# LUXE ASIA (PVT) LIMITED
# FINANCIAL STATEMENTS
# FOR THE YEAR ENDED
# 31 MARCH 2019

KPMG
(Chartered Accountants)
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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 2019, 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 2019, 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.

**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.

KPMG

CHARTERED ACCOUNTANTS
Colombo, Sri Lanka
24th May 2019

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

| *For the year ended 31st March,* | Note | 2019 Rs | 2018 Rs |
|---|---|---|---|
| Revenue | 6 | 892,915,438 | 599,918,081 |
| Cost of sales | 7 | (760,250,571) | (529,150,478) |
| **Gross profit** | | 132,664,867 | 70,767,603 |
| Other income | 8 | 5,804,971 | 6,017,643 |
| Administrative expenses | | (126,573,450) | (89,509,688) |
| Distribution expenses | | (29,431,000) | (11,627,119) |
| **Loss from operations** | 9 | **(17,534,612)** | **(24,351,561)** |
| Finance income | | 10,471,802 | 11,000,797 |
| Finance expenses | | (3,725,990) | (2,416,940) |
| **Net finance income** | 10 | **6,745,812** | **8,583,857** |
| **Loss before tax** | | **(10,788,800)** | **(15,767,704)** |
| Income tax (expense) / reversal | 11 | (4,767,587) | 632,174 |
| **Loss for the year** | | **(15,556,387)** | **(15,135,530)** |
| **Other comprehensive income, net of income tax** | | | |
| Actuarial gain / (loss) on defined benefit plans | | 781,101 | (408,664) |
| Deferred tax in relation to OCI | | (109,354) | 57,213 |
| | | **671,747** | **(351,451)** |
| **Total comprehensive income for the year** | | **(14,884,640)** | **(15,486,981)** |
| **Loss per share** | 12 | **(31.11)** | **(30.27)** |

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

*Figures in bracket indicate deductions.*

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*As at March,*

| | Note | 2019 Rs | 2018 Rs |
|---|---|---|---|
| **ASSETS** | | | |
| Property, plant & equipment | 13 | 10,363,399 | 5,281,144 |
| Intangible assets | 14 | 843,752 | 658,868 |
| Deferred tax assets | 18 | 1,150,551 | 704,394 |
| Total non-current assets | | 12,357,702 | 6,644,406 |
| Trade and other receivables | 15 | 70,205,458 | 41,359,988 |
| Advance and prepayments | 16 | 10,952,950 | 18,512,788 |
| Short term Investments | | 500,000 | 522,454 |
| Cash and cash equivalents | 17 | 48,820,130 | 14,282,999 |
| **Total current assets** | | **130,478,538** | **74,678,229** |
| **Total assets** | | **142,836,240** | **81,322,635** |
| **EQUITY AND LIABILITIES** | | | |
| Stated capital | 19 | 5,000,000 | 5,000,000 |
| Accumulated losses | | (117,046,001) | (102,161,362) |
| **Total equity** | | **(112,046,001)** | **(97,161,362)** |
| **Liabilities** | | | |
| Employee benefits | 20 | 10,075,894 | 7,643,493 |
| **Total non-current liabilities** | | **10,075,894** | **7,643,493** |
| Trade and other payables | 21 | 189,974,465 | 112,728,308 |
| Amount due to related party | 22 | 25,000,000 | 25,438,035 |
| Current taxation | | 673,365 | 15,007 |
| Bank overdraft | 17 | 29,158,517 | 32,659,154 |
| **Total current liabilities** | | **244,806,347** | **170,840,504** |
| **Total liabilities** | | **254,882,241** | **178,483,997** |
| **Total equity and liabilities** | | **142,836,240** | **81,322,635** |

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.

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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:

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**Director**

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**Director**

24 May 2019
Colombo.

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LUXE ASIA (PVT) LTD
STATEMENT OF CHANGES IN EQUITY

| *For the year ended 31st March,* | Stated capital Rs | Accumulated loss Rs | Total Rs |
|---|---|---|---|
| Balance as at 01st April 2017 | 5,000,000 | (86,674,381) | (81,674,381) |
| **Total comprehensive Income for the year** | | | |
| Loss for the year | - | (15,135,530) | (15,135,530) |
| Other comprehensive income for the year | - | (351,451) | (351,451) |
| Total comprehensive income for the year | - | (15,486,981) | (15,486,981) |
| **Balance as at 31st March 2018** | **5,000,000** | **(102,161,362)** | **(97,161,362)** |
| 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)** |

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

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LUXE ASIA (PVT) LTD
STATEMENT OF CASHFLOWS

*For the year ended 31st March,*

| | 2019 | 2018 |
|---|---|---|
| | Rs | Rs |
| **Cash flow from operating activities** | | |
| Loss before tax | (10,788,800) | (15,767,704) |
| **Adjustments for :** | | |
| Depreciation / amortisation | 2,372,528 | 2,701,983 |
| Provision for Irrecoverable Economic Service Charge | - | (805,933) |
| Provision for impairment of trade receivables | 291,742 | - |
| Loss on disposal of property, plant and equipment | 1,498,262 | - |
| Interest income | - | (82,454) |
| Provision for gratuity | 3,213,503 | 2,240,313 |
| **Operating loss before working capital changes** | **(3,412,765)** | **(11,713,795)** |
| Decrease/(increase) in trade and other Receivables | (33,801,953) | 4,948,354 |
| Increase in advance and prepayments | 7,559,838 | (7,094,718) |
| Increase in amounts due from related parties | (438,035) | 438,035 |
| Increase in trade and other payables | 77,246,157 | 7,708,599 |
| **Cash used in operations** | **47,153,242** | **(5,713,524)** |
| Income tax paid | | - |
| **Net cash flows used in operating activities** | **47,153,242** | **(5,713,524)** |
| **Cash flows from investing activities** | | |
| Acquisition of property, plant and equipment | (8,617,478) | (564,000) |
| Acquisition of intangible asset | (622,625) | (150,000) |
| Proceeds from disposal of property, plant and equipment | 102,175 | - |
| Interest income | - | 60,000 |
| Invest in short term investment | 22,454 | |
| **Net cash used in investing activities** | **(9,115,474)** | **(654,000)** |
| **Net decrease in cash and cash equivalents** | 38,037,768 | (6,367,524) |
| **Cash and cash equivalents at the beginning of the year** | (18,376,155) | (12,008,631) |
| **Cash and cash equivalents at the end of the year (Note 17)** | **19,661,613** | **(18,376,155)** |

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

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## 1 REPORTING ENTITY

### 1.1. Domicile and Legal Form

Luxe Asia (Pvt) Ltd ("the Company") is a limited liability Company incorporated on 22[th] 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.

### 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 1[st] August 2015, after acquiring the Company from Ceylon Hotel Holdings (Pvt) Ltd. 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 31[st] March 2019 was 66 (2018 – 45)

## 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 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.

### 2.4 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:

- Note 3.2.a Current taxes
- Note 3.2.b Deferred tax assets
- Note 3.9.2 Employee benefits
- Note 3.8 Provision and contingencies
- Note 3.6 Impairment

## 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 expense comprises current and deferred tax. Current tax and deferred tax expenses are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income (OCI), in which case it is recognized in equity or in OCI.

#### a. Current taxes

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

The Company is liable to pay tax on other income earned at the prevailing tax rate.

#### b. Deferred taxes

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 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



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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 |

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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 grouped 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.

#### 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 exceed 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 INSTRUMENT

#### 3.5.1 Financial assets

#### a) POLICY APPLICABLE FROM APRIL 1, 2018

The Company adopted SLFRS 9 from April 1, 2018.

**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



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-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

-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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**Financial Asset Classification Change**

| Measurement | SLFRS 9 (After 1st April 2018) | LKAS 39 (Prior to 1st April 2018) |
|---|---|---|
| Fair value | FVTPL/ FVOCI | FVTPL/ AFS |
| Amortised cost | Amortised cost | HTM/ Loans and Receivables |

## b) POLICY APPLICABLE BEFORE APRIL 1, 2018:

### Initial Recognition, Classification and Subsequent Measurement based on LKAS 39

**Date of Recognition**

All financial assets and liabilities are initially recognized on the trade date, i.e., the date the Company becomes a party to the contractual provisions of the instrument.

**Initial Measurement of Financial Instruments**

The classification of Financial Instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them.

Financial Instruments are measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

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

**Classification and Subsequent Measurement of Financial Assets**

The Company classifies its financial assets into one of the following categories:

- Loans and receivables; and
- Available-for-sale.

The subsequent measurement of financial assets depends on their classification.

**Financial Assets Classified as Loans and Receivables**

Financial Assets classified as 'Loans and Receivables' include Deposits Receivable, Trade and Other Receivables and Cash and Cash Equivalents. After initial measurement, these are subsequently measured at amortised cost using the EIR, less provision for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'Interest Income' in the Income Statement. The losses arising from impairment are recognised in the Income Statement in 'impairment charges for loans and other losses'

**Available for Sale Financial Assets**

Available-for-sale financial assets include investments in debt securities. Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions. After initial measurement, available for sale financial investments are subsequently measured at fair value.

Unrealised gains and losses are recognised directly in Equity through Other Comprehensive Income in the 'available-for-sale reserve'. When the financial investment is disposed of, the cumulative gain or loss previously recognised in Equity is recognised in the Income Statement. Where the Company holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding Available-for-Sale financial investments is reported as 'Interest Income' using the EIR. Dividends earned whilst holding Available-for-Sale financial investments are recognised in the Income Statement when the right to receive the payment has been established. The losses arising from impairment of such investments if any, are recognised in the Income Statement in 'Impairment losses on financial investments' and removed from the 'Available for Sale Reserve'

**Reclassification of Financial Instruments**

In certain circumstances, the Company is permitted to reclassify Financial Instruments out of the 'available-for-sale' category and into the 'loans and receivables' category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

For a financial asset with a fixed maturity reclassified out of the 'available-for-sale' category, any previous gain or loss on that asset that has been recognised in Equity is amortised to profit or loss over the remaining life of the asset using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. In the case of a financial asset that does not have a fixed maturity, the gain or loss is recognised in the profit or loss when such financial asset is sold or disposed. If the financial asset is subsequently determined to be impaired, then the amount recorded in Equity is recycled to the Income Statement.

Reclassification is at the election of management, and is determined on an instrument-by-instrument basis.

The Company does not reclassify any Financial Instrument into the fair value through profit or loss category after initial recognition.

**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.



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### 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 Financial assets (including receivables)

IMPAIRMENT POLICY: APPLICABLE FROM 1 APRIL 2018

**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.

**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.

**IMPAIRMENT POLICY: APPLICABLE PRIOR TO 1 APRIL 2018**

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security.

### 3.6.2 Non-financial assets

The carrying amounts of the Company's non-financial assets such as deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

Impairment losses are recognized in profit or loss.

### 3.7 Fair Value Measurement

#### 3.7.1 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.

- **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.

#### 3.7.2 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.

**3.8 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.

**3.9 Employee benefits**

**3.9.1 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 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**

**3.9.2 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.

**3.10 Non derivative financial liabilities**

The Company initially recognizes liabilities on the date that they are originated. All other liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

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

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

Other financial liabilities comprise trade payables and other payables.

### 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

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 (applicable from 1 April 2018) | Revenue recognition under LKAS 18 (applicable before 1 April 2018) |
|---|---|---|---|
| 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. | SLFRS 15 established a comprehensive framework for determining whether, how much and when revenue is to be recognized. Under SLFRS 15, 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. | The company recognized revenue when persuasive evidence of an arrangement exists, delivery has occurred and risk of loss has passed to the customer. The sales price is determinable and collection of the resulting receivable is reasonably assured. |

**Other Income**

Other Income is recognized on an accrual basis.

### 3.14 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.



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### 3.15 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.

### 3.16 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.

### 3.17 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.

### 3.18 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.

## 4. STATEMENT OF CASH FLOW

### 4.1. 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.

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

### SLFRS 16 Leases

The Company is required to adopt SLFRS 16 Leases from 1 April 2019. The Company is assessing the potential impact on its Financial Statements resulting from the application of SLFRS 16.

SLFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating leases.

SLFRS 16 replaces existing leases guidance, including LKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.



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**5.1 Leases in which the Company is a lessee**

The Company will recognise new assets and liabilities for its operating leases of office buildings. The nature of expenses related to those leases will now change because the Company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Company recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

In addition, the Company will no longer recognise provisions for operating leases that it assesses to be onerous. Instead, the Company will include the payments due under the lease in its lease liability.

No significant impact is expected for the Company's finance leases. However, the Company is assessing the potential impact on its Financial Statements resulting from the application of SLFRS 16.



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| *For the year ended 31st March,* | 2019 Rs | 2018 Rs |
|---|---|---|
| **6. Revenue** | | |
| Inbound Sales | 865,666,914 | 596,191,227 |
| Outbound Sales | 27,248,524 | 3,726,854 |
| | **892,915,438** | **599,918,081** |

**6.1** The Company adopted SLFRS 15 for revenue recognition from 1 April 2018 as described in Note 32. There was no significant impact on adoption.

**6.2** The Company's revenue is 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.

| | 2019 Rs | 2018 Rs |
|---|---|---|
| **Timing of revenue recognition** | | |
| Departure date at the point in time | 892,915,438 | 599,918,081 |
| | **892,915,438** | **599,918,081** |
| **7 Cost of Sales** | | |
| Inbound | 734,477,806 | 525,676,759 |
| Outbound | 25,772,765 | 3,473,718 |
| | **760,250,571** | **529,150,478** |
| **8 Other income** | | |
| Shopping commission | 6,978,878 | 5,863,304 |
| Disposal loss on Property, plant & equipment | (1,498,262) | - |
| Miscellaneous income | 324,355 | 154,339 |
| | **5,804,971** | **6,017,643** |
| **9 Loss from operations** | | |
| Loss from operations is stated after charging all the expenses including the following, | | |
| Director emoluments | 13,239,930 | 9,914,920 |
| Auditor's remuneration | 325,000 | 300,000 |
| Staff costs (Note 9.1) | 69,810,159 | 51,093,955 |
| Depreciation | 1,934,787 | 2,184,768 |
| Ammortization | 437,740 | 517,215 |
| Provision for trade debtors | 291,742 | - |
| ***9.1 Staff costs*** | | |
| Salaries and wages | 57,910,136 | 42,481,428 |
| Employees provident fund | 6,949,216 | 5,097,771 |
| Employees trust fund | 1,737,304 | 1,274,443 |
| Provision for employee benefits | 3,213,503 | 2,240,313 |
| | **69,810,159** | **51,093,955** |
| **10 Net finance income** | | |
| **Finance income** | | |
| Exchange gain | 10,471,802 | 10,918,343 |
| Interest income | - | 82,454 |
| | **10,471,802** | **11,000,797** |
| **Finance expenses** | | |
| Bank charges/OD interest | (3,725,990) | (2,416,940) |
| | **(3,725,990)** | **(2,416,940)** |
| | **6,745,812** | **8,583,857** |
| **11 Income tax expense / (reversal)** | | |
| **Current Tax Expenses** | | |
| Current tax | 673,365 | 15,007 |
| Impairment for ESC receivable (Note 15) | 4,649,733 | - |
| | 5,323,098 | 15,007 |
| Deferred Tax Expense | | |
| Origination / (reversal) of deferred tax liability (Note 18) | (105,621) | 365,695 |
| Origination of deferred tax asset (Note 18) | (449,890) | (1,012,876) |
| | **(555,511)** | **(647,181)** |
| | **4,767,587** | **(632,174)** |

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*As at 31st March,*

## 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.

| | 2019<br>Rs | 2018<br>Rs |
|---|---|---|
| Loss for the year (Rs.) | (15,556,387) | (15,135,530) |
| Weighted average number of ordinary shares | 500,000 | 500,000 |
| Loss per share (Rs.) | (31.11) | (30.27) |

## 13 Property, plant & equipment

| | Motor Vehicles<br>Rs | Office Equipment<br>Rs | Technical Equipment<br>Rs | Furniture and fittings<br>Rs | Total 2019<br>Rs | Total 2018<br>Rs |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Balance as at 1st April | 235,990 | 994,689 | 8,403,295 | 5,731,826 | 15,365,800 | 14,801,800 |
| Additions during the year | - | 508,700 | 765,000 | 7,343,778 | 8,617,478 | 564,000 |
| Disposals during the year | - | - | - | (4,835,623) | (4,835,623) | |
| Balance as at 31st March | **235,990** | **1,503,389** | **9,168,295** | **8,239,981** | **19,147,654** | **15,365,800** |
| **Depreciation** | | | | | | |
| Balance as at 1st April | 86,527 | 326,668 | 6,375,069 | 3,296,392 | 10,084,656 | 7,899,888 |
| Charge for the year | 47,196 | 141,700 | 1,145,626 | 600,265 | 1,934,787 | 2,184,768 |
| Disposals during the year | - | - | - | (3,235,188) | (3,235,188) | - |
| Balance as at 31st March | **133,723** | **468,368** | **7,520,695** | **661,470** | **8,784,256** | **10,084,656** |
| **Carrying amounts** | | | | | | |
| **As at 31st March 2019** | **102,267** | **1,035,020** | **1,647,600** | **7,578,511** | **10,363,399** | |
| As at 31st March 2018 | 149,463 | 668,021 | 2,028,226 | 2,435,434 | | **5,281,144** |

**13.1** Property, plant and equipment includes fully depreciated assets having a gross carrying amount of Rs. 5,918,192/-

## 14 Intangible assets

| | 2019<br>Rs | 2018<br>Rs |
|---|---|---|
| **Cost** | | |
| Balance as at 1st April | 4,172,809 | 4,022,809 |
| Additions during the year | 622,625 | 150,000 |
| Balance as at 31st March | **4,795,434** | **4,172,809** |
| **Amortization** | | |
| Balance as at 1st April | 3,513,941 | 2,996,726 |
| Charge for the year | 437,740 | 517,215 |
| Balance as at 31st March | **3,951,682** | **3,513,941** |
| **Carrying value as at 31 March** | 843,752 | 658,868 |

## 15 Trade and other receivables

| | 2019 | 2018 |
|---|---|---|
| Trade receivables (**Note 15.1**) | 61,845,980 | 32,597,573 |
| Other receivables | 128,762 | 370,115 |
| ESC receivable (**Note 15.2**) | 8,230,715 | 8,392,300 |
| | 70,205,457 | 41,359,988 |

**15.1. Trade receivables**

| | 2019 | 2018 |
|---|---|---|
| Trade receivables from related companies | 35,060,113 | 24,146,863 |
| Trade receivables from others | 26,785,867 | 9,029,105 |
| | 61,845,980 | 33,175,968 |
| Provision for impairment (Note 15.1.1) | - | (578,395) |
| | 61,845,980 | 32,597,573 |

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| | 2019 Rs | 2018 Rs |
|---|---|---|
| **15 Trade and other receivables (Contd.)** | | |
| **15.1. Trade receivables (Contd.)** | | |
| **15.1.1 Provision movement** | 578,395 | 578,395 |
| Opening balance as at 1st April | 291,742 | - |
| Provision during the year | (870,137) | - |
| Write off during the year | - | **578,395** |
| Closing balance as at 31st March | | |
| **15.2. ESC Receivables** | 12,880,448 | 9,198,233 |
| ESC receivable | (4,649,733) | (805,933) |
| Impairment of ESC receivable | **8,230,715** | **8,392,300** |

Based on the internal assessment carried out by the Management on availability of future taxable profit based on profit forecast approved by the Board , the Company has made a provision for impairment of Rs 4,649,733/- as at 31 March 2019 against ESC Receivable. This has been included under Income Tax Expenses. The availability of taxable profits to set off ESC receivable will be assessed at each reporting date and the provision made will be adjusted accordingly.

| | 2019 Rs | 2018 Rs |
|---|---|---|
| **16 Advance and prepayments** | | |
| Advances | 4,983,000 | 14,613,000 |
| Prepayments | 2,888,950 | 1,379,788 |
| Refundable Deposit | 3,081,000 | 2,520,000 |
| | **10,952,950** | **18,512,788** |
| **17 Cash and cash equivalents** | | |
| Cash in hand | 1,000,000 | 1,000,000 |
| Cash at bank | 47,820,130 | 13,282,999 |
| | **48,820,130** | **14,282,999** |
| Bank overdraft | (29,158,517) | (32,659,154) |
| **Cash & cash equivalents for the purpose of statement of cash flow** | **19,661,613** | **(18,376,155)** |
| **18 Deferred Taxation** | | |
| Deferred Tax Liabilities (Note 18.1) | (260,074) | (365,695) |
| Deferred Tax Assets (Note 18.2) | 1,410,625 | 1,070,089 |
| | **1,150,551** | **704,394** |
| **18.1 Deferred Tax Liabilities** | | |
| Balance as at April 01, | 365,695 | - |
| Origination / (reversal) during the year recognised in profit or loss | (105,621) | 365,695 |
| **Balance as at March 31,** | **260,074** | **365,695** |
| **18.2 Deferred Tax Assets** | | |
| Balance as at April 01, | 1,070,089 | - |
| Origination during the year recognised in profit or loss | 449,890 | 1,012,876 |
| Origination / (reversal) during the year recognised in Other Comprehensive Income | (109,354) | 57,213 |
| **Balance as at March 31,** | **1,410,625** | **1,070,089** |



Deferred tax assets and liabilities are attributable to the following:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Temporary Rs. | Tax effect Rs. | Temporary Rs. | Tax effect Rs. |
| **Deferred tax liabilities** | | | | |
| Property, plant and equipment | 1,857,674 | 260,074 | 2,612,108 | 365,695 |
| **Deferred tax asset** | | | | |
| Provision for retirement benefit obligation | 10,075,894 | 1,410,625 | 7,643,493 | 1,070,089 |
| Tax losses | - | - | 1,195,917 | - |
| NET DEFERRED TAX ASSET | (8,218,221) | (1,150,551) | (6,227,301) | (704,394) |

Note 1 - During the previous finacial year deferred tax asset amounting to Rs 167,428 - was not recognised for the carried forward tax losses due to the uncertainity regarding the availability of future taxable profits against which the deferred tax asset would be utilized. However, during the current finacial year the tax losses have been claimed in full and as at the reporting date the tax losses are Nil.

*As at 31st March,*

| | | 2019 Rs | 2018 Rs |
|---|---|---|---|
| **19** | **Stated capital** | | |
| | **Issued and fully paid** | | |
| | 500,000 ordinary shares | **5,000,000** | **5,000,000** |

**20 Employee benefits**

**20.1 Defined contribution plans**

Following contributions have been made to Employees' Provident Fund and Employees' Trust Fund during the year.

| | 2019 | 2018 |
|---|---|---|
| Employees' provident fund | | |
| Employers' contribution | 6,949,216 | 5,097,771 |
| Employees' contribution | 4,496,829 | 3,398,514 |
| Employees' trust fund | 1,737,304 | 1,274,443 |

**20.2 Defined benefit plan**

| | 2019 | 2018 |
|---|---|---|
| Balance at the beginning of the year | 7,643,493 | 4,994,516 |
| Provision recognised during the year in profit or loss (Note 20.3) | 3,213,503 | 2,240,313 |
| Actuarial (gain)/loss during the year in OCI (Note 20.4) | (781,101) | 408,664 |
| | 10,075,894 | 7,643,493 |
| Payments made during the year | - | - |
| Balance at end of the year | **10,075,894** | **7,643,493** |

**20.3 Provision recognized in profit or loss**

| | 2019 | 2018 |
|---|---|---|
| Current service cost | 2,480,669 | 1,809,363 |
| Interest on obligation | 732,833 | 430,950 |
| | **3,213,503** | **2,240,313** |

**20.4 Actuarial gains and losses recognised in other comprehensive income**

| | 2019 | 2018 |
|---|---|---|
| Cumulative gain at the beginning of the year | (312,156) | (720,820) |
| (Gain) / loss recognised during the year | (789,101) | 408,664 |
| Cumulative gain at the end of the year | **(1,101,257)** | **(312,156)** |

**20.5 Principal actuarial assumptions used**

| | 2019 | 2018 |
|---|---|---|
| Discount Rate | 11.0% | 10.5% |
| Future Salary Increment | 10.0% | 10.0% |
| Staff Turnover | 14.0% | 14.0% |

**21 Trade and other payables**

| | 2019 | 2018 |
|---|---|---|
| Trade payables | 39,026,507 | 27,006,674 |
| Direct cost payable | 94,105,668 | 52,675,977 |
| Other payable | 56,842,291 | 33,045,657 |
| | **189,974,466** | **112,728,308** |

**22 Amount due to related party**

| | 2019 | 2018 |
|---|---|---|
| Thomas Cook Lanka (Private) Limited | 25,000,000 | 25,438,035 |
| | **25,000,000** | **25,438,035** |

22.1 The above balances represents the short term loan with related party and are payable on demand. Accordingly, no interest is charged against these balances. The management of the Company, is in the process of assessing the option of converting the said loan to preference shares subject to valuation and other requlatory requirments. As such, this loan has continued to be classified as current liabilit

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*For the year ended 31st March,*

## 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 - *Related Party Disclosures*. 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.

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 | 2019<br>Rs | 2018<br>Rs |
|---|---|---|
| Short Term Benefits | 13,239,930 | 9,914,920 |
| Post Employee Benefits | 331,950 | 286,991 |

### b) Transactions with Related Entities

(i)

| Name of the Related Party | Relationship | Nature of Transaction | Transaction Amount 2019 Rs | Transaction Amount 2018 Rs |
|---|---|---|---|---|
| Thomas Cook Lanka (Pvt) Ltd | Parent | Cost of sales | - | 1,574,106 |
| | | Reimbursment | 198,382 | 87,685 |
| | | Expenses | 3,019,105 | |
| | | Sales | 88,850,216 | 91,611,236 |
| Thomas Cook India Ltd | Ultimate parent | Cost of sales | - | 87,851,427 |
| | | Receipts | 102,974,719 | 115,037,908 |
| Kuoni Travel - Hong Kong | Subsidiary of Ultimate Parent Company | Sales | 7,910,985 | 15,256,987 |
| | | Cost of Sales | - | 13,757,591 |
| | | Receipts | 13,016,792 | 12,614,679 |
| Travel Corporation India Ltd | Subsidiary of Ultimate Parent Company | Sales | 210,440,667 | 66,985,131 |
| | | Cost of Sales | - | 60,547,989 |
| | | Receipts | 203,747,004 | 130,774,369 |
| SOTC Travel Limited | Subsidiary of Ultimate Parent Company | Sales | 125,618,534 | 26,933,839 |
| | | Cost of Sales | - | 24,413,556 |
| | | Receipts | 122,921,080 | 31,108,476 |
| TCI France | Subsidiary of Ultimate Parent Company | Sales | - | 3,659,246 |
| | | Cost of Sales | - | 3,184,59[illegible] |
| | | Receipts | - | 4,207,55[illegible] |
| Sita World Travel Lanka (Pvt) Ltd | Subsidiary of Ultimate Parent Company | Reimbursment | 6,055 | 585,074 |

*For the year ended 31st March,*

**23 Related party transactions(cont)**

| Name of the Related Party | Relationship | Nature of Transaction | Transaction 2019 | Transaction 2018 |
|---|---|---|---|---|
| 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 | 1,411,501 | - |
| Fairbridge Capital (Pvt) Ltd | Parent of Ultimate Parent Company | Sales | 19,566 | - |
| | | Receipts | 19,543 | - |
| Quess Corp Lanka (Pvt) Ltd | Subsidiary of Ultimate Parent Company | Expenses | 1,328,010 | |

Amounts due from and due to related entities as at reporting date are disclosed in the Note 22 and 15 to the Financials Statements respectively.

Thomas Cook (India) Limited, the ultimate parent has provided a letter of comfort confirming that they will be providing adequate financial support and assistance as may be required to ensure that Luxe Asia (Pvt) Ltd is able to meet its all obligations and continue as a going concern.

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## 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.

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 24.1.1. 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* | 2019 | 2018 |
|---|---|---|
| | Rs | Rs |
| Trade and other receivables | 70,205,458 | 41,359,988 |
| Cash and cash equivalents | 48,820,130 | 14,282,999 |
| | **119,025,588** | **55,642,987** |

**Impairment of trade receivables**

The aging of trade receivables at the reporting date was:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Gross | Impairment | Gross | Impairment |
| | Rs. | Rs. | Rs. | Rs. |
| Past due 0-30 days | 43,605,309 | - | 15,290,619 | - |
| Past due 31-180 days | 17,652,854 | - | 17,794,348 | 578,395 |
| More than 180 days | 587,813 | - | 91,001 | - |
| | 61,845,977 | - | 33,175,968 | 578,395 |
| | 61,845,977 | - | 33,175,968 | 578,395 |

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## 24 Financial risk management (Cont.)

