
Total outstanding dues of creditors other than micro enterprises and small enterprises		227.53	109.55
iii. Other financial liabilities	17	22.80	110.35
iv. Lease liability	38	5.31	-
Provisions			
i. Provision for employee benefit obligations	15	5.77	6.14
ii. Other provisions	18	0.36	0.36
Current tax liabilities	19	21.61	-
Other current liabilities	20	49.40	71.05
Total current liabilities		456.29	478.80
Total liabilities		471.15	491.92
Total equity and liabilities		145.38	94.30

Significant accounting policies

1.3

The accompanying notes are an integral part of these financial statements


As per our report of even date

for **BSR & Co. LLP**
Chartered Accountants
Firm Registration Number: 101248W/W-100022


Satish Vaidyanathan
Partner
Membership No.: 217042

Place: Chennai
Date: June 17, 2020

For and on behalf of the Board of Directors
Sterling Holidays (Ooty) Limited
(CIN U55102TN1989PL1018344)

 
Ramesh Shanmugam **M. Balasubramanian**
Director Director
DIN No.: 06646158 DIN No.: 03088801

Place: Chennai
Date: June 5, 2020

Sterling Holidays (Ooty) Limited
Statement of profit and loss for the year ended March 31, 2020
(All amounts in Rs. lakhs, unless otherwise stated)

	Notes	For the year ended March 31, 2020	For the year ended March 31, 2019
Income			
Revenue from operations	21	1,660.09	1,661.12
Other income	22	90.84	49.20
Total income		1,750.93	1,710.32
Expenses			
Cost of materials consumed	23	109.01	109.17
Employee benefit expenses	24	325.56	313.02
Finance costs	25	15.74	26.69
Depreciation	26	7.23	1.12
Other expenses	27	1,200.42	1,210.06
Total expenses		1,657.96	1,660.06
Profit before tax		92.97	50.26
Income tax expense	28		
Current tax		21.61	16.12
Deferred tax		1.07	(8.55)
Profit for the year		70.29	42.69
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurement of post employment benefit obligations		1.56	2.25
Income tax relating to this item		-	(0.62)
Other comprehensive income for the year, net of tax		1.56	1.62
Total comprehensive income for the year		71.85	44.31
Earnings per share (Face value of Rs. 10 each)			
Basic and diluted earnings per share (in Rs.)	39	185.93	100.52
Significant accounting policies	1.3		

The accompanying notes are an integral part of these financial statements

As per our report of even date

for **BSR & Co. LLP**
Chartered Accountants
Firm Registration Number: 101248W/W-100022



Satish Vaidyanathan
Partner
Membership No.: 217042

Place: Chennai
Date: June 17, 2020

For and on behalf of the Board of Directors
Sterling Holidays (Ooty) Limited
(CIN U55102TN1989PLC018344)



Ramesh Shanmugam **M. Balasubramaniyan**
Director Director
DIN No.: 06646158 DIN No.: 03088801

Place: Chennai
Date: June 5, 2020

Sterling Holidays (Ooty) Limited
Statement of changes in equity for the year ended March 31, 2020
(All amounts in Rs. lakhs, unless otherwise stated)

I) Equity share capital	Notes	Amount
Balance as at April 1, 2018		5.00
Changes in equity share capital during the year	10	-
Balance as at March 31, 2019		5.00
Changes in equity share capital during the year	10	-
Balance as at March 31, 2020		5.00


II) Other equity	Notes	Reserves and surplus Retained earnings	Other reserves Contribution from holding company	Total
Balance as at April 1, 2018		(515.52)	68.58	(446.94)
Profit for the year	11 & 12	42.69	-	42.69
Other comprehensive income, net of tax	11 & 12	1.63	-	1.63
Balance as at March 31, 2019		(471.20)	68.58	(402.62)
Profit for the year	11 & 12	70.29	-	70.29
Other comprehensive income, net of tax	11 & 12	1.56	-	1.56
Balance as at March 31, 2020		(399.35)	68.58	(330.77)

Significant accounting policies 1.3

The accompanying notes are an integral part of these financial statements

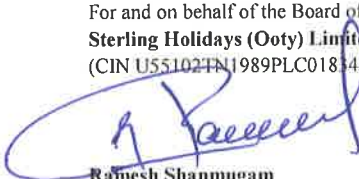
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Chartered Accountants
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For and on behalf of the Board of Directors
Sterling Holidays (Ooty) Limited
(CIN U55102TN1989PLC018344)


Ramesh Shanmugam
Director
DIN No.: 06646158

Place: Chennai
Date: June 5, 2020


M. Balasubramanian
Director
DIN No.: 03088801

Sterling Holidays (Ooty) Limited
Statement of cash flows as at March 31, 2020
(All amounts in Rs. lakhs, unless otherwise stated)

	Notes	As at March 31, 2020	As at March 31, 2019
Cash flow from operating activities			
Profit before Income tax		92.97	50.26
Adjustments for			
Depreciation	26	7.23	1.12
Finance costs	25	15.74	26.69
Operating cash flow before working capital changes		115.94	78.07
Change in operating assets and liabilities			
(Increase)/decrease in trade receivables	7	(16.05)	26.21
(Increase)/decrease in inventories	6	(2.25)	(0.75)
(Increase)/decrease in other financial assets	5	(4.90)	4.58
(Increase)/decrease in other current assets	9	(13.21)	74.74
Increase/(decrease) in trade payables	16	116.71	33.15
Increase/(decrease) in other financial liabilities	17	(3.40)	2.38
Increase/(decrease) in employee benefit obligations	15	2.93	1.16
Increase/(decrease) in other current liabilities	20	(21.65)	21.75
Cash generated from operations		174.12	241.29
Income tax paid		(7.02)	(32.71)
Net cash generated from operating activities		167.10	208.58
Cash flows from Investing activities			
Purchase of property, plant and equipment		(6.50)	(5.98)
Net cash used in Investing activities		(6.50)	(5.98)
Cash flows from financing activities			
Proceeds from loan taken from holding company		2,010.36	2,447.32
Repayment of loan from holding company		(2,066.93)	(2,633.41)
Interest paid		(99.11)	(15.17)
Payment of lease liability		(6.07)	-
Net cash used in financing activities		(161.75)	(201.26)
Net increase in cash and cash equivalents		(1.15)	1.34
Cash and cash equivalents at the beginning of the financial year	8	3.17	1.83
Cash and cash equivalents at end of the year		2.02	3.17
Reconciliation of cash and cash equivalents as per the cash flow statement:			
Cash and cash equivalents comprise of the following			
Cash and cash equivalents	8	2.02	3.17
Balance as per statement of cash flows		2.02	3.17
Significant accounting policies	1.3		

The accompanying notes are an integral part of these financial statements

As per our report of even date

for **B S R & Co. LLP**
Chartered Accountants
Firm Registration Number: 101248W/W-100022


Satish Vaidyanathan
Partner
Membership No.: 217042

Place: Chennai
Date: June 17, 2020

For and on behalf of the Board of Directors
Sterling Holidays (Ooty) Limited
(CIN U55102TN1989PLC018344)


Ramesh Shanmugam
Director
DIN No.: 06646158


M. Balasubramanian
Director
DIN No.: 03088801

Place: Chennai
Date: June 5, 2020

Sterling Holiday (Ooty) Limited

Notes to the financial statements as at and for the year ended March 31, 2020

1.1. Reporting entity

Sterling Holiday (Ooty) Limited (the "Company") is engaged in providing resort operations and maintenance services [being leisure hospitality services]. Sterling Holiday Resorts Limited ('Parent company') holds 98% of the share capital. The ultimate holding company is Fairfax Financial Holdings Limited, Canada.

1.2. Basis of preparation

1.2.1. Statement of compliance

The financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 notified under Section 133 of Companies Act, 2013, (the 'Act') and other relevant provisions of the Act.

The financial statements were authorised for issue by the Company's Board of Directors on June 5, 2020

Basis of measurement

The financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities are measured at fair value (Refer Note 29).
- defined benefit plans — plan assets measured at fair value (Refer Note 15).

1.2.2. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The Chairman-Managing Director (CMD) of the Parent company has been identified as the chief operating decision maker of the Company who assesses the financial performance and position of the Company and makes strategic decisions. Refer Note 35 for segment information presented.

1.2.3. Current/ Non-current classification

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of products and services and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as twelve months for the purpose of current and non-current classification of assets and liabilities.

1.2.4. Foreign currency transaction

a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Indian rupee (Rs.) which is the Company's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

1.3. Significant accounting policies

1.3.1. Revenue recognition

The Company adopted Ind AS 115, Revenue from Contracts with Customers (which replaces earlier revenue recognition standards) using the cumulative effect method (without practical expedients). The effect of initially applying this standard was recognised at the date of initial application (i.e. April 1, 2018) and included in retained earnings.



Sterling Holiday (Ooty) Limited

Notes to the financial statements as at and for the year ended March 31, 2020

1.3. Significant accounting policies (contd.)

1.3.1. Revenue recognition (contd.)

Under Ind AS 115 an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard establishes a five-step approach to revenue recognition that includes identifying contracts with customers, identifying performance obligations, determining transaction prices, allocating transaction prices to performance obligations and recognising revenues when or as the performance obligations are satisfied.

Income from resort operations and maintenance services (being leisure hospitality services) comprising of sale of food and beverages, room rentals and other services are recognised when these are sold and when services are rendered.

Contract balances

(i) Contract assets

A contract asset is the right to consideration in exchange for services rendered to the customer. If the Company renders services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

(ii) Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration has received consideration, or for which an amount of consideration is due from the customer. Contract liabilities are recognised as revenue when the Company performs under the contract.

1.3.2. Income taxes

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit (tax loss). Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.



Sterling Holiday (Ooty) Limited

Notes to the financial statements as at and for the year ended March 31, 2020

1.3. Significant accounting policies (contd.)

1.3.3. Leases

The Company adopted Ind AS 116, Leases with effect from April 1, 2019. This standard replaces the earlier standard Ind AS 17. Ind AS 116 introduces a single on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to the underlying asset and a lease liability representing its obligation to make lease payments. Lessor accounting remains similar to the earlier standard – i.e., lessors continue to classify leases as finance or operating leases.

The Company has adopted Ind AS 116 and applied the Standard to its leases, retrospectively, with the cumulative effect of initially applying the Standard recognised at the date of initial application (April 1, 2019). Accordingly, the information presented for the for the year ended March 31, 2019 has not been restated – i.e. it is presented, as previously reported, under Ind AS 17. The company has elected to measure right-of-use asset for all leases at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before the date of initial application. Further, the company has elected not to apply the requirements of Ind AS 116 to short-term leases and leases for which the underlying asset is of low value.

The Company has used the following practical expedients permitted under Ind AS 116:

- (a) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- (b) The accounting for operating leases with a remaining lease term of less than 12 months as at April 1, 2019 as short-term leases.
- (c) Not to separate non-lease components from lease components where information is not clearly evident and instead account for each lease component and any associated non-lease components as a single lease component.
- (d) Not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the company relied on its assessment made applying Ind AS 17.

The Company had adopted the revaluation model for measurement of land (including leasehold land) as per Ind AS 16 Property, plant and equipment. Consequently, the company has elected to apply the same revaluation model to all of the right-of-use assets related to leasehold land. Refer note 38 on detailed impact of adopting Ind AS 116.

1.3.4. Impairment of assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

1.3.5. Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

1.3.6. Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.



Sterling Holiday (Ooty) Limited

Notes to the financial statements as at and for the year ended March 31, 2020

1.3. Significant accounting policies (contd.)

1.3.7. Inventories

Inventories comprising of provisions, perishables, beverages and operating supplies are stated at lower of cost and net realisable value. Cost is determined using the first-in-first out (FIFO) method. The cost comprises of purchase price, non-refundable taxes and delivery handling cost incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Inventories are written down for slow moving/ non-moving items, wherever necessary.

1.3.8. Investments and other financial assets

a) Classification:

The Company classifies its financial assets in the following measurement categories:

- a. those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- b. those measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

b) Measurement:

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

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

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

Debt instruments:

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:



Sterling Holiday (Ooty) Limited

Notes to the financial statements as at and for the year ended March 31, 2020

1.3. Significant accounting policies (contd.)

1.3.8. Investments and other financial assets (contd.)

i. Amortised cost:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

ii. Fair value through other comprehensive income (FVOCI):

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in other income using the effective interest rate method.

iii. Fair value through profit or loss:

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit and loss within other gains/(losses) in the period in which it arises. Interest income from these financial assets is included in other income.

Equity instruments:

The Company subsequently measures all equity investments other than investment in subsidiaries and associates, at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments are recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gain/(losses) in the statement of profit and loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

c) Impairment of financial assets

The Company assesses on a forward-looking basis the expected credit loss associated with its assets carried at amortised cost and FVOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 30 details how the Company determines whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument. In all cases, the maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both



Sterling Holiday (Ooty) Limited

Notes to the financial statements as at and for the year ended March 31, 2020

1.3. Significant accounting policies (contd.)

1.3.8. Investments and other financial assets (contd.)

quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

d) De-recognition of financial assets:

A financial asset is derecognised only when

- i. the Company has transferred the rights to receive cash flows from the financial asset or
- ii. retains the contractual rights to receive the cash flows of the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the entity has transferred an asset, the Company evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognised. Where the entity has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognised.

Where the entity has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if the Company has not retained control of the financial asset. Where the Company retains control of the financial asset, the asset is continued to be recognised to the extent of continuing involvement in the financial asset.

1.3.9. Property, plant and equipment

Recognition and measurement

All items of property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation methods, estimated useful lives and residual value:

Based on technical evaluation carried out, depreciation on property, plant and equipment is provided, on a pro-rata basis, on Straight Line Method (SLM) over the estimated useful lives of the assets, which equates to the useful lives prescribed under Schedule II to the Companies Act, 2013, as follows:

Asset class	Useful life (in years)
Plant and machinery	15
Furniture and fixtures – general	10
Furniture and fixtures – others	8
Office equipment	5
Computer equipment – Servers & Network	6
Computer equipment – Desktop, laptop and end-user items	3
Electrical installations	10

Assets constructed on leasehold land/leasehold improvements are amortised over the primary period of lease or its estimated useful life, whichever is lower.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss within other gains/ (losses).



Sterling Holiday (Ooty) Limited

Notes to the financial statements as at and for the year ended March 31, 2020

1.3. Significant accounting policies (contd.)

1.3.10. Trade and other payables

These amounts represent unsecured liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

1.3.11. Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other gains/(losses).

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Where there is a breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, the entity does not classify the liability as current, if the lender agreed, after the reporting period and before the approval of the financial statements for issue, not to demand payment as a consequence of the breach.

1.3.12. Provisions (other than for employee benefits)

Provisions for legal claims, volume discounts and returns are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

1.3.13. Employee benefits

a) Defined contribution plan

Contribution towards provident fund for employees is made to the regulatory authorities, where the Company has no further obligations. Such benefits are classified as Defined contribution plan as the Company does not carry any further obligations, apart from the contributions made on a monthly basis.

b) Defined benefit plan

The Company provides for gratuity, a defined benefit plan (the "Gratuity Plan") covering eligible employees in accordance with the Payment of Gratuity Act, 1972. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. The Company's liability is actuarially determined (using the Projected Unit Credit method) by an independent actuary at the end of each year. Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income.



Sterling Holiday (Ooty) Limited

Notes to the financial statements as at and for the year ended March 31, 2020

1.3. Significant accounting policies (contd.)

1.3.13. Employee benefits (contd.)

c) Compensated absences

Accumulated compensated absences, which are expected to be availed or encashed within 12 months from the end of the year are treated as short-term employee benefits. The obligation towards the same is measured at the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlement as at the year end.

Accumulated compensated absences, which are expected to be availed or encashed beyond 12 months from the end of the year are treated as other long term employee benefits. The Company's liability is actuarially determined (using the Projected Unit Credit method) by an independent actuary at the end of each year. Actuarial losses/gains are recognised in the Statement of Profit and Loss in the year in which they arise.

1.3.14. Earnings per share

a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- The profit attributable to owners of the Company
- By the weighted average number of equity shares outstanding during the financial year, adjusted for bonus elements in equity shares issued during the year and excluding treasury shares (Note 39).

b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential equity shares, and
- the weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

2. Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off and presented in lakhs with decimals as per the requirement of Schedule III, unless otherwise stated.

3. Critical estimates and judgements:

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

The areas involving critical estimate or judgement are:

Note 15 - The cost of the defined benefit gratuity plan and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Note 36 – Going concern



4 Property, plant and equipment

Reconciliation of carrying amount for the year ended March 31, 2019:

Asset description	Gross carrying amount			Accumulated depreciation			Net carrying amount	
	As at April 1, 2018	Additions	Disposals	As at March 31, 2019	Depreciation for the year	Disposals	As at March 31, 2018	As at March 31, 2019
Plant and machinery	4.42	2.16	-	6.59	0.57	-	3.49	5.09
Furniture and fixtures	0.25	3.82	-	4.07	0.32	-	0.18	3.68
Office equipment	0.79	-	-	0.79	0.00	-	0.06	0.06
Electrical installations	2.20	-	-	2.20	0.20	-	2.07	1.87
Computer equipment	0.24	-	-	0.24	0.03	-	0.19	0.16
Total	7.90	5.98	-	13.89	1.12	-	5.99	10.85

Reconciliation of carrying amount for the year ended March 31, 2020:

Asset description	Gross carrying amount			Accumulated depreciation			Net carrying amount	
	As at April 1, 2019	Additions	Disposals	As at March 31, 2020	Depreciation for the year	Disposals	As at March 31, 2019	As at March 31, 2020
Plant and machinery	6.59	2.93	-	9.52	0.64	-	5.09	7.38
Furniture and fixtures	4.07	0.09	-	4.16	0.52	-	3.68	3.25
Office equipment	0.79	-	-	0.79	0.00	-	0.06	0.06
Electrical installations	2.20	3.30	-	5.50	0.39	-	1.87	4.78
Computer equipment	0.24	0.16	-	0.40	0.14	-	0.16	0.18
Total	13.89	6.49	-	20.37	1.69	-	10.85	15.65

Due to the outbreak of COVID-19, Management has performed impairment assessment of all its property, plant & equipment as at March 31, 2020 and concluded that non-usage for a short term will not have any material impact on useful life or recoverable amount of such property, plant & equipment.