### 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 2019* | **Average rate** | | **Reporting date spot rate** | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| USD | 167 | 156 | 174 | 154 |
| EURO | 192 | 192 | 194 | 188 |

### 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.

| | **2019** | | | | |
|---|---|---|---|---|---|
| | Carrying amount | Contractual cash flows | 6 months or less | 6-12 months | More than 1 year |
| Trade and other payables | 189,974,465 | - | 189,974,465 | - | - |
| Amounts due to related party | - | | | 25,000,000 | |
| Bank OD | 29,158,517 | | 29,158,517 | | |
| **Total current liabilities** | **219,132,982** | - | **189,974,465** | **25,000,000** | - |
| **Total liabilities** | **219,132,982** | - | **189,974,465** | **25,000,000** | - |

| | **2018** | | | | |
|---|---|---|---|---|---|
| | Carrying amount | Contractual cash flows | 6 months or less | 6-12 months | More than 1 year |
| Trade and other payables | 112,728,308 | - | 112,728,308 | - | - |
| Amounts due to related party | 25,438,035 | | | 25,438,035 | |
| Bank OD | 32,659,154 | | 32,659,154 | | |
| **Total current liabilities** | 170,825,497 | - | 145,387,462 | 25,438,035 | - |
| **Total liabilities** | 170,825,497 | - | 145,387,462 | 25,438,035 | - |

### 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:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Amount Rs | Fair Value Rs | Amount Rs | Fair Value Rs |
| **Assets carried at amortised cost** | | | | |
| Trade and other receivables | 70,205,458 | 70,205,458 | 41,359,988 | 41,359,988 |
| Cash and cash equivalents | 48,820,130 | 48,820,130 | 14,282,999 | 14,282,999 |
| Advances and Prepayments | 10,952,950 | 10,952,950 | 18,512,788 | 18,512,788 |
| Short term investments | 500,000 | 500,000 | 522,454 | 522,454 |
| | **130,478,538** | **130,478,538** | **74,678,229** | **74,678,229** |
| **Liabilities carried at amortised cost** | | | | |
| Trade and other payables | 189,974,465 | 189,974,465 | 112,728,308 | 112,728,308 |
| Bank OD | 29,158,517 | 29,158,517 | 25,438,035 | 25,438,035 |
| Amount due to related party | 25,000,000 | 25,000,000 | 32,659,154 | 32,659,154 |
| | **244,132,982** | **244,132,982** | **170,825,497** | **170,825,497** |

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

a) 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.

b) 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.

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**26. Events occurred after the reporting date**

There were no material events occurring after the reporting date as at 31st March 2019 that require adjustments to or disclosure in the financial statements.

**27. Capital commitments**

There were no capital commitments as at the reporting date.

**28. Contingencies**

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.

**29. 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. 15,556,387/- for the year ended 31st March 2019 (2018 - Rs. 15,135,530/-), and as of that date the Company's accumulated loss was Rs. 117,046,001/- (2018 - Rs. 102,161,362/-). Further the Company's current liabilities exceeded the current assets by Rs.114,327,809/- (2018 - Rs. 96,162,275/-) and its total liabilities exceeded its total assets by Rs.112,046,001/- (2018 - Rs.97,161,362/-). The Company is also facing a serious loss of capital situation under Sec 220 of the Companies Act No.07 of 2007.

However, the ultimate parent company, Thomas Cook (India) Limited, has given a letter of comfort dated 23 May 2019 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.

Although these conditions indicate the existence of uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. Based on the future plan of the Company and the letter of comfort referred to above, the Board of Directors of the Company is of the view that the Company will continue as a going concern.

**31. 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.

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## 32 Changes in Accounting policies

### 32.1.1 SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced LKAS 18 Revenue, LKAS 11 Construction Contracts and related interpretations. Under SLFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control- at a point in time or over time- requires judgment.

The adoption of SLFRS 15 did not have a significant effect on the Company's Financial Statements.

### 32.1.2 SLFRS 9 Financial Instruments

SLFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non- financial items. The standard replaces LKAS 39 Financial Instruments: Recognition and Measurement.

SLFRS 9 contains three principle classification category for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial asset under SLFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SLFRS 9 eliminates the previous LKAS 39 categories of held to maturity, loans and receivables and available for sale. Under SLFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

The adoption of SLFRS 9 did not have a significant effect on the Company's Financial Statements.

There was no material impact of transition to SLFRS 9 on retained earnings and reserves at April 1, 2018.

### Classification and measurement of financial assets and financial liabilities

The following table and the accompanying notes below explain the original measurement categories under LKAS 39 and the new measurement categories under SLFRS 9 for each class of the Company's financial assets and financial liabilities as at 1 April 2018.

| | Original classification under LKAS 39 | New classification under SLFRS 9 | Original carrying amount under LKAS 39 | New carrying amount under SLFRS 9 |
|---|---|---|---|---|
| **Financial asset** | | | | |
| Trade and other receivables | Loans and receivable | Amortised cost | 70,205,458 | 70,205,458 |
| Cash and cash equivalents | Loans and receivable | Amortised cost | 48,820,130 | 48,820,130 |
| **Total Financial asset** | | | **119,025,588** | **119,025,588** |
| **Financial liability** | | | | |
| Trade Payables | Other financial liabilities | Other financial liabilities | 189,974,465 | 189,974,465 |
| Amounts due to Related Parties | Other financial liabilities | Other financial liabilities | 25,000,000 | 25,000,000 |
| Bank Overdrafts | Other financial liabilities | Other financial liabilities | 29,158,517 | 29,158,517 |
| **Total Financial liability** | | | **244,132,982** | **244,132,982** |

SLFRS 9 replaces the 'incurred loss' model in LKAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost. Under SLFRS 9, credit losses are recognised earlier than under LKAS 39.

The Company has determined that the application of SLFRS 9's did not require changes to the Financial statements.

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**SITA WORLD TRAVEL LANKA (PVT) LTD**
**FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED**
**31 MARCH 2019**

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 2019, 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 2019, 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.

**Material Uncertainty Related to Going Concern**

Without qualifying our opinion, we draw attention to Note 27 in these financial statements. The Company has incurred a net loss of Rs. 5,997,338/- for the year ended 31st March 2019 (2018 - Rs. 2,936,881/-), and as of that date the Company's accumulated loss was Rs. 34,330,046/- (2018 - Rs. 28,332,708/-). Further the Company's current liabilities exceeded the current assets by Rs. 32,731,670/- (2018 - Rs. 27,842,288/-) and its total liabilities exceeded its total assets by Rs. 31,830,046/- (2018 - Rs.25,832,708/-). Further, the Company ceased business operations from October 2018. These conditions indicate the existence of uncertainty which may cast significant doubt about the Company's ability to 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. 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.

KPMG

CHARTERED ACCOUNTANTS
Colombo, Sri Lanka
24th May 2019

KPMG Chartered Accountants

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

| *For the year ended 31st March* | Note | 2019 Rs. | 2018 Rs. |
|---|---|---|---|
| Revenue | 6 | 25,520,240 | 333,764,460 |
| Cost of Sales | | (21,149,610) | (299,157,228) |
| **Gross Profit** | | 4,370,630 | 34,607,232 |
| Other Income / (Expense) | 7 | (255,451) | 2,408,009 |
| Administrative Expenses | | (4,243,031) | (37,295,024) |
| Distribution Expenses | | (129,921) | (3,381,993) |
| **Loss from Operations** | 8 | **(257,773)** | **(3,661,776)** |
| Net Finance (Expense) / Income | 9 | (2,730,528) | 810,994 |
| **Loss Before Tax** | | **(2,988,301)** | **(2,850,782)** |
| Income Tax Expense | 10 | (3,009,037) | (86,099) |
| **Loss for the year** | | **(5,997,338)** | **(2,936,881)** |
| **Other comprehensive Income** | | - | - |
| **Total comprehensive income for the year** | | **(5,997,338)** | **(2,936,881)** |
| **Loss per share** | 11 | **(23.99)** | **(11.75)** |

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

*Figures in bracket indicate deductions.*

| *As at 31st March* | Note | 2019 Rs. | 2018 Rs. |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-Current Assets** | | | |
| Property, Plant & Equipment | 12 | 741,294 | 1,633,466 |
| Intangible Assets | 13 | 171,695 | 508,477 |
| Deferred Tax Assets | 14 | - | 17,087 |
| **Total Non-Current Assets** | | 912,989 | 2,159,030 |
| **Current Assets** | | | |
| Trade and Other Receivables | 15 | 243,147 | 52,247,716 |
| Cash and Cash Equivalents | 16 | 15,226,881 | 14,475,985 |
| **Total Current Assets** | | **15,470,028** | **66,723,701** |
| **TOTAL ASSETS** | | **16,383,017** | **68,882,731** |
| **EQUITY AND LIABILITIES** | | | |
| Stated Capital | 17 | 2,500,000 | 2,500,000 |
| Accumulated Losses | | (34,330,046) | (28,332,708) |
| **Total Equity** | | **(31,830,046)** | **(25,832,708)** |
| **Non-Current Liabilities** | | | |
| Employee Benefits | 18 | - | 149,450 |
| Deferred Tax Liabilities | 14 | 11,365 | |
| **Total Non-Current Liabilities** | | **11,365** | **149,450** |
| **Current Laiabilities** | | | |
| Trade and Other Payables | 19 | 12,783,453 | 53,850,186 |
| Current Taxation | | 64,792 | 64,792 |
| Amount due to Related Party | 20 | 35,353,453 | 30,011,380 |
| Bank Overdraft | 16 | - | 10,639,631 |
| **Total Current Liabilities** | | **48,201,698** | **94,565,989** |
| **TOTAL LIABILITIES** | | **48,213,063** | **94,715,439** |
| **TOTAL EQUITY AND LIABILITIES** | | **16,383,017** | **68,882,731** |

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

24 May 2019
Colombo.

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| *For the year ended 31st March 2019* | Stated Capital Rs. | Accumulated Loss Rs. | Total Rs. |
|---|---|---|---|
| Balance as at 01st April 2017 | 2,500,000 | (25,395,827) | (22,895,827) |
| **Total comprehensive income for the year** | | | |
| Loss for the year | - | (2,936,881) | (2,936,881) |
| Other comprehensive income for the year | - | - | - |
| **Total comprehensive income for the year** | - | (2,936,881) | (2,936,881) |
| **Balance as at 31st March 2018** | **2,500,000** | **(28,332,708)** | **(25,832,708)** |
| 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)** |

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

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## 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 2019 was Nil (2018 – 15).

## 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.



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### 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)
- Employee benefits (Note 3.8)
- Provisions and contingencies (Note 3.9 and Note 3.10)

### 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

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



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**a) Current Taxation**

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

**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 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**

**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 |



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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.

**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 INSTRUMENT**

**3.5.1 Financial assets**

**a) POLICY APPLICABLE FROM APRIL 1, 2018**

The Company adopted SLFRS 9 from April 1, 2018.

**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.



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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

-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. |



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| | |
|---|---|
| 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 |

**Financial Asset Classification Change**

| Measurement | SLFRS 9 (After 1st April 2018) | LKAS 39 (Prior to 1st April 2018) |
|---|---|---|
| Fair value | FVTPL/ FVOCI | FVTPL/ AFS |
| Amortised cost | Amortised cost | HTM/ Loans and Receivables |

## c) POLICY APPLICABLE BEFORE APRIL 1, 2018:

### Initial Recognition, Classification and Subsequent Measurement based on LKAS 39

**Date of Recognition**

All financial assets and liabilities are initially recognized on the trade date, i.e., the date the Company becomes a party to the contractual provisions of the instrument.

**Initial Measurement of Financial Instruments**

The classification of Financial Instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them.

Financial Instruments are measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

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

**Classification and Subsequent Measurement of Financial Assets**

The Company classifies its financial assets into one of the following categories:

- Loans and receivables; and
- Available-for-sale.

The subsequent measurement of financial assets depends on their classification.

**Financial Assets Classified as Loans and Receivables**

Financial Assets classified as 'Loans and Receivables' include Deposits Receivable, Trade and Other Receivables and Cash and Cash Equivalents. After initial measurement, these are subsequently measured at amortised cost using the EIR, less provision for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'Interest Income' in the Income Statement. The losses arising from impairment are recognised in the Income Statement in 'impairment charges for loans and other losses'

**Available for Sale Financial Assets**

Available-for-sale financial assets include investments in debt securities. Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions. After initial measurement, available for sale financial investments are subsequently measured at fair value.

Unrealised gains and losses are recognised directly in Equity through Other Comprehensive Income in the 'available-for-sale reserve'. When the financial investment is disposed of, the cumulative gain or loss previously recognised in Equity is recognised in the Income Statement. Where the Company holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding Available-for-Sale financial investments is reported as 'Interest Income' using the EIR. Dividends earned whilst holding Available-for-Sale financial investments are recognised in the Income Statement when the right to receive the payment has been established. The losses arising from impairment of such investments if any, are recognised in the Income Statement in 'Impairment losses on financial investments' and removed from the 'Available for Sale Reserve'

**Reclassification of Financial Instruments**

In certain circumstances, the Company is permitted to reclassify Financial Instruments out of the 'available-for-sale' category and into the 'loans and receivables' category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

For a financial asset with a fixed maturity reclassified out of the 'available-for-sale' category, any previous gain or loss on that asset that has been recognised in Equity is amortised to profit or loss over the remaining life of the asset using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. In the case of a financial asset that does not have a fixed maturity, the gain or loss is recognised in the profit or loss when such financial asset is sold or disposed. If the financial asset is subsequently determined to be impaired, then the amount recorded in Equity is recycled to the Income Statement.

Reclassification is at the election of management, and is determined on an instrument-by-instrument basis.

The Company does not reclassify any Financial Instrument into the fair value through profit or loss category after initial recognition.

**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



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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 Financial assets (including receivables)

**IMPAIRMENT POLICY: APPLICABLE FROM 1 APRIL 2018**

**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.

**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.

**IMPAIRMENT POLICY: APPLICABLE PRIOR TO 1 APRIL 2018**

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security.

### 3.6.2 Non-financial assets

The carrying amounts of the Company's non-financial assets such as deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

Impairment losses are recognized in profit or loss

## 3.7 Fair Value Measurement

### 3.7.1 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.

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.



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### 3.7.2 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.

### 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.

### 3.8 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.



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*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.

### 3.9 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.

### 3.10 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.

## INCOME AND EXPENSES

### 3.11 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 (applicable from 1 April 2018) | Revenue recognition under LKAS 18 (applicable before 1 April 2018) |
|---|---|---|---|
| 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. | SLFRS 15 established a comprehensive framework for determining whether, how much and when revenue is to be recognized. Under SLFRS 15, 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. | The company recognized revenue when persuasive evidence of an arrangement exists, delivery has occurred and risk of loss has passed to the customer. The sales price is determinable and collection of the resulting receivable is reasonably assured. |

### 3.12 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.

### 3.13 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.

### 3.14 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

## 4. 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.

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

**SLFRS 16 Leases**

The Company is required to adopt SLFRS 16 Leases from 1 April 2019. The Company is assessing the potential impact on its Financial Statements resulting from the application of SLFRS 16.

SLFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating leases.

SLFRS 16 replaces existing leases guidance, including LKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

**5.1 Leases in which the Company is a lessee**

The Company will recognise new assets and liabilities for its operating leases of office buildings. The nature of expenses related to those leases will now change because the Company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Company recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

In addition, the Company will no longer recognise provisions for operating leases that it assesses to be onerous. Instead, the Company will include the payments due under the lease in its lease liability.

No significant impact is expected for the Company's finance leases. However, the Company is assessing the potential impact on its Financial Statements resulting from the application of SLFRS 16.



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| *For the year ended 31 March* | 2019 Rs. | 2018 Rs. |
|---|---|---|
| **6. Revenue** | | |
| Inbound | 25,520,240 | 333,764,460 |
| | **25,520,240** | **333,764,460** |

6.1 The Company adopted SLFRS 15 for revenue recognition from 1 April 2018 as described in Note 29. There was no significant impact on adoption. However, the Company has ceased its business operations from October 2018.

| | | |
|---|---|---|
| **7. Other Income** | | |
| Insurance Claim | - | 90,650 |
| Insurance Commission | - | 338 |
| Loss on Disposal of Property, Plant and Equipment | (262,980) | - |
| Shopping Commission | 7,529 | 2,317,021 |
| | **(255,451)** | **2,408,009** |
| **8. Loss from Operations** | | |
| Loss from operations is stated after charging all the expenses including the following, | | |
| Director Emoluments | - | - |
| Auditor's Remuneration | 200,000 | 225,000 |
| Depreciation of Property, Plant and Equipment | 517,814 | 1,676,613 |
| Amortization of Intangible Assets | 117,859 | 140,007 |
| Rent Expenses | 825,000 | 3,300,000 |
| Bad debt write off | - | 2,688,056 |
| Intangible Asset Write off | 218,923 | - |
| Staff Cost (Note 8.1) | (125,074) | 19,285,767 |
| **8.1 Staff Cost** | | |
| Salaries and wages | 21,196 | 17,640,786 |
| Employees Provident Fund | 2,544 | 1,819,628 |
| Employees Trust Fund | 636 | 456,803 |
| Reversal for employee benefits (Note 18.1) | (149,450) | (631,450) |
| | **(125,074)** | **19,285,767** |
| **9. Net finance (Expense)/Income** | | |
| **Finance income** | | |
| Interest income | 84,244 | 297,938 |
| Exchange gain / (loss) | (1,157,828) | 5,128,028 |
| | **(1,073,584)** | **5,425,966** |
| **Finance expense** | | |
| Interest on loan | 2,335,726 | 2,509,959 |
| Exchange gain / (loss) | (678,782) | 2,105,013 |
| | **1,656,944** | **4,614,972** |
| | **(2,730,528)** | **810,994** |
| **10. Income Tax Expense** | | |
| **Current Tax Expenses** | | |
| Current tax | - | 47,281 |
| Impairment for ESC receivable (Note 15) | 2,980,585 | - |
| | **2,980,585** | **47,281** |
| **Deferred Tax Expense** | | |
| Origination / (reversal) of deferred tax liability (Note 14) | 7,529 | (33,967) |
| Reversal of deferred tax asset (Note 14) | 20,923 | 72,785 |
| | **28,452** | **38,818** |
| | **3,009,037** | **86,099** |

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| *For the year ended 31 March* | 2019 Rs. | 2018 Rs. |
|---|---|---|
| **10. Income Tax Expense (Contd.)** | | |
| **10.1 Reconciliation between Accounting Profit and Taxable Profit** | | |
| Accounting Loss Before Tax | (2,988,301) | (2,850,782) |
| Disallowable Expenses | 3,092,931 | 4,985,941 |
| Allowable expenses | (952,981) | (1,528,988) |
| Other Income | (178,736) | (297,938) |
| | (1,027,087) | 308,233 |
| Interest Income liable to Tax | 84,244 | 297,938 |
| Less: Tax Loss Utilized during the year | (84,244) | (212,160) |
| Taxable Profit / (Loss) | **(1,027,087)** | **394,011** |
| Income Tax for the year - 14% of taxable income | - | 47,281 |
| Total Income Tax Expense for the year | - | **47,281** |

**10.2 Reconciliation of Business tax losses**

| | | |
|---|---|---|
| Tax Loss Brought Forward | 19,105,287 | 19,317,447 |
| Tax Loss for the Year of Assessment | 1,027,087 | - |
| Tax Loss Claimed During the Year | (84,244) | (212,160) |
| **Tax Loss Carried Forward** | **20,048,130** | **19,105,287** |

**11. 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.

| | | |
|---|---|---|
| Loss for the year (Rs.) | (5,997,338) | (2,936,881) |
| Weighted average number of ordinary shares | 250,000 | 250,000 |
| Loss per share (Rs.) | **(23.99)** | **(11.75)** |

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*For the year ended 31 March,*

## 12. Property, Plant & Equipment

| | Office Equipment | Computer Equipment | Furniture and Fixtures | Motor Vehicle | Total 2019 | Total 2018 |
|---|---|---|---|---|---|---|
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Cost | | | | | | |
| Balance at the beginning of the year | 652,699 | 3,726,624 | 1,780,889 | 203,950 | 6,364,162 | 5,562,782 |
| Additions | - | - | - | - | - | 801,380 |
| Disposals during the year | (62,501) | - | (1,756,899) | (203,950) | (2,023,350) | - |
| Balance at the end of the year | **590,198** | **3,726,624** | **23,990** | - | **4,340,812** | **6,364,162** |
| **Depreciation** | | | | | | |
| Balance at the beginning of the year | 620,153 | 2,601,819 | 1,503,597 | 5,127 | 4,730,696 | 3,054,083 |
| Charge for the year | 29,554 | 399,690 | 78,400 | 10,170 | 517,814 | 1,676,613 |
| Disposals during the year | (62,501) | - | (1,571,194) | (15,297) | (1,648,992) | |
| Balance at the end of the year | **587,206** | **3,001,509** | **10,803** | - | **3,599,518** | 4,730,696 |
| **Carrying amounts** | | | | | | |
| **As at 31st March 2019** | **2,992** | **725,115** | **13,187** | - | 741,294 | |
| **As at 31st March 2018** | 32,546 | 1,124,805 | 277,292 | **198,823** | | 1,633,466 |

| *As at 31 March* | 2019 Rs. | 2018 Rs. |
|---|---|---|
| **13. Intangible assets** | | |
| **Cost** | | |
| Balance at the beginning of the year | 818,400 | 686,400 |
| Additions | - | 132,000 |
| Write off during the year | (553,800) | - |
| Balance at the end of the year | 264,600 | 818,400 |
| **Amortization** | | |
| Balance at the beginning of the year | 309,923 | 169,916 |
| Charge for the year | 117,859 | 140,007 |
| Write off during the year | (334,877) | - |
| Balance at the end of the year | **92,905** | **309,923** |
| **Carrying value as at end of the year** | **171,695** | **508,477** |
| **14. Deferred taxation** | | |
| Deferred tax liabilities (Note 14.1) | (11,365) | (3,836) |
| Deferred tax assets (Note 14.2) | - | 20,923 |
| | **(11,365)** | **17,087** |
| **14.1 Deferred tax liabilities** | | |
| Balance at the beginning of the year | 3,836 | 37,803 |
| Origination/(Reversal) during the year | 7,529 | (33,967) |
| Balance at the end of the year | **11,365** | **3,836** |
| **14.2 Deferred tax assets** | | |
| Balance at the beginning of the year | 20,923 | 93,708 |
| Reversal during the year | (20,923) | (72,785) |
| Balance at the end of the year | - | **20,923** |

**14.3 Recognized deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Temporary Difference Rs. | Tax Effect Rs. | Temporary Difference Rs. | Tax Effect Rs. |
| **Deferred Tax Liabilities** | | | | |
| Property, plant & equipment | (81,178) | (11,365) | (27,397) | (3,836) |
| | **(81,178)** | **(11,365)** | **(27,397)** | **(3,836)** |
| **Deferred Tax Assets** | | | | |
| Tax loss | 20,048,130 | - | 19,105,287 | - |
| Employee benefits | - | - | 149,450 | 20,923 |
| | **20,048,130** | - | **19,254,737** | **20,923** |
| **Net Deferred Tax Assets** | **20,129,308** | **(11,365)** | **19,282,134** | **17,087** |

**Note 1** - The temporary difference arising from tax losses, as at the reporting date, was Rs. 20,048,130/- (2018 - Rs 19,105,287/- ) resulting in deferred tax assets of Rs. 2,806,738/- (2018 - 2,674,740/-) as at that date. However deferred tax asset has not been recognised for the carried forward tax losses as at the reporting date due to the uncertainty regarding the availability of future taxable profits against which the deferred tax asset would be utilized. Accordingly, the total unrecognised deferred tax asset at reporting date was Rs. 2,806,738/-(2018 - Rs 2,674,740/-)

*As at 31st March 2019*

| | 2019 Rs. | 2018 Rs. |
|---|---|---|
| **15. Trade and other receivables** | | |
| Trade receivables (Note 15.1) | - | 42,951,924 |
| Other receivables (Note 15.2) | 243,147 | 4,097,818 |
| Advances & prepayments (Note 15.3) | - | 5,197,974 |
| | **243,147** | **52,247,716** |
| **15.1. Trade receivables from related companies** | | |
| Trade receivables from related companies | - | 20,379,225 |
| Trade receivables from others | - | 22,572,699 |
| | - | **42,951,924** |
| **15.2. Other receivables** | | |
| Security deposit | - | 825,000 |
| ESC receivable (Note 15.2.1) | - | 2,867,844 |
| WHT receivable | 143,147 | 143,147 |
| Other receivable | 100,000 | 261,827 |
| | **243,147** | **4,097,818** |
| **15.2.1 ESC Receivable** | | |
| ESC Receivable | 2,980,585 | 2,867,844 |
| Impairment of ESC receivable (Note 15.2.1.1) | (2,980,585) | - |
| | - | **2,867,844** |

Note 15.2.1.1 As the Company has ceased its business operations during the year, the Company has made a provision for impairment of ESC receivable of Rs 2,980,585/- as at 31 March 2019 based on the internal assessment on availability of taxable profit. This was included under Income Tax Expenses during the year.

| | 2019 Rs. | 2018 Rs. |
|---|---|---|
| **15.3. Advances & prepayments** | | |
| Other advance | - | 4,542,955 |
| Prepayments | - | 655,019 |
| | - | **5,197,974** |
| **16. Cash and cash equivalents** | | |
| Cash in hand | - | 95,527 |
| Cash at bank | 15,226,881 | 14,380,458 |
| | **15,226,881** | **14,475,985** |
| Bank overdraft | - | (10,639,631) |
| **Cash & cash equivalents for the purpose of statement of cash flow** | **15,226,881** | **3,836,354** |
| **17. Stated capital** | | |
| **Issued and fully paid** | | |
| 250,000 ordinary shares | **2,500,000** | **2,500,000** |

**18. Employee benefits**

**18.1 Defined Contribution Plans**

Following contributions have been made to Employees' Provident Fund and Employees' Trust Fund during the year.

| | 2019 Rs. | 2018 Rs. |
|---|---|---|
| Employees' Provident Fund | | |
| Employers' contribution | 2,544 | 1,819,628 |
| Employees' contribution | 1,696 | 1,213,085 |
| Employees' Trust Fund | 636 | 456,803 |
| **18.2 Defined Benefit Plan - Gratuity** | | |
| Balance at the beginning of the year | 149,450 | 780,900 |
| Reversal recognised during the year | (149,450) | (631,450) |
| | - | 149,450 |
| Payments made during the year | - | - |
| Balance at end of the year | - | 149,450 |

As at the reporting date there were no employees working for the company. As a such no gratuity provision has been made in this regard.

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| *As at 31 March* | 2019<br>Rs. | 2018<br>Rs. |
|---|---|---|
| **19. Trade and other payables** | | |
| Trade payables | 8,606,398 | 22,735,967 |
| Other payable | 4,177,055 | 31,114,219 |
| | 12,783,453 | 53,850,186 |
| **20. Amount due to related party** | | |
| Loan from Kuoni Travel India (Pvt) Ltd | 26,257,951 | 23,229,982 |
| Interest on loan payable | 9,095,502 | 6,781,398 |
| | 35,353,453 | 30,011,380 |

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 are in the process of assessing the future business model of the Company. Accordingly the amount payable to related party will be restructured to reflect the new business model.

### 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** | **2019**<br>**Rs.** | **2018**<br>**Rs.** |
|---|---|---|
| Short term employee benefits | - | - |
| Post employment benefits | - | - |

#### 21.2 Transactions with Related Entities

| Name of the Related Party | Relationship | Nature of Transaction | Transaction Amount 2019<br>Rs. | Transaction Amount 2018<br>Rs. |
|---|---|---|---|---|
| Travel Corporation India (Pvt) Ltd (formally known as Kuoni Travel India (Pvt) Ltd) | Parent company | Sale of service | 608,597 | 27,280,624 |
| | | Interest on loan | 2,314,104 | 2,489,734 |
| | | Fund transfer | - | 24,224,898 |
| Luxe Asia (Pvt) Ltd | Subsidiary of Parent Company | Sale of service | - | - |
| | | Reimbursement received | 6,055 | 422,247 |
| Kuoni Travel France | Subsidiary of Parent Company | Sale of service | 286,541 | 14,478,969 |
| | | Fund transfer | - | 639,395 |

Also Refer Note 15 and 20

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*For the year ended 31 March 2019*

## 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,* | 2019 | | 2018 | |
|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| **Financial assets - amortised cost** | | | | |
| Trade & Other Receivables | 243,147 | 243,147 | 52,247,716 | 52,247,716 |
| Cash & Cash Equivalents | 15,226,881 | 15,226,881 | 14,475,985 | 14,475,985 |
| | **15,470,028** | **15,470,028** | **66,723,701** | **66,723,701** |
| **Financial liabilities** | | | | |
| Trade & Other Payables | 12,783,453 | 12,783,453 | 53,850,186 | 53,850,186 |
| Amounts due to Related Parties | 35,353,453 | 35,353,453 | 30,011,380 | 30,011,380 |
| Bank Overdrafts | - | - | 10,639,631 | 10,639,631 |
| | **48,136,906** | **48,136,906** | **94,501,197** | **94,501,197** |

## 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.

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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 in not significant. Cash and cash equivalents and the short term deposits are held with bank which has good ratings based on Fitch ratings.

## 23. Financial risk management (Cont.)

### 23.3 Credit risk (Contd.)

#### 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* | 2019 | 2018 |
|---|---|---|
| | Rs. | Rs. |
| Trade and other receivables | 243,147 | 52,247,716 |
| Cash & cash equivalents | 15,226,881 | 14,475,985 |
| Amounts due to Related Party | 35,353,453 | 30,011,380 |
| | **50,823,481** | **96,735,081** |

### 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 2019 | Carrying amount (Rs.) | Cash flows (Rs.) | |
|---|---|---|---|
| | | Within 6 months | More than a year |
| **Financial assets - amortised cost** | | | |
| Trade & other payables | 12,783,453 | 12,783,453 | - |
| Amounts due to related parties | 35,353,453 | 35,353,453 | - |
| Cash and Cash Equivalents | 15,226,881 | 15,226,881 | - |
| Bank Overdrafts | - | - | - |
| | **63,363,787** | **63,363,787** | - |
| **As at 31 March 2018** | | | |
| **Non- derivative Financial Liabilities** | | | |
| Trade & other payables | 53,850,186 | 53,850,186 | - |
| Amounts due to related parties | 30,011,380 | 30,011,380 | - |
| Cash and Cash Equivalents | 14,475,985 | 14,475,985 | - |
| Bank Overdrafts | 10,639,631 | 10,639,631 | - |
| | **108,977,182** | **108,977,182** | - |

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### 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.

**23. Financial risk management (Cont.)**
**23.5.1.Currency risk (Contd.)**

The following significant exchange rates were applied during the year:

| | Average rate | | |
|---|---|---|---|
| | **2019** | **2018** | **2018** |
| USD | 166.72 | 155.60 | 153.72 |
| EURO | 191.70 | 191.74 | 188.31 |

**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**

There were no events occurring after the reporting date as at 31st March 2019 that require adjustments to or disclosure in the financial statements.

**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.

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*As at 31st March 2019,*

**27. Going concern**

The Company has incurred a net loss of Rs. 5,997,338/- for the year ended 31 March 2019 (2018 - Rs. 2,936,881/-, and as of that date the Company's accumulated loss is amounting to Rs. 34,330,046/- (2018 - Rs. 28,332,708/-). Further the Company's current liabilities exceeded the current assets by Rs. 32,731,670/- (2018 - Rs. 27,842,288/-) and its total liabilities exceeded its total assets by Rs. 31,830,046/- (2018 - Rs. 25,832,708/-). Further, the company has ceased business operations from October 2018. These conditions indicate the existence of uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. However, the Board of Directors of the Company is of the view that the Company is a going concern.

**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.

**29. Changes in Accounting policies**

The Company has adopted SLFRS 15 (Note 29.1.1) and SLFRS 9 (Note 29.1.2) from 1 April 2018. However there was no significant impact on financial statements on adoption. Due to the transition methods chosen by the Company in applying these standards, the comparative information throughout these Financial Statements have not been restated to reflect the impact of the new standards.

**29.1.1 SLFRS 15 Revenue from Contracts with Customers**

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced LKAS 18 Revenue, LKAS 11 Construction Contracts and related interpretations. Under SLFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control- at a point in time or over time- requires judgment.

**29.1.2 SLFRS 9 Financial Instruments**

SLFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non- financial items. The standard replaces LKAS 39 Financial Instruments: Recognition and Measurement.

SLFRS 9 contains three principle classification category for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial asset under SLFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SLFRS 9 eliminates the previous LKAS 39 categories of held to maturity, loans and receivables and available for sale. Under SLFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

The adoption of SLFRS 9 did not have a significant effect on the Company's Financial Statements.

There was no material impact of transition to SLFRS 9 on retained earnings and reserves at April 1, 2018.

**Classification and measurement of financial assets and financial liabilities**

The following table and the accompanying notes below explain the original measurement categories under LKAS 39 and the new measurement categories under SLFRS 9 for each class of the Company's financial assets and financial liabilities as at 1 April 2018.

| | Original classification under LKAS 39 | New classification under SLFRS 9 | Original carrying amount under LKAS 39 | New carrying amount under SLFRS 9 |
|---|---|---|---|---|
| **Financial asset** | | | | |
| Trade and other receivables | Loans and receivable | Amortised cost | 243,147 | 243,147 |
| Cash and cash equivalents | Loans and receivable | Amortised cost | 15,226,881 | 15,226,881 |
| **Total Financial asset** | | | 15,470,028 | 15,470,028 |
| **Financial liability** | | | | |
| Trade and Other Payables | Other financial liabilities | Other financial liabilities | 12,783,453 | 12,783,453 |
| Amounts due to Related Parties | Other financial liabilities | Other financial liabilities | 35,353,453 | 35,353,453 |
| **Total Financial liability** | | | 48,136,906 | 48,136,906 |

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*As at 31st March 2019,*

**29. Changes in Accounting policies (Contd.)**
**29.1.2 SLFRS 9 Financial Instruments (Contd.)**

**Impairment of Financial Assets**

SLFRS 9 replaces the 'incurred loss' model in LKAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost. Under SLFRS 9, credit losses are recognised earlier than under LKAS 39.

The Company has determined that the application of SLFRS 9's did not require changes to the Financial statements.

KPMG Chartered Accountants

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## INDEPENDENT AUDITOR'S REPORT

**To the Members of Nature Trails Resorts Private Limited**

### Report on the Audit of the Standalone Financial Statements

### Opinion

We have audited the financial statements of Nature Trails Resorts Private Limited ("the Company"), which comprise the balance sheet as at March 31, 2019, 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, 2019, and profit/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 standalone 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.

## Management's Responsibility for the Standalone 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 management 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 Standalone 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, but not for the purpose of expressing an opinion on the operating effectiveness of the Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone 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 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, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164(2) of the Act.

f) The Company has been exempted from the requirement of its auditor reporting on whether the Company has adequate internal financial controls with reference to the financial statement in place and the operating effectiveness of such controls (clause (i) of section 143(3)).

(B) With respect to the other matters to be included in the Auditors' 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 does not have any pending litigations which would impact its financial position.

ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

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, 2019.

(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 provisions of Section 197 of the Act are not applicable to the Company.

*for* **B S R & Co. LLP**
*Chartered Accountants*
Firm's Registration No.: 101248W/W-100022

**S Sethuraman**
*Partner*
Membership No. 203491

Place: Chennai
Date: May 27, 2019

**Annexure to the Independent Auditor's Report to the Members of Nature Trails Resorts Private Limited For the year ended March 31, 2019**

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



(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 in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to this programme, certain fixed assets were verified during the year and material discrepancies noted were properly dealt with in the books of accounts. Also, refer Note 3 to the financial statements.

(c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are 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.

(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 and other material statutory dues have been 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, duty of excise and cess.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, goods and service tax and other material statutory dues were in arrears as at March 31, 2019 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there were no dues of income tax, goods and service tax, sales tax, service tax, duty of customs, duty of excise or value added 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 has not defaulted in repayment of dues to banks and financial institutions. The Company did not have any outstanding loans or borrowings to the government or debenture holders during the year.

**Annexure to the Independent Auditor's Report to the Members of Nature Trails Resorts Private Limited For the year ended March 31, 2019**



(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 on the Company by its officers or employees has been noticed or reported during the course of our audit.

(xi) The Company is a private limited company and hence, the provisions of section 197 of the Act is not applicable. 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. The details of such related party transactions have been disclosed in the financial statements as required by the applicable accounting standards. The Company being a private limited company, provisions of Section 177 of the Act are not applicable.

(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

**S Sethuraman**
*Partner*
Membership No. 203491

Place: Chennai
Date: May 27, 2019

**Nature Trails Resorts Private Limited**
**Balance Sheet as at March 31, 2019**
*(All amounts in Rs. lakhs, unless otherwise stated)*

| | Notes | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 2 | 4,259.30 | 3,000.58 |
| Capital work-in-progress | 3 | 0.10 | 301.20 |
| Other intangible assets | 4 | 1.39 | 1.81 |
| Financial assets | | | |
| i. Investments | 5 | - | - |
| Other tax assets | 6 | 16.75 | 9.50 |
| Other non-current assets | 7 | 467.20 | 461.56 |
| **Total non-current assets** | | **4,744.74** | **3,774.65** |
| **Current assets** | | | |
| Inventories | 8 | 2.47 | 3.98 |
| Financial assets | | | |
| i. Trade receivables | 9 | 49.24 | 27.55 |
| ii. Cash and cash equivalents | 10 | 4.18 | 13.48 |
| iii. Loans | 11 | 2.07 | 1.50 |
| iv. Other financial assets | 12 | 13.08 | 11.70 |
| Other current assets | 13 | 52.20 | 45.38 |
| **Total current assets** | | **123.24** | **103.59** |
| **Total Assets** | | **4,867.98** | **3,878.24** |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Equity share capital | 14 | 147.58 | 147.58 |
| **Other equity** | | | |
| Reserves and surplus | 15 | 1,215.37 | 977.30 |
| Other reserves | 16 | 665.61 | - |
| **Total equity** | | **2,028.56** | **1,124.88** |
| **Liabilties** | | | |
| **Non-current liabilities** | | | |
| Financial liabilities | | | |
| i. Borrowings | 17 (a) | 726.82 | 766.31 |
| ii. Other financial liabilities | 18 (a) | 0.15 | 634.82 |
| Provision for employee benefit obligations | 21 | 91.51 | 80.38 |
| Deferred tax liabilities (net) | 22 | 288.47 | - |
| **Total non-current liabilities** | | **1,106.95** | **1,481.51** |
| **Current liabilities** | | | |
| **Financial liabilities** | | | |
| i. Borrowings | 17 (b) | 1,008.00 | 753.23 |
| ii. Trade payables | 19 | | |
| Total outstanding dues of micro enterprises and small enterprises | | - | - |
| Total outstanding dues of creditors other than micro enterprises and small enterprises | | 152.67 | 121.26 |
| iii. Other financial liabilities | 18 (b) | 459.65 | 298.49 |
| Provision for employee benefit obligations | 21 | 3.43 | 3.61 |
| Other current liabilities | 20 | 108.72 | 95.26 |
| **Total current liabilities** | | **1,732.47** | **1,271.85** |
| **Total liabilities** | | **2,839.42** | **2,753.36** |
| **Total equity and liabilities** | | **4,867.98** | **3,878.24** |
| 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

**S Sethuraman**
*Partner*
Membership Number: 203491

Place: Chennai
Date: May 27, 2019

For and on behalf of the Board of Directors of
**Nature Trails Resorts Private Limited**
(CIN: U55100MH2005PTC150901)

| | |
|---|---|
| **Vikram Dayal Lalvani** | **Ramesh Shanmugam** |
| *Director* | *Director* |
| DIN No.: 07115464 | DIN No.: 6646158 |

Place: Chennai
Date: May 14, 2019

**Nature Trails Resorts Private Limited**
**Statement of Profit and Loss for the year ended March 31, 2019**
*(All amounts in Rs. lakhs, unless otherwise stated)*

| | Notes | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|---|
| **Income** | | | |
| Revenue from operations | 23 | 1,076.13 | 979.31 |
| Other income | 24 | 603.66 | 3.30 |
| **Total income** | | **1,679.79** | **982.61** |
| **Expenses** | | | |
| Cost of materials consumed | 25 | 160.25 | 181.93 |
| Employee benefits expense | 26 | 424.66 | 437.60 |
| Finance costs | 27 | 171.40 | 157.86 |
| Depreciation and amortisation expense | 28 | 262.59 | 132.37 |
| Other expenses | 29 | 507.41 | 453.96 |
| **Total expenses** | | **1,526.31** | **1,363.72** |
| **Profit/ (Loss) before tax** | | **153.48** | **(381.11)** |
| **Income tax expense** | 30 | | |
| Current tax | | 1.05 | - |
| Deferred tax | | (88.52) | 8.11 |
| **Profit/ (Loss) for the year** | | **240.95** | **(389.22)** |
| **Other comprehensive income** | | | |
| ***Items that will not be reclassified subsequently to profit or loss*** | | | |
| Remeasurement of post employment benefit obligations | | (2.88) | (17.90) |
| Revaluation gain relating to land (Refer Note 40) | | 1,042.60 | - |
| Income tax relating to these items | | (376.99) | - |
| **Other comprehensive income for the year, net of income tax** | | **662.73** | **(17.90)** |
| **Total comprehensive income for the year** | | **903.68** | **(407.12)** |
| **Earnings per share (Face value of Rs. 100 each)** | | | |
| Basic and diluted earnings per share (in Rs.) | 36 | 163.27 | (263.74) |
| 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

**S Sethuraman**
*Partner*
Membership Number: 203491

Place: Chennai
Date: May 27, 2019

For and on behalf of the Board of Directors of
**Nature Trails Resorts Private Limited**
(CIN: U55100MH2005PTC150901)

**Vikram Dayal Lalvani**
*Director*
DIN No.: 07115464

**Ramesh Shanmugam**
*Director*
DIN No.: 6646158

Place: Chennai
Date: May 14, 2019

**Nature Trails Resorts Private Limited**
**Statement of changes in equity for the year ended March 31, 2019**
*(All amounts in Rs. lakhs, unless otherwise stated)*

**I) Equity share capital**

| | Notes | Amount |
|---|---|---|
| Balance as at April 1, 2017 | | **147.58** |
| Changes in equity share capital during the year | 14 | - |
| **Balance as at March 31, 2018** | | **147.58** |
| Changes in equity share capital during the year | 14 | - |
| **Balance as at March 31, 2019** | | **147.58** |

**II) Other equity**

| | Notes | Reserves and surplus | | Other reserves | |
|---|---|---|---|---|---|
| | | Securities premium account | Retained earnings | Revaluation reserve | Total |
| **Balance as at April 1, 2017** | | **1,366.29** | **18.13** | - | **1,384.42** |
| Loss for the year | 15 | - | (389.22) | - | (389.22) |
| Other comprehensive income | 15 | - | (17.90) | - | (17.90) |
| **Balance as at March 31, 2018** | | **1,366.29** | **(388.99)** | - | **977.30** |
| Profit for the year | 15 | - | 240.95 | - | 240.95 |
| Other comprehensive income | 15 | - | (2.88) | - | (2.88) |
| Revaluation gain | | - | - | 665.61 | 665.61 |
| **Balance as at March 31, 2019** | | **1,366.29** | **(150.92)** | **665.61** | **1,880.98** |

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

**S Sethuraman**
*Partner*
Membership Number: 203491

Place: Chennai
Date: May 27, 2019

For and on behalf of the Board of Directors of
**Nature Trails Resorts Private Limited**
(CIN: U55100MH2005PTC150901)

**Vikram Dayal Lalvani**
*Director*
DIN No.: 07115464

**Ramesh Shanmugam**
*Director*
DIN No.: 6646158

Place: Chennai
Date: May 14, 2019

**Nature Trails Resorts Private Limited**
**Statement of cash flows for the year ended March 31, 2019**
*(All amounts in Rs. lakhs, unless otherwise stated)*

| | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| **Cash flow from operating activities** | | |
| **Profit / (Loss) before income tax** | 153.48 | (381.11) |
| Adjustments for: | | |
| Depreciation and amortisation | 262.59 | 132.37 |
| Finance costs | 171.40 | 157.86 |
| Interest income | - | (0.32) |
| Change in fair value of contingent consideration | (600.83) | - |
| (Profit) on sale of assets | - | (0.70) |
| Dividend income | (0.15) | (0.27) |
| Provision for investments | - | 1.74 |
| Bad debts | - | 0.15 |
| Provision for doubtful debts | - | 1.88 |
| **Working capital adjustments:** | | |
| (Increase)/ Decrease in trade receivables | (21.69) | 1.87 |
| Decrease in inventories | 1.51 | 9.74 |
| Increase in other financial assets | (3.33) | (0.53) |
| Decrease in other assets | 25.57 | 97.61 |
| Increase in trade payables | 31.44 | 12.87 |
| Increase in employee benefit obligations | 8.09 | 5.73 |
| Increase in other financial liabilities | 0.15 | 3.40 |
| Iecrease in other liabilities | 13.46 | 6.87 |
| **Cash generated from (used in) operations** | **41.69** | **49.15** |
| Income taxes paid | (8.34) | (2.53) |
| **Net cash generated from operating activities** | **33.35** | **46.62** |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment and intangible assets | (156.21) | (507.15) |
| Dividend received | 0.15 | 0.27 |
| Interest received | 1.37 | 0.32 |
| **Net cash flow used in investing activities** | **(154.69)** | **(506.56)** |
| **Cash flows from financing activities** | | |
| Interest paid | (146.53) | (77.64) |
| Repayment of borrowings | (894.25) | (22.53) |
| Proceeds from borrowings | 1,202.09 | 566.17 |
| **Net cash flow generated from financing activities** | **161.31** | **466.00** |
| **Net increase in cash and cash equivalents** | **39.97** | **6.06** |
| Cash and cash equivalents at the beginning of the year | (35.79) | (41.85) |
| **Cash and cash equivalents at end of the year** | **4.18** | **(35.79)** |

**Reconciliation of cash and cash equivalents as per cash flow statement**
Cash and cash equivalents as per the above comprises of the following:

| | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Cash and cash equivalents (Refer Note 10) | 4.18 | 13.48 |
| Bank overdrafts [Refer Note 17(b)] | - | (49.27) |
| Balances as per statement of cash flows | **4.18** | **(35.79)** |

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

**S Sethuraman**
*Partner*
Membership Number: 203491

Place: Chennai
Date: May 27, 2019

For and on behalf of the Board of Directors of
**Nature Trails Resorts Private Limited**
(CIN: U55100MH2005PTC150901)

**Vikram Dayal Lalvani**
*Director*
DIN No.: 07115464

**Ramesh Shanmugam**
*Director*
DIN No.: 6646158

Place: Chennai
Date: May 14, 2019

**1.1. Reporting entity**

Nature Trails Resorts Private Limited (the "Company") is engaged in the business of resorts, campsites and activity camps. The Company is a 100% subsidiary of Sterling Holiday Resorts Limited ('Holding Company'). Thomas Cook India Limited is the intermediate holding Company and 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 authorized for issue by the Company's Board of Directors on May 14, 2019.

**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
- defined benefit plans — plan assets measured at fair value; and
- freehold land measured at fair value

**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 Chief Operations Officer (COO) of the Company has been identified as the chief operating decision maker of Nature Trails Resorts Private Limited who assesses the financial performance and position of the Company, and makes strategic decisions. Refer Note 33 for segment information presented.

**1.2.3. 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.

B S R & Co. LLP * Chartered Accountants *

## 1.3 Significant accounting policies

### 1.3.1. Revenue recognition

The Company has 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, if any, is recognised at the date of initial application (i.e. April 1, 2018) and included in retained earnings on April 1, 2018.

Under Ind AS 115, an entity should recognize 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 recognizing revenues when or as the performance obligations are satisfied. Income from resorts comprising of sale of food and beverages, room rentals and other services are recognized when these are sold and as services are rendered.

There is no significant impact to the Company on adoption of Ind AS 115.

### 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.

B S R & Co. LLP * Chartered Accountants *

**1.3 Significant accounting policies (contd.)**

**1.3.3. Leases**

a) **As a lessee:**

At inception of an arrangement, it is determined whether the arrangement is or contains a lease. Leases of property, plant and equipment where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings or other financial liabilities as appropriate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

b) **As a lessor:**

Lease income from operating leases where the Company is a lessor is recognised as income in accordance with the terms of the arrangement. The respective leased assets are included in the balance sheet on the lease being classified as an operating lease and the ownership, risk and rewards pertaining to the assets are retained by the company.

**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.

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**1.3 Significant accounting policies (contd.)**

**1.3.6. Inventories**

Inventories comprising of provisions, perishables, beverages and operating supplies are stated at lower of cost and net realizable value. Cost is determined using the first-in-first out (FIFO) method. The cost comprise 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.

**1.3.7. Investments and other financial assets**

**a) Classification:**

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

1) those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
2) 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:**

A few 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. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 1 fair values, and reports directly to the Chief Financial Officer.

The valuation team 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 valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of Ind AS, 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.

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).

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**1.3 Significant accounting policies (contd.)**

**1.3.7 Investments and other financial assets (contd.)**

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 other comprehensive income, 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 other comprehensive income 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.

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**1.3 Significant accounting policies (contd.)**

**1.3.7 Investments and other financial assets (contd.)**

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 31 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.

**d) De-recognition of financial assets:**

A financial asset is derecognised only when

1) The Company has transferred the rights to receive cash flows from the financial asset or
2) 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.

**1.3.8. Financial liabilities**

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

**1.3.9. Income recognition**

**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.

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**1.3 Significant accounting policies (contd.)**

**1.3.10. Property, plant and equipment**

**Recognition and measurement**

The Company adopts the cost measurement approach for property, plant and equipment other than freehold land.

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.

On April 1, 2018, the Company adopted the revaluation model for measurement of freehold land. Freehold land will be recognized at fair value based on periodic, at least triennial, valuations done by external independent valuers, less subsequent depreciation of leasehold land. Increase in the carrying amount arising on revaluation of land are recognized, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity.

Fair value of land is determined using the market comparable method, i.e., the valuations performed by the valuer are based on active market sale prices, adjusted for difference in the nature, location or condition of the specific property. Refer Note 40.

**Depreciation method, 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 written down value method (WDV) 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 | 30 |
| 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 |

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).

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**1.3 Significant accounting policies (contd.)**

**1.3.11. Intangible assets**

Intangible assets are stated at acquisition cost, net of accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortised on a straight line basis over their estimated useful lives. The amortisation period and the amortisation method are reviewed at the end of each financial year. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly.

Computer software are amortised over a period of 5 years.

Gains or losses arising from the retirement or disposal of an intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognised as income or expense in the Statement of Profit and Loss.

**1.3.12. 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.

**1.3.13. 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.

**1.3.14. Borrowing costs**

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred.

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**1.3 Significant accounting policies (contd.)**

**1.3.15. 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**

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. Remeasurement 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.

**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.

**1.3.16. 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.

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.

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**1.3 Significant accounting policies (contd.)**

**1.3.17. Recent accounting pronouncements**

**Standards issued but not yet effective**

**Ind AS 116, Leases**

The Company is required to adopt Ind AS 116, leases from April 1, 2019. 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 use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. Lessors continue to classify leases as finance or operating leases. It replaces existing leases guidance, Ind AS 17, leases.

**A. Leases in which the Company is a lessee**

The Company will recognise new assets and liabilities for its operating leases of offices, resorts and staff accommodation. The nature of expenses related to those leases will now change because the Company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Company recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

In addition, the Company will no longer recognise provisions for operating leases that it assesses to be onerous. Instead, the Company will include the payments due under the lease in its lease liability and apply Ind AS 36, Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment.

No significant impact is expected for the Company's finance leases.

**B. Leases in which the group is a lessor**

The Company will reassess the classification of sub-leases in which the Company is a lessor. Based on the information currently available, the Company expects that it will reclassify one sub-lease as a finance lease.

No significant impact is expected for other leases in which the Company is a lessor.

**C. Transition**

The Company plans to apply Ind AS 116 initially on April 1, 2019, using the modified retrospective approach without restating the comparative financial statements. Under this approach, the right of use asset will be equal to the present value of future lease commitments as on March 31, 2019. Hence there will be no impact, on transition to Ind AS 116, to opening retained earnings.

The Company plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply Ind AS 116 to all contracts entered into before April 1, 2019 and identified as leases in accordance with Ind AS 17. The Company is in the process of assessing the impact of Ind AS 116 on its financial statements.

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**1.3 Significant accounting policies (contd.)**

**1.3.17. Recent accounting pronouncements (contd.)**

**Ind AS 12 Income Taxes (amendments relating to income tax consequences of dividend and uncertainty over income tax treatments)**

The amendment relating to income tax consequences of dividend clarify that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. The Company does not expect any impact from this pronouncement.

The amendment to Appendix C of Ind AS 12 specifies that the amendment is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. It outlines the following: (1) the entity has to use judgement, to determine whether each tax treatment should be considered separately or whether some can be considered together. The decision should be based on the approach which provides better predictions of the resolution of the uncertainty (2) the entity is to assume that the taxation authority will have full knowledge of all relevant information while examining any amount (3) entity has to consider the probability of the relevant taxation authority accepting the tax treatment and the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates would depend upon the probability. The Company does not expect any significant impact of the amendment on its financial statements.

**Ind AS 19 – Plan amendment, curtailment or settlement**

The amendments clarify that if a plan amendment, curtailment or settlement occurs, it is mandatory that the current service cost and the net interest for the period after the re-measurement are determined using the assumptions used for the re-measurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Company does not expect this amendment to have any significant impact on its financial statements.

**Ind AS 23 – Borrowing Costs**

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. The Company does not expect any impact from this amendment.

**1.3.18. 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 realization 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.

**1.3.19. 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.

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**1.3. Significant accounting policies (contd.)**

**1.3.20. 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 21 - 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 34 – Going concern assessment

Note 40 – Valuation of freehold land

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## 2 Property, plant and equipment

Reconciliation of carrying amount for the year ended March 31, 2018:

| Asset description | Gross carrying amount | | | | Accumulated depreciation | | | | Net carrying amount | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at April 1, 2017 | Additions | Disposals | As at March 31, 2018 | As at April 1, 2017 | Depreciation for the year | Disposals | As at March 31, 2018 | As at March 31, 2017 | As at March 31, 2018 |
| Land - freehold | 1,876.32 | 1.08 | - | 1,877.40 | - | | - | - | 1,876.32 | 1,877.40 |
| Building - own | 634.19 | 231.93 | - | 866.12 | 57.66 | 60.41 | - | 118.07 | 576.53 | 748.05 |
| Computer equipment | 4.81 | 2.60 | - | 7.41 | 1.42 | 1.73 | - | 3.15 | 3.40 | 4.27 |
| Plant and machinery | 178.90 | 86.85 | - | 265.75 | 22.30 | 29.63 | - | 51.93 | 156.60 | 213.81 |
| Furniture and fixtures | 45.36 | 52.62 | - | 97.98 | 14.89 | 21.36 | - | 36.25 | 30.47 | 61.73 |
| Office equipment | 2.96 | 1.14 | - | 4.10 | 0.80 | 0.90 | - | 1.70 | 2.16 | 2.40 |
| Vehicles | 9.46 | 6.20 | 4.18 | 11.49 | 3.08 | 4.43 | 1.40 | 6.11 | 6.38 | 5.38 |
| Electrical installations | 88.37 | 22.95 | - | 111.32 | 10.85 | 12.93 | - | 23.78 | 77.53 | 87.54 |
| **Total** | **2,840.38** | **405.37** | **4.18** | **3,241.57** | **111.00** | **131.39** | **1.40** | **240.99** | **2,729.38** | **3,000.58** |

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 | As at April 1, 2018 | Depreciation for the year | Disposals | As at March 31, 2019 | As at March 31, 2018 | As at March 31, 2019 |
| Land - freehold | 1,877.40 | 1,042.60 | - | 2,920.00 | - | - | - | - | 1,877.40 | 2,920.00 |
| Building - own | 866.12 | 447.05 | 49.90 | 1,263.27 | 118.07 | 129.40 | 45.80 | 201.67 | 748.05 | 1,061.61 |
| Computer equipment | 7.41 | 0.74 | 1.68 | 6.48 | 3.15 | 3.83 | 1.68 | 5.30 | 4.27 | 1.18 |
| Plant and machinery | 265.75 | 14.50 | 70.55 | 209.69 | 51.93 | 65.51 | 69.36 | 48.08 | 213.81 | 161.61 |
| Furniture and fixtures | 97.98 | 16.91 | 15.92 | 98.97 | 36.25 | 23.84 | 14.94 | 45.15 | 61.73 | 53.82 |
| Office equipment | 4.10 | 1.97 | 1.99 | 4.08 | 1.70 | 2.59 | 2.03 | 2.26 | 2.40 | 1.82 |
| Vehicles | 11.49 | - | 2.75 | 8.74 | 6.11 | 3.39 | 2.75 | 6.75 | 5.38 | 1.99 |
| Electrical installations | 111.32 | 4.14 | 35.61 | 79.85 | 23.78 | 33.61 | 34.82 | 22.57 | 87.54 | 57.27 |
| **Total** | **3,241.57** | **1,527.91** | **178.40** | **4,591.08** | **240.99** | **262.17** | **171.38** | **331.78** | **3,000.58** | **4,259.30** |

a. Refer Note 37 for capital commitments.
b. During the year, the Company has written off assets with net carrying amount of Rs. 49.53 lakhs based on physical verification conducted.
c. During the year, the Company has changed its accounting policy with respect to measurement of freehold land from the cost model to revaluation model with effect from April 1, 2018. Refer Note 1.3.9.