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Sterling Holidays (Ooty) Limited
Notes forming part of financial statements as at and for the year ended March 31, 2020
(All amounts in Rs. lakhs, unless otherwise stated)
5 Other financial assets

	As at March 31, 2020		As at March 31, 2019	
	Current	Non Current	Current	Non Current
Security deposits	-	24.13	-	23.44
Unbilled revenue	-	-	7.52	-
Other receivable	11.74	-	-	-
Total	11.74	24.13	7.52	23.44

5A Other tax assets

	As at March 31, 2020	As at March 31, 2019
Taxes receivable	7.68	0.66
Total	7.68	0.66

6 Inventories

	As at March 31, 2020	As at March 31, 2019
Food and beverages	3.25	2.11
Operating supplies	4.07	2.96
Total	7.32	5.07

Due to outbreak of COVID-19, Management has performed impairment assessment of all inventories and ascertained that there are no items as at March 31, 2020 with shorter shelf-life which need to be written off.

7 Trade receivables

Current - Unsecured	As at March 31, 2020	As at March 31, 2019
Considered good	33.86	17.81
Considered doubtful	4.55	4.55
	38.41	22.36
Less: Loss allowance	(4.55)	(4.55)
Total	33.86	17.81

Of the above, trade receivables from related parties are as below:

	As at March 31, 2020	As at March 31, 2019
Total trade receivables from related parties (Refer Note 32)	-	4.58
Loss allowance	-	-
Net trade receivables	-	4.58

The Company's exposure to credit and currency risks, and loss allowances related to trade receivables are disclosed in Note 30.

8 Cash and cash equivalents

	As at March 31, 2020	As at March 31, 2019
Balances with banks	1.94	1.59
- in current accounts	0.08	1.58
Cash on hand	-	-
Total	2.02	3.17

9 Other current assets

	As at March 31, 2020	As at March 31, 2019
Prepaid expenses	11.20	14.45
Advances to suppliers	-	1.15
Balances with statutory authorities	17.61	-
Total	28.81	15.60

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Sterling Holidays (Ooty) Limited

Notes forming part of financial statements as at and for the year ended March 31, 2020

(All amounts in Rs. lakhs, unless otherwise stated)

10 Equity share capital

Authorised equity share capital

Authorised

0.5 lakhs (March 31, 2019: 0.5 lakhs) equity shares of Rs. 10 each

Issued, subscribed and paid-up

0.5 lakhs (March 31, 2019: 0.5 lakhs) equity shares of Rs. 10 each

	As at March 31, 2020	As at March 31, 2019
Authorised	5.00	5.00
Issued, subscribed and paid-up	5.00	5.00
	5.00	5.00

Reconciliation of shares outstanding at the beginning and at the end of the year

Equity shares

At the commencement of the year

Shares issued during the year

At the end of the year

All issued shares are fully paid up.

	March 31, 2020		March 31, 2019	
	Number in lakhs	Amount in lakhs	Number in lakhs	Amount in lakhs
At the commencement of the year	0.50	5.00	0.50	5.00
Shares issued during the year	-	-	-	-
At the end of the year	0.50	5.00	0.50	5.00

Rights, preferences and restrictions attached to equity shares

The Company has a single class of equity shares. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets on winding up. The equity shares are entitled to receive dividend as declared from time to time. The dividend proposed, if any, by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. The voting rights of an equity shareholder are in proportion to his/its share of the paid-up equity share capital of the Company. On winding up of the Company, the holders of equity shares will be entitled to receive the residual assets of the Company, in proportion to the number of equity shares held.

Shares held by holding/ultimate holding company (i.e., parent of the Group) and/or their subsidiaries/associates

Equity shares of Rs. 10 each held by the Holding Company

Particulars of shareholders holding more than 5% shares of a class of shares

Equity shares of Rs. 10 each held by

Sterling Holiday Resorts Limited (Holding Company)

	March 31, 2020		March 31, 2019	
	Number in lakhs	Amount in lakhs	Number in lakhs	Amount in lakhs
Equity shares of Rs. 10 each held by the Holding Company	0.49	4.90	0.49	4.90

	March 31, 2020		March 31, 2019	
	Number in lakhs	% of total shares in class	Number in lakhs	% of total shares in class
Equity shares of Rs. 10 each held by Sterling Holiday Resorts Limited (Holding Company)	0.49	98%	0.49	98%

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Sterling Holidays (Ooty) Limited
Notes forming part of financial statements as at and for the year ended March 31, 2020
(All amounts in Rs. lakhs, unless otherwise stated)

11 Reserves and surplus

	As at March 31, 2020	As at March 31, 2019
Retained earnings	(399.35)	(471.20)
Total	(399.35)	(471.20)

Movement in retained earnings balances is as follows :

(a) Retained earnings

Opening balance	(471.20)	(515.52)
Profit for the year	70.29	42.69
<i>Items of other comprehensive income recognised directly in retained earnings</i>		
- Remeasurements of post-employment benefit obligation	1.56	2.25
- Income tax relating to this item	-	(0.62)
Closing balance	(399.35)	(471.20)

12 Other reserves

	Contribution from holding company March 31, 2020	March 31, 2019
Opening balance	68.58	68.58
Additions during the year	-	-
Closing balance	68.58	68.58

The loan received from holding company has been measured at fair value by discounting the expected future cashflows at a discount rate based on the risk and other factors applicable to the Company's cashflows. The difference between the carrying value and the fair value has been considered as capital contribution by the holding company considering the substance of the transaction.

13 Current borrowings

	As at March 31, 2020	As at March 31, 2019
Unsecured loan from holding company	122.63	179.20
Total	122.63	179.20

Unsecured loan from holding company

Unsecured loan amounting to Rs. 122.63 lakhs outstanding as on March 31, 2020 (March 31, 2019: Rs. 179.20 lakhs) from Sterling Holiday Resorts Limited (holding company) carries an interest rate of 10% and is repayable on demand.

Reconciliation of movement of liabilities to cash flows arising from financing activities

Particulars	March 31, 2020	March 31, 2019
Current borrowings	122.63	179.20
Net debt	122.63	179.20

Particulars

	Current borrowings	Total
Balance as at April 1, 2018	365.28	365.28
Proceeds from loans and borrowings	2,447.33	2,447.33
Repayment of borrowings	(2,633.41)	(2,633.41)
Balance as at March 31, 2019	179.20	179.20
Proceeds from loans and borrowings	2,010.36	2,010.36
Repayment of borrowings	(2,066.93)	(2,066.93)
Balance as at March 31, 2020	122.63	122.63

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Sterling Holidays (Ooty) Limited**Notes forming part of financial statements as at and for the year ended March 31, 2020***(All amounts in Rs. lakhs, unless otherwise stated)***14 Deferred tax assets**

The balance comprises temporary differences attributable to:

	As at March 31, 2020	As at March 31, 2019
Deferred tax assets		
Property, plant and equipment	0.46	0.50
Provision for employee benefits	8.65	9.68
Net deferred tax asset as per the balance sheet	<u>(9.11)</u>	<u>(10.18)</u>
Unrecognised deferred tax assets	<u>-</u>	<u>-</u>

Movement in deferred tax assets:

	Property, plant and equipment	Provision for employee benefits	MAT credit entitlement	Total
At April 1, 2018	0.29	1.99	9.93	12.21
Movement during the year	0.20	7.70	(9.93)	(2.03)
At March 31, 2019	<u>0.50</u>	<u>9.68</u>	<u>-</u>	<u>10.18</u>
Movement during the year	(0.04)	(1.03)	-	(1.07)
At March 31, 2020	<u>0.46</u>	<u>8.65</u>	<u>-</u>	<u>9.11</u>

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Sterling Holidays (Ooty) Limited
Notes forming part of financial statements as at and for the year ended March 31, 2020
(All amounts in Rs. lakhs, unless otherwise stated)
15 Provision for employee benefit obligations

	March 31, 2020			March 31, 2019		
	Current	Non-current	Total	Current	Non-current	Total
Compensated absence	2.10	4.18	6.28	2.01	3.69	5.70
Gratuity	3.67	10.68	14.35	4.13	9.43	13.56
Total	5.77	14.86	20.63	6.14	13.12	19.26

(i) Gratuity

The Company provides for gratuity for employees as per the Payment of Gratuity Act, 1972. Employees who are in continuous service for a period of 5 years are eligible for gratuity. The amount of gratuity payable on retirement/termination is the employees last drawn basic salary per month computed proportionately for 15 days salary multiplied for the number of years of service.

	March 31, 2020	March 31, 2019
Opening present value of obligation	13.56	14.26
Current service cost	2.69	2.67
Interest expense	0.92	1.01
Total amount recognised in profit or loss	3.61	3.68
Remeasurements:		
(Gain)/loss from change in demographic assumptions	(0.10)	(0.07)
(Gain)/loss from change in financial assumptions	(0.15)	(1.33)
Experience (gains)/losses	(1.31)	(0.85)
Total amount recognised in other comprehensive income	(1.56)	(2.25)
Benefit payments	(1.26)	(2.13)
Closing present value of obligation	14.35	13.56
The net liability disclosed above related to unfunded plans are as follows:		
Unfunded plans	14.35	13.56

(iii) Principal actuarial assumptions used in valuation of gratuity

Discount rate	6.15%	7.13%
Salary growth rate	First year- 0% thereafter-4%	4%
Attrition rate	30%	28%

Estimates of future salary increases considered in actuarial valuation takes account of inflation, seniority, promotion and other relevant factors, such as supply and demand in employment market.

(iv) Sensitivity analysis

The below table summarises the impact of movement in key assumptions on the present value obligation as at the balance sheet date:

	March 31, 2020	March 31, 2019
a) Gratuity		
Discount rate:		
+ 100 basis points	(0.38)	(0.35)
- 100 basis points	0.44	0.41
Salary escalation rate:		
+ 100 basis points	0.49	0.48
- 100 basis points	(0.44)	(0.42)
b) Compensated absence		
Discount rate:		
+ 100 basis points	(0.15)	(0.15)
- 100 basis points	0.15	0.14
Salary escalation rate:		
+ 100 basis points	0.19	0.18
- 100 basis points	(0.18)	(0.17)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumption may be correlated. When calculating the sensitivity of the defined benefit obligation to the significant actuarial assumptions the same method (present value of defined benefit obligation calculated using the projected unit credit method at the end of the reporting period) has been applied when calculating the defined benefit liability in the balance sheet.

The methods and types of assumption used in preparing the sensitivity analysis did not change compared to the prior period.

(v) Defined contribution plans

The Company has also certain defined contribution plans. Contributions are made to provident fund in India for employees at the rate of 12% of gross salary as per regulations. The contributions are made to registered provident fund administered by Government. The obligation of the Company is limited to the amount contributed and it has no further contractual nor any constructive obligation. The expense recognised during the year towards defined contribution plan is Rs. 16.63 lakhs (March 31, 2019: Rs. 16.74 lakhs).



Sterling Holidays (Ooty) Limited**Notes forming part of financial statements as at and for the year ended March 31, 2020***(All amounts in Rs. lakhs, unless otherwise stated)*

	As at March 31, 2020	As at March 31, 2019
16 Trade payables		
Dues to micro and small enterprises (Refer Note 37)	0.88	2.15
Dues to creditors other than micro and small enterprises	227.53	109.55
Total	228.41	111.70
The Company's exposure to liquidity risks related to trade payables is disclosed in Note 30.		
17 Other financial liabilities		
Current		
Interest accrued but not due on borrowings	3.32	87.47
Security deposits	19.16	22.56
Others	0.32	0.32
Total	22.80	110.35
18 Other provisions		
Provision for fringe benefit tax	0.36	0.36
Total	0.36	0.36
19 Current tax liabilities		
Provision for income tax	21.61	-
Total	21.61	-
20 Other current liabilities		
Salaries, wages, bonus and other employee payables	28.00	19.75
Contract liability - Advance received from customer	18.47	-
Statutory dues payable	2.93	51.30
Total	49.40	71.05

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Sterling Holidays (Ooty) Limited
Notes forming part of financial statements as at and for the year ended March 31, 2020
(All amounts in Rs. lakhs, unless otherwise stated)

	For the year ended March 31, 2020	For the year ended March 31, 2019
21 Revenue from operations		
(a) Dissaggregation of revenue:		
On the basis of nature of goods or services:		
Sale of products		
Food and beverages	347.68	402.09
Sale of services		
Income from resorts:		
- Room rentals (Refer Note 32)	1,168.28	1,103.54
- Others	119.90	127.94
Other operating revenues		
Service charges	24.23	27.55
Total	1,660.09	1,661.12
On the basis of timing of transfer of goods or services:		
At a point in time	491.81	557.58
Over a period of time	1,168.28	1,103.54
Total	1,660.09	1,661.12
(b) Movement in contract liabilities as per Ind AS 115 - Revenue from contracts with customers	For the year ended March 31, 2020	For the year ended March 31, 2019
Opening balance	-	-
Additions during the year (net)	18.47	-
Income recognized during the year	-	-
Closing balance	18.47	-
Contract liabilities pertain to advances received from customers which will be recognized as revenue when the service is rendered.		
22 Other income		
Income from skill development training	53.42	-
Management services income	35.65	49.04
Scrap sales	0.73	0.16
Interest Income	1.04	-
Total	90.84	49.20
23 Cost of materials consumed		
Inventory of materials at the beginning of the year	2.11	2.27
Add: Purchases	110.15	109.01
Less: Inventory of materials at the end of the year	3.25	2.11
Cost of food and beverages consumed	109.01	109.17
24 Employee benefit expense		
Salaries, wages and bonus	254.78	245.79
Contribution to provident and other funds	20.58	22.98
Gratuity and compensated absences	4.72	3.53
Staff welfare expenses	45.48	40.72
Total	325.56	313.02
25 Finance cost		
Interest charges on financial liabilities not measured at fair value through profit and loss	14.96	26.69
Interest on lease liability	0.78	-
Total	15.74	26.69
26 Depreciation		
Depreciation of property, plant and equipment	1.69	1.12
Depreciation of right of use assets	5.54	-
Total	7.23	1.12



Sterling Holidays (Ooty) Limited

Notes forming part of financial statements as at and for the year ended March 31, 2020

(All amounts in Rs. lakhs, unless otherwise stated)

	For the year ended March 31, 2020	For the year ended March 31, 2019
27 Other expenses		
Consumption of stores and spares	19.08	25.31
Power and fuel	118.96	122.85
Rent	160.00	176.39
Repairs and maintenance:		
- Building	8.01	7.50
- Plant and machinery	24.10	21.71
- Others	3.23	3.50
Insurance	0.24	1.57
Rates and taxes	24.27	33.11
Guest supplies	20.51	23.01
Laundry expenses	23.78	24.07
Communication	1.41	3.74
Printing & Stationery	3.62	3.96
Recruitment and training	1.31	1.38
Travel and tours	44.83	58.76
Legal and professional	1.64	2.12
Management and brand fees	539.25	483.20
Payment to statutory auditors:		
As Auditor:		
- Statutory audit	3.50	3.50
- Other services	1.00	0.50
Travel and conveyance	7.49	8.17
Security charges	20.48	21.45
Water charges	26.16	25.45
Sales commission	125.89	121.47
Sales promotion	0.27	2.32
Corporate social responsibility	1.68	-
Bank charges	4.95	6.42
Miscellaneous expenses	14.76	28.60
Total	1,200.42	1,210.06
28 Income tax expense		
a) Amount recognised in profit or loss		
<i>Current tax</i>		
Current tax for the year	21.61	16.12
Total	21.61	16.12
<i>Deferred tax expense</i>		
(Increase)/Decrease in deferred tax assets	1.07	(8.55)
Total	1.07	(8.55)
Income tax expense	22.68	7.57
b) Reconciliation of tax expense and the accounting profit multiplied by India's tax rate:		
Profit before income tax expense	92.97	50.26
Tax at the Indian tax rate of 22.88% (Previous year 27.82%)	21.27	13.98
Net tax effects of temporary differences which are (deductible)/disallowed in calculating taxable income	0.34	2.13
Income tax expense	21.61	16.12
c) Tax losses		
Amount of deductible temporary differences on which no deferred tax assets has been recognised	-	-
Unused tax losses for which no deferred tax assets have been recognised	-	-
Potential tax benefit at 22.88% (Previous year: 27.82%)	-	-
Tax losses on account of unrecognised deferred tax assets		
Date of expiry to carry forward	March 31, 2020	March 31, 2019
31-Mar-21	-	-
31-Mar-22	-	-
Indefinite period to carry forward	-	-
Total	-	-



Sterling Holidays (Ooty) Limited

Notes forming part of financial statements as at and for the year ended March 31, 2020

(All amounts in Rs. lakhs, unless otherwise stated)

29 Fair value measurements

Financial instruments by category	March 31, 2020			March 31, 2019		
	FVTPL	FVOCI	Amortised cost	FVTPL	FVOCI	Amortised cost
Financial assets						
Trade receivables	-	-	33.86	-	-	17.81
Cash and cash equivalents	-	-	2.02	-	-	3.17
Other financial assets	-	-	35.87	-	-	30.96
Total financial assets	-	-	71.75	-	-	51.94
Financial liabilities						
Borrowings	-	-	122.63	-	-	179.20
Trade payables	-	-	228.41	-	-	111.70
Other financial liabilities	-	-	22.80	-	-	110.35
Lease liability	-	-	5.31	-	-	-
Total financial liabilities	-	-	379.15	-	-	401.25

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are measured at amortised cost and for which fair values are disclosed in the financial statements. There are no financial instruments that are measured at fair value through OCI or PL. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the accounting standard. An explanation of each level is as follows:

Assets and liabilities which are measured at amortised cost for which fair values are disclosed

At March 31, 2020	Notes	Level 1	Level 2	Level 3	Total
Financial Liabilities					
Borrowings	13	-	-	122.63	122.63
Interest accrued and not due on borrowings	17	-	-	3.32	3.32
Lease liability	38	-	-	5.31	5.31
Total financial liabilities		-	-	131.26	131.26

Assets and liabilities which are measured at amortised cost for which fair values are disclosed

At March 31, 2019	Notes	Level 1	Level 2	Level 3	Total
Financial Liabilities					
Borrowings	13	-	-	179.20	179.20
Interest accrued and not due on borrowings	17	-	-	87.47	87.47
Total financial liabilities		-	-	266.67	266.67

There are no transfers between levels 1 and 2 during the year.