The carrying amounts as at March 31, 2019 under revaluation and cost models are given below

| Block of asset | Revaluation model | Cost model |
|---|---|---|
| Freehold land | 2,920.00 | 1,877.40 |

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Nature Trails Resorts Private Limited
**Notes forming part of the Financial Statements as at and for the year ended March 31, 2019**
*(All amounts in Rs. lakhs, unless otherwise stated)*

## 3 Capital work-in-progress

Reconciliation of carrying amount for the year ended March 31, 2018:

| Asset description | Gross carrying amount | | | |
|---|---|---|---|---|
| | As at April 1, 2017 | Additions | Disposals | As at March 31, 2018 |
| Capital work in progress | 85.52 | 530.60 | 314.92 | 301.20 |
| **Total** | **85.52** | **530.60** | **314.92** | **301.20** |

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

| Asset description | Gross carrying amount | | | |
|---|---|---|---|---|
| | As at April 1, 2018 | Additions | Disposals | As at March 31, 2019 |
| Capital work in progress | 301.20 | 173.89 | 474.99 | 0.10 |
| **Total** | **301.20** | **173.89** | **474.99** | **0.10** |

## 4 Other intangible assets

Reconciliation of carrying amount for the year ended March 31, 2018:

| Asset description | Gross carrying amount | | | | Accumulated amortisation | | | | Net carrying amount | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at April 1, 2017 | Additions | Disposals | As at March 31, 2018 | As at April 1, 2017 | Amortisation for the year | Disposals | As at March 31, 2018 | As at March 31, 2017 | As at March 31, 2018 |
| Computer software | 1.93 | 1.76 | - | 3.69 | 0.90 | 0.98 | - | 1.88 | 1.03 | 1.81 |
| **Total** | **1.93** | **1.76** | **-** | **3.69** | **0.90** | **0.98** | **-** | **1.88** | **1.03** | **1.81** |

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

| Asset description | Gross carrying amount | | | | Accumulated amortisation | | | | Net carrying amount | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at April 1, 2018 | Additions | Disposals | As at March 31, 2019 | As at April 1, 2018 | Amortisation for the year | Disposals | As at March 31, 2019 | As at March 31, 2018 | As at March 31, 2019 |
| Computer software | 3.69 | - | - | 3.69 | 1.88 | 0.42 | - | 2.30 | 1.81 | 1.39 |
| **Total** | **3.69** | **-** | **-** | **3.69** | **1.88** | **0.42** | **-** | **2.30** | **1.81** | **1.39** |

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

| | | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|---|
| **5** | **Non-current investments** | | |
| | **Investment in equity instruments (fully paid-up)** | | |
| | **Equity Instruments at Fair Value through P&L** | | |
| | **Unquoted :** | | |
| | Nil (March 31, 2018: 17,453) equity shares of TJSB Bank | - | - |
| | **Total** | - | - |
| | Aggregate amount of impairment in the value of investments | - | 1.74 |
| **6** | **Other tax assets** | | |
| | Advance tax paid | 16.75 | 9.50 |
| | **Total** | **16.75** | **9.50** |
| **7** | **Other non-current assets** | | |
| | Prepaid expenses | 209.95 | 242.64 |
| | Rent receivable | 0.31 | - |
| | Capital advances | 256.94 | 218.92 |
| | **Total** | **467.20** | **461.56** |
| **8** | **Inventories** | | |
| | Food and beverages | 2.47 | 3.98 |
| | **Total** | **2.47** | **3.98** |
| **9** | **Trade receivables** | | |
| | **Unsecured** | | |
| | Considered good | 49.24 | 27.55 |
| | Considered doubtful | - | 1.88 |
| | | **49.24** | **29.43** |
| | Less: Provision for doubtful debts | - | (1.88) |
| | **Total** | **49.24** | **27.55** |
| | Of the above, trade receivables from related parties are as below: | | |
| | Total trade receivables from related parties (Refer Note 39) | 4.26 | 5.42 |
| | Less: Provision for doubtful debts | - | - |
| | **Net trade receivables** | **4.26** | **5.42** |

For receivables secured against borrowings, refer Note 35.
The Company's exposure to credit and loss allowances related to trade receivables are disclosed in Note 32.

| | | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|---|
| **10** | **Cash and cash equivalents** | | |
| | Balances with banks | | |
| | - in current accounts | 0.79 | 9.59 |
| | Cash on hand | 3.39 | 3.89 |
| | **Cash and cash equivalents in the balance sheet** | **4.18** | **13.48** |
| | Bank overdrafts used for cash management purposes [Refer Note 17(b)] | - | (49.27) |
| | **Cash and cash equivalents in the statement of cash flows** | **4.18** | **(35.79)** |

For cash and cash equivalents secured against borrowings, refer Notes 17 and 35.

| | | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|---|
| **11** | **Loans** | | |
| | Employee advances | 2.07 | 1.50 |
| | **Total** | **2.07** | **1.50** |
| **12** | **Other financial assets** | | |
| | Bank deposits | - | 4.77 |
| | Security deposits | 12.61 | 4.01 |
| | Interest accrued on fixed deposits | - | 1.37 |
| | Unbilled revenue | 0.47 | 1.55 |
| | **Total** | **13.08** | **11.70** |
| **13** | **Other current assets** | | |
| | Prepaid expenses | 47.87 | 41.73 |
| | Advances to vendors | 4.33 | 3.65 |
| | **Total** | **52.20** | **45.38** |

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## 14 Equity share capital

**Authorised equity share capital**

| | March 31, 2019 | March 31, 2018 |
|---|---|---|
| **Authorised** | | |
| 2 lakhs (March 31, 2017: 2 lakhs) equity shares of Rs.100 each | 200.00 | 200.00 |
| **Issued, subscribed and paid-up** | | |
| 1.4758 lakhs (March 31, 2017: 1.4758 lakhs) equity shares of Rs.100 each | 147.58 | 147.58 |
| | **147.58** | **147.58** |

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

| | March 31, 2019 | | March 31, 2018 | |
|---|---|---|---|---|
| | Number *in lakhs* | Amount *in lakhs* | Number *in lakhs* | Amount *in lakhs* |
| **Equity shares** | | | | |
| At the commencement of the year | 1.48 | 147.58 | 1.48 | 147.58 |
| Shares issued during the year | - | - | - | - |
| **At the end of the year** | **1.48** | **147.58** | **1.48** | **147.58** |

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 company and its nominees**

| | March 31, 2019 | | March 31, 2018 | |
|---|---|---|---|---|
| | Number *in lakhs* | Amount *in lakhs* | Number *in lakhs* | Amount *in lakhs* |
| Equity shares of Rs. 100 each held by the holding company | 1.48 | 147.58 | 1.48 | 147.58 |

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

| | March 31, 2019 | | March 31, 2018 | |
|---|---|---|---|---|
| | Number *in lakhs* | % of total shares in class | Number *in lakhs* | % of total shares in class |
| **Equity shares of Rs. 100 each held by** | | | | |
| Sterling Holiday Resorts Limited and its nominees (holding company) | 1.48 | 100% | 1.48 | 100% |

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| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **15 Reserves and surplus** | | |
| Securities premium reserves | 1,366.29 | 1,366.29 |
| Retained earnings | (150.92) | (388.99) |
| **Total** | **1,215.37** | **977.30** |
| **Movement in reserves and surplus balances is as follows :** | | |
| **a) Securities premium reserves** | | |
| Opening balance | 1,366.29 | 1,366.29 |
| Additions during the year | - | - |
| **Closing balance** | **1,366.29** | **1,366.29** |
| **b) Retained earnings** | | |
| Opening balance | (388.99) | 18.13 |
| Profit / (loss) for the year | 240.95 | (389.22) |
| *Items of other comprehensive income recognised directly in retained earnings* | | |
| Remeasurements of post-employment benefit obligation, net of tax | (2.88) | (17.90) |
| **Closing balance** | **(150.92)** | **(388.99)** |

**16 Other reserves**

| | Other comprehensive income | | |
|---|---|---|---|
| | Remeasurement of post-employment benefit obligation | Revaluation Reserve | Total |
| **As at April 1, 2017** | - | - | - |
| Additions during the year | 17.90 | - | 17.90 |
| Transferred to retained earnings | (17.90) | - | (17.90) |
| **As at March 31, 2018** | - | - | - |
| Additions during the year | 2.88 | 665.61 | 668.49 |
| Transferred to retained earnings | (2.88) | - | (2.88) |
| **As at March 31, 2019** | - | **665.61** | **665.61** |

**Revaluation reserve**

The Company has changed its accounting policy on measurement of land from cost model to revaluation model w.e.f. April 1, 2018. Land is recognized at fair value based on valuations by external independent valuers. Increase in the carrying amount arising on revaluation of land are recognized, net of tax, in other comprehensive income and accmulated in other reserves in shareholders' equity for Rs. 665.61 lakhs.

| | |
|---|---|
| **Movement in revaluation reserve** | |
| As at March 31, 2018 | - |
| Revaluation surplus during the year | 1,042.60 |
| Income tax effect | (376.99) |
| **As at March 31, 2019** | **665.61** |

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### 17 (a) Non-current borrowings

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **Term loans** | | |
| **From banks** | | |
| Secured bank loans | 726.82 | 766.31 |
| **Total** | **726.82** | **766.31** |

### 17 (b) Current borrowings

| | | |
|---|---|---|
| **Loans from banks** | | |
| Current portion of secured bank loans | 170.01 | 126.69 |
| Bank overdraft | - | 49.27 |
| **Loans from shareholders** | | |
| Unsecured loans from shareholder | 1,008.00 | 703.96 |
| | **1,178.01** | **879.92** |
| Less: Amount included under 'Other financial liabilities' | (170.01) | (126.69) |
| **Total current borrowings** | **1,008.00** | **753.23** |

Information about the Company's exposure to liquidity risk is included in Note 32.

**Secured bank loans**

a Loan amounting to Rs. 891.20 lakhs (March 31, 2018: Rs. 105.69 net of processing fees) from Yes Bank is secured by way of (a) An exclusive charge on land and building of Durshet and Kundalika owned by the Company (b) An exclusive charge on current assets and movable fixed assets of the Company (c) A letter of Comfort from M/s Sterling Holiday Resorts Limited (Holding Company) and (d) A negative lien on the assets of the Company on which the bank is not creating security and is repayable as :- 32 quarterly installments of Rs. 6.83 lakhs, 31 quarterly installments of Rs.0.25 lakhs, 30 quarterly installments of Rs.1.88 lakhs, 22 quarterly installments of Rs.103.60 lakhs is from the date of loan . Interest is payable at monthly rests at the rate of 9.65% per annum.The loan amount outstanding as at year end is Rs. 891.20 lakhs (March 31, 2018: Rs. 105.69). Out of this, Rs. 170.01 lakhs (March 31, 2018: Rs.3.37 lakhs) is repayable within 1 year and the balance amount of Rs.723.18 lakhs (March 31, 2018: Rs. 102.32) is repayable after 1 year from the balance sheet date.

b Loan amounting to Rs. 4.75 Lakhs from Mahindra Finance is secured by way of hypothecation of the undererlying vehicle and is repayable in 48 equated monthly instalments from the date of the loan (October 31, 2015) along with interest at the rate of 14% per annum. The loan amount outstanding as at year end is Rs. 0.74 lakhs (March 31, 2018: Rs. 2.08 lakhs). Out of this, Rs. 0.74 lakhs (March 31, 2018: Rs.1.33 lakhs) is repayable within 1 year and the balance amount of Rs. NIL lakhs (March 31, 2018: Rs. 0.75 lakhs) is repayable after 1 year from the balance sheet date.

c Loan amount to Rs. 6.60 Lakhs from HDFC Bank is secured by way of hypothecation of the underlying vehicles and is repayable in 48 equated monthly instalments starting from the date of the loan (August 28, 2017) along with interest at the rate of 8.46% per annum.The loan amount outstanding as at year end is Rs. 4.90 lakhs (March 31, 2018: Rs. 6.06 lakhs). Out of this, Rs. 1.26 lakhs (March 31, 2018: Rs.1.15 lakhs) is repayable within 1 year and the balance amount of Rs. 3.65 lakhs (March 31, 2018: Rs. 6.06 lakhs) is repayable after 1 year from the balance sheet date.

**Unsecured loan from holding company**

Unsecured loan amounting to Rs. 1,008 lakhs (March 31, 2018 Rs. 703.96 lakhs) outstanding as on March 31, 2019 from Holding Company - Sterling Holiday Resorts Limited, carries an interest rate of 13% and is repayable on demand.

### 17(c) Reconciliation of movement of liabilities to cash flows arising from financing activities

| **Particulars** | **March 31, 2019** | **March 31, 2018** |
|---|---|---|
| Non-current borrowings | 896.83 | 893.00 |
| Current borrowings | 1,008.00 | 703.96 |
| Cash and cash equivalents (Bank overdrafts used for cash management purposes) | - | 49.27 |
| **Net debt** | **1,904.83** | **1,646.23** |

| **Particulars** | **Cash and cash equivalents** | **Current borrowings** | **Non-current borrowings** | **Total** |
|---|---|---|---|---|
| **Balance as at April 1, 2017** | **49.17** | **560.12** | **493.28** | **1,102.57** |
| Proceeds from loans and borrowings | - | 143.84 | 422.25 | 566.09 |
| Repayment of borrowings | - | - | (22.53) | (22.53) |
| Change in bank overdraft | 0.10 | - | - | 0.10 |
| Non-cash changes | - | - | - | - |
| **Balance as at March 31, 2018** | **49.27** | **703.96** | **893.00** | **1,646.23** |
| Proceeds from loans and borrowings | - | 304.04 | 898.07 | 1,202.11 |
| Repayment of borrowings | (49.27) | - | (894.24) | (943.51) |
| Change in bank overdraft | - | - | - | - |
| Non-cash changes | - | - | - | - |
| **Balance as at March 31, 2019** | - | **1,008.00** | **896.83** | **1,904.83** |

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| | | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|---|
| **18** | **Other financial liabilities** | | |
| **(a)** | **Non-current** | | |
| | Contingent consideration (Refer Note below) | - | 610.83 |
| | Creditors for capital expenditure | - | 23.99 |
| | Deposit refundable | 0.15 | - |
| | **Total** | **0.15** | **634.82** |
| **(b)** | **Current** | | |
| | Current maturities of long-term borrowings | 170.01 | 126.69 |
| | Interest payable on unsecured loan | 244.92 | 144.13 |
| | Interest accrued but not due | 7.79 | 7.26 |
| | Creditors for capital expenditure | 26.93 | 20.41 |
| | Contingent consideration (Refer Note below) | 10.00 | - |
| | **Total** | **459.65** | **298.49** |

**Note:**
As per the Investment Agreement entered into between Sterling Holiday Resorts Limited, the Company and the erstwhile shareholders of the Company, the shareholders were to be paid a contingent consideration of Rs. 700 lakhs by issuing Redeemable Preference Shares, on achieving certain performance-based targets by March 2019. The Company had accrued a liability in the books as at April 1, 2018 amounting to Rs.610 lakhs. Since the said targets were not achieved, the Company has reduced the liability to Rs.10 lakhs, which is the minimum amount payable to the erstwhile shareholders and recorded a corresponding gain of Rs. 600 lakhs.

The Company's exposure to liquidity risk related to other financial liabilities is disclosed in Note 32.

| | | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|---|
| **19** | **Trade payables** | | |
| | Total outstanding dues of micro enterprises and small enterprises (Refer Note 41) | - | - |
| | Total outstanding dues of creditors other than micro enterprises and small enterprises | 152.67 | 121.26 |
| | **Total** | **152.67** | **121.26** |

The Company's exposure to liquidity risk related to trade payables is disclosed in Note 32.

| | | | |
|---|---|---|---|
| **20** | **Other current liabilities** | | |
| | Salaries, wages, bonus and employee payables | 80.71 | 64.08 |
| | Payroll taxes | 0.38 | 8.93 |
| | Statutory liabilities | 9.70 | 12.94 |
| | Advance received from customers | 17.93 | 9.31 |
| | **Total** | **108.72** | **95.26** |

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**21 Provision for employee benefit obligations**

| Particulars | As at March 31, 2019 | | | As at March 31, 2018 | | |
|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | Total |
| Gratuity | 3.43 | 91.51 | 94.94 | 3.61 | 80.38 | 83.98 |
| **Total employee benefit obligations** | **3.43** | **91.51** | **94.94** | **3.61** | **80.38** | **83.98** |

**(i) Post employment obligations:**

**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. The gratuity plan is unfunded.

| | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Current service cost | 6.97 | 3.67 |
| Past service cost | - | 2.83 |
| Net interest cost | 6.67 | 4.35 |
| **Total amount recognised in profit or loss** | **13.64** | **10.84** |
| *Remeasurements* | | |
| Return on plan assets, excluding amounts included in interest expense/(income) | - | - |
| (Gain)/loss from change in demographic assumptions | - | - |
| (Gain)/loss from change in financial assumptions | 2.59 | (4.42) |
| Experience (gains)/losses | 0.29 | 22.32 |
| Changes in asset ceileing excluding amounts included in interest expense | - | - |
| **Total amount recognised in other comprehensive income** | **2.88** | **17.90** |
| Employer contributions | 83.98 | 59.12 |
| Benefit payments | (5.56) | (3.87) |
| **Total** | **94.94** | **83.99** |

**(ii) 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 basic 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. 18.34 lakhs (Previous year Rs. 13.60 lakhs).

| **(iii) Principal actuarial assumptions used in valuation of Gratuity** | **March 31, 2019** | **March 31, 2018** |
|---|---|---|
| Discount rate | 7.57% | 7.79% |
| Salary growth rate | 7.00% | 7.00% |
| Attrition rate | 2.00% | 2.00% |

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.

| **(iii) Sensitivity Analysis** | **March 31, 2019** | **March 31, 2018** |
|---|---|---|
| Discount rate: | | |
| + 100 basis points | (10.21) | (9.17) |
| - 100 basis points | 11.81 | 9.45 |
| Salary escalation rate: | | |
| +100 basis points | 11.66 | 6.98 |
| -100 basis points | (9.90) | (6.68) |

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 assumptions 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 as 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.

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

## 22 Deferred tax assets

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| The balance comprises temporary differences attributable to: | | |
| Property, plant and equipment | 0.88 | 11.18 |
| Land revaluation | 376.99 | - |
| **Total deferred tax liabilities** | **377.87** | **11.18** |
| Set-off of deferred tax liabilities pursuant to set-off provisions | 89.40 | 11.18 |
| Deferred tax liability as per the balance sheet | 288.47 | - |
| **Net unrecognised deferred tax liabilities** | - | - |
| Unabsorbed depreciation allowance and business loss carried forward | 242.19 | 168.74 |
| Provision for employee benefits | 46.98 | 40.42 |
| Provision for doubtful debts | - | 0.51 |
| **Total deferred tax assets** | **289.17** | **209.67** |
| Set-off of deferred tax assets pursuant to set-off provisions | 89.40 | 11.18 |
| Net deferred tax asset as per the balance sheet | - | - |
| **Net unrecognised deferred tax assets** | **199.77** | **198.49** |

**Movement in deferred tax liabilities**

| | Depreciation | Land revaluation | Total |
|---|---|---|---|
| **At April 1, 2017** | - | - | - |
| - to profit or loss | 11.18 | - | 11.18 |
| - to other comprehensive income | - | - | |
| **At March 31, 2018** | **11.18** | - | **11.18** |
| - to profit or loss | (10.30) | - | (10.30) |
| - to other comprehensive income | - | 376.99 | 376.99 |
| **At March 31, 2019** | **0.88** | **376.99** | **377.87** |

**Movement in deferred tax assets**

| | Depreciation | Unabsorbed depreciation allowance and business loss carried forward | Provision for employee benefits | Provision for doubtful debts | Total |
|---|---|---|---|---|---|
| **At April 1, 2017** | 2.94 | 96.13 | 5.17 | - | 104.24 |
| Movement in deferred tax asset | (2.94) | 72.61 | 35.25 | 0.51 | 105.43 |
| **At March 31, 2018** | - | **168.74** | **40.42** | **0.51** | **209.67** |
| Movement in deferred tax asset | - | 73.45 | 6.56 | (0.51) | 79.50 |
| **At March 31, 2019** | - | **242.19** | **46.98** | - | **289.17** |

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

| | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| **23 Revenue from operations** | | |
| **Disaggregation of revenue:** | | |
| **On the basis of nature of goods or services:** | | |
| **Sale of products** | | |
| Food and beverages | 222.68 | 245.27 |
| **Sale of services** | | |
| Income from resorts: | | |
| - Room rentals | 241.16 | 193.68 |
| - Campsites and activity camps | 612.29 | 540.36 |
| **Total** | **1,076.13** | **979.31** |
| **On the basis of timing of transfer of goods or services** | | |
| At a point in time | 834.97 | 785.63 |
| Over a period of time | 241.16 | 193.68 |
| **Total** | **1,076.13** | **979.31** |
| **24 Other income** | | |
| Gain on sale of asset (net) | - | 0.70 |
| Rent received | 0.62 | - |
| Change in fair value of contingent consideration | 600.83 | - |
| Miscellaneous income | 2.21 | 2.60 |
| **Total** | **603.66** | **3.30** |
| **25 Cost of materials consumed** | | |
| Inventory of materials at the beginning of the year | 3.98 | 13.72 |
| Add: Purchases | 158.74 | 172.19 |
| Less: Inventory of materials at the end of the year | 2.47 | 3.98 |
| Cost of food, beverages and operating supplies consumed | **160.25** | **181.93** |
| **26 Employee benefit expense** | | |
| Salaries, wages and bonus | 388.72 | 399.19 |
| Contribution to provident and other funds | 18.41 | 18.34 |
| Gratuity | 13.65 | 10.84 |
| Staff welfare expenses | 3.88 | 9.23 |
| **Total** | **424.66** | **437.60** |
| **27 Finance cost** | | |
| Interest and finance charges on financial liabilities measured at amortized cost | 171.40 | 157.86 |
| **Total** | **171.40** | **157.86** |
| **28 Depreciation and amortisation expense** | | |
| Depreciation of property, plant and equipment | 262.17 | 131.39 |
| Amortisation of intangible assets | 0.42 | 0.98 |
| **Total** | **262.59** | **132.37** |

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Nature Trails Resorts Private Limited
Notes forming part of the Financial Statements as at and for the year ended March 31, 2019
*(All amounts in Rs. lakhs, unless otherwise stated)*

| 29 Other expenses | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| Power and fuel | 90.12 | 71.43 |
| Rent | 42.93 | 41.85 |
| Repairs and maintenance: | | |
| -Building | 32.08 | 17.82 |
| -Others | 21.21 | 28.00 |
| Insurance | 5.60 | 3.42 |
| Rates and taxes | 10.59 | 12.07 |
| Guest supplies | 78.60 | 85.75 |
| Communication | 7.86 | 11.70 |
| Travel and tours | 75.39 | 84.75 |
| Legal and professional | 34.57 | 29.92 |
| Payment to statutory auditors: | | |
| As Auditor: | | |
| - Statutory audit | 6.00 | 6.00 |
| - Other services | 0.50 | - |
| Security charges | 3.85 | 1.72 |
| Water charges | 1.27 | 1.83 |
| Sales promotion | 51.62 | 25.07 |
| Bank charges | 33.20 | 17.01 |
| Bad debts | - | 0.15 |
| Provision for doubtful debts | - | 1.88 |
| Printing and stationery | 3.26 | 3.10 |
| Loss on sale of asset | 6.22 | - |
| Miscellaneous expenses | 2.54 | 10.49 |
| **Total** | **507.41** | **453.96** |

| 30 Income tax expense | | |
|---|---|---|
| a) Current tax expense | 1.05 | - |
| b) Deferred tax | | |
| Decrease (increase) in deferred tax assets | (88.52) | 8.11 |
| **Total tax expense/(benefit)** | **(87.47)** | **8.11** |

| **Particulars** | | |
|---|---|---|
| Profit from continuing operations before income tax expense | 153.48 | (381.11) |
| Tax expense / (income) computed at Indian Tax rate of 27.82%/27.5525% | 42.69 | (105.01) |
| Net tax effects of amount which are deductible/disallowed in calculating taxable income - other than temporary differences | - | - |
| | 42.69 | (105.01) |
| Unrecognised tax income on account of deferred tax assets for the year | (42.69) | 105.01 |
| Tax income | - | - |

| **Tax losses** | | |
|---|---|---|
| Unused tax losses for which no deferred tax assets have been recognised | 718.07 | 720.41 |
| Potential tax benefit at 27.82%/27.5525% | 199.77 | 198.49 |

**Tax losses on account of unrecognised deferred tax assets**

| Date of expiry to carry forward | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| 31-Mar-27 | 162.61 | - |
| 31-Mar-26 | 107.15 | 189.78 |
| 31-Mar-25 | 175.00 | 175.00 |
| 31-Mar-24 | - | - |
| 31-Mar-23 | - | - |
| 31-Mar-22 | - | - |
| 31-Mar-21 | - | - |
| 31-Mar-20 | - | - |
| Indefinite period | 273.31 | 355.63 |
| **Total** | **718.07** | **720.41** |

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Chartered Accountants

Nature Trails Resorts Private Limited
Notes forming part of Consolidated Financial Statements as at March 31, 2019
*(All amounts in Rs. lakhs, unless otherwise stated)*

## 31 Fair value measurements

| Financial instruments by category | March 31, 2019 | | | March 31, 2018 | | |
|---|---|---|---|---|---|---|
| | FVTPL | FVOCI | Amortised cost | FVTPL | FVOCI | Amortised cost |
| ***Financial assets*** | | | | | | |
| Trade receivables | - | - | 49.24 | - | - | 27.55 |
| Unbilled revenue | - | - | 0.47 | - | - | 1.55 |
| Cash and cash equivalents | - | - | 4.18 | - | - | 13.48 |
| Loans | - | - | 2.07 | - | - | 1.50 |
| Security deposits | - | - | 12.61 | - | - | 4.01 |
| Interest accrued on fixed deposits | - | - | - | - | - | 1.37 |
| Other receivables | - | - | - | - | - | 4.77 |
| **Total financial assets** | - | - | **68.57** | - | - | **54.23** |
| ***Financial liabilities*** | | | | | | |
| Borrowings | - | - | 2,157.55 | - | - | 1,797.62 |
| Trade payables | - | - | 152.67 | - | - | 121.26 |
| Capital creditors | - | - | 26.93 | - | - | 44.40 |
| Contingent consideration | 10.00 | - | - | 610.83 | - | - |
| **Total financial liabilities** | **10.00** | - | **2,337.15** | **610.83** | - | **1,963.28** |

This summary includes all financial instruments valued based on the principles of Ind AS 109- Financial Instruments.

### (i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair values are disclosed in the financial statements. 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.

**Financial assets and liabilities measured at fair value - recurring fair value measurements**

| At March 31, 2019 | Notes | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| **Financial liabilities** | | | | | |
| *Financial liabilities at FVTPL* | | | | | |
| Contingent consideration | 18(b) | - | - | 10.00 | 10.00 |
| **Total** | | - | - | **10.00** | **10.00** |

**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 | 17(a) and 17(b) | - | - | 2,157.55 | 2,157.55 |
| **Total** | | - | - | **2,157.55** | **2,157.55** |

**Financial assets and liabilities measured at fair value - recurring fair value measurements**

| At March 31, 2018 | Notes | | | | |
|---|---|---|---|---|---|
| **Financial liabilities** | | | | | |
| *Financial Liabilities at FVTPL* | | | | | |
| Contingent consideration | 18(a) | - | - | 610.83 | 610.83 |
| **Total** | | - | - | **610.83** | **610.83** |

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

| At March 31, 2018 | Notes | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| **Financial liabilities** | | | | | |
| Borrowings | 17(a) and 17(b) | - | - | 1,797.62 | 1,797.62 |
| **Total** | | - | - | **1,797.62** | **1,797.62** |

The company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

### (ii) Valuation technique used to determine fair value

The valuation model to value contingent consideration, considers the present value of expected payment discounted using a discount rate of 15%. The expected payment includes interest as agreed.

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

| | March 31, 2019 | | 31-Mar-18 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| **Financial liabilities** | | | | |
| Borrowings | 2,157.55 | 2,157.55 | 1,797.62 | 1,797.62 |
| **Total financial liabilities** | **2,157.55** | **2,157.55** | **1,797.62** | **1,797.62** |

The carrying amounts of trade receivables, trade payables, cash and cash equivalents and other current financial liabilities and assets approximate their fair values, due to their short-term nature.

The fair values of non-current borrowings are based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs.

For financial assets and liabilities that are measured at fair value, the carrying amounts are equal to the fair values.

Chartered Accountants

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

## 32 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. | Ageing analysis, Credit ratings | Diversification of portfolio, credit limits |
| Liquidity risk | Borrowings, trade payables and other liabilities | Rolling cash flow forecasts | Availability of committed credit lines and borrowing facilities |
| Market risk – interest rate | Long-term borrowings at variable rates | Sensitivity analysis | Analysis of market rates on a real time basis, pre-closure of loans |

The company's risk management is carried out by a 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 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 towards 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 forwarding-looking information including the following indicators:

- Internal credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause A significant change to the borrower's ability to meet its obligations.
- Actual or expected significant changes in the operating results of the borrower.
- Significant increase in credit risk on other financial instruments of the same borrower
- Significant changes in the expected performance and behaviour of the borrower and customer, including changes in the payment status of borrowers in the Company, expected acceptances of the instruments and changes in the operating results of the borrower.

**(ii) Provision for expected credit losses**

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

| Internal credit rating | Category | Description of category | Basis for recognition of expected credit loss provision | | |
|---|---|---|---|---|---|
| | | | Investments | Loans and deposits | Trade receivables |
| C1 | High quality assets, negligible credit risk | Assets where the counterparty has strong capacity to meet the obligations and where the risk of default is negligible or nil. | 12 month expected credit losses | 12 month expected credit losses | Lifetime expected credit loss |
| C2 | Doubtful assets, credit impaired | Assets are provided for when there is no reasonable expectation of recovery. The Company categorises a loan or receivable for provisioning when the debtor fails to make the contractual payments for over 12 months. When the loans or receivables have been provided for, the Company continues to engage in enforcement activity to attempt to recover the receivable/cancel contracts as appropriate. When recoveries are made these are recognised in profit or loss. | Asset is provided for fully | | |

**Year ended March 31, 2019:**

***(a) Expected credit loss for loans, security deposits and investments***

The estimated gross carrying amount at default is Nil (March 31, 2018: 1.88) for investments. Consequently the same has been recognised as expected credit loss for the financial asset.

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

Customer credit risk is managed by the company based on the company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an internal credit rating system. Outstanding customer receivables are regularly monitored and assessed for its recoverability. The company classifies the receivables as high quality assets or doubtful assets based on the past performance of the portfolio.

**(iii) Reconciliation of loss allowance provision – Trade receivables**

| | |
|---|---|
| Loss allowance on April 1, 2017 | - |
| Changes in loss allowance | 1.88 |
| **Loss allowance on March 31, 2018** | **1.88** |
| Changes in loss allowance | (1.88) |
| **Loss allowance on March 31, 2019** | **-** |

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

**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. Due to the dynamic nature of the underlying businesses, group treasury maintains flexibility in funding by maintaining availability under committed credit lines. Management monitors rolling forecasts of the company's liquidity position (comprising the undrawn borrowing facilities below) and cash and cash equivalents on the basis of expected cash flows and also reviews timing of liquidation of marketable securities.

***(i) Financing arrangements***

The company had access to the following undrawn borrowing facilities at the end of the reporting period:

| | March 31, 2019 | March 31, 2018 |
|---|---|---|
| -Expiring within one year (bank overdraft) | 50.00 | 0.73 |
| -Expiring beyond one year (bank loans) | 1,387.69 | 1,387.69 |

***(ii) 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. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

**Contractual maturities of financial liabilities:**

**March 31, 2019**

| Non-derivatives | Carrying amount | Less than 3 months | 3 months to 6 months | 6 months to 1 year | Between 1 and 2 years | Above 2 years | Total |
|---|---|---|---|---|---|---|---|
| Borrowings | 2,157.55 | 1,105.82 | 64.28 | 124.39 | 242.40 | 680.32 | 2,217.20 |
| Trade payables | 152.67 | 152.67 | - | - | - | - | 152.67 |
| Contingent consideration | 10.00 | - | - | 10.00 | - | - | 10.00 |
| Other financial liabilities | 27.08 | - | - | 26.93 | - | - | 26.93 |
| **Total** | **2,347.30** | **1,258.49** | **64.28** | **161.32** | **242.40** | **680.32** | **2,406.80** |

**March 31, 2018**

| Non-derivatives | Carrying amount | Less than 3 months | 3 months to 6 months | 6 months to 1 year | Between 1 and 2 years | Above 2 years | Total |
|---|---|---|---|---|---|---|---|
| Borrowings | 1,797.62 | 926.89 | 34.79 | 69.63 | 146.57 | 626.36 | 1,804.24 |
| Trade payables | 121.26 | 121.26 | - | - | - | - | 121.26 |
| Contingent consideration | 610.83 | - | - | - | 702.46 | - | 702.46 |
| Other financial liabilities | 44.40 | - | - | 20.41 | 23.99 | - | 44.40 |
| **Total** | **2,574.11** | **1,048.15** | **34.79** | **90.04** | **873.02** | **626.36** | **2,672.36** |

**C) Market risk - Interest rate risk**

The Company's main interest rate risk arises from long term borrowings with variable interest rates, which exposes the Company to cash flow interest rate risk. The Company analyses the market rates on a real time basis and pre- closes/exchanges the variable interest rate instruments for fixed interest instruments in times of high interest rates and vice-versa to mitigate the risk. Long term borrowings with variable interest rate as at March 31, 2019 is Rs. Nil (March 31, 2018: Nil), consequently there is no exposure to interest rate changes.

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**33 Segment information**

**Description of segments and principal activities**

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief operating decision maker.
The Chief Opeartions Officer (COO) of the company has been identified as the chief operating decision maker of Nature Trails Resorts Private Limited who assesses the financial performance and position of the Company, and makes strategic decisions. The Company has only one reportable segment as described below:

- Resort operations: This segment deals with business of resorts, campsites and activity camps.

**34** The Company continues to invest in refurbishment/redevelopment of the existing resorts. The Company expects to sustain the growth in the turnover and improve profitability in the ensuing years. Accordingly, these financial statements are prepared on a going concern basis.

**35 Assets pledged as security**

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **Current assets** | | |
| Inventories | 2.47 | 3.98 |
| Trade receivables | 49.24 | 27.55 |
| Cash and cash equivalents | 4.18 | 13.48 |
| Other financial assets | 13.08 | 11.70 |
| Other current assets | 52.20 | 46.88 |
| **Non-current assets** | | |
| Freehold land (Revalued - Refer Note 40) | 1,900.00 | 1,840.78 |
| Buildings | 795.33 | 436.01 |
| Movable assets | 277.69 | 375.13 |

**36 Earnings per share**

| | | |
|---|---|---|
| Profit attributable to the equity holders of the company used in calculating basic earnings per share | 240.95 | (389.22) |
| Weighted average number of equity shares outstanding (in lakhs) | 1.48 | 1.48 |
| Basic/Diluted earnings Per Share | **163.27** | **(263.74)** |

**37 Commitments**

**Capital commitments**

Capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

| | | |
|---|---|---|
| **Particulars** | | |
| Property, plant and equipment | 0.15 | 33.89 |

**38 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.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the following gearing ratio:
Net debt (total borrowings net of cash and cash equivalents) divided by total 'equity' (as shown in the balance sheet)

| | | |
|---|---|---|
| Total liabilities | 2,149.75 | 1,790.36 |
| Less: Cash and cash equivalents | (4.18) | (13.48) |
| **Adjusted net debt** | **2,145.57** | **1,776.87** |
| Total equity | 2,028.56 | 1,124.88 |
| **Adjusted net debt to equity ratio** | **1.06** | **1.58** |

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

## 39 Related party transactions

### (a) Parent entities

The group is controlled by following entity:

| Name of entity | Type | Ownership interest held by the group March 31, 2019 | Ownership interest held by the group March 31, 2018 |
|---|---|---|---|
| Fairfax Financial Holdings Limited, Canada | Ultimate Holding Company | - | - |
| Thomas Cook (India) Limited | Intermediate Holding Company | - | - |
| Sterling Holiday Resorts Limited | Holding Company | 100% | 100% |

### (b) Directors of the Company including Key management personnel

Mr. Chinmay H Divekar (Chief operations officer and Director)
Mr. Hari K Divekar (Director)

### (c) Other related parties with whom the Company had transactions during the year

**Entities over which Directors have control or significant influence**

Pugmarks Eco Tours Pvt. Ltd.
Divekar Wallstable Schnieder Precision Seals Pvt. Ltd.

**Relatives of Directors of the Company**

Mr. Chaitanya H Divekar
Mrs. Swati Divekar
Mrs. Sonal Divekar

### (d)Transactions with related parties

The following transactions occurred with related parties:

| | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| **Key management personnel compensation** | | |
| Mr. Chinmay H Divekar (Chief operations officer) | | |
| Short term employee benefits | 25.27 | 25.27 |
| Post-employment benefits | 0.73 | 0.73 |
| **Total compensation** | **26.00** | **26.00** |
| **Sale of services** | | |
| Sterling Holiday Resorts Limited | 0.32 | 1.13 |
| Thomas Cook (India) Limited | 0.42 | 1.44 |
| Divekar Wallstable Schnieder Precision Seals Pvt. Ltd. | 3.01 | 3.89 |
| Pugmarks Eco Tours Pvt. Ltd. | 16.39 | 36.04 |
| **Interest on borrowings** | | |
| Sterling Holiday Resorts Limited | 100.79 | 77.46 |
| **Loans and advances borrowed** | | |
| Sterling Holiday Resorts Limited | 283.74 | 143.84 |
| **Capital advances paid** | | |
| Mr. Chinmay H Divekar | 50.00 | 5.18 |
| **Rent paid** | | |
| Mr. Hari K Divekar | 22.77 | 22.77 |
| Mr. Chinmay H Divekar | 4.04 | 4.04 |
| Mr. Chaitanya H Divekar | 3.89 | 3.89 |
| Mrs. Swati Divekar | 2.23 | 2.23 |
| Mrs. Sonal Divekar | 0.01 | 0.01 |

### (d) Outstanding balances at the year end

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **Trade receivables** | | |
| Sterling Holiday Resorts Limited | 0.21 | 0.21 |
| Thomas Cook (India) Limited | - | 1.44 |
| Divekar Wallstable Schnieder Precision Seals Pvt. Ltd. | 0.64 | 0.48 |
| Pugmarks Eco Tours Pvt. Ltd. | 3.41 | 3.29 |
| **Other non-current assets - capital advances** | | |
| Mr. Hari K Divekar | 186.76 | 186.76 |
| Mr. Chinmay H Divekar | 70.18 | 20.18 |

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

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **Other non-current assets - prepaid rent** | | |
| Mr. Hari K Divekar | 137.79 | 160.56 |
| Mr. Chinmay H Divekar | 24.15 | 28.19 |
| Mr. Chaitanya H Divekar | 23.43 | 27.32 |
| Mrs. Swati Divekar | 13.54 | 15.77 |
| Mrs. Sonal Divekar | 0.07 | 0.08 |
| **Other current assets-prepaid rent** | | |
| Mr. Hari K Divekar | 22.77 | 22.77 |
| Mr. Chinmay H Divekar | 4.04 | 4.04 |
| Mr. Chaitanya H Divekar | 3.89 | 3.89 |
| Mrs. Swati Divekar | 2.23 | 2.23 |
| Mrs. Sonal Divekar | 0.01 | 0.01 |
| **Total receivable from related parties** | **493.12** | **477.22** |
| **Short term borrowings** | | |
| Sterling Holiday Resorts Limited | 1,008.00 | 703.96 |
| **Other current financial liabilities - interest payable** | | |
| Sterling Holiday Resorts Limited | 244.92 | 144.13 |
| **Total payable to related parties** | **1,252.92** | **848.09** |

**40 Change in accounting policy**

**Revaluation of land**

During the year, the Company has changed its accounting policy with respect to measurement of freehold land from the cost model to revaluation model with effect from April 1, 2018. Freehold land will be recognized at fair value based on periodic valuation done by external independent valuers.

A revaluation surplus will be recorded in OCI and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in profit or loss, the increase is recognized in profit and loss. A revaluation deficit is recognized in the statement of profit and loss, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve.

Fair value of the land assets was determined by an external independent valuer using the Market comparable method, i.e., the valuations performed by the valuer are based on active market sale prices, adjusted for difference in the nature, location or condition of the specific property. The carrying amounts as at March 31, 2019 under cost and revaluation models are given below:

| **Block of asset** | **Revaluation model** | **Cost model** |
|---|---|---|
| Freehold land | 2,920.00 | 1,877.40 |

**Asset revaluation reserve (recognized in OCI)**

| | |
|---|---|
| **As at March 31, 2018** | - |
| Revaluation surplus during the period | 1,042.60 |
| Income tax effect | (376.99) |
| **As at March 31, 2019** | **665.61** |

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B S R & Co. LLP * Chartered Accountants *

**41** Disclosure under Micro, Small and Medium Enterprises Development Act, 2006 are provided as under for the year 2018-19, to the extent the Company has received intimation from the "Suppliers" regarding their status under the Act

| | | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|---|
| i | Principal amount due to suppliers registered under the MSMED Act and remaining unpaid as at year end | - | - |
| ii | Interest due to suppliers registered under the MSMED Act and remaining unpaid as at year end | - | - |
| iii | Principal amounts paid to suppliers registered under the MSMED Act, beyond the appointed date during the year | - | - |
| 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 | - | - |
| 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 | - | - |

**42** The disclosures regarding details of specified bank notes held and transacted during November 8, 2016 to December 30, 2016 has not been made in these financial statements since the requirement does not pertain to financial year ended March 31, 2019.

**As per our report of even date**

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

**S Sethuraman**
*Partner*
Membership Number: 203491

Place: Chennai
Date: May 27, 2019

For and on behalf of the Board of Directors of
**Nature Trails Resorts Private Limited**
(CIN: U55100MH2005PTC150901)

**Vikram Dayal Lalvani**
*Director*
DIN No.: 07115464

**Ramesh Shanmugam**
*Director*
DIN No.: 6646158

Place: Chennai
Date: May 14, 2019

# SITA WORLD TRAVEL LANKA (PVT) LTD
## FINANCIAL STATEMENTS
## FOR THE YEAR ENDED
## 31 MARCH 2019

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 2019, 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 2019, 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.

### Material Uncertainty Related to Going Concern

Without qualifying our opinion, we draw attention to Note 27 in these financial statements. The Company has incurred a net loss of Rs. 5,997,338/- for the year ended 31st March 2019 (2018 - Rs. 2,936,881/-), and as of that date the Company's accumulated loss was Rs. 34,330,046/- (2018 - Rs. 28,332,708/-). Further the Company's current liabilities exceeded the current assets by Rs. 32,731,670/- (2018 - Rs. 27,842,288/-) and its total liabilities exceeded its total assets by Rs. 31,830,046/- (2018 - Rs.25,832,708/-). Further, the Company ceased business operations from October 2018. These conditions indicate the existence of uncertainty which may cast significant doubt about the Company's ability to 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. 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.

KPMG

CHARTERED ACCOUNTANTS
Colombo, Sri Lanka
24th May 2019

KPMG Chartered Accountants

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

| *For the year ended 31st March* | Note | 2019 Rs. | 2018 Rs. |
|---|---|---|---|
| Revenue | 6 | 25,520,240 | 333,764,460 |
| Cost of Sales | | (21,149,610) | (299,157,228) |
| **Gross Profit** | | 4,370,630 | 34,607,232 |
| Other Income / (Expense) | 7 | (255,451) | 2,408,009 |
| Administrative Expenses | | (4,243,031) | (37,295,024) |
| Distribution Expenses | | (129,921) | (3,381,993) |
| **Loss from Operations** | 8 | **(257,773)** | **(3,661,776)** |
| Net Finance (Expense) / Income | 9 | (2,730,528) | 810,994 |
| **Loss Before Tax** | | **(2,988,301)** | **(2,850,782)** |
| Income Tax Expense | 10 | (3,009,037) | (86,099) |
| **Loss for the year** | | **(5,997,338)** | **(2,936,881)** |
| **Other comprehensive Income** | | - | - |
| **Total comprehensive income for the year** | | **(5,997,338)** | **(2,936,881)** |
| **Loss per share** | 11 | **(23.99)** | **(11.75)** |

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

*Figures in bracket indicate deductions.*

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SITA WORLD TRAVEL LANKA (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION

| *As at 31st March* | Note | 2019 Rs. | 2018 Rs. |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-Current Assets** | | | |
| Property, Plant & Equipment | 12 | 741,294 | 1,633,466 |
| Intangible Assets | 13 | 171,695 | 508,477 |
| Deferred Tax Assets | 14 | - | 17,087 |
| **Total Non-Current Assets** | | 912,989 | 2,159,030 |
| **Current Assets** | | | |
| Trade and Other Receivables | 15 | 243,147 | 52,247,716 |
| Cash and Cash Equivalents | 16 | 15,226,881 | 14,475,985 |
| **Total Current Assets** | | **15,470,028** | **66,723,701** |
| **TOTAL ASSETS** | | **16,383,017** | **68,882,731** |
| **EQUITY AND LIABILITIES** | | | |
| Stated Capital | 17 | 2,500,000 | 2,500,000 |
| Accumulated Losses | | (34,330,046) | (28,332,708) |
| **Total Equity** | | **(31,830,046)** | **(25,832,708)** |
| **Non-Current Liabilities** | | | |
| Employee Benefits | 18 | - | 149,450 |
| Deferred Tax Liabilities | 14 | 11,365 | |
| **Total Non-Current Liabilities** | | **11,365** | **149,450** |
| **Current Laiabilities** | | | |
| Trade and Other Payables | 19 | 12,783,453 | 53,850,186 |
| Current Taxation | | 64,792 | 64,792 |
| Amount due to Related Party | 20 | 35,353,453 | 30,011,380 |
| Bank Overdraft | 16 | - | 10,639,631 |
| **Total Current Liabilities** | | **48,201,698** | **94,565,989** |
| **TOTAL LIABILITIES** | | **48,213,063** | **94,715,439** |
| **TOTAL EQUITY AND LIABILITIES** | | **16,383,017** | **68,882,731** |

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

24 May 2019
Colombo.

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SITA WORLD TRAVEL LANKA (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY

| *For the year ended 31st March 2019* | Stated Capital Rs. | Accumulated Loss Rs. | Total Rs. |
|---|---|---|---|
| Balance as at 01st April 2017 | 2,500,000 | (25,395,827) | (22,895,827) |
| **Total comprehensive income for the year** | | | |
| Loss for the year | - | (2,936,881) | (2,936,881) |
| Other comprehensive income for the year | - | - | - |
| **Total comprehensive income for the year** | - | (2,936,881) | (2,936,881) |
| **Balance as at 31st March 2018** | **2,500,000** | **(28,332,708)** | **(25,832,708)** |
| 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)** |

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

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## 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 2019 was Nil (2018 – 15).

## 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.



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## 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)
- Employee benefits (Note 3.8)
- Provisions and contingencies (Note 3.9 and Note 3.10)

## 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

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



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**a) Current Taxation**

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

**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 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**

**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 |



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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.

**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 INSTRUMENT**

**3.5.1 Financial assets**

**a) POLICY APPLICABLE FROM APRIL 1, 2018**

The Company adopted SLFRS 9 from April 1, 2018.

**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.



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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

-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. |



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| | |
|---|---|
| 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 |

**Financial Asset Classification Change**

| Measurement | SLFRS 9 (After 1st April 2018) | LKAS 39 (Prior to 1st April 2018) |
|---|---|---|
| Fair value | FVTPL/ FVOCI | FVTPL/ AFS |
| Amortised cost | Amortised cost | HTM/ Loans and Receivables |

## c) POLICY APPLICABLE BEFORE APRIL 1, 2018:

### Initial Recognition, Classification and Subsequent Measurement based on LKAS 39

**Date of Recognition**

All financial assets and liabilities are initially recognized on the trade date, i.e., the date the Company becomes a party to the contractual provisions of the instrument.

**Initial Measurement of Financial Instruments**

The classification of Financial Instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them.

Financial Instruments are measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

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

**Classification and Subsequent Measurement of Financial Assets**

The Company classifies its financial assets into one of the following categories:

- Loans and receivables; and
- Available-for-sale.

The subsequent measurement of financial assets depends on their classification.

**Financial Assets Classified as Loans and Receivables**

Financial Assets classified as 'Loans and Receivables' include Deposits Receivable, Trade and Other Receivables and Cash and Cash Equivalents. After initial measurement, these are subsequently measured at amortised cost using the EIR, less provision for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'Interest Income' in the Income Statement. The losses arising from impairment are recognised in the Income Statement in 'impairment charges for loans and other losses'

**Available for Sale Financial Assets**

Available-for-sale financial assets include investments in debt securities. Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in



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response to changes in the market conditions. After initial measurement, available for sale financial investments are subsequently measured at fair value.

Unrealised gains and losses are recognised directly in Equity through Other Comprehensive Income in the 'available-for-sale reserve'. When the financial investment is disposed of, the cumulative gain or loss previously recognised in Equity is recognised in the Income Statement. Where the Company holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding Available-for-Sale financial investments is reported as 'Interest Income' using the EIR. Dividends earned whilst holding Available-for-Sale financial investments are recognised in the Income Statement when the right to receive the payment has been established. The losses arising from impairment of such investments if any, are recognised in the Income Statement in 'Impairment losses on financial investments' and removed from the 'Available for Sale Reserve'

**Reclassification of Financial Instruments**

In certain circumstances, the Company is permitted to reclassify Financial Instruments out of the 'available-for-sale' category and into the 'loans and receivables' category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

For a financial asset with a fixed maturity reclassified out of the 'available-for-sale' category, any previous gain or loss on that asset that has been recognised in Equity is amortised to profit or loss over the remaining life of the asset using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. In the case of a financial asset that does not have a fixed maturity, the gain or loss is recognised in the profit or loss when such financial asset is sold or disposed. If the financial asset is subsequently determined to be impaired, then the amount recorded in Equity is recycled to the Income Statement.

Reclassification is at the election of management, and is determined on an instrument-by-instrument basis.

The Company does not reclassify any Financial Instrument into the fair value through profit or loss category after initial recognition.

**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



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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 Financial assets (including receivables)

**IMPAIRMENT POLICY: APPLICABLE FROM 1 APRIL 2018**

**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.

**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.

**IMPAIRMENT POLICY: APPLICABLE PRIOR TO 1 APRIL 2018**

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security.

### 3.6.2 Non-financial assets

The carrying amounts of the Company's non-financial assets such as deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

Impairment losses are recognized in profit or loss

## 3.7 Fair Value Measurement

### 3.7.1 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.

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.



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### 3.7.2 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.

### 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.

### 3.8 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.



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*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.

### 3.9 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.

### 3.10 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.

## INCOME AND EXPENSES

### 3.11 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.



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| Type of product/ service | Nature and timing of satisfaction of performance obligations, including significant payment terms | Revenue recognition under SLFRS 15 (applicable from 1 April 2018) | Revenue recognition under LKAS 18 (applicable before 1 April 2018) |
|---|---|---|---|
| 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. | SLFRS 15 established a comprehensive framework for determining whether, how much and when revenue is to be recognized. Under SLFRS 15, 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. | The company recognized revenue when persuasive evidence of an arrangement exists, delivery has occurred and risk of loss has passed to the customer. The sales price is determinable and collection of the resulting receivable is reasonably assured. |

### 3.12 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.

### 3.13 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.

### 3.14 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

## 4. 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.

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

**SLFRS 16 Leases**

The Company is required to adopt SLFRS 16 Leases from 1 April 2019. The Company is assessing the potential impact on its Financial Statements resulting from the application of SLFRS 16.

SLFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating leases.

SLFRS 16 replaces existing leases guidance, including LKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

### 5.1 Leases in which the Company is a lessee

The Company will recognise new assets and liabilities for its operating leases of office buildings. The nature of expenses related to those leases will now change because the Company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Company recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

In addition, the Company will no longer recognise provisions for operating leases that it assesses to be onerous. Instead, the Company will include the payments due under the lease in its lease liability.

No significant impact is expected for the Company's finance leases. However, the Company is assessing the potential impact on its Financial Statements resulting from the application of SLFRS 16.



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| *For the year ended 31 March* | 2019 Rs. | 2018 Rs. |
|---|---|---|
| **6. Revenue** | | |
| Inbound | 25,520,240 | 333,764,460 |
| | **25,520,240** | **333,764,460** |

**6.1** The Company adopted SLFRS 15 for revenue recognition from 1 April 2018 as described in Note 29. There was no significant impact on adoption. However, the Company has ceased its business operations from October 2018.

| | 2019 Rs. | 2018 Rs. |
|---|---|---|
| **7. Other Income** | | |
| Insurance Claim | - | 90,650 |
| Insurance Commission | - | 338 |
| Loss on Disposal of Property, Plant and Equipment | (262,980) | - |
| Shopping Commission | 7,529 | 2,317,021 |
| | **(255,451)** | **2,408,009** |

**8. Loss from Operations**

Loss from operations is stated after charging all the expenses including the following,

| | 2019 Rs. | 2018 Rs. |
|---|---|---|
| Director Emoluments | - | - |
| Auditor's Remuneration | 200,000 | 225,000 |
| Depreciation of Property, Plant and Equipment | 517,814 | 1,676,613 |
| Amortization of Intangible Assets | 117,859 | 140,007 |
| Rent Expenses | 825,000 | 3,300,000 |
| Bad debt write off | - | 2,688,056 |
| Intangible Asset Write off | 218,923 | - |
| Staff Cost (Note 8.1) | (125,074) | 19,285,767 |
| **8.1 Staff Cost** | | |
| Salaries and wages | 21,196 | 17,640,786 |
| Employees Provident Fund | 2,544 | 1,819,628 |
| Employees Trust Fund | 636 | 456,803 |
| Reversal for employee benefits (Note 18.1) | (149,450) | (631,450) |
| | **(125,074)** | **19,285,767** |

| | 2019 Rs. | 2018 Rs. |
|---|---|---|
| **9. Net finance (Expense)/Income** | | |
| **Finance income** | | |
| Interest income | 84,244 | 297,938 |
| Exchange gain / (loss) | (1,157,828) | 5,128,028 |
| | **(1,073,584)** | **5,425,966** |
| **Finance expense** | | |
| Interest on loan | 2,335,726 | 2,509,959 |
| Exchange gain / (loss) | (678,782) | 2,105,013 |
| | **1,656,944** | **4,614,972** |
| | **(2,730,528)** | **810,994** |

| | 2019 Rs. | 2018 Rs. |
|---|---|---|
| **10. Income Tax Expense** | | |
| **Current Tax Expenses** | | |
| Current tax | - | 47,281 |
| Impairment for ESC receivable (Note 15) | 2,980,585 | - |
| | **2,980,585** | **47,281** |
| **Deferred Tax Expense** | | |
| Origination / (reversal) of deferred tax liability (Note 14) | 7,529 | (33,967) |
| Reversal of deferred tax asset (Note 14) | 20,923 | 72,785 |
| | **28,452** | **38,818** |
| | **3,009,037** | **86,099** |

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| *For the year ended 31 March* | 2019 Rs. | 2018 Rs. |
|---|---|---|
| **10. Income Tax Expense (Contd.)** | | |
| **10.1 Reconciliation between Accounting Profit and Taxable Profit** | | |
| Accounting Loss Before Tax | (2,988,301) | (2,850,782) |
| Disallowable Expenses | 3,092,931 | 4,985,941 |
| Allowable expenses | (952,981) | (1,528,988) |
| Other Income | (178,736) | (297,938) |
| | (1,027,087) | 308,233 |
| Interest Income liable to Tax | 84,244 | 297,938 |
| Less: Tax Loss Utilized during the year | (84,244) | (212,160) |
| Taxable Profit / (Loss) | **(1,027,087)** | **394,011** |
| Income Tax for the year - 14% of taxable income | - | 47,281 |
| Total Income Tax Expense for the year | - | **47,281** |

**10.2 Reconciliation of Business tax losses**

| | | |
|---|---|---|
| Tax Loss Brought Forward | 19,105,287 | 19,317,447 |
| Tax Loss for the Year of Assessment | 1,027,087 | - |
| Tax Loss Claimed During the Year | (84,244) | (212,160) |
| **Tax Loss Carried Forward** | **20,048,130** | **19,105,287** |

**11. 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.

| | | |
|---|---|---|
| Loss for the year (Rs.) | (5,997,338) | (2,936,881) |
| Weighted average number of ordinary shares | 250,000 | 250,000 |
| Loss per share (Rs.) | **(23.99)** | **(11.75)** |

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*For the year ended 31 March,*