(ii) Valuation technique used to determine fair value

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments
 - the fair value of foreign currency option contracts is determined using Black Scholes valuation model.
 - the fair value of the remaining financial instruments is determined using discounted cash flow analysis.
- All of the resulting fair value estimates are included in level 2

(iii) Fair value of financial assets and liabilities measured at amortised cost

Financial Liabilities	March 31, 2020		March 31, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Borrowings	122.63	122.63	179.20	179.20
Interest accrued and not due on borrowings	-	-	-	-
Total financial liabilities	122.63	122.63	179.20	179.20

The carrying amounts of trade receivables, trade payables, cash and cash equivalents, borrowings, interest accrued other financial assets and other financial liabilities approximate their fair values, due to their short-term nature. Hence the carrying amount is considered as the fair value.



30 Financial risk management

The Company's activities expose it to market risk, liquidity risk and credit risk

Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and cash equivalents, trade receivables, financial assets measured at amortised cost.	Aging analysis and credit rating	Diversification of bank deposits and credit limits
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines. The borrowings are from the holding company and there are no fixed repayment schedule

The Company's risk management is carried out by a central treasury department under policies approved by the board of directors. The board provides principles for overall risk management, as well as policies covering specific areas such as credit risk and liquidity risk.

(A) Credit risk

Credit risk arises from cash and cash equivalents carried at amortised cost and deposits with banks and financial institutions, as well as credit exposures to customers including outstanding receivables.

(i) Credit risk management

Credit risk is managed on a Company basis. For banks and financial institutions, only high rated banks/institutions are accepted.

For other financial assets, the Company assesses and manages credit risk based on internal credit rating system. The finance function consists of a separate team that assess and maintain an internal credit rating system. Internal credit rating is performed on a Company basis for each class of financial instruments with different characteristics. The Company assigns the following credit ratings to each class of financial assets based on the assumptions, inputs and factors specific to the class of financial assets

C1 : High-quality assets, negligible credit risk

C2 : Doubtful assets, credit-impaired

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information and the Company majority manages the credit risk through internal credit rating system.

A default on a financial asset is when the counterparty fails to make contractual payments as and when they fall due. This definition of default is determined by considering the business environment in which entity operates and other macro-economic factors.

(ii) Provision for expected credit losses

The Company provides for expected credit loss based on the following:

Internal rating	Category	Description of category	Basis for recognition of expected credit loss provision	
			Trade receivables	Others
C1	High quality assets, negligible credit risk	Assets where the counter-party has strong capacity to meet the obligations and where the risk of default is negligible or nil.	Life-time expected credit losses	12-month expected credit losses
C2	Doubtful assets, credit-impaired	Assets are provided for when there is no reasonable expectation of recovery. The company categorises a receivable or provisioning when the debtor fails to make the contractual payment within 180 days from the date they become due. Where loans or receivables have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.	Asset is provided for fully	Asset is provided for fully

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For the year ended March 31, 2020 and March 31, 2019:

(a) Expected credit loss for deposits

The estimated gross carrying amount at default is Nil (March 2019: Nil) for deposits. Consequently there are no expected credit loss recognised for these financial assets.

(b) Expected credit loss for trade receivables under simplified approach

As at March 31, 2020

Ageing

Gross carrying amount
Expected loss rate □
Expected credit losses (Loss allowance provision)

As at March 31, 2019

Ageing

Gross carrying amount
Expected loss rate □
Expected credit losses (Loss allowance provision)

(c) Reconciliation of loss allowance provision- Trade receivables

Loss allowance on April 1, 2018

Changes in loss allowances due to

Provision made in the year

Recoveries

Loss allowance on March 31, 2019

Changes in loss allowances due to

Provision made in the year

Recoveries

Loss allowance on March 31, 2020

	Upto 180 days past due	More than 180 days past due	Total
	38.41	-	38.41
	6%	0%	12%
	2.49	-	4.55
	Upto 180 days past due	More than 180 days past due	Total
	20.30	2.06	22.36
	12%	100%	20%
	2.49	2.06	4.55
			4.55
			-
			4.55
			-
			4.55

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(B) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. The Company's treasury maintains flexibility in funding by maintaining availability under committed credit lines. Management monitors rolling forecasts of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows. Company also manages its financing requirements through borrowings from the holding company which does not have any fixed repayment schedule.

Maturities of financial liabilities

The tables below analyse the Company's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows, including interest. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities:	Carrying amount	Less than 3 months	Within one year	Between 1 and 2 years	Between 2 and 5 years	Total
March 31, 2020						
Non-derivatives						
Borrowings	122.63	122.63	-	-	-	122.63
Trade payables	228.41	228.41	-	-	-	228.41
Other financial liabilities	22.80	22.80	-	-	-	22.80
Total non-derivative liabilities	373.84	373.84	-	-	-	373.84
March 31, 2019						
Non-derivatives						
Borrowings	266.67	271.15	-	-	-	271.15
Trade payables	109.55	109.55	-	-	-	109.55
Other financial liabilities	22.88	22.88	-	-	-	22.88
Total non-derivative liabilities	399.10	403.58	-	-	-	403.58

31 Capital management

Risk management

The Company's objectives when managing capital are to:

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

The Company borrows from the holding company at 10% per annum in order to meet its capital requirements. As at March 31, 2020 the net-worth of the Company has been fully eroded. The Company has shown improvement in operating results due to increase in occupancy rate and tariffs. The Company expects higher growth and profitability in future due to increase in occupancy rates and tariffs from the property which was recently refurbished. It is also fully supported by the holding company for funding.



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Sterling Holidays (Ooty) Limited

Notes forming part of financial statements as at and for the year ended March 31, 2020

(All amounts in Rs. lakhs, unless otherwise stated)

32 Related party transactions**(a) Parent entities**

Name of entity	Type	Ownership interest held by the group	
		March 31, 2020	March 31, 2019
Fairfax Financial Holdings Limited, Canada	Ultimate holding company	-	-
Thomas Cook (India) Limited	Intermediate holding company	-	-
Sterling Holiday Resorts Limited	Holding company	98%	98%

(b) Transactions with related parties

Transactions with related parties are as follows:

	For the year ended March 31, 2020	For the year ended March 31, 2019
Sale of services		
Thomas Cook (India) Limited	-	6.73
Lease rent expenses		
Sterling Holiday Resorts Limited	156.30	165.21
Brand expenses		
Sterling Holiday Resorts Limited	51.46	33.23
Miscellaneous income		
Sterling Holiday Resorts Limited	35.65	49.04
Management fees		
Sterling Holiday Resorts Limited	487.79	449.98
Interest on borrowings		
Sterling Holiday Resorts Limited	14.82	26.69
Loans availed		
Sterling Holiday Resorts Limited	2,010.36	2,474.01
Loans repaid		
Sterling Holiday Resorts Limited	2,066.93	2,648.57
(c) Outstanding balances as at year end	As at	As at
The following balances are outstanding at the end of the reporting period:	March 31, 2020	March 31, 2019
Trade receivables		
Thomas Cook (India) Limited	-	3.64
Borrowings		
Sterling Holiday Resorts Limited	122.63	179.20
Interest accrued but not due		
Sterling Holiday Resorts Limited	3.32	87.47

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Sterling Holidays (Ooty) Limited

Notes forming part of financial statements as at and for the year ended March 31, 2020

(All amounts in Rs. lakhs, unless otherwise stated)

33 Contingent liabilities and contingent assets

**As at
March 31, 2020** **As at
March 31, 2019**

Claims against the Company not acknowledged as debt:

(a) Luxury tax related demands under appeal for assessment years from 1998-99 to 2005-06 196.38 196.38

(b) Supreme Court vide their judgement dated February 28, 2019 clarified that Provident fund deduction is to be made on basic salary and on other salary components which are universally made available to all employees. The Company, based on external advice, believes that there are interpretative challenges on the application of the judgement retrospectively. Based on the advice and in the absence of the reliable measurement of the provision for earlier periods, the Company has not recorded a provision with respect to any period. The Company would update the provision in future based on clarification received from the relevant authorities.

34 Sterling Holiday Resorts Limited (SHRL) holds 98% equity shares in the Company and the Company is responsible for maintaining the property Ooty Elkhill, pursuant to the property timeshare agreement with the property timeshare members. However, certain property timeshare weeks are unsold and retained by the SHRL. Pursuant to the necessary approvals obtained by the Company as required under the Companies Act, 2013, the Company is permitted to rent out weeks sold to property timeshare members and unsold weeks retained by SHRL which are vacant and earn revenue from it. The property timeshare members and SHRL shall have no claim on the revenue generated by the Company. Further, pursuant to the exchange clause under property timeshare agreement, property timeshare members of the said property are also eligible to utilize facilities at SHRL's other resorts.

35 The Company has identified only one reportable segment. The entire Company's business is from resort operations and maintenance services (being leisure hospitality services) and there are no other reportable segments. Thus, the segment revenue, segment results, total carrying value of segment assets, total carrying amount of segment liabilities, total cost incurred to acquire segment assets, total amount of charge of depreciation during the year are all as reflected in the financial statements as at and for the year ended March 31, 2020.

36 In March 2020, the World Health Organization declared COVID-19 to be a pandemic. The Company has adopted measures to curb the spread of infection in order to protect the health of its employees and ensure business continuity with minimal disruption (including temporary closure and phased reopening of its resort).

The financial statements for the year ended March 31, 2020 reflect that the Company has incurred losses of Rs. 70.29 lakhs during the year and has accumulated losses of approximately Rs. 399.35 lakhs (which have fully eroded the net worth of the Company) as at the balance sheet date. The Company has considered various internal and external sources of information, up to the date of approval of the financial statements, in determining the potential impact on the financial position and business operations of the Company including those arising from the COVID-19 pandemic.

Based on the approved cash flow projections for the next 12 months and financial support from the parent company Sterling Holiday Resorts Limited (SHRL), the Company believes that it would be able to meet its financial requirements and no adjustments would be required in respect of the carrying values of assets/liabilities. Accordingly, these financial statements are prepared on a going concern basis.

37 Disclosure under Micro, Small and Medium Enterprises Development Act, 2006 are provided as under for the year 2019-20, to the extent the Company has received intimation from the "Suppliers" regarding their status under the Act

	As at March 31, 2020	As at March 31, 2019
i Principal amount due to suppliers registered under the MSMED Act and remaining unpaid as at year end	0.88	2.15
ii Interest due to suppliers registered under the MSMED Act and remaining unpaid as at year end	0.07	0.07
iii Principal amounts paid to suppliers registered under the MSMED Act, beyond the appointed date during the year	8.82	9.34
iv Interest paid, other than under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-
v Interest paid, under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-
vi Interest due and payable towards suppliers registered under MSMED Act, for payments already made	0.04	0.06
vii Further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the MSMED Act	0.03	0.00

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38 Recently adopted accounting standard

Ind AS 116, Leases

Transition

Pursuant to the notification dated March 30, 2019 of the Ministry of Corporate Affairs, Ind AS 116, Leases became applicable to the Company with effect from April 1, 2019. This standard replaces the earlier standard, Ind AS 17 Leases.

Ind AS 116 introduces a single on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to the underlying asset and a lease liability representing its obligation to make lease payments. Lessor accounting remains similar to the earlier standard – i.e., lessors continue to classify leases as finance or operating leases.

The Company has adopted Ind AS 116 and applied the Standard to its leases, retrospectively, with the cumulative effect of initially applying the Standard recognized at the date of initial application (April 1, 2019). Accordingly, the information presented for the for the year ended March 31, 2019 has not been restated – i.e. it is presented, as previously reported, under Ind AS 17. The Company has elected to measure right-of-use asset for all leases at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before the date of initial application. Further, the Company has elected not to apply the requirements of Ind AS 116 to short-term leases and leases for which the underlying asset is of low value.

The Company has used the following practical expedients permitted under Ind AS 116:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- the accounting for operating leases with a remaining lease term of less than 12 months as at April 1, 2019 as short-term leases
- not to separate non-lease components from lease components where information is not clearly evident and instead account for each lease component and any associated non-lease components as a single lease component
- not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the company relied on its assessment made applying Ind AS 17.

Impact on financial statements

On transition to Ind AS 116 the Company recognised lease liability of Rs 10.60 lakhs measured at the present value of remaining lease payments and right-of-use assets of Rs 10.60 lakhs measured at lease liability adjusted for prepayments in the balance sheet as at April 1, 2019.

When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at April 1, 2019. The weighted average rate applied is 9.5%

	Amount
Operating lease commitment at March 31, 2019	11.64
---Recognition exemption for	
short term leases	-
leases of low values	-
Lease commitments to be recognized as at April 1, 2019	11.64
Present value of lease liabilities recognised at April 1, 2019	10.60

As a lessee, the Company leases many assets including land and building, vehicles

Right of use assets

Balance at April 1, 2019

Transition adjustment on adopting IND AS 116

Addition to right of use assets

Depreciation charge for the year

Derecognition of right of uses assets

Balance at March 31, 2020

Building	Total
-	-
10.60	10.60
-	-
(5.54)	(5.54)
-	-
5.06	5.06

Lease liabilities

Balance at April 1, 2019

Transition adjustment

Additions

Deletions

Finance cost accrued during the period

Discharge of lease liabilities

Balance at March 31, 2020

Current

Non current

31-Mar-20	Total
-	-
10.60	10.60
-	-
-	-
0.78	0.78
(6.07)	(6.07)
5.31	5.31
-	-
5.31	5.31

Maturity analysis contractual undiscounted cash flows

Less than one year

One to five years

More than five years

Total

31-Mar-20	Total
5.57	5.57
-	-
-	-
5.57	5.57

Amounts recognised in profit or loss

Interest on lease liability

Variable lease payments not included in the measurement of lease liability

Expenses relating to short term leases

Expenses relating to leases of low value assets,excluding short term leases of low value assets

2019-20	Total
0.78	0.78
156.30	156.30
3.70	3.70
-	-

Amounts recognised in statement of cash flow

Total cash outflow for leases

2019-20	Total
6.07	6.07



Sterling Holidays (Ooty) Limited
Notes forming part of financial statements as at and for the year ended March 31, 2020
(All amounts in Rs. lakhs, unless otherwise stated)

The following table summarizes the amount by which each financial statement line item is affected in the current year as a result of applying Ind AS 116.