## 12. Property, Plant & Equipment

| | Office Equipment | Computer Equipment | Furniture and Fixtures | Motor Vehicle | Total 2019 | Total 2018 |
|---|---|---|---|---|---|---|
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| **Cost** | | | | | | |
| Balance at the beginning of the year | 652,699 | 3,726,624 | 1,780,889 | 203,950 | 6,364,162 | 5,562,782 |
| Additions | - | - | - | - | - | 801,380 |
| Disposals during the year | (62,501) | - | (1,756,899) | (203,950) | (2,023,350) | - |
| Balance at the end of the year | **590,198** | **3,726,624** | **23,990** | - | **4,340,812** | **6,364,162** |
| **Depreciation** | | | | | | |
| Balance at the beginning of the year | 620,153 | 2,601,819 | 1,503,597 | 5,127 | 4,730,696 | 3,054,083 |
| Charge for the year | 29,554 | 399,690 | 78,400 | 10,170 | 517,814 | 1,676,613 |
| Disposals during the year | (62,501) | - | (1,571,194) | (15,297) | (1,648,992) | |
| Balance at the end of the year | **587,206** | **3,001,509** | **10,803** | - | **3,599,518** | **4,730,696** |
| **Carrying amounts** | | | | | | |
| **As at 31st March 2019** | **2,992** | **725,115** | **13,187** | - | **741,294** | |
| **As at 31st March 2018** | **32,546** | **1,124,805** | **277,292** | **198,823** | | **1,633,466** |

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| *As at 31 March* | 2019<br>Rs. | 2018<br>Rs. |
|---|---|---|
| **13. Intangible assets** | | |
| **Cost** | | |
| Balance at the beginning of the year | 818,400 | 686,400 |
| Additions | - | 132,000 |
| Write off during the year | (553,800) | - |
| Balance at the end of the year | 264,600 | 818,400 |
| **Amortization** | | |
| Balance at the beginning of the year | 309,923 | 169,916 |
| Charge for the year | 117,859 | 140,007 |
| Write off during the year | (334,877) | - |
| Balance at the end of the year | **92,905** | **309,923** |
| **Carrying value as at end of the year** | **171,695** | **508,477** |
| **14. Deferred taxation** | | |
| Deferred tax liabilities (Note 14.1) | (11,365) | (3,836) |
| Deferred tax assets (Note 14.2) | - | 20,923 |
| | **(11,365)** | **17,087** |
| **14.1 Deferred tax liabilities** | | |
| Balance at the beginning of the year | 3,836 | 37,803 |
| Origination/(Reversal) during the year | 7,529 | (33,967) |
| Balance at the end of the year | **11,365** | **3,836** |
| **14.2 Deferred tax assets** | | |
| Balance at the beginning of the year | 20,923 | 93,708 |
| Reversal during the year | (20,923) | (72,785) |
| Balance at the end of the year | - | **20,923** |

**14.3 Recognized deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Temporary Difference<br>Rs. | Tax Effect<br>Rs. | Temporary Difference<br>Rs. | Tax Effect<br>Rs. |
| **Deferred Tax Liabilities** | | | | |
| Property, plant & equipment | (81,178) | (11,365) | (27,397) | (3,836) |
| | **(81,178)** | **(11,365)** | **(27,397)** | **(3,836)** |
| **Deferred Tax Assets** | | | | |
| Tax loss | 20,048,130 | - | 19,105,287 | - |
| Employee benefits | - | - | 149,450 | 20,923 |
| | **20,048,130** | **-** | **19,254,737** | **20,923** |
| **Net Deferred Tax Assets** | **20,129,308** | **(11,365)** | **19,282,134** | **17,087** |

**Note 1** - The temporary difference arising from tax losses, as at the reporting date, was Rs. 20,048,130/- (2018 - Rs 19,105,287/- ) resulting in deferred tax assets of Rs. 2,806,738/- (2018 - 2,674,740/-) as at that date. However deferred tax asset has not been recognised for the carried forward tax losses as at the reporting date due to the uncertainty regarding the availability of future taxable profits against which the deferred tax asset would be utilized. Accordingly, the total unrecognised deferred tax asset at reporting date was Rs. 2,806,738/-(2018 - Rs 2,674,740/-)

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*As at 31st March 2019*

| | 2019<br>Rs. | 2018<br>Rs. |
|---|---|---|
| **15. Trade and other receivables** | | |
| Trade receivables (Note 15.1) | - | 42,951,924 |
| Other receivables (Note 15.2) | 243,147 | 4,097,818 |
| Advances & prepayments (Note 15.3) | - | 5,197,974 |
| | **243,147** | **52,247,716** |
| **15.1. Trade receivables from related companies** | | |
| Trade receivables from related companies | - | 20,379,225 |
| Trade receivables from others | - | 22,572,699 |
| | - | **42,951,924** |
| **15.2. Other receivables** | | |
| Security deposit | - | 825,000 |
| ESC receivable (Note 15.2.1) | - | 2,867,844 |
| WHT receivable | 143,147 | 143,147 |
| Other receivable | 100,000 | 261,827 |
| | **243,147** | **4,097,818** |
| **15.2.1 ESC Receivable** | | |
| ESC Receivable | 2,980,585 | 2,867,844 |
| Impairment of ESC receivable (Note 15.2.1.1) | (2,980,585) | - |
| | - | **2,867,844** |

Note 15.2.1.1 As the Company has ceased its business operations during the year, the Company has made a provision for impairment of ESC receivable of Rs 2,980,585/- as at 31 March 2019 based on the internal assessment on availability of taxable profit. This was included under Income Tax Expenses during the year.

| | 2019<br>Rs. | 2018<br>Rs. |
|---|---|---|
| **15.3. Advances & prepayments** | | |
| Other advance | - | 4,542,955 |
| Prepayments | - | 655,019 |
| | - | **5,197,974** |
| **16. Cash and cash equivalents** | | |
| Cash in hand | - | 95,527 |
| Cash at bank | 15,226,881 | 14,380,458 |
| | **15,226,881** | **14,475,985** |
| Bank overdraft | - | (10,639,631) |
| **Cash & cash equivalents for the purpose of statement of cash flow** | **15,226,881** | **3,836,354** |
| **17. Stated capital** | | |
| **Issued and fully paid** | | |
| 250,000 ordinary shares | **2,500,000** | **2,500,000** |

**18. Employee benefits**

**18.1 Defined Contribution Plans**

Following contributions have been made to Employees' Provident Fund and Employees' Trust Fund during the year.

| | 2019<br>Rs. | 2018<br>Rs. |
|---|---|---|
| Employees' Provident Fund | | |
| Employers' contribution | 2,544 | 1,819,628 |
| Employees' contribution | 1,696 | 1,213,085 |
| Employees' Trust Fund | 636 | 456,803 |
| **18.2 Defined Benefit Plan - Gratuity** | | |
| Balance at the beginning of the year | 149,450 | 780,900 |
| Reversal recognised during the year | (149,450) | (631,450) |
| | - | 149,450 |
| Payments made during the year | - | - |
| Balance at end of the year | - | **149,450** |

As at the reporting date there were no employees working for the company. As a such no gratuity provision has been made in this regard.

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| *As at 31 March* | 2019 Rs. | 2018 Rs. |
|---|---|---|
| **19. Trade and other payables** | | |
| Trade payables | 8,606,398 | 22,735,967 |
| Other payable | 4,177,055 | 31,114,219 |
| | 12,783,453 | 53,850,186 |
| **20. Amount due to related party** | | |
| Loan from Kuoni Travel India (Pvt) Ltd | 26,257,951 | 23,229,982 |
| Interest on loan payable | 9,095,502 | 6,781,398 |
| | 35,353,453 | 30,011,380 |

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 are in the process of assessing the future business model of the Company. Accordingly the amount payable to related party will be restructured to reflect the new business model.

## 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** | 2019 Rs. | 2018 Rs. |
|---|---|---|
| Short term employee benefits | - | - |
| Post employment benefits | - | - |

### 21.2 Transactions with Related Entities

| Name of the Related Party | Relationship | Nature of Transaction | Transaction Amount 2019 Rs. | Transaction Amount 2018 Rs. |
|---|---|---|---|---|
| Travel Corporation India (Pvt) Ltd (formally known as Kuoni Travel India (Pvt) Ltd) | Parent company | Sale of service | 608,597 | 27,280,624 |
| | | Interest on loan | 2,314,104 | 2,489,734 |
| | | Fund transfer | - | 24,224,898 |
| Luxe Asia (Pvt) Ltd | Subsidiary of Parent Company | Sale of service | - | - |
| | | Reimbursement received | 6,055 | 422,247 |
| Kuoni Travel France | Subsidiary of Parent Company | Sale of service | 286,541 | 14,478,969 |
| | | Fund transfer | - | 639,395 |

Also Refer Note 15 and 20

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## 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,* | 2019 | | 2018 | |
|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| **Financial assets - amortised cost** | | | | |
| Trade & Other Receivables | 243,147 | 243,147 | 52,247,716 | 52,247,716 |
| Cash & Cash Equivalents | 15,226,881 | 15,226,881 | 14,475,985 | 14,475,985 |
| | **15,470,028** | **15,470,028** | **66,723,701** | **66,723,701** |
| **Financial liabilities** | | | | |
| Trade & Other Payables | 12,783,453 | 12,783,453 | 53,850,186 | 53,850,186 |
| Amounts due to Related Parties | 35,353,453 | 35,353,453 | 30,011,380 | 30,011,380 |
| Bank Overdrafts | - | - | 10,639,631 | 10,639,631 |
| | **48,136,906** | **48,136,906** | **94,501,197** | **94,501,197** |

## 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.

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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 in not significant. Cash and cash equivalents and the short term deposits are held with bank which has good ratings based on Fitch ratings.

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## 23. Financial risk management (Cont.)

### 23.3 Credit risk (Contd.)

### 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* | 2019 | 2018 |
|---|---|---|
| | Rs. | Rs. |
| Trade and other receivables | 243,147 | 52,247,716 |
| Cash & cash equivalents | 15,226,881 | 14,475,985 |
| Amounts due to Related Party | 35,353,453 | 30,011,380 |
| | **50,823,481** | **96,735,081** |

### 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.

| | | Cash flows (Rs.) | |
|---|---|---|---|
| **As at 31 March 2019** | **Carrying amount (Rs.)** | **Within 6 months** | **More than a year** |
| **Financial assets - amortised cost** | | | |
| Trade & other payables | 12,783,453 | 12,783,453 | - |
| Amounts due to related parties | 35,353,453 | 35,353,453 | - |
| Cash and Cash Equivalents | 15,226,881 | 15,226,881 | - |
| Bank Overdrafts | - | - | - |
| | **63,363,787** | **63,363,787** | - |
| **As at 31 March 2018** | | | |
| **Non- derivative Financial Liabilities** | | | |
| Trade & other payables | 53,850,186 | 53,850,186 | - |
| Amounts due to related parties | 30,011,380 | 30,011,380 | - |
| Cash and Cash Equivalents | 14,475,985 | 14,475,985 | - |
| Bank Overdrafts | 10,639,631 | 10,639,631 | - |
| | **108,977,182** | **108,977,182** | - |

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### 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.

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**23. Financial risk management (Cont.)**
**23.5.1.Currency risk (Contd.)**

The following significant exchange rates were applied during the year:

| | Average rate | | |
|---|---|---|---|
| | **2019** | **2018** | **2018** |
| USD | 166.72 | 155.60 | 153.72 |
| EURO | 191.70 | 191.74 | 188.31 |

**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**

There were no events occurring after the reporting date as at 31st March 2019 that require adjustments to or disclosure in the financial statements.

**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.

KPMG Chartered Accountants

*As at 31st March 2019,*

**27. Going concern**

The Company has incurred a net loss of Rs. 5,997,338/- for the year ended 31 March 2019 (2018 - Rs. 2,936,881/-, and as of that date the Company's accumulated loss is amounting to Rs. 34,330,046/- (2018 - Rs. 28,332,708/-). Further the Company's current liabilities exceeded the current assets by Rs. 32,731,670/- (2018 - Rs. 27,842,288/-) and its total liabilities exceeded its total assets by Rs. 31,830,046/- (2018 - Rs. 25,832,708/-). Further, the company has ceased business operations from October 2018. These conditions indicate the existence of uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. However, the Board of Directors of the Company is of the view that the Company is a going concern.

**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.

**29. Changes in Accounting policies**

The Company has adopted SLFRS 15 (Note 29.1.1) and SLFRS 9 (Note 29.1.2) from 1 April 2018. However there was no significant impact on financial statements on adoption. Due to the transition methods chosen by the Company in applying these standards, the comparative information throughout these Financial Statements have not been restated to reflect the impact of the new standards.

**29.1.1 SLFRS 15 Revenue from Contracts with Customers**

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced LKAS 18 Revenue, LKAS 11 Construction Contracts and related interpretations. Under SLFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control- at a point in time or over time- requires judgment.

**29.1.2 SLFRS 9 Financial Instruments**

SLFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non- financial items. The standard replaces LKAS 39 Financial Instruments: Recognition and Measurement.

SLFRS 9 contains three principle classification category for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial asset under SLFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SLFRS 9 eliminates the previous LKAS 39 categories of held to maturity, loans and receivables and available for sale. Under SLFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

The adoption of SLFRS 9 did not have a significant effect on the Company's Financial Statements.

There was no material impact of transition to SLFRS 9 on retained earnings and reserves at April 1, 2018.

**Classification and measurement of financial assets and financial liabilities**

The following table and the accompanying notes below explain the original measurement categories under LKAS 39 and the new measurement categories under SLFRS 9 for each class of the Company's financial assets and financial liabilities as at 1 April 2018.

| | Original classification under LKAS 39 | New classification under SLFRS 9 | Original carrying amount under LKAS 39 | New carrying amount under SLFRS 9 |
|---|---|---|---|---|
| **Financial asset** | | | | |
| Trade and other receivables | Loans and receivable | Amortised cost | 243,147 | 243,147 |
| Cash and cash equivalents | Loans and receivable | Amortised cost | 15,226,881 | 15,226,881 |
| **Total Financial asset** | | | **15,470,028** | **15,470,028** |
| **Financial liability** | | | | |
| Trade and Other Payables | Other financial liabilities | Other financial liabilities | 12,783,453 | 12,783,453 |
| Amounts due to Related Parties | Other financial liabilities | Other financial liabilities | 35,353,453 | 35,353,453 |
| **Total Financial liability** | | | 48,136,906 | 48,136,906 |

KPMG Chartered Accountants

*As at 31st March 2019,*

**29. Changes in Accounting policies (Contd.)**

**29.1.2 SLFRS 9 Financial Instruments (Contd.)**

**Impairment of Financial Assets**

SLFRS 9 replaces the 'incurred loss' model in LKAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost. Under SLFRS 9, credit losses are recognised earlier than under LKAS 39.

The Company has determined that the application of SLFRS 9's did not require changes to the Financial statements.

KPMG Chartered Accountants

# Thomas Cook (Mauritius) Operations Company Limited

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|---|---|

# Thomas Cook (Mauritius) Operations Company Limited

## Corporate data

**Directors** :

| Name | Date appointed | Date resigned |
|---|---|---|
| Mr Mahesh Chandran Iyer | 29 March 2013 | 08 March 2019 |
| Mr Harsha Raghavan | 29 March 2013 | 18 May 2018 |
| Mr Mohinder Shakeel Dyall | 04 September 2013 | - |
| Mr Matthew John Lamport | 21 January 2014 | - |
| Mr Ramakrishna Sithanen | 07 May 2015 | - |
| Mr Debasis Nandy | 17 December 2018 | - |
| Mr Madhavan Menon | 08 March 2019 | - |
| Mrs Lovania Devina Ouma Pertab | 01 April 2019 | - |

**Registered office** :

Anglo Mauritius House
4, Intendance Street
Port Louis
Republic of Mauritius

**Secretary** :

Executive Services Limited
2nd Floor, Les Jamalacs Building
Vieux Conseil Street
Port Louis
Republic of Mauritius

**Auditors** :

Grant Thornton
Ebene Tower
52 Cybercity
Ebene 72201
Republic of Mauritius

**Bankers** :

AfrAsia Bank Limited
Bank One Limited
BCP Bank (Mauritius)
Barclays Bank Mauritius Limited
MauBank Ltd
SBM Bank (Mauritius) Ltd
Standard Chartered Bank (Mauritius) Limited
State Bank of India (Mauritius) Ltd
The Mauritius Commercial Bank Ltd

# Thomas Cook (Mauritius) Operations Company Limited

## Annual report

The directors have the pleasure in submitting their annual report together with the audited financial statements of Thomas Cook (Mauritius) Operations Company Limited, the "Company", for the year ended 31 March 2019.

## Principal activity

The principal activity of the Company is to deal in foreign exchange.

## Results and dividends

The results for the year are as shown on page 24.

The directors did not recommend any dividend during the year under review (2018: Rs Nil).

## Directors

The present membership of the Board is set out on page 2.

## Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial year which present fairly the financial position, financial performance and cash flows of the Company. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with International Financial Reporting Standards and comply with the Mauritius Companies Act 2001, the Banking Act 2004 and guidelines issued by the Bank of Mauritius;
- state whether the Guideline on Corporate Governance has been adhered to; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Mauritius Companies Act 2001 and the Banking Act 2004. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that adequate accounting records have been maintained and effective systems of internal control and risk management were in place.

# Thomas Cook (Mauritius) Operations Company Limited

## Annual Report (Contd)

## Report on Corporate Governance

### CORPORATE GOVERNANCE STATEMENT

Thomas Cook (Mauritius) Operations Company Limited, the "Company", is a subsidiary of Thomas Cook (Mauritius) Holding Company Limited, a company incorporated in the Republic of Mauritius and a step down subsidiary of Thomas Cook (India) Limited, a company incorporated in the Republic of India. The ultimate parent is Fairfax Financial Holding Limited, Canada.

The Bank of Mauritius has issued Guidelines on Corporate Governance for financial institutions governed under the Banking Act 2004 and this Corporate Governance report has been prepared having regard to the requirements prescribed in the Guideline on Corporate Governance.

The Company is committed to the highest standard of business integrity; transparency and professionalism in all its activities and is managed ethically and responsibly to enhance business value for all stakeholders.

During this financial year, the Board of Directors (the "Board") has tried to adopt these approaches that it believes are likely to work in the particular context of the Company's business and culture and which promote the following:

- Effective decision-making, risk management and control;
- Keeping the interests of the owners of the business aligned with, and at the front of the mind of, the people charged with managing the business; and
- The ability of the Company to hear the voice of all stakeholders. Principally, these are regulatory and standard bodies, employees, customers, suppliers and the environment in which the Company operates.

### SHAREHOLDING STRUCTURE

The shareholding of the Company is as follows:

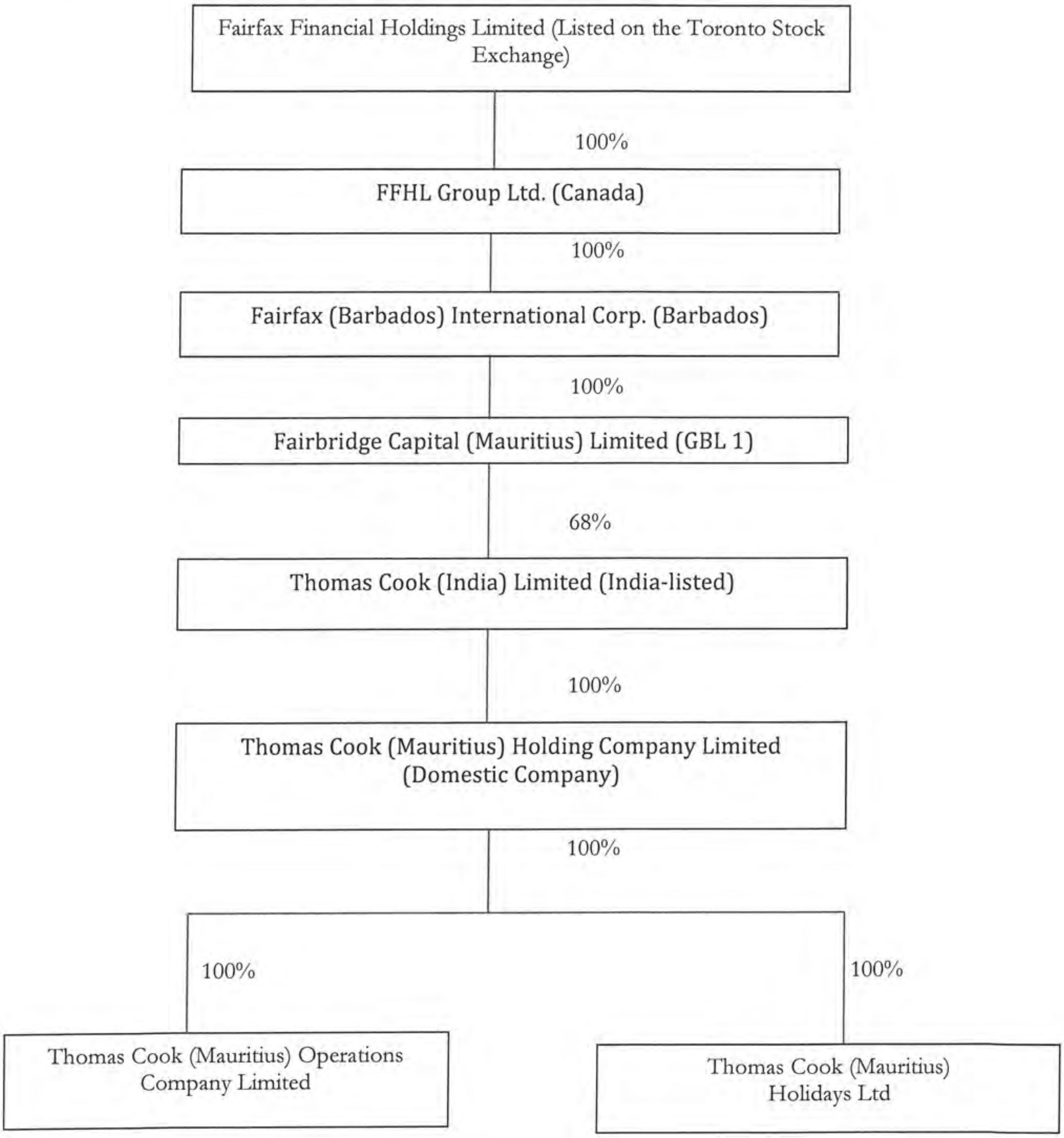
| Shareholder | No of Shares |
|---|---|
| Thomas Cook (Mauritius) Holding Company Ltd | 1,000,000 |
| **Total Number of Shares** | **1,000,000** |

**Thomas Cook (Mauritius) Operations Company Limited**

**Annual Report (Contd)**

**Report on Corporate Governance (Contd)**

**SHAREHOLDING STRUCTURE (CONTD)**



## Thomas Cook (Mauritius) Operations Company Limited

## Annual Report (Contd)

## Report on Corporate Governance (Contd)

### BOARD AND DIRECTORS

### Structure of the Board

The Board's structure of the Company is a unitary Board. The directors of the Company share responsibility for directing and promoting its affairs collectively when acting on behalf of the Company.

### Composition of the Board

The Board currently comprises of one Executive Director, two Non-Executive Directors and three Independent-Directors.

### Attendance at Board Meetings:

| | 15/05/2018 | 19/07/2018 | 24/10/2018 | 28/01/2019 |
|---|---|---|---|---|
| **Chairman** | | | | |
| Ramakrishna SITHANEN (Independent Director) | ✓ | ✓ | ✓ | ✓ |
| **Chief Operating Officer/Executive Director** | | | | |
| Mohinder Shakeel DYALL | ✓ | ✓ | ✓ | ✓ |
| **Independent Directors** | | | | |
| Matthew John LAMPORT | ✓ | ✓ | ✓ | ✓ |
| Lovania Devina Ouma PERTAB *(appointed on 01 April 2019)* | - | - | - | - |
| **Non-Executive Directors** | | | | |
| Mahesh Chandran IYER *(resigned on 08 March 2019)* | ✓ | ✓ | ✓ | ✓ |
| Debasis NANDY *(appointed on 17 December 2018)* | - | - | - | ✓ |
| Madhavan MENON *(appointed on 08 March 2019)* | - | - | - | - |
| Harsha RAGHAVAN *(resigned on 18 May 2018)* | X | - | - | - |

### Directors' profile

**Dr Ramakrishna SITHANEN – Independent Director** *(Chairman of the Board of Directors)*

**Appointment Date**: 07 May 2015

Dr Ramakrishna Sithanen is a member of the Audit and Risk Management Committee.

## Report on Corporate Governance (Contd)

### BOARD AND DIRECTORS (CONTD)

### Directors' profile (Contd)

**Dr Ramakrishna SITHANEN – Independent Director** *(Chairman of the Board of Directors)* **(Contd)**

**Skills and Experience**

He holds a BSc Economics (with First Class Honours) and an M.Sc Economics (with a Mark of Distinction) from the London School Economics and Political Science (LSE) UK. He holds a PhD in Political Science from Brunel University. He has been bestowed with the highest mark of distinction of the Republic of Mauritius with the Grand Commander of the Star and Key in 2009.

He has strong leadership skills and a broad experience in political, managerial, technical, financial and administrative experience as Deputy Prime Minister and Minister of Finance and Economic Development of the Republic of Mauritius, Director at Air Mauritius, General Manager, Strategy and Development of Rogers and Co, Partner in major accounting and consulting firm, economist and consultant/adviser on economic issues, airline restructuring and policy matters.

**Mr Mohinder Shakeel DYALL – Executive Director** *(Chief Operating Officer)*

**Appointment date**: 04 September 2013

**Skills and Experience**

He joined the Company in September 2013 as the Chief Operating Officer. He holds a Post Graduate Diploma in marketing from the Chartered Institute of Marketing and an M.Sc E-Business from the University of Mauritius. He is both a member of the Chartered Institute of Marketing (CIM) and a Chartered Marketer from the same Institute. He is the former Chief Operations Officer at Flemingo Duty Free Mauritius Ltd and Chief Executive Officer at Mauritius Duty Free Paradise Ltd.

**Mr Matthew John LAMPORT – Independent Director** *(Chairman of the Audit and Risk Management Committee)*

**Appointment:** 21 January 2014

**Skills and Experience**

He holds an MSc Finance and a BSc Management Studies from the University of Mauritius. He is also a member of the Association of Chartered and Certified Accountants (ACCA). He had fifteen years of experience as a Senior Lecturer in Accounting and Finance at the University of Mauritius. He is also an academic member representing the University of Mauritius on the Financial Reporting Council.

**Mr Mahesh Chandran IYER – Non-Executive Director**

**Appointment date**: 29 March 2013

**Resignation date:** 08 March 2019

**Skills and Experience**

He holds a B.Com from Mumbai University, a Masters in Marketing Management – JBIMS and an Executive program in Business Management –IIM from Kolkata. He has twenty three years of experience as a Senior Vice President and Head in Foreign Exchange at Thomas Cook (India) Ltd. He is currently the Chief Executive Officer of Thomas Cook (India) Ltd.

# Thomas Cook (Mauritius) Operations Company Limited

## Annual Report (Contd)

## Report on Corporate Governance (Contd)

### BOARD AND DIRECTORS (CONTD)

### Directors' profile (Contd)

**Mr Harsha RAGHAVAN – Non-Executive Director**

**Appointment date:** 29 March 2013

**Resignation date:** 18 May 2018

**Skills and Experience**

He holds a B.A in Computer Science and Economics from University of California, Berkeley, an M.Sc in Industrial Engineering & Engineering Management from Stanford University and an M.B.A from Stanford Graduate School of Business. He is the Managing Director of Fairbridge Capital in Mumbai, India since 2011.

**Mr Debasis NANDY – Non- Executive Director**

**Appointment date:** 17 December 2018

**Skills and Experience**

He is a Chartered Accountant and a Finance Professional. He is also an associate member of the Institute of Chartered Accountants of India. Mr Nandy has been part of the Executive Development Programme at Wharton and London Business School.

Mr Nandy has been with Thomas Cook (India) Ltd since 2008 and he is presently the President & Group Chief Financial Officer. He has over 30 years of diverse experience in the field of Accounting and Finance, with stints at Piramal Healthcare, Aviva, ICI and Indian Aluminium.

Mr Nandy is responsible of overseeing the Accounting and Finance function of Thomas Cook India Group companies, which spans across four continents and twenty four countries.

With his expertise and diverse experience, Mr Nandy plays a significant role in the performance of the Company and is a key member of the Group Management Committee.

**Mr Madhavan Menon - Non-Executive Director**

**Appointment date:** 08 March 2019

**Skills and Experience**

Mr Menon joined Thomas Cook (India) Ltd in 2000 as the Executive Director responsible for the Foreign Exchange business and stepped up to the position of Managing Director in January 2006 and to Chairman and Managing Director in January 2016. He completed his MBA from George Washington University and his undergraduate degree from American University of Beirut.

# Thomas Cook (Mauritius) Operations Company Limited

## Annual Report (Contd)

## Report on Corporate Governance (Contd)

## BOARD AND DIRECTORS (Contd)

### Directors' profile (Contd)

**Mr Madhavan Menon - Non-Executive Director (Contd)**

Mr Menon has a varied background, having commenced his career in Banking at Grindlays Bank, Citibank, Emirates Bank and Birla Sun Life Asset Management Company. He is a member of the Board of Thomas Cook (India) Ltd and holds directorships in various subsidiaries of the group. He is also the Chairman of the Fairfax India Charitable Foundation that focusses on bringing down the cost of treating kidney related ailments in the country.