Balance sheet as at March 31, 2020

Particulars	Note	Amounts without adoption of Ind AS 116	Impact of Ind AS 116	As reported
Assets				
Non-current assets				
Property, plant and equipment	4	15.65	-	15.65
Right of use assets	38	-	5.06	5.06
Financial assets				
i. Other financial assets	5	24.13	-	24.13
Other tax assets	5A	7.68	-	7.68
Deferred tax assets (net)	14	9.11	-	9.11
Total non-current assets		56.58	5.06	61.64
Current assets				
Inventories	6	7.32	-	7.32
Financial assets				
i. Trade receivables	7	33.86	-	33.86
ii. Cash and cash equivalents	8	2.02	-	2.02
iii. Other financial assets	9	11.74	-	11.74
Other current assets	5	28.81	-	28.81
Total current assets		83.75	-	83.75
Total assets		140.33	5.06	145.38
Equity and liabilities				
Equity				
Equity share capital	10	5.00	-	5.00
Other equity				
Reserves and surplus	11	(399.09)	(0.26)	(399.35)
Other reserves	12	68.58	-	68.58
Total equity		(325.51)	(0.26)	(325.77)
Liabilities				
Non-current liabilities				
Provisions				
i. Provision for employee benefit obligations	15	14.86	-	14.86
Total non-current liabilities		14.86	-	14.86
Current liabilities				
Financial liabilities				
i. Borrowings	13	122.63	-	122.63
ii. Trade payables	16	228.41	-	228.41
iii. Other financial liabilities	17	22.80	-	22.80
iv. Lease liability	38	-	5.31	5.31
Provisions				
i. Provision for employee benefit obligations	15	5.77	-	5.77
ii. Other provisions	18	0.36	-	0.36
Current tax liabilities	19	21.61	-	21.61
Other current liabilities	20	49.40	-	49.40
Total current liabilities		450.98	5.31	456.29
Total liabilities		465.84	5.31	471.15
Total equity and liabilities		140.33	5.06	145.38

Statement of Profit and Loss for the year ended March 31, 2020

Particulars	Note	Amounts without adoption of Ind AS 116	Impact of Ind AS 116	As reported
Revenue from operations	21	1,660.09	-	1,660.09
Other income	22	90.84	-	90.84
Total Income		1,750.93	-	1,750.93
Cost of materials consumed	23	109.01	-	109.01
Employee benefit expenses	24	325.56	-	325.56
Finance costs	25	14.96	0.78	15.74
Depreciation	26	1.69	5.54	7.23
Other expenses	27	1,206.48	(6.06)	1,200.42
Total expenses		1,657.70	0.26	1,657.96
Loss before tax		93.23	(0.26)	92.97
Income-tax expense / (benefit)	28	22.68	-	22.68
Loss for the period		70.55	(0.26)	70.29
Other Comprehensive Income		1.56	-	1.56
Total Comprehensive Income		72.11	(0.26)	71.85



Sterling Holidays (Ooty) Limited

Notes forming part of financial statements as at and for the year ended March 31, 2020

(All amounts in Rs. lakhs, unless otherwise stated)

39 Earnings per share

Profit for the year attributable to the equity holders
Weighted average number of equity shares outstanding (in numbers)
Basic & diluted earnings per share (in Rs.)

March 31, 2020	March 31, 2019
92.97	50.26
50,000	50,000
185.93	100.52

As per our report of even date

for **BSR & Co. LLP**

Chartered Accountants

Firm Registration Number: 101248W/W-100022



Satish Vaidyanathan

Partner

Membership No.: 217042

Place: Chennai

Date: June 17, 2020

For and on behalf of the Board of Directors

Sterling Holidays (Ooty) Limited

(CIN U55102TN1989PLC018349)



Ramesh Shanmugam

Director

DIN No.: 06646158

M Balasubramaniyan

Director

DIN No.: 03088801

Place: Chennai

Date: June 5, 2020

**LUXE ASIA (PVT) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2020**



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF LUXE ASIA (PVT) LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Luxe Asia (Pvt) Limited ("the Company"), which comprise the statement of financial position as at 31 March 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements 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.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 30 to the financial statements. As described in the said Note, the Company has incurred a net loss of Rs. 44,107,776/- for the year ended 31 March 2020 (2019 - Rs. 15,556,387/-), and as of that date the Company's accumulated loss was Rs. 154,784,468/- (2019 - Rs. 117,046,001/-). Further the Company's current liabilities exceeded the current assets by Rs.131,039,799/-(2019 - Rs. 114,327,809/-) and its total liabilities exceeded its total assets by Rs.124,784,468/- (2019 - Rs.112,046,001/-).

Although these conditions indicate the existence of uncertainty which may cast significant doubt about the Company's ability to continue as a going concern, the board of directors are of the view that it will continue as a going concern. The ultimate parent company, Thomas Cook (India) Limited, has given a letter of comfort dated 15 July 2020 confirming their intention to provide adequate financial support to the Company as is necessary to ensure its continuing operation for a period of at least 12 months following the date of approval of the financial statements and if and when the Company is unable to settle its liabilities to other parties when they fall due.

Accordingly, no adjustments have been made in the financial statements.

Other Information

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon. Management is responsible for the other information. These financial statements do not comprise other information.



Responsibilities of 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.

A further description of the auditor's responsibilities for the audit of the financial statements is located at Sri Lanka Accounting and Auditing Standards website at: <http://slaasc.com/auditing/auditorsresponsibility.php>. This description forms part of our auditor's report.

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. However the company's net assets are less than half of its stated capital and in a negative state of affairs resulting in a serious loss of capital situation in terms of section 220 of the same act.

The Company has initiated the process to satisfy the requirement under section 220 referred to above, by circulating the notice of the meeting calling for an extraordinary general meeting along with the approved report presented by the Board of Directors of the Company.

CHARTERED ACCOUNTANTS
Colombo, Sri Lanka
15 July 2020

LUXE ASIA (PVT) LTD
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March,

	Note	2020 Rs	2019 Rs
Revenue	6	398,059,137	892,915,438
Cost of sales	7	(340,145,851)	(760,250,571)
Gross profit		57,913,286	132,664,867
Other income	8	35,543,790	5,804,971
Administrative expenses		(112,575,543)	(126,573,450)
Distribution expenses		(15,515,513)	(29,431,000)
Loss from operations	9	(34,633,980)	(17,534,612)
Net finance (expenses)/ income	10	(372,709)	6,745,812
Loss before tax		(35,006,689)	(10,788,800)
Income tax expense	11	(9,101,087)	(4,767,587)
Loss for the year		(44,107,776)	(15,556,387)
Other comprehensive income, net of income tax			
Actuarial gain on defined benefit plans		7,406,174	781,101
Deferred tax in relation to OCI		(1,036,864)	(109,354)
		6,369,310	671,747
Total comprehensive income for the year		(37,738,466)	(14,884,640)
Loss per share	12	(88.22)	(31.11)

The notes to the Financial Statements form an integral part of these Financial Statements.

Figures in bracket indicate deductions.



LUXE ASIA (PVT) LTD
STATEMENT OF FINANCIAL POSITION

As at March,

	Note	2020 Rs	2019 Rs
ASSETS			
Property, plant & equipment	13	8,283,773	10,363,399
Intangible assets	14	1,671,399	843,752
Deferred tax assets	15	251,520	1,150,551
Total non-current assets		10,206,692	12,357,702
Trade and other receivables	16	15,092,276	70,205,457
Advance and prepayments	17	5,537,914	10,952,950
Short term Investments		522,583	500,000
Cash and cash equivalents	18	6,758,577	48,820,130
Total current assets		27,911,350	130,478,537
Total assets		38,118,042	142,836,239
EQUITY AND LIABILITIES			
Stated capital	19	5,000,000	5,000,000
Advance received from share holders		25,000,000	-
Accumulated losses		(154,784,468)	(117,046,001)
Total equity		(124,784,468)	(112,046,001)
Liabilities			
Employee benefits	20	3,951,361	10,075,894
Total non-current liabilities		3,951,361	10,075,894
Trade and other payables	21	98,709,174	189,974,464
Amount due to related party	22	20,613,416	25,000,000
Current taxation		132,612	673,365
Bank overdraft	18	39,495,947	29,158,517
Total current liabilities		158,951,149	244,806,346
Total liabilities		162,902,510	254,882,240
Total equity and liabilities		38,118,042	142,836,239

The notes to the Financial Statements form an integral part of these Financial Statements.

I certify that these Financial Statements are in compliance with the requirements of Companies Act No 7 of 2007.




Thajul Riyaz
Chief Financial Officer

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



Director



Director

15 July 2020
 Colombo



LUXE ASIA (PVT) LTD
STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2020

	Stated capital Rs	Advances Received from shareholders Rs	Accumulated Loss Rs	Total Rs
Balance as at 01st April 2018	5,000,000	-	(102,161,362)	(97,161,362)
Total comprehensive Income for the year				
Loss for the year	-	-	(15,556,387)	(15,556,387)
Other comprehensive income for the year	-	-	671,747	671,747
Total comprehensive income for the year	-	-	(14,884,640)	(14,884,640)
Balance as at 31st March 2019	5,000,000	-	(117,046,001)	(112,046,001)
Balance as at 01st April 2019	5,000,000	-	(117,046,001)	(112,046,001)
Total comprehensive Income for the year				
Loss for the year	-	-	(44,107,776)	(44,107,776)
Other comprehensive income for the year	-	-	6,369,310	6,369,310
Total comprehensive income for the year	-	-	(37,738,466)	(37,738,466)
Transaction with owners of the Company, recognized directly in equity				
Advance received from shareholders for preference share conversion	-	25,000,000	-	25,000,000
Balance as at 31st March 2020	5,000,000	25,000,000	(154,784,468)	(124,784,468)

The notes to the Financial Statements form an integral part of these Financial Statements.
Figures in bracket indicate deductions.



LUXE ASIA (PVT) LTD
STATEMENT OF CASHFLOWS

For the year ended 31st March,

	2020 Rs	2019 Rs
Cash flow from operating activities		
Loss before tax	(35,006,689)	(10,788,800)
Adjustments for :		
Depreciation	2,155,626	1,934,787
Amortisation	665,311	437,740
Provision for impairment of trade receivables	-	291,742
Intangible asset writeoff	14,000	-
Loss on disposal of property, plant and equipment	-	1,498,262
Provision for gratuity	1,395,041	3,213,503
Net finance cost	372,709	(6,745,812)
Operating loss before working capital changes	(30,426,585)	(10,158,577)
Decrease/(increase) in trade and other Receivables	50,761,890	(23,330,150)
Increase in advance and prepayments	5,415,035	7,559,838
Increase/ (decrease) in amounts due to related parties	14,113,416	(438,035)
Increase in short term investments	22,583	-
(Decrease)/increase in trade and other payables	(91,265,290)	77,246,156
Cash used in operations	(51,378,951)	50,879,232
Gratuity paid	(113,400)	-
Interest Paid	(5,823,674)	(3,725,990)
Net cash flows used in operating activities	(57,316,025)	47,153,242
Cash flows from investing activities		
Acquisition of property, plant and equipment	(76,000)	(8,617,478)
Loans obtained during the year	14,000,000	-
Loan repayments during the year	(7,500,000)	-
Acquisition of intangible asset	(1,506,958)	(622,625)
Proceeds from disposal of property, plant and equipment	-	102,175
Invest in short term investment	-	22,454
Net cash used in investing activities	4,917,042	(9,115,474)
Net decrease in cash and cash equivalents	(52,398,983)	38,037,768
Cash and cash equivalents at the beginning of the year	19,661,613	(18,376,155)
Cash and cash equivalents at the end of the year (Note 18)	(32,737,370)	19,661,613

The Notes to the Financial Statements form an integral part of these Financial Statements.



LUXE ASIA (PVT) LTD
NOTES TO THE FINANCIAL STATEMENTS

1 REPORTING ENTITY

1.1. Domicile and Legal Form

Luxe Asia (Pvt) Ltd (“the Company”) is a limited liability Company incorporated on 22th June 2011 and domiciled in Sri Lanka. The registered office of the Company is located at No 327, Union Place, Colombo 02, Sri Lanka and the principle place of business is situated at No 272, Vauxhall Street, Colombo 02.

1.2. Principal Activities and Nature of Operations

The Principal activity of the Company is to act as a travel agent and to provide travel related services. No changes were made to the principal activities and nature of operations during the year.

1.3. Parent Enterprise and Ultimate Parent Enterprise

Thomas Cook Lanka (Pvt) Ltd became the immediate parent and controlling party of Luxe Asia (Pvt) Ltd since 1st August 2015, after acquiring the Company from Ceylon Hotel Holdings (Pvt) Ltd. The Company's ultimate parent undertaking is Thomas Cook India (Pvt) Ltd.

1.4. Number of Employees

The total number of employees of the Company as at 31st March 2020 was 42 (2019 – 66)



2 BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements of the Company comprise the statement of financial position, statement of profit or loss and other comprehensive income, changes in equity and cash flows together with accounting policies and notes to the Financial Statements.

The financial statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards (SLAS) prefixed both SLFRS (corresponding to IFRS) and LKAS (corresponding to IAS), promulgated by the Institute of Chartered Accountants of Sri Lanka.

The financial statements prepared are in compliance with the requirements of Companies Act, No. 7 of 2007.

2.2 Basis of measurement

The Financial Statements have been prepared on the historical cost basis and applied consistently which no adjustments being made for inflationary factors affecting the financial statements, except for the defined benefit liability is recognized as the present value of the defined benefit obligation, plus unrecognized actuarial gains, less unrecognized past service cost and unrecognized actuarial losses.

2.3 Comparative Figures

Where necessary, comparative figures have been rearranged to conform with the current year's presentation.

2.4 Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (“the functional currency”) and rounded to the nearest rupee value.

These financial statements are presented in Sri Lankan Rupees (Rs.) which is the Company's functional and presentation currency.

2.5 Use of estimates and judgments

The preparation of the Financial Statements in conformity with SLAS's requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

LUXE ASIA (PVT) LTD
NOTES TO THE FINANCIAL STATEMENTS

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following notes:

- Current taxation (Note 3.2.a)
- Deferred taxation (Note 3.2.b)
- Employee benefits (Note 3.10)
- Provision and contingencies (Note 3.9 and Note 3.11)
- Impairment (Note 3.6)
- Leases (Note 3.7)



3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been consistently applied to all period presented in these financial statements.

3.1 Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Foreign exchange gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities dominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss except the differences arising on retranslation of available for-sale equity instruments, which are recognized in other comprehensive income.

Non-monitory items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

3.2 Income tax expenses

Income tax expenses comprise of current and deferred tax expenses recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

a. Current taxation

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

The Company's liability to taxation has been computed in accordance with the provisions of the Inland Revenue Act No 24 of 2017 which has become effective from 1 April 2018.

b. Deferred taxation

Deferred tax is provided using the liability method, providing for the tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of assets and liabilities, which is the amount attributed to those assets and liabilities for tax purposes. The amount of deferred tax provided is

LUXE ASIA (PVT) LTD
NOTES TO THE FINANCIAL STATEMENTS

based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted by the reporting date.

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

ASSETS AND BASES OF THEIR VALUATION

Assets classified as current assets in the Statement of Financial Position are Cash and those, which are expected to be realized in cash during the normal operating cycle of the Company or within one year from the reporting date whichever is shorter. Assets other than current assets are those, which the Company intends to hold beyond a period of one year from the reporting date.

3.3 Property, plant and equipment

3.3.1 Recognition and measurement

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

a. Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management. The cost of self-constructed assets includes the cost of materials and direct labour.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

b. Subsequent expenditure

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

c. Depreciation

Depreciation is charged to the profit or loss so as to allocate the cost of assets less their residual value over the estimated useful lives of items of property, plant and equipment, using the straight-line method.

The expected useful lives of the assets categories are as follows.

Office equipment	8 years
Furniture and Fittings	8 years
Motor Vehicle	5 years
Technical Equipment	4 years

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale. (Or included in a disposal group that is classified as held for sale) and the date that the asset is derecognized.

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



LUXE ASIA (PVT) LTD
NOTES TO THE FINANCIAL STATEMENTS

3.3.2 Impairment of property, plant and equipment

The carrying value of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount the assets are written down to their recoverable amount. Impairment losses are recognized in the income statement unless it reverses a previous revaluation surplus for the same asset.

3.4 Intangible Assets

a. Recognition and measurement

All computer software costs incurred, licensed for use by the Company, which are not integrally related to associate hardware, and can be clearly identified, reliably measured and it is probable that they will lead to future economic benefits are included in the statement of financial position under the category intangible assets and carried at cost less accumulated amortization and accumulated impairment losses if any.

b. Subsequent expenditure

Expenditure incurred on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

c. Amortization

Intangible assets are amortized on a straight line basis over a period of 4 years from the date when the asset is available for use, over the best estimate of its useful economic life.

3.5 FINANCIAL INSTRUMENTS

3.5.1 Financial assets

Initial Recognition, Classification and Subsequent Measurement

Recognition and initial measurement

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

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

Classification and subsequent measurement of financial assets

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI (Fair value through OCI) - debt investment; FVOCI - equity investment; or FVTPL (Fair value through profit or loss).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.



LUXE ASIA (PVT) LTD
NOTES TO THE FINANCIAL STATEMENTS

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

-it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

-its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument.

Financial assets - Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss



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3.5.2 Non-derivative financial liabilities

The Company initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Company has the following non-derivative financial liabilities: interest bearing borrowings, other payables, amounts due to related parties and bank overdraft.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

3.5.3 Derecognition

a. Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

b. Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

3.5.4 Offsetting

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

3.6 Impairment of Assets

3.6.1 Non-derivative financial assets (including receivables)

Financial instruments and contract assets

Loss allowances for trade receivables is always measured at an amount equal to lifetime Expected Credit Loss (ECL).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.



LUXE ASIA (PVT) LTD
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Measurement of ECLs

ECLs are a profitability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

3.7 Leases

The Company applied SLFRS 16 using the modified retrospective approach, under which the Right-of-use underlying assets (ROU asset) and the Lease Liability were recognised at equal amounts as at 1 April 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under LKAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in SLFRS 16 have not generally been applied to comparative information.

3.7.1 POLICY APPLICABLE FROM 1 APRIL 2019

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

This policy is applied to contracts entered into, on or after 1 April 2019.

3.7.1.1 As a lessee

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

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

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily



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determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

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

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

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

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

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

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

Short-term leases and leases of low-value assets

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

3.7.1.2 As a lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

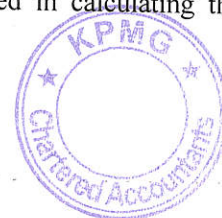
When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Company applies SLFRS 15 to allocate the consideration in the contract.

The Company applies the derecognition and impairment requirements in SLFRS 9 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.



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The Company recognises lease payments received under operating leases as income on a straight line basis over the lease term as part of 'other revenue'.

Generally, the accounting policies applicable to the Company as a lessor in the comparative period were not different from SLFRS 16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

3.7.2 POLICY APPLICABLE PRIOR TO 1 APRIL 2019

3.7.2.1 Determining whether an Arrangement Contains a Lease

At inception of an arrangement, the Company determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Company separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Company's incremental borrowing rate.

3.7.2.2 Leased Assets

Leases of property, plant and equipment that transfer to the Company substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Company's statement of financial position.

3.7.2.3 Lease Payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Contingent rents, if any, are recognised as revenue in the period in which they are earned.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3.8 Fair Value Measurement

3.8.1 Use of assumptions and estimation uncertainty

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

The Company has an established control framework with respect to the measurement of fair values.

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

Significant valuation issues are reported to the Company's audit committee. When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.



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

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

3.8.2 Significant accounting policy

'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 in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

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

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

LIABILITIES AND PROVISIONS

Liabilities classified as current liabilities on the statement of financial position are those, which fall due for payment on demand or within one year from the reporting date.

Non-current liabilities are those balances that fall due for payment after one year from the reporting date.

3.9 PROVISIONS

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

3.10 Employee benefits

3.10.1 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions



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to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Employees' Provident Fund

The Company and Employees' contribute 12% & 8% respectively on the salary of each employee is paid. Said provident fund is being managed by the Central Bank of Sri Lanka.

Employees Trust Fund

The Company contributes 3% of the salary of each employee to the Employees' Trust Fund.

Defined benefit plans

3.10.2 Retiring Gratuity

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

Provision has been made for retirement gratuities from the first year of service for all employees, in conformity with LKAS 19 – Employee Benefits. The Company measures the present value of retirement benefits of gratuity based on internal assessment using formula. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The liability recognized in the statement of financial position in respect of defined benefit plan is the present value of the defined benefit obligation at the reporting date.

The liability is not externally funded nor actuarially valued.

Re - measurements of the net defined benefit liability, which comprise actuarial gains and losses are recognized in other comprehensive income.

3.11 Capital Commitments & Contingencies

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

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

3.12 Events after the Reporting date

The materiality of the events after the reporting date has been considered and appropriate adjustments and provisions have been made in the financial statements wherever necessary.

INCOME AND EXPENSES

3.13 Revenue Recognition

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

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of product/service	Nature and timing of satisfaction of performance obligations, including significant payment terms,	Revenue recognition under SLFRS 15
Providing Travel and Destination Management services for Travelers	The Service is transferred to the customer at the completion of its performance obligation which is the completion of the tour. Departure date - considered to be the industry standard when acting as a principal.	Revenue is recognized when a customer obtains control of the service. Determining the timing of the transfer of control is at a point in time or over time requires judgment.



LUXE ASIA (PVT) LTD
NOTES TO THE FINANCIAL STATEMENTS

3.14 Other Income

Other Income is recognized on an accrual basis.

3.15 Expenditure recognition

All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to income statement in arriving at the profit or loss for the year.

3.16 Finance income and Finance costs

Interest income and expenses are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts or payments through the expected life of the financial asset or liabilities (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liabilities. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

3.17 Borrowing costs

All borrowing costs are recognised as an expense in the period in which they are incurred except those that are directly attributable to the construction or development of property, plant and equipment which are capitalized as a part of the cost of that asset during the period of construction or development.

3.18 Related Party Transactions

Disclosures has been made in respect of the transactions in which one party has the liability to control or exercise significant influence over the financial and operating decisions/policies of the other, irrespective of a profit being charged.

3.19 Basic Earnings per Share

The financial statements present basic earnings per share (EPS) data for its ordinary shareholders. The basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

STATEMENT OF CASH FLOW

Cash and Cash Equivalents

The Cash Flow Statement has been prepared using the indirect method of preparing cash flows in accordance with the Sri Lanka Accounting Standard (LKAS) 7, Cash Flow Statements.

Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The cash and cash equivalents include cash in-hand, balances with banks and short term deposits with banks.

For cash flow purposes, cash and cash equivalents are presented net of bank overdrafts, if any.

4 NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE AS AT THE REPORTING DATE.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 April 2020 and earlier application is permitted; however, the Company has not early adopted them in preparing these consolidated financial statements.



LUXE ASIA (PVT) LTD
NOTES TO THE FINANCIAL STATEMENTS

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

- Amendments to References to Conceptual Framework in SLFRS Standards.
- Definition of a Business (Amendments to SLFRS 3).
- SLFRS 17 Insurance Contracts.



For the year ended 31 March 2020

5 Changes in Accounting policies

The Company has initially applied SLFRS 16 - Leases from 1 April 2019.

The Company applied SLFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 April 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under LKAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in SLFRS 16 have not generally been applied to comparative information.

5.1 Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 3.7

On transition to SLFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied SLFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under LKAS 17 and IFRIC 4 were not reassessed for whether there is a lease under SLFRS 16. Therefore, the definition of a lease under SLFRS 16 was applied only to contracts entered into or changed on or after 1 April 2019.

5.2 As a lessee

The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under SLFRS 16, the Company recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

5.2.1 Leases classified as operating leases under LKAS 17

Previously, the Company classified property leases as operating leases under LKAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 April 2019. Right-of-use assets are measured at either:

- their carrying amount as if SLFRS 16 had been applied since the commencement date, discounted using the Company's incremental borrowing rate at the date of initial application: the Company applied this approach to its largest property lease; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Company applied this approach to all other leases.

B. Impact on financial statements

The Company operates in the tourism industry. The tourism industry was negatively affected during the financial year being reported with the easter attack taking place in April 2019 and Covid 19 pandemic being announced to be a global pandemic by the World Health Organization on 11 March 2020.

The company has negotiated changes to the lease agreement with the landlord in regard to the existing lease terms during the reporting period due to the negative implications on the tourism industry and currently the Company is trying to terminate the current lease agreement.

As a result of the uncertainty involved in the Company's existing lease agreement/terms, SLFRS 16 was not adopted by the Company. Accordingly there was no impact on the financial statements.



LUXE ASIA (PVT) LTD
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March,

	2020 Rs	2019 Rs
6. Revenue		
Inbound Sales	382,227,978	865,666,914
Outbound Sales	15,831,159	27,248,524
	398,059,137	892,915,438
<p>6.1 The Company's revenue is derived from rendering a wide range of travel services. The revenue from rendering these services is recognized in the profit or loss at the time when the control of services are transferred to the customer. This is generally the tour departure date.</p> <p>Timing of revenue recognition</p> <p>Departure date at the point in time</p>		
	398,059,137	892,915,438
	398,059,137	892,915,438
<p>As the Company operates in the tourism industry, it was severely affected during the year due to the Easter attacks in April 2019 and COVID 19 outbreak since March 2020. This has resulted in the reduction of revenue during the year. COVID 19 was announced to be a global pandemic by the World Health Organization on 11 March 2020 and the outbreak continues to affect business operations.</p>		
7 Cost of Sales		
Inbound	325,711,031	734,477,806
Outbound	14,434,820	25,772,765
	340,145,851	760,250,571
8 Other income		
Shopping commission	4,619,825	6,978,878
Loss on disposal of Property, plant & equipment	-	(1,498,262)
Miscellaneous income	923,965	324,355
Direct cost provision reversal (Note 8.1)	30,000,000	-
	35,543,790	5,804,971
<p>8.1 The Company has reversed Rs. 30,000,000/- of excess provision made for direct cost in the previous years based on the Board resolution passed on 25 March 2020 to reverse these provisions to Other Income as no claims have been made to date.</p>		
9 Loss from operations		
<p>Loss from operations is stated after charging all the expenses including the following.</p>		
Director's emoluments	11,830,353	13,239,930
Auditor's remuneration	325,000	325,000
Staff costs (Note 9.1)	65,728,554	69,810,159
Depreciation	2,155,626	1,934,787
Amortization	665,311	437,740
Provision for trade debtors	-	291,742
Loss on intangible asset writeoff	58,036	-
9.1 Staff costs		
Salaries and wages	55,987,834	57,910,136
Employees provident fund	6,676,543	6,949,216
Employees trust fund	1,669,136	1,737,304
Provision for employee benefits	1,395,041	3,213,503
	65,728,554	69,810,159
10 Net finance (expenses)/income		
Finance income		
Exchange gain	5,428,382	10,471,802
Interest income	22,583	-
	5,450,965	10,471,802
Finance expenses		
OD interest	(5,194,459)	(3,725,990)
Interest on loan (Note 10.1)	(629,215)	-
	(5,823,674)	(3,725,990)
Net finance (expenses)/ income	(372,709)	6,745,812

10.1 Interest on loan comprises of the interest expense incurred on intercompany loan.



LUXE ASIA (PVT) LTD
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March,

	2020 Rs	2019 Rs
11 Income tax expense		
Current Tax Expenses		
Current tax	-	673,365
Adjustment for over provision in relation to prior years	(540,753)	-
Impairment for ESC receivable (Note 16.2)	9,779,673	4,649,733
	<u>9,238,920</u>	<u>5,323,098</u>
Deferred Tax Expense		
Origination / (reversal) of deferred tax liability (Note 15)	41,597	(105,621)
Origination of deferred tax asset (Note 15)	(179,430)	(449,890)
	<u>(137,833)</u>	<u>(555,511)</u>
	<u>9,101,087</u>	<u>4,767,587</u>

11.1 Reconciliation between Accounting Profit and Taxable Profit

Accounting Loss Before Tax	(35,006,689)	(10,788,800)
Disallowable Expenses	10,462,279	19,254,151
Allowable expenses	(2,971,719)	(3,655,601)
	<u>(27,516,129)</u>	<u>4,809,750</u>
Interest Income liable to Tax	-	-
Less: Tax Loss Utilized during the year	-	-
Taxable Profit / (Loss)	<u>(27,516,129)</u>	<u>4,809,750</u>
Income Tax for the year - 14% of taxable income	-	673,365
Total Income Tax Expense for the year	<u>-</u>	<u>673,365</u>

11.2 Reconciliation of Business tax losses

Tax Loss Brought Forward	-	-
Tax Loss for the Year of Assessment	27,516,129	-
Tax Loss Claimed During the Year	-	-
Reassessment of tax losses on tax return	-	-
Tax Loss Carried Forward	<u>27,516,129</u>	<u>-</u>

12 Loss per share

Calculation of loss per share is based on the loss attributable to Ordinary Shareholders divided by the weighted average number of ordinary shares outstanding as at the reporting date.

	2020 Rs	2019 Rs
Loss for the year (Rs.)	(44,107,776)	(15,556,387)
Weighted average number of ordinary shares	500,000	500,000
Loss per share (Rs.)	<u>(88.22)</u>	<u>(31.11)</u>

13 Property, plant & equipment

	Motor Vehicles Rs	Office Equipment Rs	Technical Equipment Rs	Furniture and fittings Rs	Total 2020 Rs	Total 2019 Rs
Cost						
Balance as at 1st April	235,990	1,503,389	9,168,295	8,239,981	19,147,654	15,365,800
Additions during the year	-	-	76,000	-	76,000	8,617,478
Transfers during the year	-	-	153,907	164,220	318,127	-
Disposals during the year	-	-	-	-	-	(4,835,623)
Write off during the year	-	(59,950)	(1,928,216)	(25,920)	(2,014,086)	-
Balance as at 31st March	<u>235,990</u>	<u>1,443,439</u>	<u>7,469,986</u>	<u>8,378,281</u>	<u>17,527,696</u>	<u>19,147,654</u>
Depreciation						
Balance as at 1st April	133,723	468,368	7,520,695	661,470	8,784,256	10,084,656
Transfers during the year	-	-	153,907	164,220	318,127	-
Charge for the year	47,196	178,870	914,986	1,014,574	2,155,626	1,934,787
Disposals during the year	-	-	-	-	-	(3,235,188)
Write off during the year	-	(59,950)	(1,928,216)	(25,920)	(2,014,086)	-
Balance as at 31st March	<u>180,919</u>	<u>587,288</u>	<u>6,661,372</u>	<u>1,814,344</u>	<u>9,243,923</u>	<u>8,784,256</u>
Carrying amounts						
As at 31 st March 2020	<u>55,071</u>	<u>856,150</u>	<u>808,615</u>	<u>6,563,937</u>	<u>8,283,773</u>	
As at 31 st March 2019	<u>102,267</u>	<u>1,035,020</u>	<u>1,647,600</u>	<u>7,578,511</u>		<u>10,363,399</u>

13.1 Property, plant and equipment includes fully depreciated assets having a gross carrying amount of Rs. 3,642,315/-

LUXE ASIA (PVT) LTD
NOTES TO THE FINANCIAL STATEMENTS

As at 31st March

14 Intangible assets

Cost

	2020 Rs	2019 Rs
Balance as at 1st April	4,795,434	4,172,809
Additions during the year	1,506,958	622,625
Transfers during the year	(318,127)	-
Write off during the year	(2,926,940)	-
Balance as at 31st March	<u>3,057,325</u>	<u>4,795,434</u>

Amortization

Balance as at 1st April	3,951,682	3,513,941
Charge for the year	665,311	437,740
Transfers during the year	(318,127)	-
Write off during the year	(2,912,940)	-
Balance as at 31st March	<u>1,385,926</u>	<u>3,951,682</u>

Carrying value as at 31 March

<u>1,671,399</u>	<u>843,752</u>
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15 Deferred Taxation

Deferred Tax Liabilities (Note 15.1)	(301,671)	(260,074)
Deferred Tax Assets (Note 15.2)	553,191	1,410,625
	<u>251,520</u>	<u>1,150,551</u>

15.1 Deferred Tax Liabilities

Balance as at April 01,	(260,074)	(365,695)
Origination / (reversal) during the year recognised in profit or loss	(41,597)	105,621
Balance as at March 31,	<u>(301,671)</u>	<u>(260,074)</u>

15.2 Deferred Tax Assets

Balance as at April 01,	1,410,625	1,070,089
Origination during the year recognised in profit or loss	179,430	449,890
Origination / (reversal) during the year recognised in Other Comprehensive Income	(1,036,864)	(109,354)
Balance as at March 31,	<u>553,191</u>	<u>1,410,625</u>

Deferred tax assets and liabilities are attributable to the following:

	2020		2019	
	Temporary Rs.	Tax effect Rs.	Temporary Rs.	Tax effect Rs.
Deferred tax liabilities				
Property, plant and equipment	(2,154,792)	(301,671)	(1,857,674)	(260,074)
Deferred tax asset				
Provision for retirement benefit obligation	3,951,361	553,191	10,075,894	1,410,625
Tax losses	27,538,717	-	-	-
NET DEFERRED TAX ASSET	<u>29,335,286</u>	<u>251,520</u>	<u>8,218,221</u>	<u>1,150,551</u>

Note 1 - The tax losses relating to the previous periods have been claimed in full. However, as at the reporting date the temporary difference arising from tax losses was Rs. 27,538,717/- which arised during the year resulting in deferred tax assets of Rs. 3,855,420/-. However, deferred tax asset has not been recognised against this carried forward tax losses due to the uncertainty regarding the availability of future taxable profits against which the deferred tax asset could be utilized.