During his tenure, Thomas Cook (India) Ltd has made several acquisitions, making it the largest travel and related services company in the Republic of India and has expanded the global foot print of the Group to cover twenty one countries across four continents, with operations in Australia, China, ASEAN, South Asia, Middle East, Southern Africa, Eastern Africa and North America.

**Mrs Lovania Devina Ouma Pertab - Independent Director**

**Appointment date:** 01 April 2019

**Skills and Experience**

Mrs Pertab is a barrister by profession. She holds a Masters in Law from the University of La Reunion, France, a Postgraduate Diploma in International Environmental Law from the University of Limoges, France and a Postgraduate diploma in Ocean Laws and Policy.

Mrs Pertab has worked for many years as Principal State Counsel at the State Law Office of Mauritius and has served as Magistrate in both the Republic of Mauritius and the Republic of Seychelles.

For the past fifteen years, Mrs Pertab has worked in the private sector as in house lawyer namely in the aviation sector, the banking sector and in the commercial field.

Mrs Pertab is now the Chairperson of Transparency Mauritius and has been a Director on its Board for more than 2 years.

### Role and function of the Board

The Board is the decision-making body for all matters material to the Company's finances, strategy and reputation. It is collectively responsible for the long-term success of the Company and has ultimate responsibility for management, direction and performance of the Company and its businesses. The Board is required to exercise objective judgement on all corporate matters and is accountable to shareholders for the proper conduct of the business. The Board has also delegated specific responsibility to the Audit and Risk Management Committee.

There is a defined division of responsibilities between the Non-Executive Chairman and the Chief Operating Officer.

# Thomas Cook (Mauritius) Operations Company Limited

## Annual Report (Contd)

## Report on Corporate Governance (Contd)

## BOARD AND DIRECTORS (Contd)

### Role and function of the Chairman

The Chairman is responsible to manage and provide leadership to the Board of the Directors. He is accountable to the Board and acts as a direct liaison between the Board and the management of the Company through the Chief Operating Officer. The Chairman also acts as the communicator for board decisions where appropriate.

### Role and function of the Chief Operating Officer

The Chief Operating Officer ("COO") is responsible for leading the development and execution of the Company's long term strategy with a view to creating shareholder value. The COO's leadership role also entails being ultimately responsible for all day-to day management decisions and for implementing the Company's long and short term plans.

### Role of the Non-Executive Director and the Independent Director

The Non-Executive Director and the Independent Director make a significant contribution to the functioning of the Board and are involved in policy making and planning exercise. They ensure that no one individual or group dominates the decision-making process.

### Role and function of the Company Secretary

The Company Secretary manages the provision of timely, accurate and considered information to the Board and ensures that the Board maintains its awareness of the ever-changing corporate governance environment. The Company Secretary attends every Board meeting and Committee meeting.

### Conflicts of interests

Each director ensures that no decision or action is taken that places his/her interests in front of the interests of the business. At each Board meeting, the directors are required to disclose any actual or potential conflicts of interests.

### Remuneration of directors

The Board decided to allocate an aggregate amount of Rs 15,000 as remuneration and benefits to the independent directors for each quarterly meeting.

**Thomas Cook (Mauritius) Operations Company Limited**

**Annual Report (Contd)**

**Report on Corporate Governance (Contd)**

## BOARD EFFECTIVENESS

### Nomination process

The Board recognises the importance of having a formal and transparent process for the nomination and appointment of directors. The nomination and appointment process of directors is as follows:

- Identification of candidates
- Interviews are conducted
- Board approval of candidates
- Regulatory approval
- Election at Annual/Special Meeting
- Letter of appointment
- Regulatory filing

### Board induction and professional development

All new directors receive a full, formal and tailored induction on joining the Board, including meetings with senior management and visits to the Company's operational locations. The Board recognises that its directors have a diverse range of experience, and so it encourages them to attend external seminars and briefings that will assist them individually.

### Board evaluation

The Board recognises that a continuous and constructively critical evaluation of the directors' performance is a powerful feedback for improving Board effectiveness, maximising strengths and highlighting areas for further development.

### Succession planning

The Corporate Governance Committee (CGC) will review the Board succession plans for the directors and will seek to refresh the Board membership in an ordinary manner where it deems applicable. The CGC will also ensure that the Company has succession planning for its Executive Directors and key management personnel, including appointing, training and mentoring successions. The CGC will review contingency arrangements for any unexpected incapacity of the Chief Operating Officer or any of the top management personnel and will ensure that procedures are in place to ensure a transition to a full operational management team.

### Board meetings

The Board met four times this year. At each meeting, the Board receives regular reports, for example covering current operations, compliance reports and management accounts. At certain points in the year, the Board reviews results of the operations, budgets, capital expenditure, risks and audited financial statements and also reviews other topics such as technical or legal developments and the competitive environment as appropriate.

# Thomas Cook (Mauritius) Operations Company Limited

## Annual Report (Contd)

## Report on Corporate Governance (Contd)

## BOARD COMMITTEES

The Board has a standing Audit and Risk Management Committee (the "Committee"). The Committee reports to the Board and has its terms of reference approved by the Board on the 18 November 2015. The minutes of the Committee Meetings are circulated and reviewed by the Board.

### Audit and Risk Management Committee

The main duties and responsibilities of the Audit and Risk Management Committee are:

1.1 The basic responsibility of the members of the Audit and Risk Management Committee is to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Company and its stakeholders. In discharging that obligation members should be entitled to rely on the honesty and integrity of the Company senior executives and its outside advisors and auditors, to the fullest extent permitted by law.

1.2 The Board authorises the Audit and Risk Management Committee, within the scope of its responsibilities, to:

- (a) perform activities within the scope of this charter.
- (b) investigate any activity it deems appropriate.
- (c) appoint independent advisers and professionals (accountants, lawyers and so on) as it deems necessary to carry out its duties.
- (d) instruct any officer or employee of the Company to attend any meetings and provide pertinent information as necessary and appropriate.
- (e) have unrestricted access to members of management, employees and relevant information.
- (f) establish procedures regarding accounting, internal controls and auditing matters.
- (g) establish procedures for the receipt and treatment of audit observations received by the Company regarding accounting controls and auditing matters.
- (h) make recommendations to the Board in relation to the appointment, termination and remuneration of external auditors and evaluate the work of the latter.
- (i) review the performance of the external auditors and exercise final approval on the appointment or discharge of the auditors.
- (j) pre-approve all audit services fees and terms as well as review policies for the provision of non-audit services by the external auditors.

### Membership of the Committee

The members of the Committee during the year were Mr Matthew Lamport (Committee Chairman) and Dr Ramakrishna Sithanen.

## Thomas Cook (Mauritius) Operations Company Limited

### Annual Report (Contd)

### Report on Corporate Governance (Contd)

### BOARD COMMITTEES (Contd)

### Attendance at Committee:

| | 15/05/2018 | 19/07/2018 | 24/10/2018 | 28/01/2019 |
|---|---|---|---|---|
| Mr Matthew LAMPORT | ✓ | ✓ | ✓ | ✓ |
| Dr Ramakrishna SITHANEN | ✓ | ✓ | ✓ | ✓ |

The Chief Operating Officer, General Manager-Finance, General Manager-Foreign Exchange, the Senior Manager – Compliance/MLRO and the external auditors attend meetings by invitation.

### RISK MANAGEMENT, INTERNAL CONTROL AND INTERNAL AUDIT

### Internal Audit and Internal Control

The scope of the internal audit function is to assist the Board and management to maintain and improve the process by which risks are identified and managed, and to help the Board to discharge its responsibilities and to maintain and strengthen the internal control framework.

During the year under review, the Board has outsourced the internal audit functions to BDO & Co.

### Risk Management

The Board of Directors has overall responsibility for the Company's risk management and the process in place in relation to the identification, evaluation and management of the significant risks faced by the Company in compliance with the Corporate Governance Code.

The risk management mechanism in place includes:

- A system for the on-going identification and assessment of risks; and
- Communication of risk management across all levels of organisation.

The Financial Risk Management is outlined on pages 41 – 45 of the audited financial statements.

### INFORMATION GOVERNANCE

The Company lays emphasis on the confidentiality, integrity, availability and protection of information backed by adopted Information Technology (IT) systems. For fulfilling its obligations, the Board is supported by the Audit and Risk Management Committee.

## Thomas Cook (Mauritius) Operations Company Limited

## Annual Report (Contd)

## Report on Corporate Governance (Contd)

## ACCOUNTING AND AUDITING

### Auditors

The fees charges by the auditors' fees (inclusive of VAT), Grant Thornton, for audit and other services were as follows:

| | 2019 (Rs) | 2018 (Rs) |
|---|---|---|
| Audit fees | 609,500 | 575,000 |
| Other services* | 230,000 | 230,000 |
| **TOTAL** | **839,500** | **805,000** |

*Other services comprise of tax services and review of Company's internal control system.

The auditors, **Grant Thornton,** have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the next Annual Meeting.

## INTEGRATED SUSTAINABILITY REPORT

### Ethics and business conduct

The Company is committed to a Code of Business Conduct and Ethics which sets out the business practices and personal ethics for all its employees. The Code of Business Conduct and Ethics was approved by the Board of Directors on 18 November 2015.

### Health and safety policy

The Company is committed to ensure a risk-free and healthy working environment through the provision and maintenance of a safe workspace and system of work through appropriate information, instruction, training and supervision and effective communication.

The Company commits to comply with the provisions of the Occupational Safety and Health Act 2005 and the relevant Regulations. The Company ensures that health and safety standards are a key issue within its organisation. Communication and consultation at all levels in the organisation take place to ensure that health and safety are maintained and improved where necessary.

### Training and development policy

The Company ensures that the employees are trained and become sufficiently experienced to the extent necessary to competently and effectively undertake their assigned duties and responsibilities. It is also the aim of the Company to encourage the employees to make the most of learning opportunities to realise their own personal and enjoyment of their job.

The Company attempts to create a learning environment where employees will be prepared to accept change, develop new skills and take responsibility for their own continuous learning, in collaboration with their head of department and the Executive Director, to ensure their effective contribution to the successful achievement of both the organisational and personal goals.

# Thomas Cook (Mauritius) Operations Company Limited

## Annual Report (Contd)

## Report on Corporate Governance (Contd)

## INTEGRATED SUSTAINABILITY REPORT (CONTD)

### Equal employment opportunity policy

In order to provide equal employment and advancement opportunity to all individuals, employment decisions in the Company are based on merit, qualifications and abilities. The Company does not discriminate in employment opportunities or practices based on race, colour, religion, sex, national origin, age or any other characteristic protected by law.

This policy governs all aspects of employment, including selection, job assignment, compensation, discipline, termination and access to benefits and training.

Any employee of the Company with questions or concerns about any type of discrimination in the workplace is encouraged to bring these issues to the attention of their head of department or their manager. Employees can raise concerns and make reports without fear of reprisal. Anyone found to be engaging in any type of unlawful discrimination is subject to disciplinary action, up to but not limited to termination of employment.

### Corporate social responsibility (CSR)

The Company recognises that it has a responsibility to be involved in social issues which do not necessarily relate to the welfare of its own employees.

The Company believes that CSR can also held to improve the perception of the Company amongst its employees, particularly when they are involved through fundraising activities, community volunteering or other relevant activities.

## COMMUNICATION AND DISCLOSURE

### Related party transaction

Related party transactions are disclosed in Note 22 to these financial statements.

### Constitution

The Company's constitution is in conformity with the provisions of the Mauritius Companies Act 2001.

### Dividend policy

The payment of dividends is subject to the performance of the Company, its cash flows, its investments requirements and its solvency ratios.

### Directors' interests

The directors do not hold any interests in the ordinary shares of the Company.

# Thomas Cook (Mauritius) Operations Company Limited

## Annual Report (Contd)

## Report on Corporate Governance (Contd)

### COMMUNICATION AND DISCLOSURE (Contd)

### Significant Contracts

No contracts of significance exist between the Company and its directors.

### Donations

The Company made no donation during the year ended 31 March 2019 (2018: Rs 5,000).

### Directors' Remuneration

During the year ended 31 March 2019, remuneration paid to the directors by the Company are as follows:

| | 2019 (Rs) | 2018 (Rs) |
|---|---|---|
| Non-Executive Independent Directors – sitting fee | 120,000 | 150,000 |
| Executive Director | 3,677,906 | 3,154,434 |

Approved by the Board of Directors on 17 MAY 2019 and signed on its behalf by:

Director

Director

## Thomas Cook (Mauritius) Operations Company Limited

## Certificate from the Secretary to the member of Thomas Cook (Mauritius) Operations Company Limited

We certify, to the best of our knowledge and belief, that the Company has filed with the Registrar of Companies all such returns as are required of **Thomas Cook (Mauritius) Operations Company Limited** under the Mauritius Companies Act 2001, in terms of Section 166 (d), during the financial year ended 31 March 2019.

*for* **Executive Services Limited**
**Secretary**
EXECUTIVE SERVICES LTD

**Registered address:**
2nd Floor, Les Jamalacs Building
Vieux Conseil Street
Port Louis
Republic of Mauritius

**Date:** 17 MAY 2019

Grant Thornton

## Independent auditors' report
## To the member of Thomas Cook (Mauritius) Operations Company Limited

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Thomas Cook (Mauritius) Operations Company Limited, the "Company", which comprise the statement of financial position as at 31 March 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements on pages 23 to 58 give a true and fair view of the financial position of the Company as at 31 March 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Mauritius Companies Act 2001 and the Banking Act 2004.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the year ended 31 March 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The only key audit matter identified in relation to the audit of the financial statements is as described below:

#### Risk Description

*Revenue Recognition*

We focus on the revenue recognition because income derived from dealings in foreign currencies exchange is a significant item and, also as it is the main factor for determining the Company's financial performance.

## Independent auditors' report (Contd)
## To the member of Thomas Cook (Mauritius) Operations Company Limited

### Report on the Audit of the Financial Statements

#### Key Audit Matters (Contd)

**How audit responded to this matter**

Our audit procedures included among others:

- We have tested the IT general controls to ensure the integrity and reliability of financial information generated by the IT system.
- We have tested the design and operating effectiveness of controls over revenue.
- We have performed walkthrough and tests of control to gain an understanding of how and when gains on foreign currencies dealings are recognised in the system.
- We have performed substantive testing which included recalculating the exchange gain on a sample of transactions.
- We have reviewed journal entries pertaining to revenue and requested supporting documentation where appropriate.

#### Information Other than the Financial Statements and Auditors' Report Thereon ("Other Information")

Management is responsible for the Other Information. The Other Information comprises mainly of information included under the Corporate Data and Annual Report sections, but does not include the financial statements and our auditors' report thereon.

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

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

## Independent auditors' report (Contd)
## To the member of Thomas Cook (Mauritius) Operations Company Limited

### Report on the Audit of the Financial Statements (Contd)

#### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Mauritius Companies Act 2001 and the Banking Act 2004, and for such internal control as management determines is necessary to enable the preparation of the 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.

#### Auditors' 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 auditors' 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 International Standards on Auditing 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 International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Grant Thornton

**Independent auditors' report (Contd)**
**To the member of Thomas Cook (Mauritius) Operations Company Limited**

## Report on the Audit of the Financial Statements (Contd)

### Auditors' Responsibilities for the Audit of the Financial Statements (Contd)

- 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 auditors' 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 auditors' 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.

## Report on Other Legal and Regulatory Requirements

*(a) Mauritius Companies Act 2001*

In accordance with the requirements of the Mauritius Companies Act 2001, we report as follows:

- we have no relationship with, or any interests in, the Company other than in our capacity as auditors;

- we have obtained all the information and explanations that we have required; and

- in our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.

*(b) Banking Act 2004*

In our opinion, the financial statements:

- have been prepared on a basis consistent with that of the preceding year;

- are complete, fair and properly drawn up; and

- comply with the Banking Act 2004 as well as the regulations and guidelines of the Bank of Mauritius.

Grant Thornton

**Independent auditors' report (Contd)**
**To the member of Thomas Cook (Mauritius) Operations Company Limited**

## Other Matter

Our report is made solely to the member of the Company as a body in accordance with Section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's member those matters we are required to state to it in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's member as a body, for our audit work, for this report, or for the opinion we have formed.

Grant Thornton

**Grant Thornton**
**Chartered Accountants**

**Y NUBEE, FCCA**
**Licensed by FRC**

**Date:** 17 MAY 2019

**Ebene 72201, Republic of Mauritius**

**Thomas Cook (Mauritius) Operations Company Limited**

# Statement of financial position as at 31 March

| | Notes | 2019 Rs | 2018 Rs |
|---|---|---|---|
| **Assets** | | | |
| **Non-current** | | | |
| Plant and equipment | 7 | **12,790,916** | 12,924,053 |
| Intangible assets | 8 | **1,684,625** | 2,132,601 |
| Non-current assets | | **14,475,541** | 15,056,654 |
| **Current** | | | |
| Investment in treasury bills | 9 | **22,530,761** | 47,490,601 |
| Trade and other receivables | 10 | **19,588,903** | 9,729,276 |
| Cash and cash equivalents | 11 | **112,682,874** | 73,240,520 |
| Current assets | | **154,802,538** | 130,460,397 |
| **Total assets** | | **169,278,079** | 145,517,051 |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Stated capital | 12 | **100,000,000** | 100,000,000 |
| Retained earnings | | **23,753,410** | 24,334,088 |
| Gratuity benefit deficits | | **(252,000)** | (76,000) |
| Fair value reserves | 9 | **-** | (133,322) |
| **Total equity** | | **123,501,410** | 124,124,766 |
| **Liabilities** | | | |
| **Non-current** | | | |
| Gratuity obligations | 13 | **904,647** | 643,000 |
| Borrowings | 14 | **-** | 318,796 |
| Deferred tax liabilities | 20 | **1,083,710** | 1,055,966 |
| Non-current liabilities | | **1,988,357** | 2,017,762 |
| **Current** | | | |
| Trade and other payables | 15 | **22,945,517** | 13,751,074 |
| Borrowings | 14 | **20,842,795** | 5,623,449 |
| Current liabilities | | **43,788,312** | 19,374,523 |
| **Total liabilities** | | **45,776,669** | 21,392,285 |
| **Total equity and liabilities** | | **169,278,079** | 145,517,051 |

Approved by the Board of Directors on 17 MAY 2019 and signed on its behalf by:

Director

Director

The notes on pages 27 to 58 form an integral part of these financial statements.

**Thomas Cook (Mauritius) Operations Company Limited**

# Statement of comprehensive income for the year ended 31 March

| | Notes | 2019 Rs | 2018 Rs |
|---|---|---|---|
| Net gains from foreign currency dealings and net foreign exchange differences | 16 | **46,028,186** | 46,765,451 |
| Other operating income | 17 | **9,800,068** | 10,555,071 |
| Sundry income | | **118,719** | 25,305 |
| Administrative expenses | | **(58,357,537)** | (56,081,775) |
| **Operating (loss)/profit** | 21 | **(2,410,564)** | 1,264,052 |
| Finance income | 18 | **2,419,049** | 1,993,850 |
| Finance costs | 19 | **(428,097)** | (405,550) |
| **Net finance income** | | **1,990,952** | 1,588,300 |
| **(Loss)/profit before tax** | | **(419,612)** | 2,852,352 |
| Tax expense | 20 | **(27,744)** | (1,002,670) |
| **(Loss)/profit for the year** | | **(447,356)** | 1,849,682 |
| **Other comprehensive income:** | | | |
| ***Items that will not be reclassified subsequently to profit or loss:*** | | | |
| Actuarial (loss)/gain on gratuity benefit obligations | 13 | **(176,000)** | 90,000 |
| ***Items that will be reclassified subsequently to profit or loss:*** | | | |
| Fair value loss on available-for-sale financial assets | 9 | - | (164,524) |
| **Other comprehensive loss for the year, net of tax** | | **(176,000)** | (74,524) |
| **Total comprehensive income for the year** | | **(623,356)** | 1,775,158 |

The notes on pages 27 to 58 form an integral part of these financial statements.

**Thomas Cook (Mauritius) Operations Company Limited**

# Statement of changes in equity for the year ended 31 March

| | Stated capital Rs | Retained earnings Rs | Gratuity benefit deficits Rs | Fair value reserves Rs | Total Rs |
|---|---|---|---|---|---|
| **At 01 April 2018** | **100,000,000** | **24,334,088** | **(76,000)** | **(133,322)** | **124,124,766** |
| **Transfer of fair value reserves upon disposal of treasury bills to retained earnings** | **-** | **(133,322)** | **-** | **133,322** | **-** |
| **Loss for the year** | **-** | **(447,356)** | **-** | **-** | **(447,356)** |
| **Other comprehensive loss** | **-** | **-** | **(176,000)** | **-** | **(176,000)** |
| **Total comprehensive income for the year** | **-** | **(447,356)** | **(176,000)** | **-** | **(623,356)** |
| **At 31 March 2019** | **100,000,000** | **23,753,410** | **(252,000)** | **-** | **123,501,410** |
| At 01 April 2017 | 100,000,000 | 22,484,406 | (166,000) | 31,202 | 122,349,608 |
| Profit for the year | - | 1,849,682 | - | - | 1,849,682 |
| Other comprehensive loss | - | - | 90,000 | (164,524) | (74,524) |
| Total comprehensive income for the year | - | 1,849,682 | 90,000 | (164,524) | 1,775,158 |
| At 31 March 2018 | 100,000,000 | 24,334,088 | (76,000) | (133,322) | 124,124,766 |

The notes on pages 27 to 58 form an integral part of these financial statements.

**Thomas Cook (Mauritius) Operations Company Limited**

# Statement of cash flows for the year ended 31 March

| | 2019 Rs | 2018 Rs |
|---|---|---|
| **Operating activities** | | |
| (Loss)/profit before tax | **(419,612)** | 2,852,352 |
| *Adjustments for:* | | |
| Depreciation | **2,051,791** | 2,002,428 |
| Amortisation | **877,700** | 789,348 |
| Gratuity benefit obligations | **167,000** | 135,000 |
| Interest income | **(2,419,049)** | (1,993,850) |
| Interest expense | **428,097** | 405,550 |
| Assets written off / loss on disposals | **186,714** | 449,632 |
| Total adjustments | **1,292,253** | 1,788,108 |
| *Net changes in working capital:* | | |
| Change in trade and other receivables | **(9,859,627)** | (4,271,654) |
| Change in trade and other in payables | **9,194,443** | 6,431,890 |
| Total changes in working capital | **(665,184)** | 2,160,236 |
| Interest received | **540,359** | 758,727 |
| Interest paid | **(428,097)** | (405,550) |
| Employer contributions paid | **(81,353)** | - |
| **Net cash from operating activities** | **238,366** | 7,153,873 |
| **Investing activities** | | |
| Purchase of plant and equipment | **(2,105,368)** | (1,809,708) |
| Purchase of intangible assets | **(429,724)** | (335,308) |
| Proceeds from treasury bills redeemed | **80,000,000** | 71,000,000 |
| Purchase of treasury bills | **(53,161,470)** | (69,484,290) |
| **Net cash from investing activities** | **24,303,438** | (629,306) |
| **Financing activities** | | |
| Finance lease principal payments | **(293,686)** | (314,233) |
| **Net cash used in financing activities** | **(293,686)** | (314,233) |
| Net increase in cash and cash equivalents | **24,248,118** | 6,210,334 |
| Cash and cash equivalents at beginning of the year | **67,910,676** | 61,700,342 |
| **Cash and cash equivalents at end of year (Note 11)** | **92,158,794** | 67,910,676 |
| **Cash and cash equivalents made up of:** | | |
| Cash in hand and cash at bank (Note 11) | **112,682,874** | 73,240,520 |
| Bank overdrafts (Note 14) | **(20,524,080)** | (5,329,844) |
| | **92,158,794** | 67,910,676 |

For reconciliation of liabilities arising from financing activities, refer to **Note 25**.

The notes on pages 27 to 58 form an integral part of these financial statements.

# Notes to the financial statements

**For the year ended 31 March 2019**

## 1. General information and statement of compliance with International Financial Reporting Standards ("IFRS")

Thomas Cook (Mauritius) Operations Company Limited, the "Company", was incorporated in the Republic of Mauritius under the former Mauritius Companies Act 1984 (now replaced by the Mauritius Companies Act 2001) on 14 January 2000 as a private company with liability limited by shares. The Company's registered office is Ground Floor, Anglo Mauritius House, 4, Intendance Street, Port Louis, Republic of Mauritius.

The main activity of the Company is to deal in foreign exchange under a licence issued by the Bank of Mauritius on 17 June 2005.

The financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB").

## 2. Adoption of new and revised IFRS

### 2.1 New and revised standards that are effective for the annual period beginning on 01 April 2018

In the current year, the following new and revised standards and one interpretation issued by the IASB became mandatory for the first time for the financial year beginning on 01 April 2018:

***IAS 40, Transfers of Investment Property (Amendments to IAS 40)***

Under these amendments an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

***IFRS 15, Revenue from Contracts with Customers***

This is the converged standard on revenue recognition. It replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and related interpretations.

***IFRS 9, Financial instruments (2014)***

The complete version of IFRS 9 replaces most of the guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit and loss.

***IFRS 4, Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)***

The amendments in Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4) provide two options for entities that issue insurance contracts within the scope of IFRS 4.

***IFRS 2, Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)***

The amendments bring clarification on the following matters:

- the accounting for cash-settled share-based payment transactions that include a performance condition;
- the classification of share-based payment transactions with net settlement features; and
- the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.

# Notes to the financial statements

**For the year ended 31 March 2019**

## 2. Adoption of new and revised IFRS (Contd)

### 2.1 New and revised standards that are effective for the annual period beginning on 01 April 2018 (Contd)

***IFRIC 22, Foreign Currency Transactions and Advance Consideration***

IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

Management has assessed the impact of these new and revised standards and interpretation and concluded that *IFRS 9, Financial Instruments (2014)* and *IFRS 15, Revenue from Contracts with Customers* have an impact on these financial statements.

The adoption of IFRS 15 and IFRS 9 have the following impact on the financial statements.

*IFRS 15 "Revenue from Contracts with Customers"*

IFRS 15 replaces IAS 18 "Revenue", IAS 11 "Construction Contracts", and several revenue-related interpretations. The application of IFRS 15 does not have a material impact on the recognition and measurement of revenue by the Company.

The Company's accounting policy on revenue is detailed in Note 3.13 to these financial statements.

*IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement".*

It introduces new requirements for:

(i) the classification and measurement of financial assets and financial liabilities;
(ii) impairment of financial assets; and
(iii) general hedge accounting.

It also makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an "expected credit loss" model for impairment of financial assets.

The adoption of IFRS 9 has impacted the following areas:

- the classification of the Company's trade and other receivables and cash and cash equivalents from loans and receivables to amortised costs.
- investment in treasury bills previously classified as available-for-sale (AFS) investments under IAS 39 are now measured at amortised cost as:
    - it is held with a business model whose objective is to hold the financial asset and collect its contractual cash flows.
    - the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- the impairment of financial assets applying the expected credit loss model. This affects the Company's amount due from related party measured at amortised cost. For this financial asset, the Company applies a simplified model of recognising lifetime expected credit losses as this item does not have a significant financing component.

There have been no changes to the classification or measurement of financial liabilities as a result of the application of IFRS 9.

**Thomas Cook (Mauritius) Operations Company Limited**

# Notes to the financial statements

**For the year ended 31 March 2019**

## 2. Adoption of new and revised IFRS (Contd)

### 2.1 New and revised standards that are effective for the annual period beginning on 01 April 2018 (Contd)

*IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" (Contd)*

On the date of initial application, 01 April 2018, the financial instruments of the Company were reclassified as follows:

| | Original IAS 39 category | New IFRS 9 category | Closing balance at 31 March 2018 (IAS 39) Rs | Adoption of (IFRS 9) Rs | Opening balance at 01 April 2018 (IFRS 9) Rs | Retained earnings effect Rs |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| **Current** | | | | | | |
| Investment in treasury bills | Available-for-sale | Amortised cost | 47,490,601 | - | 47,490,601 | - |
| Trade and other receivables* | Loans and receivables | Amortised cost | 3,071,413 | - | 3,071,413 | - |
| Cash and cash equivalents | Loans and receivables | Amortised cost | 73,240,520 | - | 73,240,520 | - |
| **Total financial assets** | | | 123,802,534 | - | 123,802,534 | - |
| **Financial liabilities** | | | | | | |
| **Non-current** | | | | | | |
| Obligations under finance leases | Amortised cost | Amortised cost | 318,796 | - | 318,796 | - |
| **Current** | | | | | | |
| Trade and other payables** | Amortised cost | Amortised cost | 9,932,754 | - | 9,932,754 | - |
| Bank overdrafts | Amortised cost | Amortised cost | 5,329,844 | - | 5,329,844 | - |
| Obligations under finance leases | Amortised cost | Amortised cost | 293,605 | - | 293,605 | - |
| | | | 15,556,203 | - | 15,556,203 | - |
| **Total financial liabilities** | | | 15,874,999 | - | 15,874,999 | - |

* *Trade and other receivables classified as financial assets exclude prepayments, deposits and other assets.*
** *Trade and other payables considered as financial liabilities exclude advances from customers.*

There were no financial assets or financial liabilities which the Company had previously designated at Fair Value through Profit or Loss (FVTPL) under IAS 39 that were subject to reclassification or which the Company has elected to reclassify upon the application of IFRS 9.