16 Trade and other receivables

	Rs	Rs
Trade receivables (Note 16.1)	14,950,509	61,845,980
Other receivables	141,767	128,762
ESC receivable (Note 16.2)	-	8,230,715
	<u>15,092,276</u>	<u>70,205,457</u>

16.1. Trade receivables

Trade receivables from related companies	3,772,472	35,060,113
Trade receivables from others	11,178,037	26,785,867
	<u>14,950,509</u>	<u>61,845,980</u>



LUXE ASIA (PVT) LTD
NOTES TO THE FINANCIAL STATEMENTS

As at 31st March,

	2020 Rs	2019 Rs
16 Trade and other receivables (Cont.)		
16.1.1 Provision movement		
Opening balance as at 1st April	-	578,395
Provision during the year	-	291,742
Write off during the year	-	(870,137)
Closing balance as at 31st March	-	-
16.2. ESC Receivables		
ESC receivable	9,779,673	12,880,448
Impairment of ESC receivable (Note 11)	(9,779,673)	(4,649,733)
	<u>-</u>	<u>8,230,715</u>
Based on the internal assessment carried out by the Management on availability of future taxable profit after considering brought forward tax losses, the Company has made a full provision against the ESC receivable of Rs.9,779,673/- (2019: Rs.4,649,733). This has been included under income tax expenses in Note 11. The availability of taxable profits to set off ESC receivable will be assessed at each reporting date and the provisions made will be adjusted accordingly.		
17 Advance and prepayments		
Advances	1,497,000	4,983,000
Prepayments	944,914	2,888,950
Refundable Deposit	3,096,000	3,081,000
	<u>5,537,914</u>	<u>10,952,950</u>
18 Cash and cash equivalents		
Cash in hand	1,000,000	1,000,000
Cash at bank	5,758,577	47,820,130
	<u>6,758,577</u>	<u>48,820,130</u>
Bank overdraft	(39,495,947)	(29,158,517)
Cash & cash equivalents for the purpose of statement of cash flow	<u>(32,737,370)</u>	<u>19,661,613</u>
19 Stated capital		
Issued and fully paid		
500,000 ordinary shares	<u>5,000,000</u>	<u>5,000,000</u>
20 Employee benefits		
20.1 Defined contribution plans		
Following contributions have been made to Employees' Provident Fund and Employees' Trust Fund during the year.		
Employees' provident fund		
Employers' contribution	6,676,543	6,949,216
Employees' contribution	4,601,029	4,496,829
Employees' trust fund	1,669,136	1,737,304
20.2 Defined benefit plan		
Balance at the beginning of the year	10,075,894	7,643,493
Provision recognised during the year in profit or loss (Note 20.3)	1,395,041	3,213,503
Actuarial gain during the year in OCI (Note 20.4)	(7,406,174)	(781,101)
	<u>4,064,761</u>	<u>10,075,894</u>
Payments made during the year	(113,400)	-
Balance at end of the year	<u>3,951,361</u>	<u>10,075,894</u>



LUXE ASIA (PVT) LTD
NOTES TO THE FINANCIAL STATEMENTS

As at 31st March,

	2020 Rs	2019 Rs
20.3 Provision recognized in profit or loss		
Current service cost	855,553	2,480,669
Interest on obligation	539,488	732,833
	1,395,041	3,213,503
20.4 Actuarial gains recognised in other comprehensive income		
Gain recognised during the year	(7,406,174)	(781,101)
20.4.1 As explained in Note 6, the business operations have been affected by the Easter attacks and COVID 19. Accordingly, the Company has reduced the employee count and the future salary increment. This approach has resulted in an Actuarial Gain.		
20.5 Principal actuarial assumptions used		
Discount Rate	10.50%	11.0%
Future Salary Increment	3%	10.0%
Staff Turnover	64.81%	14.0%
21 Trade and other payables		
Trade payables	16,967,248	39,026,507
Direct cost payable	55,509,121	94,105,668
Other payable	26,232,805	56,842,289
	98,709,174	189,974,464
22 Amount due to related party		
Thomas Cook Lanka (Private) Limited (Note 22.1)	6,613,416	25,000,000
Sita World Travel Lanka (Pvt) Limited	14,000,000	-
	20,613,416	25,000,000
22.1 Loan payable movement of Thomas Cook Lanka (Private) Limited		
	2020 Rs	2019 Rs
Opening balance as at 1st April	25,000,000	25,000,000
Loans obtained during the year	14,000,000	-
Interest on loan	629,215	-
	39,629,215	25,000,000
Loans repayment during the year	(7,500,000)	-
Interest paid during the year	(515,799)	-
Transfer of loan as advance received from share holders (Note 22.2)	(25,000,000)	-
Closing balance as at 31st March	6,613,416	25,000,000
22.2 Based on the resolution passed by the Board on 17 January 2020 and consent letter obtained from Thomas Cook India, the Rs.25,000,000/- long term loan due to Thomas Cook Lanka (Pvt) Ltd has been transferred to equity as advance received from shareholders in order to be converted to redeemable preference shares in the forth coming financial year. This initiative was taken as the Company is facing a serious loss of capital and in order to improve the net worthiness of the Company.		
23 Related party transactions		
The Company carried out transactions in the ordinary course of its business with parties who are defined as related parties in LKAS 24 - <i>Related Party Disclosures</i> . The details of which are given below.		
a) Transactions with Key Management Personnel		
According to Sri Lanka Accounting Standard 24 - Related Party Disclosures, the Key Management Personnel (KMP) are those having authority and responsibility for planning, directing, and controlling the activities of the entity. Accordingly, the Directors of the Company have been classified as KMP of the Company.		



LUXE ASIA (PVT) LTD
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March,

23 Related party transactions (Cont.)

The Board of Directors of Thomas Cook Lanka (Pvt) Ltd and Thomas Cook (India) Limited, being the parent and ultimate parent company, have also been classified as KMP as they have the authority and responsibility for planning, directing and controlling the activities of the entity directly and indirectly.

Key management personnel compensation

	2020	2019
	Rs	Rs
Short Term Benefits	11,830,353	13,239,930
Post Employee Benefits	492,931	331,950

b) Transactions with Related Entities

Name of the Related Party	Relationship	Nature of Transaction	Transaction 2020	Transaction 2019
Thomas Cook Lanka (Pvt) Ltd	Parent	Reimbursement	147,715	198,382
		Expenses	2,001,040	3,019,105
		Loans granted	14,000,000	-
		Loans Paid	(7,500,000)	-
		Advance received for		
		Share allotment	25,000,000	-
Thomas Cook India Ltd	Ultimate parent	Sales	43,968,352	88,850,216
		Receipts	48,445,020	102,974,719
Kuoni Travel - Hong Kong	Subsidiary of Ultimate	Sales	-	7,910,985
		Receipts	303	13,016,792
Travel Corporation India Ltd	Subsidiary of Ultimate	Sales	15,494,069	210,440,667
		Receipts	31,388,003	203,747,004
SOTC Travel Limited	Subsidiary of Ultimate	Sales	63,943,232	125,618,534
		Receipts	69,887,741	122,921,080
Sita World Travel Lanka (Pvt) Ltd	Subsidiary of Ultimate	Reimbursement	-	6,055
		Loans granted	14,000,000	
TCI Go-Vacations	Subsidiary of Ultimate Parent Company	Sales	-	3,079,287
		Receipts	-	3,267,548
Asian Trails Ltd	Subsidiary of Ultimate Parent Company	Sales	-	1,423,957
		Receipts	381,410	1,411,501
Fairbridge Capital (Pvt) Ltd	Parent of Ultimate Parent Company	Sales	45,106	19,566
		Receipts	45,244	19,543
Quess Corp Lanka (Pvt) Ltd	Subsidiary of Ultimate Parent Company	Expenses	1,204,191	1,328,010

The Parent Company, Thomas Cook India Limited has given a comfort letter dated 15th July 2020, confirming their intention to continue to provide financial and other support necessary for Luxe Asia (Pvt) Ltd to continue in business operations and meet its liabilities in the foreseeable future.

Amounts due from and due to related entities as at reporting date are disclosed in the Note 22 to the Financials Statements respectively.

24 Financial risk management

24.1 Introduction and Overview

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

1. Credit risk
2. Liquidity risk
3. Market risk
4. Operational risk.



LUXE ASIA (PVT) LTD
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2020

24 Financial risk management (cont.)

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout this financial statement.

24.2 Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

24.3 Credit risk

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

24.3.1. Exposure to credit risk

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

As at 31st March

	2020	2019
	Rs	Rs
Trade and other receivables	15,092,276	70,205,457
Cash and cash equivalents	6,758,577	48,820,130
	<u>21,850,853</u>	<u>119,025,587</u>

24.4 Market risk

'Market' risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. Market risk comprises three types of risk: currency risk, interest rate risk and price risk.

24.4.1. Currency risk

'Currency risk' a form of risk that arises from the change in price of one currency against another. The Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Company. The company has not invested nor borrowed in foreign currencies. The company does not use any derivative financial instruments to hedge the risk. The currency risk attached to financial statements is minimal as it represents local currency.

The following significant exchange rates were applied during the year:

As at 31 March 2020

	Average rate		Reporting date spot rate	
	2020	2019	2020	2019
USD	185	167	189	174
EURO	205	192	208	194



LUXE ASIA (PVT) LTD
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March,

24 Financial risk management (Cont.)

24.4.2. Interest rate risk

Interest rate risk is the risk to the Company's earnings and economic value of equity ("EVE") arising from adverse movements in interest rates.

24.5 Liquidity risk

Liquidity risk' is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company encounter the liquidity risk mainly due to its trade payables. However, Company's exposure to liquidity risk is very limited as current assets and liquid assets are much greater than its total liabilities.

	Carrying amount	Contractual cash flows	2020		
			6 months or less	6-12 months	More than 1 year
Trade and other payables	98,709,174	-	98,709,174	-	-
Amounts due to related party	20,613,416	-	14,000,000	6,613,416	-
Bank OD	39,495,947	-	39,495,947	-	-
Total current liabilities	158,818,537	-	152,205,121	6,613,416	-
Total liabilities	158,818,537	-	152,205,121	6,613,416	-

	Carrying amount	Contractual cash flows	2019		
			6 months or less	6-12 months	More than 1 year
Trade and other payables	189,974,464	-	189,974,464	-	-
Amounts due to related party	25,000,000	-	-	-	25,000,000
Bank OD	29,158,517	-	29,158,517	-	-
Total current liabilities	244,132,981	-	189,974,464	25,000,000	-
Total liabilities	244,132,981	-	189,974,464	25,000,000	-

24.6 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Company's operations.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- Requirements for the reconciliation and monitoring of transactions.
- Requirements for the reporting of operational losses and proposed remedial action.
- Development of contingency plans.
- Training and professional development.
- Ethical and business standards.
- Risk mitigation, including insurance when this is effective.

25. Fair Values of Financial Instruments

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:



LUXE ASIA (PVT) LTD
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March,

25. Fair Values of Financial Instruments (cont.)

	2020		2019	
	Amount Rs	Fair Value Rs	Amount Rs	Fair Value Rs
Financial Assets				
Trade receivables	14,950,509	14,950,509	61,845,980	61,845,980
Cash and cash equivalents	6,758,577	6,758,577	48,820,130	48,820,130
Advances and Prepayments	5,537,914	5,537,914	10,952,950	10,952,950
Short term investments	522,583	522,583	500,000	500,000
	27,769,583	27,769,583	122,119,060	122,119,060
Financial Liabilities				
Trade payables	16,967,248	16,967,248	39,026,507	39,026,507
Bank overdraft	39,495,947	39,495,947	29,158,517	29,158,517
Amount due to related party	20,613,416	20,613,416	25,000,000	25,000,000
	77,076,611	77,076,611	93,185,024	93,185,024

The methods and assumptions used to estimate the fair values of the financial instruments are as follows:

- Cash and cash equivalents – The carrying amount of cash and cash equivalents approximate its fair value due to the relatively short maturity of the financial instruments.
- Trade and other receivables/ Trade and other payables - The carrying amount of these financial assets and liabilities approximate its fair value due to the relatively short maturity of the financial instruments.

26. Events occurred after the reporting date

No circumstances has arisen since the reporting date which would require adjustments to or disclosure in the financial statements, except for the followings.

On 11th March 2020, the world health organization declared the corona virus COVID 19 outbreak to be a pandemic in recognition of its rapid spread across the globe with over 150 countries now affected. Businesses may be negatively impacted due to the overall negative economic conditions caused by the pandemic. The financial reporting effects of the Covid-19 outbreak have been considered as adjusting events. However, directors are unable to estimate the potential impact the outbreak could have on the Company's business operations or financial position as of date.

Furthermore, the loan payable to Thomas Cook Lanka (Pvt) Ltd of Rs.25,000,000/- which has been reclassified from current liabilities to equity as an advance paid for share allotment as at 31st March 2020 based on the consent letter received from Thomas Cook India Limited has been subsequently converted to redeemable preference shares.

27. Capital commitments and contingent liabilities

There were no contract for capital expenditure of material amounts approved or contracted for as at the reporting date. There have been no material contingent liabilities outstanding as at the reporting date.

28. Litigation and claim

There were no pending litigation or claims as at the reporting date.

31 Comparative Information

Comparative information has been rearranged where necessary to conform to current years presentation.

30 Going concern

The Company has incurred a net loss of Rs.44,107,776/- for the year ended 31 March 2020 (2019 - Rs. 15,556,387/-), and as of that date the Company's accumulated loss was Rs. 154,784,468/- (2019 - Rs. 117,046,001/-). Further the Company's current liabilities exceeded the current assets by Rs.131,039,799/- (2019 - Rs. 114,327,809/-) and its total liabilities exceeded its total assets by Rs.124,784,468/- (2019 - Rs.112,046,001/-). The Company is also facing a serious loss of capital situation under Sec 220 of the Companies Act No.07 of 2007.



LUXE ASIA (PVT) LTD
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2020

30 Going concern (Cont.)

Furthermore, as indicated in Note 6 the business operations have been severely affected by the Easter attacks and COVID 19. The outbreak of COVID 19 was announced to be a global pandemic by the World Health Organization on 11th March 2020 and the outbreak continues to affect the business operations of the Company due to the direct impact on the tourism industry both locally and globally.

Although these conditions indicate the existence of uncertainty which may cast significant doubt about the Company's ability to continue as a going concern, the board of directors is of the view that the Company will continue as a going concern based on the following;

- Subsequent to the reporting date on 10th June 2020 the Company has converted the advance received for share issue which is currently classified under equity to redeemable preference shares based on the board resolution passed.

- Future business plans

Furthermore, the ultimate parent company, Thomas Cook (India) Limited, has given a letter of comfort dated 15 July 2020 confirming their current intention is to provide adequate financial support to the Company as is necessary to ensure its continuing operation for a period of at least 12 months following the date of approval of the financial statements and if and when the Company is unable to settle its liabilities to other parties when they fall due.

Accordingly, no adjustments have been made in the financial statements.

31 Director's assessment of going concern

On 11 March 2020 the World Health Organization (WHO) declared the Coronavirus COVID-19 to be a global pandemic. Following this outbreak, Sri Lanka has been in a lockdown position with curfew being imposed since 20 March 2020. As the Company is operating in the tourism industry, the business operations and activities of the Company are highly impacted.

Although COVID-19 impacted the whole industry, the Board of the directors are confident that this situation is temporary and it will not impact the going concern ability of the Company.

32 Board of Director's responsibility for financial reporting

The Board of Directors is responsible for the preparation and presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka and the Companies Act No. 7 of 2007.



**SITA WORLD TRAVEL LANKA
(PRIVATE) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2020**



KPMG
(Chartered Accountants)
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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF SITA WORLD TRAVEL LANKA (PRIVATE) LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sita World Travel Lanka (Private) Limited ("the Company"), which comprise the statement of financial position as at 31 March 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements 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.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Notes 24 and 27 to these financial statements.

- As described in Note 27 the Company has incurred a net profit or Rs. 1,061,916/- for the year ended 31 March 2020 (2019- Loss Rs.5,997,338/-). The current year profit was due to total reversal of over provisions of Rs 10,129,756/- to profit or loss as the Company has ceased business operations from October 2018.
- As described in the said Note 24, the loan payable to Travel Corporation India Limited of Rs.43,100,238/- has been reclassified from current liabilities to equity as an advance paid for share allotment as at 31 March 2020 based on the consent letter received from Travel Corporation India Limited which has resulted in a net asset position as at reporting date.

Although the Company has a net asset position as at reporting date, as described in Note 27, the Company has ceased business operations since October 2018 which indicate the existence of uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. However, as set out in the said note, the Board of Directors of the Company are of the view that it will continue as a going concern.

Other Information

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon. Management is responsible for the other information. These financial statements do not comprise other information.



Responsibilities of 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.

A further description of the auditor's responsibilities for the audit of the financial statements is located at Sri Lanka Accounting and Auditing Standards website at: <http://slaasc.com/auditing/auditorsresponsibility.php>. This description forms part of our auditor's report.

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.

CHARTERED ACCOUNTANTS
Colombo, Sri Lanka
15th July 2020

SITA WORLD TRAVEL LANKA (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March

	Note	2020 Rs.	2019 Rs.
Revenue	6	-	25,520,240
Cost of Sales		-	(21,149,610)
Gross Profit		-	4,370,630
Other Income / (Expense)	7	10,129,756	(255,451)
Administrative Expenses		(1,295,904)	(4,243,031)
Distribution Expenses		-	(129,921)
Profit/(Loss) from Operations	8	8,833,852	(257,773)
Net Finance Expense	9	(7,746,674)	(2,730,528)
Profit/(Loss) Before Tax		1,087,178	(2,988,301)
Income Tax Expense	10	(25,262)	(3,009,037)
Profit/(Loss) for the year		1,061,916	(5,997,338)
Other comprehensive Income		-	-
Total comprehensive income for the year		1,061,916	(5,997,338)
Profit/(Loss) per share	11	4.25	(23.99)

The notes to the Financial Statements form an integral part of these Financial Statements.

Figures in bracket indicate deductions.



SITA WORLD TRAVEL LANKA (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION

As at 31st March

	Note	2020 Rs.	2019 Rs.
ASSETS			
Non-Current Assets			
Property, Plant & Equipment	12	393,480	741,294
Intangible Assets	13	118,631	171,695
Total Non-Current Assets		512,111	912,989
Current Assets			
Other Receivables	14	14,519,072	549,293
Cash and Cash Equivalents	15	350,713	15,226,881
Total Current Assets		14,869,785	15,776,174
TOTAL ASSETS		15,381,896	16,689,163
EQUITY AND LIABILITIES			
Stated Capital	16	2,500,000	2,500,000
Advance received from share holders		43,100,238	-
Accumulated Losses		(30,532,130)	(34,330,046)
Total Equity		15,068,108	(31,830,046)
Non-Current Liabilities			
Employee Benefits	17	-	-
Deferred Tax Liabilities	18	36,627	11,365
Total Non-Current Liabilities		36,627	11,365
Current Liabilities			
Trade and Other Payables	19	212,369	13,089,599
Current Taxation		64,792	64,792
Amount due to Related Party	20	-	35,353,453
Total Current Liabilities		277,161	48,507,844
TOTAL LIABILITIES		313,788	48,519,209
TOTAL EQUITY AND LIABILITIES		15,381,896	16,689,163

The annexed notes to the Financial Statements form an integral part of these Financial Statements.

It is Certified that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 7 of 2007.



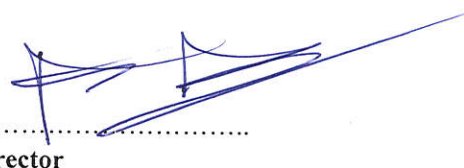
Thajul Riyaz
Chief Financial Officer

The Board Directors are responsible for the preparation and presentation of these Financial Statements

Approved and signed for and on behalf of the Board;



Director



Director

15th July 2020
Colombo.



SITA WORLD TRAVEL LANKA (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2020

	Stated Capital Rs.	Advances Received from shareholders Rs.	Accumulated Loss Rs.	Total Rs.
Balance as at 01st April 2018	2,500,000	-	(28,332,708)	(25,832,708)
Total comprehensive income for the year				
Loss for the year	-	-	(5,997,338)	(5,997,338)
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	(5,997,338)	(5,997,338)
Balance as at 31st March 2019	2,500,000	-	(34,330,046)	(31,830,046)
Balance as at 01st April 2019	2,500,000	-	(34,330,046)	(31,830,046)
Total comprehensive income for the year				
Profit for the year	-	-	1,061,916	1,061,916
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	1,061,916	1,061,916
Transaction with owners of the Company, recognized directly in equity				
Advance received from shareholders for preference share conversion	-	43,100,238	-	43,100,238
Transfers to retained earnings due to reversal of unclaimed dividend	-	-	2,736,000	2,736,000
Balance as at 31st March 2020	2,500,000	43,100,238	(30,532,130)	15,068,108

The notes to the Financial Statements form an integral part of these Financial Statements.

Figures in bracket indicate deductions.



SITA WORLD TRAVEL LANKA (PRIVATE) LIMITED
STATEMENT OF CASHFLOWS

For the year ended 31 March

	2020	2019
	Rs.	Rs.
Cash flows from operating activities		
Profit/(Loss) Before Tax	1,087,178	(2,988,301)
<i>Adjustment for:</i>		
Depreciation charge for Property, Plant and Equipment	347,814	517,814
Amortisation of Intangible Assets	53,064	117,859
Write Off of Intangible Assets	-	218,923
Reversal of Gratuity Provision	-	(149,450)
Loss on Disposal of Property, Plant and Equipment	-	262,980
Net finance cost	7,746,674	2,730,528
Operating Loss before Working Capital Changes	9,234,730	710,353
<i>Adjustment for working capital changes:</i>		
(Increase)/Decrease in Other Receivables	(13,969,746)	49,023,983
Decrease in Trade and Other Payables	(10,141,230)	(41,066,733)
Increase in Related Party Payables	-	5,342,073
Cash (Used in) / generated from operating activities	(24,110,976)	13,299,323
Net cash (used in)/ generated from operating activities	(14,876,246)	14,009,676
Cash flows from investing activities		
Interest received	78	84,244
Proceeds from Disposal of Property, Plant and Equipment	-	111,378
Net cash used in investing activities	78	195,622
Net Cash used in Financing activities	-	-
Net (decrease) / increase in cash and cash equivalents	(14,876,168)	11,390,526
Cash and cash equivalents as at beginning of the year	15,226,881	3,836,355
Cash and cash equivalents as at end of the year (Note 15)	350,713	15,226,881

The notes to the Financial Statements form an integral part of these Financial Statements.
Figures in bracket indicate deductions.



SITA WORLD TRAVEL LANKA (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 REPORTING ENTITY

1.1. Domicile and Legal Form

Sita World Travel Lanka (Private) Limited (“the Company”), is a private company with limited liability incorporated and domiciled in Sri Lanka. The registered office of the Company is located at 118C, Barnes Place, Colombo 07, Sri Lanka, from where the principle business is carried out.

1.2. Principal Activities and Nature of Operations

The Principal activity of the Company is being a Travel Agent.

The Company ceased business operations from October 2018.

1.3. Parent Enterprise and Ultimate Parent Enterprise

The immediate and ultimate parent company is Travel Corporation India Limited and Fairfax Financial Holdings Ltd, Canada respectively.

1.4. Number of Employees

The total number of employees of the Company as at 31st March 2020 was Nil (2020 – Nil).

2 BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements of the Company comprise the statement of financial position, statement of profit or loss and other comprehensive income, changes in equity and cash flows together with accounting policies and notes to the Financial Statements.

The financial statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards (SLAS) prefixed both SLFRS (corresponding to IFRS) and LKAS (corresponding to IAS), promulgated by the Institute of Chartered Accountants of Sri Lanka.

The financial statements prepared are in compliance with the requirements of Companies Act, No. 7 of 2007.

2.2 Basis of measurement

The Financial Statements have been prepared on the historical cost basis and applied consistently which no adjustments being made for inflationary factors affecting the financial statements, except for the defined benefit liability is recognized as the present value of the defined benefit obligation, plus unrecognized actuarial gains, less unrecognized past service cost and unrecognized actuarial losses.

2.3 Comparative Figures

Where necessary, comparative figures have been rearranged to conform with the current year’s presentation.

2.4 Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (“the functional currency”) and rounded to the nearest rupee value.

These financial statements are presented in Sri Lankan Rupees (Rs.) which is the Company’s functional and presentation currency.



SITA WORLD TRAVEL LANKA (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2.5 Use of estimates and judgments

The preparation of the Financial Statements in conformity with SLAS's requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following notes:

- Current taxation (Note 3.2.a)
- Deferred taxation (Note 3.2.b)
- Impairment of assets (Note 3.6)
- Leases (Note 3.7)
- Employee benefits (Note 3.9)
- Provisions and contingencies (Note 3.10 and Note 3.11)

2.6 Materiality and Aggression

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

2.7 Events occurring after the Reporting date

The materiality of the events occurring after the reporting date have been considered and appropriate adjustments to or disclosure have been made in the financial statements where necessary.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements, unless otherwise indicated.

3.1 Foreign Currency Transactions

Transactions in foreign currencies are translated to Sri Lankan Rupees at the foreign exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the date of statement of financial position are translated to Sri Lankan Rupees at the foreign exchange rate ruling at that date. Foreign exchange gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities dominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss except the differences arising on retranslation of Fair Value through OCI equity instruments, which are recognized in other comprehensive income.

Non-monitory items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

3.2 Income Tax Expense

As per the Sri Lanka Accounting Standards - LKAS 12 on 'Income taxes', tax expense (tax income) is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred



SITA WORLD TRAVEL LANKA (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

taxes. Income tax expense is recognized in the profit or loss except to the extent it relates to items recognised directly in Equity through Other Comprehensive Income (OCI).

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under LKAS 37 Provisions, Contingent Liabilities and Contingent Assets.

a) Current Taxation

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

The Company's liability to taxation has been computed in accordance with the provisions of the Inland Revenue Act No 24 of 2017 which has become effective from 1 April 2018.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under LKAS 37 on "Provisions, Contingent Liabilities and Contingent Assets".

Current tax assets and liabilities are offset only if certain criteria are met.

b) Deferred Taxation

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.



SITA WORLD TRAVEL LANKA (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

ASSETS AND BASES OF THEIR VALUATION

Assets classified as current assets in the Statement of Financial Position are Cash and those, which are expected to be realized in cash during the normal operating cycle of the Company or within one year from the reporting date whichever is shorter. Assets other than current assets are those, which the Company intends to hold beyond a period of one year from the reporting date.

3.3 Property, Plant and Equipment

a) Recognition and Measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management. The cost of self-constructed assets includes the cost of materials and direct labour.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

b) Subsequent costs

The Company adds to the carrying amount of an item of property, plant and equipment, the cost of replacing parts of such an item, when that cost is incurred if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

c) Depreciation

Depreciation is charged to the profit or loss so as to allocate the cost of assets less their residual value over the estimated useful lives of items of property, plant and equipment, using the straight-line method. Estimated useful lives of assets are as follows:

	Useful Lifetime
Office Equipment	3 Years
Computer Hardware (PC Screen)	5 Years
Computer Hardware- (Computer Equipment)	3 years
Furniture & Fixtures	5 years
Furniture & Fixtures (Improvement)	3 Years
Motor Vehicles	5 Years

Depreciation is commenced from the date the asset is brought into use.

d) Impairment of Property, Plant and Equipment

The carrying value of property plant and equipment is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceed the estimated recoverable amount the assets are written down to their recoverable amount. Impairment losses are recognized in the statement of comprehensive income unless it reverses a previous revaluation surplus for the same asset.



SITA WORLD TRAVEL LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

3.4 Intangible Assets

a. Recognition and measurement

All computer software costs incurred, licensed for use by the Company, which are not integrally related to associate hardware, and can be clearly identified, reliably measured and it is probable that they will lead to future economic benefits are included in the statement of financial position under the category intangible assets and carried at cost less accumulated amortization and accumulated impairment losses if any.

b. Subsequent expenditure

Expenditure incurred on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

c. Amortization

Intangible assets are amortized on a straight line basis over a period of 5 years from the date when the asset is available for use, over the best estimate of its useful economic life.

3.5 FINANCIAL INSTRUMENTS

3.5.1 Financial assets

Initial Recognition, Classification and Subsequent Measurement

Recognition and initial measurement

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

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

Classification and subsequent measurement of financial assets

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI (Fair value through OCI) - debt investment; FVOCI - equity investment; or FVTPL (Fair value through profit or loss).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and



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NOTES TO THE FINANCIAL STATEMENTS

-its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument.

Financial assets - Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss



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3.5.2 Non-derivative financial liabilities

The Company initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Company has the following non-derivative financial liabilities: interest bearing borrowings, other payables, amounts due to related parties and bank overdraft.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

3.5.3 Derecognition

a. Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

b. Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

3.5.4 Offsetting

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

3.6 Impairment of Assets

3.6.1 Non-derivative financial assets

Financial instruments and contract assets

Loss allowances for trade receivables is always measured at an amount equal to lifetime Expected Credit Loss (ECL).



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When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

3.7 Leases

The Company applied SLFRS 16 using the modified retrospective approach, under which the Right-of-use underlying assets (ROU asset) and the Lease Liability were recognised at equal amounts as at 1 April 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under LKAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in SLFRS 16 have not generally been applied to comparative information.

3.7.1 POLICY APPLICABLE FROM 1 APRIL 2019

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

This policy is applied to contracts entered into, on or after 1 April 2019.

3.7.1.1 As a lessee

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

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

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

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use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased. Lease payments included in the measurement of the lease liability comprise the following:

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

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

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

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

Short-term leases and leases of low-value assets

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

3.7.1.2 As a lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.



SITA WORLD TRAVEL LANKA (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

If an arrangement contains lease and non-lease components, then the Company applies SLFRS 15 to allocate the consideration in the contract.

The Company applies the derecognition and impairment requirements in SLFRS 9 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Company recognises lease payments received under operating leases as income on a straight line basis over the lease term as part of 'other revenue'.

Generally, the accounting policies applicable to the Company as a lessor in the comparative period were not different from SLFRS 16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

3.7.2 POLICY APPLICABLE PRIOR TO 1 APRIL 2019

3.7.2.1 Determining whether an Arrangement Contains a Lease

At inception of an arrangement, the Company determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Company separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Company's incremental borrowing rate.

3.7.2.2 Leased Assets

Leases of property, plant and equipment that transfer to the Company substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Company's statement of financial position.

3.7.2.3 Lease Payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Contingent rents, if any, are recognised as revenue in the period in which they are earned.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3.8 Fair Value Measurement

3.8.1 Significant accounting policy

'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 in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.



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NOTES TO THE FINANCIAL STATEMENTS

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

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

3.8.2 Use of assumptions and estimation uncertainty

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

The Company has an established control framework with respect to the measurement of fair values.

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

Significant valuation issues are reported to the Company's audit committee. When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

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

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.



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NOTES TO THE FINANCIAL STATEMENTS

LIABILITIES AND PROVISIONS

Liabilities classified as current liabilities on the statement of financial position are those, which fall due for payment on demand or within one year from the reporting date.

Non-current liabilities are those balances that fall due for payment after one year from the reporting date.

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

3.9 Employee Benefits

a) Defined Contribution Plan - Employees' Provident Fund & Employees' Trust Fund

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

Employees' Provident Fund

The Company and Employees' contribute 12% & 8% respectively on the salary of each employee is paid. Said provident fund is being managed by the Central Bank of Sri Lanka.

Employees Trust Fund

The Company contributes 3% of the salary of each employee to the Employees' Trust Fund.

b) Defined Benefit Plans – Retirement Gratuity

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

Provision has been made for retirement gratuities from the first year of service for all employees, in conformity with LKAS 19 – Employee Benefits. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The Company measures the present value of retirement benefits of gratuity using an internally generated model based on formula. Actuarial gains and losses are recognized in other comprehensive income.

The liability recognized in the Statement of financial position in respect of defined benefit plan is the present value of the defined benefit obligation at the reporting date.

The liability is not externally funded nor actuarially valued.

Actuarial gains and losses.

The re-measurements of the net defined benefit liability, which comprise actuarial gains and losses are recognized in Other Comprehensive Income.

3.10 Provisions and liabilities

A provision is recognized in the statement of financial position only when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

3.11 Contingencies and Capital Commitments

All material capital commitments and contingencies, which exist as at the reporting date, are disclosed in the respective notes to the Financial Statements.



SITA WORLD TRAVEL LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

INCOME AND EXPENSES

3.12 Revenue Recognition

The Company has initially applied SLFRS 15 from 1 April 2018. Due to the transition method chosen in applying SLFRS 15, comparative information has not been restated to reflect the new requirements.

Performance obligations and revenue recognition policies

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

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of product/ service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under SLFRS 15
Providing Travel and Destination Management services for Travelers.	The Service is transferred to the customer at the completion of its performance obligation which is the completion of the tour.	Revenue is recognized when a customer obtains control of the service. Determining the timing of the transfer of control is at a point in time or over time requires judgment.

3.13 Expenditure Recognition

All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to income statement in arriving at the profit or loss for the year.

3.14 Finance income and expenses

Interest income and expenses are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts or payments through the expected life of the financial asset or liabilities (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liabilities. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

3.15 Related Party Transactions

Disclosures has been made in respect of the transactions in which one party has the liability to control or exercise significant influence over the financial and operating decisions/policies of the other, irrespective of a profit being charged



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NOTES TO THE FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS

The Statement of Cash Flows has been prepared using the Indirect Method of preparing Cash Flows in accordance with the Sri Lanka Accounting Standard (LKAS) 7, Statement of Cash Flows.

Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The cash and cash equivalents include cash in-hand, balances with banks and short term deposits with banks.

For cash flow purposes, cash and cash equivalents are presented net of bank overdrafts.

4. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE AS AT THE REPORTING DATE.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 April 2020 and earlier application is permitted; however, the Company has not early adopted them in preparing these consolidated financial statements.

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

- Amendments to References to Conceptual Framework in SLFRS Standards.
- Definition of a Business (Amendments to SLFRS 3).
- SLFRS 17 Insurance Contracts.

SLFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. SLFRS 17 introduces a new measurement model for insurance contracts and becomes effective in 2023.



SITA WORLD TRAVEL LANKA (PRIVATE) LIMITED
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As at 31st March 2020,

5. Changes in Significant Accounting policies

The Company has initially applied SLFRS 16 - Leases from 1 April 2019.

The Company applied SLFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 April 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under LKAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in SLFRS 16 have not generally been applied to comparative information.

A. Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 3.7.

On transition to SLFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied SLFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under LKAS 17 and IFRIC 4 were not reassessed for whether there is a lease under SLFRS 16. Therefore, the definition of a lease under SLFRS 16 was applied only to contracts entered into or changed on or after 1 April 2019.

B. As a lessee

The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under SLFRS 16, the Company recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

i. Leases classified as operating leases under LKAS 17

Previously, the Company classified property leases as operating leases under LKAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 April 2019. Right-of-use assets are measured at either:

- their carrying amount as if SLFRS 16 had been applied since the commencement date, discounted using the Company's incremental borrowing rate at the date of initial application: the Company applied this approach to its largest property lease; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Company applied this approach to all other leases.

B. Impact on financial statements

The Company has ceased business operations from October 2018 and the adoption of SLFRS 16 did not have any impact on the financial statements of the Company on the basis of not having an identified asset to recognise lease liability.

For the year ended 31 March

	2020 Rs.	2019 Rs.
6. Revenue	-	25,520,240
Inbound	-	25,520,240
6.1 The Company has ceased its business operations from October 2018. Therefore the Company has not generated revenue during the year.		
7. Other Income/ Expense		
Loss on Disposal of Property, Plant and Equipment	-	(262,980)
Shopping Commission	-	7,529
Direct cost provision reversal (Note 7.1)	8,646,079	-
Reversal of advances received for future tours (Note 7.2)	1,483,677	-
	10,129,756	(255,451)



7.1 The Company has Rs.8.6 Mn provisions in relation to hotel cost. The Company has ceased business operations from October 2018 and there were no claims made over the last 12 months, Board resolutions was passed on 25

SITA WORLD TRAVEL LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020,

7.2 The Company has received Rs. 1.4 Mn as advances for future tours. As the Company has ceased business operations from October 2018 and there were no claims made over the last 12 months. A Board resolution was passed on 25 March 2020 approving the reversal of these advances to Other Income.

	2020 Rs.	2019 Rs.
8. Profit/(Loss) from Operations		
Profit/(Loss) from operations is stated after charging all the expenses including the following.		
Director Emoluments	-	-
Auditor's Remuneration	125,000	200,000
Depreciation of Property, Plant and Equipment	347,814	517,814
Amortization of Intangible Assets	53,064	117,859
Rent Expenses	-	825,000
Intangible Asset Write off	-	218,923
Staff Cost (Note 8.1)	-	(125,074)
8.1 Staff Cost		
Salaries and wages	-	21,196
Employees Provident Fund	-	2,544
Employees Trust Fund	-	636
Reversal for employee benefits	-	(149,450)
	<u>-</u>	<u>(125,074)</u>

8.1.1 The Company has ceased business operations from October 2018. Therefore there were no employees in the Company.

9. Net finance Expense

Finance income

Interest income	78	84,244
	<u>78</u>	<u>84,244</u>

Finance expense

Interest on loan (Note 9.1)	1,052,001	2,335,726
Exchange loss (Note 9.2)	6,694,751	479,046
	<u>7,746,752</u>	<u>2,814,772</u>

Net Finance Expense

	<u>(7,746,674)</u>	<u>(2,730,528)</u>
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9.1 The interest expense comprise of the interest in relation to intercompany loan.

9.2 The Company has obtained a loan from Kuoni Travel (India) (Pvt) Ltd which was revalued and the interest payable amount at the end was USD 147,500.

10. Income Tax Expense

Current Tax Expenses

Current tax	-	-
Impairment for ESC receivable	-	2,980,585
	<u>-</u>	<u>2,980,585</u>

Deferred Tax Expense

Origination / (reversal) of deferred tax liability (Note 14)	25,262	7,529
Reversal of deferred tax asset (Note 14)	-	20,923
	<u>25,262</u>	<u>28,452</u>
	<u>25,262</u>	<u>3,009,037</u>

10.1 Reconciliation between Accounting Profit and Taxable Profit

Accounting Loss Before Tax	1,087,178	(2,988,301)
Disallowable Expenses	1,580,510	3,092,931
Allowable expenses	(615,377)	(952,981)
Other Income	78	(178,736)
	<u>2,052,389</u>	<u>(1,027,087)</u>
Interest Income liable to Tax	15,503	84,244
Less: Tax Loss Utilized during the year	(2,067,892)	(84,244)
Taxable Profit / (Loss)	<u>-</u>	<u>(1,027,087)</u>
Income Tax for the year - 14% of taxable income	-	-
Total Income Tax Expense for the year	<u>-</u>	<u>-</u>



SITA WORLD TRAVEL LANKA (PRIVATE) LIMITED
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For the year ended 31 March,

	2020 Rs.	2019 Rs.
10.2 Reconciliation of Business tax losses		
Tax Loss Brought Forward	20,048,130	19,105,287
Tax Loss for the Year of Assessment	-	1,027,087
Tax Loss Claimed During the Year	-	(84,244)
Reassessment of tax losses on tax return	312,688	-
Tax Loss Carried Forward	20,360,818	20,048,130

11. Profit/(Loss) per share

Calculation of Profit/(loss) per share is based on the loss attributable to Ordinary Shareholders divided by the weighted average number of ordinary shares outstanding as at the reporting date.

Profit/(Loss) for the year (Rs.)	1,061,916	(5,997,338)
Weighted average number of ordinary shares	250,000	250,000
Loss per share (Rs.)	4.25	(23.99)

12. Property, Plant & Equipment

	Office Equipment Rs.	Computer Equipment Rs.	Furniture and Fixtures Rs.	Total 2020 Rs.	Total 2019 Rs.
Cost					
Balance at the beginning of the year	590,198	3,726,624	23,990	4,340,812	6,364,162
Additions	-	-	-	-	-
Disposals during the year	(16,500)	-	-	(16,500)	(2,023,350)
Written-off during the year	(559,410)	(1,191,626)	-	(1,751,036)	-
Balance at the end of the year	14,288	2,534,998	23,990	2,573,276	4,340,812
Accumulated depreciation					
Balance at the beginning of the year	587,206	3,001,509	10,803	3,599,518	4,730,696
Charge for the year	2,992	340,011	4,811	347,814	517,814
Disposals during the year	(16,500)	-	-	(16,500)	(1,648,992)
Written-off during the year	(559,410)	(1,191,626)	-	(1,751,036)	-
Balance at the end of the year	14,288	2,149,894	15,614	2,179,796	3,599,518
Carrying amounts					
As at 31 st March 2020	-	385,104	8,376	393,480	
As at 31 st March 2019	2,992	725,115	13,187		741,294

12.1 Written-off Property, Plant and Equipment

The Company has performed a physical asset verification during the year and assets which were not physically available at the office premises were written off.

	2020 Rs.	2019 Rs.
13. Intangible assets		
Cost		
Balance at the beginning of the year	264,600	818,400
Additions	-	-
Write off during the year	-	(553,800)
Balance at the end of the year	264,600	264,600
Amortization		
Balance at the beginning of the year	92,905	309,923
Charge for the year	53,064	117,859
Write off during the year	-	(334,877)
Balance at the end of the year	145,969	92,905
Carrying value as at end of the year	118,631	171,695



13.1 During the previous financial year the Company has written-off a software named "Aria Operation System" since the Company has ceased its operations from 2018 and the said software is no longer in use.

SITA WORLD TRAVEL LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31 March

	2020 Rs.	2019 Rs.
14. Other receivables		
Other receivables (Note 14.1)	14,519,072	549,293
	<u>14,519,072</u>	<u>549,293</u>
14.1 Other receivables		
WHT receivable	143,147	143,147
VAT receivable	375,925	306,146
Other receivable	-	100,000
Loan & Advances (Note 14.1.1)	14,000,000	-
	<u>14,519,072</u>	<u>549,293</u>
14.1.1 The Rs.14,000,000 relates to a short term loan provided to Luxe Asia (Pvt) Ltd.		
15. Cash and cash equivalents		
Cash at bank	350,713	15,226,881
Cash & cash equivalents for the purpose of statement of cash flow	<u>350,713</u>	<u>15,226,881</u>
16. Stated capital		
Issued and fully paid		
250,000 ordinary shares	<u>2,500,000</u>	<u>2,500,000</u>
17. Employee benefits		
17.1 Defined Contribution Plans		
Following contributions have been made to Employees' Provident Fund and Employees' Trust Fund during the year.		
Employees' Provident Fund		
Employers' contribution	-	2,544
Employees' contribution	-	1,696
Employees' Trust Fund	-	636
17.2 Defined Benefit Plan - Gratuity		
Balance at the beginning of the year	-	149,450
Reversal recognised during the year	-	(149,450)
	<u>-</u>	<u>-</u>
Payments made during the year	-	-
Balance at end of the year	<u>-</u>	<u>-</u>
17.3 As at the reporting date there were no employees working for the Company as business operations ceased from october 2018. As a such no gratuity provision has been made.		
18. Deferred taxation		
Deferred tax liabilities (Note 18.1)	(36,627)	(11,365)
Deferred tax assets (Note 18.2)	-	-
	<u>(36,627)</u>	<u>(11,365)</u>
18.1 Deferred tax liabilities		
Balance at the beginning of the year	11,365	3,836
Origination/(Reversal) during the year	25,262	7,529
Balance at the end of the year	<u>36,627</u>	<u>11,365</u>



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As at 31st March

18.2 Deferred tax assets

	2020 Rs.	2019 Rs.
Balance at the beginning of the year		
Adjustment on reinstatement of fully depreciated assets	-	20,923
Balance at the end of the year	-	(20,923)
	-	-

18.3 Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2020		2019	
	Temporary Difference Rs.	Tax Effect Rs.	Temporary Difference Rs.	Tax Effect Rs.
Deferred Tax Liabilities				
Property, plant & equipment	(261,618)	(36,627)	(81,178)	(11,365)
	<u>(261,618)</u>	<u>(36,627)</u>	<u>(81,178)</u>	<u>(11,365)</u>
Deferred Tax Assets				
Tax loss	20,360,818	-	20,048,130	-
Employee benefits	-	-	-	-
	<u>20,360,818</u>	<u>-</u>	<u>20,048,130</u>	<u>-</u>
Net Deferred Tax Assets	<u>20,622,436</u>	<u>36,627</u>	<u>20,129,308</u>	<u>(11,365)</u>

Note 1 - The temporary difference arising from tax losses, as at the reporting date, was Rs. 20,360,818/- (2019 - Rs.20,048,130/-) resulting in deferred tax assets of Rs.2,850,514/- (2019 - Rs.2,806,738/-) as at that date. However deferred tax asset has not been recognised against the carried forward tax losses as at the reporting date as the business operation ceased since October 2018. Accordingly, the total unrecognised deferred tax asset at reporting date was Rs.2,850,514/- (2019 - Rs. 2,806,738/-)

19. Trade and other payables

Trade payables (Note 19.1)	85,069	8,606,398
Other payable (Note 19.2)	127,300	4,483,201
	<u>212,369</u>	<u>13,089,599</u>

19.1 Trade payable

Sundry Creditors	85,069	-
Direct Cost Hotel Provision Payable	-	3,423,512
Direct Cost Misc Payable	-	2,642,922
Direct Cost Transport Payable	-	2,539,964
	<u>85,069</u>	<u>8,606,398</u>

19.1.1 The direct cost provisions were reversed to Other Income during the year as business operations ceased from October 2018 and no claims were made over last 12 months.

19.2 Other payable

Duties & Taxes	2,300	2,300
Provisions	-	61,224
Audit Fee Payable	125,000	200,000
Dividend Payable (Note 19.2.1)	-	2,736,000
	-	1,483,677
	<u>127,300</u>	<u>4,483,201</u>

19.2.1 The dividend payable amount was reversed to accumulated losses during the year as business operations ceased from October 2018 and no claims were made over last 12 months.

20. Amount due to related party

Loan from Kuoni Travel India (Pvt) Ltd	-	26,257,951
Interest on loan payable	-	9,095,502
	-	<u>35,353,453</u>



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For the year ended 31 March 2020

20. Amount due to related party (Cont.)

As per the agreement made between Sita World Travel Lanka (Pvt) Ltd and Kuoni Travel (India) (Pvt) Ltd on 1st May 2015, the Company has obtained a loan from Kuoni Travel (India) (Pvt) Ltd amounting to USD 147,500 on a specific repayment scheme. The interest on the said loan is comparable to market interest rate and thus, no fair value adjustment have been made in these financial statements.

The Board of Directors have indicated the conversion of the loan to equity shares during the upcoming financial year. Accordingly the amounts payable has been classified under equity as an advance received for the share conversion.

21. Related party transactions

The Company carried out transactions in the ordinary course of its business with parties who are defined as related parties in LKAS 24 - *Related Party Disclosures*. The details of which are given below.

21.1 Transactions with Key Management Personnel

According to Sri Lanka Accounting Standard 24 - Related Party Disclosures, the Key Management Personnel (KMP) are those having authority and responsibility for planning, directing, and controlling the activities of the entity. Accordingly, the Directors of the Company have been classified as KMP of the Company.

Being the Parent and ultimate undertaking, Travel Corporation India Ltd and Fairfax Financial Holdings Ltd, Canada, respectively as noted in Note 1.3, the Board of directors have the authority and responsibility for planning, directing and controlling the activities of the entity directly and indirectly. Accordingly, the Board of Directors of those companies also have been classified as KMP.

The compensation paid to KMP's is as follows:

Key management personnel compensation

	2020 Rs.	2019 Rs.
Short term employee benefits	Nil	Nil
Post employment benefits	Nil	Nil

21.2 Transactions with Related Entities

Name of the Related Party	Relationship	Nature of Transaction	Transaction Amount 2020 Rs.	Transaction Amount 2019 Rs.
Travel Corporation India (Pvt) Ltd (formally known as Kuoni Travel India (Pvt) Ltd)	Parent company	Sale of service	-	608,597
		Interest on loan	1,052,001	2,314,104
		Fund transfer	-	-
Luxe Asia (Pvt) Ltd	Subsidiary of Parent Company	Sale of service	-	-
		Reimbursement received	-	6,055
		Loans Granted	14,000,000	-
Kuoni Travel France	Subsidiary of Parent Company	Sale of service	-	286,541
		Fund transfer	-	-

Also Refer Note 14 and 20

22 Fair Values of Financial Instruments

22.1 Valuation of Financial Instruments Measured at Fair Value

The Company does not have any financial instruments which are measured at fair value.

22.2 Valuation of Financial Assets and Liabilities not Carried at Fair Value

Set out below is a comparison of the carrying amounts and fair values of the financial instruments of the Company which are not measured at fair value in the financial statements. These tables do not include non-financial assets and liabilities.

As at 31 March,

	2020		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Loans & Advances	14,000,000	14,000,000	-	-
Cash & Cash Equivalents	350,713	350,713	15,226,881	15,226,881
	14,350,713	14,350,713	15,226,881	15,226,881



SITA WORLD TRAVEL LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

22 Fair Values of Financial Instruments (Cont.)

	2020		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities				
Trade & Other Payables	212,369	212,369	13,089,599	13,089,599
Amounts due to Related Parties	-	-	35,353,453	35,353,453
	<u>212,369</u>	<u>212,369</u>	<u>48,443,052</u>	<u>48,443,052</u>

23. Financial risk management

23.1 Introduction and Overview

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

1. Credit risk
2. Market risk
3. Liquidity risk
4. Operational risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout this financial statement.

23.2 Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

23.3 Credit risk

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

The Company trades only with creditworthy customers. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. Cash and cash equivalents and the short term deposits are held with bank which has good ratings based on Fitch ratings.

23.3.1 Credit risk exposure and managing the risk

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

As at 31st March

Loans & Receivables
Cash & cash equivalents
Amounts due to Related Party



2020	2019
Rs.	Rs.
14,000,000	100,000
350,713	15,226,881
-	35,353,453
<u>14,350,713</u>	<u>50,680,334</u>

SITA WORLD TRAVEL LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

23. Financial risk management (Cont.)

23.4 Liquidity risk

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

Maturity analysis

The table below summarizes the maturity profile of the Company's financial liabilities as at the end of the reporting period based on contractual undiscounted payments.

As at 31 March 2020	Carrying amount (Rs.)	Cash flows (Rs.)	
		Within 6 months	More than a year
Non- derivative Financial Liabilities			
Trade & other payables	212,369	212,369	-
Amounts due to related parties	-	-	-
	563,082	563,082	-
As at 31 March 2019			
Non- derivative Financial Liabilities			
Trade & other payables	13,089,599	13,089,599	
Amounts due to related parties	35,353,453	35,353,453	
	63,669,933	63,669,933	-

23.5 Market risk

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

23.5.1.Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes on foreign exchange rates. The Company monitors the fluctuations in foreign currencies with appropriate strategies to minimize risk.

The Company is exposed to currency risk on transaction and settlements of transaction that are denominated in a currency other than the respective functional currencies of Company. The currencies in which these transactions primarily are denominated in USD.

The Company's exposure to foreign currency risk is as follows;

As at 31 March 2020	Rs.	Converted to USD
Cash and cash equivalents	350,713	1,992
Trade payables	212,369	1,206
Amounts due to related companies	-	-
	563,082	3,198
As at 31 March 2019		
	Rs.	Converted to USD
Cash and cash equivalents	15,226,881	86,471
Trade payables	13,089,599	74,334
Amounts due to related companies	35,353,453	200,767
	63,669,933	361,572



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

23. Financial risk management (Cont.)

23.5.1.Currency risk (Contd.)

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

23.5.2 Interest rate risk

Interest rate risk is the risk to the Company's earnings and economic value of equity ("EVE") arising from adverse movements in interest rates.

Management of interest rate risk

The Company's investment decisions in interest bearing assets are controlled by the higher level authorities appointed by the Board of Directors and they are advised and guided only to invest in secured and regulated investment sources.

23.5.3 Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Company's operations.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to

address the risks identified requirements for the reporting of operational losses and proposed remedial action.

- Development of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance when this is effective.

Compliance with Company standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Board of Directors and senior management of the Company.

24. Events occurring after the reporting date

No circumstances has arisen since the reporting date which would require adjustments to or disclosure in the financial statements, except for the followings.

On 11th March 2020, the World Health Organization declared the corona virus COVID 19 outbreak to be a pandemic in recognition of its rapid spread across the globe with over 150 countries now affected. Businesses may be negatively impacted due to the overall negative economic conditions caused by the pandemic. The financial reporting effects of the Covid 19 outbreak have been considered as adjusting events. However considering the fact that the business operation has ceased since October 2018, the Directors have estimated that there will be no negative impact on the Company's financial position as of date.

Furthermore, the loan payable to Travel Corporation India Ltd of Rs.43,100,238/- was reclassified from current liabilities to equity as an advance paid for share allotment as at 31st March 2020 based on the consent letter received from Travel Corporation India Limited. This reclassification has resulted in a net asset position whereas during the previous financial year the Company had a net liability position.



SITA WORLD TRAVEL LANKA (PRIVATE) LIMITED
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As at 31st March 2020,

25. Capital commitments and contingent liabilities

There were no contract for capital expenditure of material amounts approved or contracted for as at the reporting date. There have been no material contingent liabilities outstanding as at the reporting date.

26. Litigation and claim

There were no pending litigation or claims as at the reporting date.

27. Going concern

The Company has reported a net profit of Rs. 1,061,916/- for the year ended 31st March 2020 (2019 - Loss Rs. 5,997,338/-). The current year profit was due to over provision reversals made during the year since the Company has ceased business operations from October 2018.

However Board of directors are of the view that the Company will continue as a legal entity.

28. Board of Directors' responsibility for financial reporting

The Board of Directors is responsible for the preparation and presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka and the Companies Act No. 7 of 2007.