The Company's accounting policy on financial instruments is detailed in Note 3.5 to these financial statements.

# Notes to the financial statements

**For the year ended 31 March 2019**

## 2. Adoption of new and revised IFRS (Contd)

### 2.2 Standards, amendments to existing standards and interpretations that are not yet effective and have not been adopted early by the Company

At the date of authorisation of these financial statements, certain new standards, amendments to existing standards and one interpretation have been published but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the relevant pronouncements, as relevant to the Company's activity, will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncements. Information on the new standards, amendments and interpretation is provided below:

***IFRS 16, Leases***

The new standard requires lessees to account for leases 'on-balance sheet' by recognising a 'right of use' asset and a lease liability. It will affect most companies that report under IFRS and are involved in leasing, and will have a substantial impact on the financial statements of lessees of property with high value equipment.

***IFRIC 23, Uncertainty over Income Tax Treatments***

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

***IFRS 17, Insurance Contracts***

IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4, *Insurance Contracts* as of 01 January 2021.

***IFRS 9, Prepayments Features with Negative Compensation (Amendments to IFRS 9)***

This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

***IAS 28, Long-term interest in Associates and Joint Ventures (Amendments to IAS 28)***

These amendments provide clarification in the case where an entity applies IFRS 9 'Financial Instruments' to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

***IAS 19, Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)***

The following amendments were made to IAS 19:

If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.

# Notes to the financial statements

**For the year ended 31 March 2019**

## 2. Adoption of new and revised IFRS (Contd)

### 2.2 Standards, amendments to existing standards and interpretations that are not yet effective and have not been adopted early by the Company

***IAS 19, Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) (Contd)***

In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

***IAS 1 and IAS 8, Definition of Material (Amendments to IAS 1 and IAS 8)***

The changes in 'Definition of Material' (Amendments to IAS 1 and IAS 8) relate to a revised definition of 'material' which states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

***IFRS 3, Definition of a Business (Amendments to IFRS 3)***

The amended definition emphasises that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others.

Management has yet to assess the impact of the above standards, amendments and interpretation on the Company's financial statements.

## 3. Summary of significant accounting policies

### 3.1 Overall considerations

The financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

### 3.2 Foreign currency

**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 entity operates ("the functional currency"). The financial statements are presented in "Mauritian Rupees" ("MUR" or "Rs").

**Foreign currency transactions and balances**

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at period-end exchange rates are recognised in the statement of comprehensive income.

# Notes to the financial statements

**For the year ended 31 March 2019**

## 3. Summary of significant accounting policies (Contd)

### 3.2 Foreign currency (Contd)

**Foreign currency transactions and balances (Contd)**

Non-monetary items are not retranslated at period-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

The average exchange rates for the main foreign currencies against MUR for the year were as follows:

| *Currency* | *Average exchange rate* |
|---|---|
| United States Dollar | 33.84 |
| Euro | 39.61 |
| Great Britain Pound | 45.61 |

### 3.3 Plant and equipment

Plant and equipment are initially recorded at cost and subsequently measured at cost less accumulated depreciation and impairment loss.

Depreciation is calculated on the straight-line method to write down the cost of the assets to their residual values over their estimated useful lives as follows:

| | |
|---|---|
| Office equipment | 4.75% |
| Computer equipment | 25% |
| Furniture and fittings | 6.33% |
| Motor vehicles | 15% |

Depreciation is provided in full in the month of addition and in respect of assets written off and disposed, up to the month of write off and disposal. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of an asset, the difference between the carrying value of the asset and sale consideration is taken to the statement of comprehensive income.

The assets' residual values, useful lives and methods of depreciation are reviewed and adjusted, if appropriate, at each reporting date. Repairs and maintenance costs are expensed as incurred.

Assets of value up to Rs 10,000 are written off completely in the month of acquisition.

### 3.4 Intangible assets

*Computer software*

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

## 3. Summary of significant accounting policies (Contd)

### 3.4 Intangible assets (Contd)

*Computer software (Contd)*

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

Acquired computer software has been assessed as having a finite useful life which has been estimated to 4 years.

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

### 3.5 Financial instruments

**Recognition, initial measurement and derecognition**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

**Classification and initial measurement of financial assets**

All financial assets are initially measured at fair value adjusted for transaction costs, where appropriate.

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI)

In the current year, the Company does not have any financial assets categorised as FVTPL and FVOCI.

The classification is determined by both:

- the Company business model for managing the financial asset.
- the contractual cash flow characteristics of the financial asset.

**Thomas Cook (Mauritius) Operations Company Limited**

# Notes to the financial statements

**For the year ended 31 March 2019**

## 3. Summary of significant accounting policies (Contd)

## 3.5 Financial instruments (Contd)

**Classification and initial measurement of financial assets (Contd)**

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance income, finance costs or other financial items, except for impairment of trade receivables which is presented within other expenses.

**Subsequent measurement of financial assets**

***Financial assets at amortised cost***

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

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

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's investment in treasury bills, cash and cash equivalents and most trade and other receivables fall into this category of financial instruments.

***Impairment of financial assets***

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements include mainly amount due from related party.

Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

The Company makes use of a simplified approach in accounting for its amount due from related party and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. The Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses.

The Company writes off a financial asset when there is information indicating that the debtor is in severe difficulty and there is no realistic prospect of recovery. Receivables or other financial assets written off are still subject to recovery procedures based on legal advices.

**Classification and subsequent measurement of financial liabilities**

The Company's financial liabilities include obligations under finance leases, bank overdrafts and trade and other payables.

Financial liabilities are measured subsequently at amortised cost using the effective interest method.

All interest-related charges on financial liabilities are included within finance costs.

# Notes to the financial statements

**For the year ended 31 March 2019**

## 3. Summary of significant accounting policies (Contd)

### 3.5 Financial instruments (Contd)

**Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

### 3.6 Impairment of assets

At each reporting date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment. When an indication of impairment loss exists, the carrying amount of the asset is assessed and written down to its recoverable amount.

### 3.7 Trade receivables

Trade receivables represents commission receivable on MoneyGram transfers.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using effective rate of interest less impairment. Discounting is omitted where the effect of discounting is immaterial.

### 3.8 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and cash at bank. Cash and cash equivalents are short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.

### 3.9 Equity and reserves

Stated capital is determined using the values of the shares that have been issued.

Retained earnings include all current and prior years' results.

Gratuity benefit deficits comprise of the actuarial losses from changes in demographic and financial assumptions and the return on plan assets.

Fair value reserves comprise of the unrealised gains or losses on re-measurement of available-for-sale financial assets.

### 3.10 Income tax

Income tax expense represents the sum of the tax currently payable, deferred tax and Corporate Social Responsibility not recognised in other comprehensive income or directly in equity.

# Notes to the financial statements

**For the year ended 31 March 2019**

## 3. Summary of significant accounting policies (Contd)

### 3.10 Income tax (Contd)

*(i) Current tax*

The tax currently payable is based on the taxable profit for the period. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years but it further excludes items that are neither taxable nor deductible.

The Company's liability for current tax is on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It established provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

*(ii) Deferred taxation*

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary differences will be utilised against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.

Deferred tax liabilities are generally recognised in full.

*(iii) Corporate Social Responsibility ("CSR")*

The Company is subject to CSR and the contribution is at a rate of 2% on chargeable income of the preceding financial year.

However, effective as from 01 January 2017, further to change in the income tax legislation, the Company is required to contribute at least 50% of its CSR money to the National CSR Foundation through the Mauritius Revenue Authority. The remaining 50% of the CSR can be used by the Company in accordance with its own CSR Fund. Effective 01 January 2019, the contribution to the Mauritius Revenue Authority must be at least 75% or reduced up to 50% if prior written approval of the National CSR Foundation is obtained.

### 3.11 Employee benefits

*Gratuity obligations*

The Company does not operate a pension scheme for its employees. Employees are entitled to a gratuity payment on retirement under the terms of the Employment Rights Act 2008. Accordingly, the Company's qualified actuary has determined for the gratuity obligations in line with the requirements of the Employment Rights Act 2008 at the end of the reporting period and the Company has booked this obligation in the statement of financial position.

The liability recognised in the statement of financial position in respect of gratuity obligations is the present value of the gratuity obligations at the end of the reporting period. The gratuity obligations is calculated annually by independent actuaries. The present value of the gratuity obligations is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

## 3. Summary of significant accounting policies (Contd)

### 3.11 Employee benefits (Contd)

*Gratuity obligations (Contd)*

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in the profit or loss.

*Termination benefits*

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

Benefits falling due more than 12 months after the reporting period are discounted to their present value.

Termination benefits include wages, salaries, social security contributions, travelling and insurance. These costs are charged to the profit or loss when incurred.

*Employee leave entitlement*

Employee entitlement to annual leave and other benefits are supposed to be recognised when they accrue to the employees. However, the Company encourages all employees to take all their annual leave and other benefits during the year and hence there is no provision required.

### 3.12 Provisions

Provisions 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 embodying economic benefits will be required from the Company and a reliable estimate of the amount can be made. At time of effective payment, the provision is deducted from the corresponding expenses. All known risks at the reporting date are reviewed in detail and provision is made where necessary.

### 3.13 Revenue recognition

To determine whether to recognise revenue, the Company ensures that the following 5 conditions are satisfied:

1. Identifying the contract with a customer.
2. Identifying the performance obligations.
3. Determining the transaction price.
4. Allocating the transaction price to the performance obligations.
5. Recognising revenue when/as performance obligation(s) are satisfied.

The Company earns fees and commission from the sale and purchase of foreign currencies and from the provision of services as detailed below.

# Notes to the financial statements

**For the year ended 31 March 2019**

## 3. Summary of significant accounting policies (Contd)

## 3.13 Revenue recognition (Contd)

### 3.13.1 Net gains from foreign currency dealings

*Sale of foreign currency*

Dealings in foreign exchange transactions are recognised on customer acceptance. Gains and losses arising on these dealings are recognised on a net basis.

Net foreign exchange differences include net realised gains and net gain on currencies translations at year end.

### 3.13.2 Other operating income

Other operating income comprise of fees and commission arising from telegraphic transfers, MoneyGram transactions, income from pick-up and delivery of foreign currencies to banks net of import charges.

Fees and commissions are recognised at a point in time, when the Company satisfies performance obligations by transferring services to its clients.

### 3.13.3 Interest income

Interest income is recognised on an accrual basis using the effective interest rate method.

## 3.14 Leased assets

### Finance leases

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. Where the Company is a lessee in this type of arrangement, the related asset is recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance lease liability.

Depreciation methods and useful lives for assets held under finance lease agreements correspond to those applied to comparable assets which are legally owned by the Company. The corresponding finance lease liability is reduced by lease payments less finance charges, which are expensed as part of finance costs. The interest element of lease payments represents a constant proportion of the outstanding capital balance and is charged to profit or loss, as finance costs over the period of the lease.

### Operating leases

All other leases are treated as operating leases. Where the Company is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

# Notes to the financial statements

**For the year ended 31 March 2019**

## 3. Summary of significant accounting policies (Contd)

### 3.15 Related parties

A related party is a person or company where that person or company has control or joint control of the reporting company; has significant influence over the reporting company; or is a member of the key management personnel of the reporting company or of a parent of the reporting company.

### 3.16 Expense recognition

All expenses are accounted for on an accrual basis in the statement of comprehensive income.

### 3.17 Trade payables

Trade payables are obligations to pay for services that have been acquired in the ordinary course of business from suppliers and are classified as current liabilities if payment is due within one year.

Trade payables also include advances received from customers in respect of telegraphic transfers not yet processed by the Company at the reporting date.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective rate of interest. Discounting is omitted where the effect of discounting is immaterial.

### 3.18 Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

### 3.19 Significant management judgements in applying accounting policies and estimation uncertainty

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

**Significant management judgement**

Significant management judgement in applying the accounting policies of the Company that has the most significant effect on the financial statements is set out below.

*Recognition of deferred tax assets*

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Company's future taxable income against which the deductible temporary differences can be utilised.

**Estimation uncertainty**

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

**Thomas Cook (Mauritius) Operations Company Limited**

# Notes to the financial statements

**For the year ended 31 March 2019**

## 3. Summary of significant accounting policies (Contd)

### 3.19 Significant management judgements in applying accounting policies and estimation uncertainty (Contd)

**Estimation uncertainty (Contd)**

*Gratuity benefit obligations*

The cost of gratuity benefit obligations is determined using actuarial valuations. The actuarial valuation is based on a number of critical underlying assumptions such as discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Variation in these assumptions may significantly impact the gratuity benefit obligations amount and the annual defined benefit expenses.

These assumptions were developed by an independent actuarial appraiser. The benefit obligations at the reporting date was estimated at **Rs 904,647** (2018: Rs 643,000).

*Depreciation and amortisation rates*

The Company depreciates or amortises its assets over their estimated useful lives. The estimation of useful lives is based on historical performance and expectation about future use and requires significant degree of judgement. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment.

*Limitation of sensitivity analysis*

Sensitivity analysis in respect of market risk demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results.

Sensitivity analysis does not take into consideration that the Company's assets and liabilities are managed. Other limitations include the use of hypothetical market movements to demonstrate potential risk that only represent the Company's view of possible near-term market changes that cannot be predicted with any certainty.

*Impairment of receivables*

The Company uses the guidance of IFRS 9 to determine the degree of impairment of its receivables. Management considers a broader range of information when assessing credit risk and estimating the credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the receivables. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

**Thomas Cook (Mauritius) Operations Company Limited**

# Notes to the financial statements

**For the year ended 31 March 2019**

## 4. Financial instrument risk

### Risk management objectives and policies

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

The Company's risks are managed at the level of the Board of Directors with the assistance of line managers. The Board is responsible for overseeing the establishment of effective risk management systems and the monitoring of internal compliance and controls.

The Company's financial assets and financial liabilities by category are summarised below.

| | 2019<br>Rs | 2018<br>Rs |
|---|---|---|
| *Financial assets* | | |
| **Current** | | |
| Investment in treasury bills | **22,530,761** | 47,490,601 |
| Trade and other receivables* | **10,850,173** | 3,071,413 |
| Cash and cash equivalents | **112,682,874** | 73,240,520 |
| **Total financial assets** | **146,063,808** | 123,802,534 |
| *Financial liabilities* | | |
| **Non-current** | | |
| Obligations under finance leases | **-** | 318,796 |
| **Current** | | |
| Trade and other payables** | **22,934,908** | 9,932,754 |
| Bank overdrafts | **20,524,080** | 5,329,844 |
| Obligations under finance leases | **318,715** | 293,605 |
| | **43,777,703** | 15,556,203 |
| **Total financial liabilities** | **43,777,703** | 15,874,999 |

**Trade and other receivables considered as financial assets exclude prepayments, deposits and other assets.*
***Trade and other payables considered as financial liabilities exclude advances from customers.*

**Thomas Cook (Mauritius) Operations Company Limited**

# Notes to the financial statements

**For the year ended 31 March 2019**

## 4. Financial instrument risk (Contd)

**Risk management objectives and policies (Contd)**

## 4.1 Market risk analysis

**Foreign exchange risk**

The Company has financial assets and liabilities denominated in United States Dollar ("USD"), EURO and Great Britain Pound ("GBP"). Consequently, the Company is exposed to the risk that the exchange rates of USD, EURO and GBP relative to MUR may change in a manner which has a material effect on the reported values of the Company's assets and liabilities which are denominated in the foreign currencies. The effect of any change in the exchange rates of other currencies relative to MUR will not have any material impact on the operating cash flows.

The currency profile of the Company's financial assets and financial liabilities is as follows:

| | Financial assets | | Financial liabilities | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **Rs** | **Rs** | **Rs** | **Rs** |
| MUR | **137,013,544** | 118,163,196 | **22,408,636** | 10,138,570 |
| USD | **2,443,600** | 1,727,504 | **6,024,768** | 4,635,526 |
| EURO | **3,844,128** | 1,874,111 | **13,083,516** | 427,597 |
| GBP | **479,681** | 774,557 | **133,163** | 266,721 |
| Others | **2,282,855** | 1,263,166 | **2,127,620** | 406,585 |
| | **146,063,808** | 123,802,534 | **43,777,703** | 15,874,999 |

**Foreign currency sensitivity**

The information below illustrates the sensitivity of profit/loss and equity in regards to the Company's financial instruments and the USD/MUR, EURO/MUR and GBP/MUR exchange rates, "all other things being equal".

It assumes a 10% change in the USD/MUR, EURO/MUR and GBP/MUR exchange rate for the year ended 31 March 2019 (2018: 10%). The sensitivity analysis is based on the Company's foreign currency financial instruments held at each reporting date.

If the MUR had strengthened against the USD, EURO and GBP by 10%, profit and equity would have increased by **Rs 1,247,404** at 31 March 2019 (2018: Rs 95,367). If the MUR had weakened by the same percentage against these foreign currencies, profit and equity would have increased by **Rs 1,247,404** (2018: Rs 95,367).

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **Profit** | **Equity** | **Profit** | **Equity** |
| | **Rs** | **Rs** | **Rs** | **Rs** |
| USD | **358,117** | **358,117** | 290,802 | 290,802 |
| EURO | **923,939** | **923,939** | (144,651) | (144,651) |
| GBP | **(34,652)** | **(34,652)** | (50,784) | (50,784) |
| | **1,247,404** | **1,247,404** | 95,367 | 95,367 |

**Thomas Cook (Mauritius) Operations Company Limited**

# Notes to the financial statements

**For the year ended 31 March 2019**

**4. Financial instrument risk (Contd)**

**Risk management objectives and policies (Contd)**

**4.1 Market risk analysis (Contd)**

**Interest rate risk**

The Company has interest bearing financial assets and financial liabilities in the form of bank balances, fixed deposits, overdrafts and finance leases respectively. The interest thereon is at fixed rate with the exception of the overdraft facilities which is at floating rate.

**Interest rate sensitivity**

The sensitivity analysis below has been determined based on the exposure to interest rates at the reporting date.

If interest rate on the financial instruments had been 25 basis points higher/lower, the net effect would be **Rs 51,310** (2018: Rs 13,325) on the operating cash flows and equity.

**4.2 Credit risk analysis**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has, as far as it is practicable, adopted a policy of only dealing with creditworthy counterparties in order to reduce the risk of financial loss from defaults.

The Company's exposure to credit risk is limited to the carrying amount of financial assets recognised at reporting date, as summarised below:

| | 2019 | 2018 |
|---|---|---|
| | Rs | Rs |
| *Financial assets* | | |
| **Current** | | |
| Investment in treasury bills | **22,530,761** | 47,490,601 |
| Trade and other receivables | **10,850,173** | 3,071,413 |
| Cash and cash equivalents | **112,682,874** | 73,240,520 |
| **Total** | **146,063,808** | 123,802,534 |

Trade receivables consist of amount due from MoneyGram for which the directors consider risk of default as minimal since the latter is a highly reputable organisation.

The directors consider that no credit risk is associated with the amount due from the related party as the latter forms part of the same group of companies and the ultimate holding company has undertaken to make good of any loss suffered by the Company in the event of any default arising out from this amount due.

The Company holds investment in Government of Mauritius treasury bills on which credit risk is considered nil.

The credit risk for cash and cash equivalents is considered negligible, since the Company transacts with reputable banks.

The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk.

None of the above financial assets are secured by collaterals or other credit enhancements.

# Notes to the financial statements

**For the year ended 31 March 2019**

## 4. Financial instrument risk (Contd)

**Risk management objectives and policies (Contd)**

### 4.3 Liquidity risk analysis

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk 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.

Ultimate responsibility for liquidity risk management rests with the Board of Directors who also monitors the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by monitoring cash inflows and outflows due in day-to-day business.

The maturity profile of the financial liabilities is summarised as follows:

| 31 March 2019 | Carrying amount Rs | Contractual cash flows Rs | Less than one year Rs | 1-5 years Rs |
|---|---|---|---|---|
| **Current liabilities** | | | | |
| Trade and other payables | **22,934,908** | **22,934,908** | **22,934,908** | - |
| Bank overdrafts | **20,524,080** | **20,524,080** | **20,524,080** | - |
| Obligations under finance leases | **318,715** | **333,240** | **333,240** | - |
| | **43,777,703** | **43,792,228** | **43,792,228** | - |

| 31 March 2018 | Carrying amount Rs | Contractual cash flows Rs | Less than one year Rs | 1-5 years Rs |
|---|---|---|---|---|
| **Current liabilities** | | | | |
| Trade and other payables | 9,932,754 | 9,932,754 | 9,932,754 | - |
| Bank overdrafts | 5,329,844 | 5,329,844 | 5,329,844 | - |
| Obligations under finance leases | 612,401 | 666,480 | 333,240 | 333,240 |
| | 15,874,999 | 15,929,078 | 15,595,838 | 333,240 |

## 5. Capital management policies and procedures

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns to its member and other stakeholders. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid, buy back shares or issue new shares.

The structure of the Company consists of debt, which includes borrowings, offset by cash and cash equivalents and equity comprising issued capital and retained earnings.

The Company monitors capital on the basis of the gearing ratio. This ratio is determined as the proportion of net debt to total capital.

# Notes to the financial statements

**For the year ended 31 March 2019**

## 5. Capital management policies and procedures (Contd)

| | 2019<br>Rs | 2018<br>Rs |
|---|---|---|
| Total borrowings (Note (i)) | **20,842,795** | 5,942,245 |
| Less: cash and cash equivalents | **(112,682,874)** | (73,240,520) |
| Net debt | - | - |
| Total equity (Note (ii)) | **123,501,410** | 124,124,766 |
| Total capital | **123,501,410** | 124,124,766 |
| Gearing ratio | - | - |

Based on the above information, the Company was not geared at 31 March 2019.

(i) Borrowings comprise of bank overdrafts and obligations under finance leases as detailed in Note 14.

(ii) Equity includes both capital and reserves.

(iii) The Company is required to maintain an unimpaired capital of Mauritian Rupee 25,000,000 and an additional two million rupees for each branch that it operates in accordance with the Terms and Conditions of its Foreign Exchange Dealer Licence. At 31 March 2019, the Company's total equity stood at **Rs 123,501,410** (2018: Rs 124,124,766) and therefore the Company meets the unimpaired capital requirement.

Also, in accordance with Section 25 of the Banking Act 2004, the Company should maintain minimum liquid assets, equivalent to not less than 10 per cent of its liabilities, as may be determined by the Bank of Mauritius. Management considers the cash and cash equivalents and Government of Mauritius treasury bills as liquid assets and the total amount of these assets exceeded the total liabilities balance at the reporting date.

## 6. Fair value measurement

### 6.1 Fair value measurement of financial instruments

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 - unobservable inputs for the asset or liability

# Notes to the financial statements

**For the year ended 31 March 2019**

## 6. Fair value measurement (Contd)

### 6.1 Fair value measurement of financial instruments (Contd)

The hierarchy of the fair value measurement of the Company's financial assets measured at fair value on a recurring basis are as follows:

| 31 March 2019 | Level 1<br>Rs | Level 2<br>Rs | Level 3<br>Rs | Total<br>Rs |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Government of Mauritius treasury bills | - | - | - | - |

| 31 March 2018 | Level 1<br>Rs | Level 2<br>Rs | Level 3<br>Rs | Total<br>Rs |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Government of Mauritius treasury bills | - | 47,490,601 | - | 47,490,601 |

There were no transfers between Level 1 and Level 2 during prior year.

The Government of Mauritius treasury bills were previously measured at fair value through other comprehensive income and with the adoption of IFRS 9, the Government of Mauritius treasury bills are now measured at amortised cost.

### 6.2 Fair value measurement of financial instruments not carried at fair value

The Company's other financial assets and financial liabilities are measured at their carrying amounts which approximate their fair values.

### 6.3 Fair value measurement of non-financial assets and non-financial liabilities

The Company's non-financial assets consist of plant and equipment, intangible assets, deposits, other assets and prepayments. Its non-financial liabilities consist of advance received from customers, deferred tax liabilities and gratuity obligations.

For both non-financial assets and non-financial liabilities, fair value measurement is not applicable since these are not measured at fair value on a recurring or non-recurring basis.

# Notes to the financial statements

For the year ended 31 March 2019

## 7. Plant and equipment

| | Office Equipment Rs | Computer Equipment Rs | Furniture and Fittings Rs | Motor Vehicles Rs | Total Rs |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 01 April 2018 | **6,109,748** | **5,860,081** | **9,564,571** | **2,429,995** | **23,964,395** |
| Additions | 199,842 | 532,113 | 508,413 | 865,000 | 2,105,368 |
| Assets written off/disposed | (36,846) | (20,690) | (115,647) | (849,995) | (1,023,178) |
| **At 31 March 2019** | **6,272,744** | **6,371,504** | **9,957,337** | **2,445,000** | **25,046,585** |
| **Depreciation** | | | | | |
| At 01 April 2018 | **2,224,594** | **4,004,582** | **3,363,752** | **1,447,414** | **11,040,342** |
| Charge for the year | 279,238 | 826,327 | 590,851 | 355,375 | 2,051,791 |
| Depreciation adjustments | (8,729) | (16,426) | (78,185) | (733,124) | (836,464) |
| **At 31 March 2019** | **2,495,103** | **4,814,483** | **3,876,418** | **1,069,665** | **12,255,669** |
| **Net book values** | | | | | |
| **At 31 March 2019** | **3,777,641** | **1,557,021** | **6,080,919** | **1,375,335** | **12,790,916** |

At 31 March 2019, motor vehicles acquired under finance leases had a net book value of **Rs 628,710** (2018: Rs 865,710).

# Notes to the financial statements

For the year ended 31 March 2019

## 7. Plant and equipment (Contd)

| | Office Equipment Rs | Computer Equipment Rs | Furniture and Fittings Rs | Motor Vehicles Rs | Total Rs |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 01 April 2017 | **5,704,403** | **5,402,557** | **9,365,871** | **2,429,995** | **22,902,826** |
| Additions | 959,859 | 509,849 | 340,000 | - | 1,809,708 |
| Assets written off/disposed | (554,514) | (52,325) | (141,300) | - | (748,139) |
| **At 31 March 2018** | **6,109,748** | **5,860,081** | **9,564,571** | **2,429,995** | **23,964,395** |
| **Depreciation** | | | | | |
| At 01 April 2017 | **2,128,322** | **3,242,814** | **2,882,370** | **1,082,915** | **9,336,421** |
| Charge for the year | 271,080 | 793,533 | 573,316 | 364,499 | 2,002,428 |
| Depreciation adjustments | (174,808) | (31,765) | (91,934) | - | (298,507) |
| **At 31 March 2018** | **2,224,594** | **4,004,582** | **3,363,752** | **1,447,414** | **11,040,342** |
| **Net book values** | | | | | |
| **At 31 March 2018** | **3,885,154** | **1,855,499** | **6,200,819** | **982,581** | **12,924,053** |

# Notes to the financial statements

**For the year ended 31 March 2019**

## 8. Intangible assets

| | Computer software | |
|---|---|---|
| | **2019** | **2018** |
| | **Rs** | **Rs** |
| **Cost** | | |
| At 01 April | **5,340,004** | 17,768,306 |
| Additions | **429,724** | 335,308 |
| Assets written off (Note (i)) | **-** | (12,763,610) |
| **At 31 March** | **5,769,728** | 5,340,004 |
| **Amortisation** | | |
| At 01 April | **3,207,403** | 15,181,665 |
| Charge for the year | **877,700** | 789,348 |
| Amortisation adjustment (Note (i)) | **-** | (12,763,610) |
| **At 31 March** | **4,085,103** | 3,207,403 |
| **Net book values** | | |
| **At 31 March** | **1,684,625** | 2,132,601 |

(i) The adjustments relate to the core application "Maraekat" which was replaced by "Mudra" and hence has been removed from the books due to its nil economic value during the year 2018.

## 9. Investment in treasury bills

| | **2019** | **2018** |
|---|---|---|
| | **Rs** | **Rs** |
| At 01 April | **47,490,601** | 47,935,712 |
| Purchased during the year | **53,161,470** | 69,484,290 |
| Redeemed during the year | **(80,000,000)** | (71,000,000) |
| Interest element | **1,745,368** | 1,235,123 |
| Fair value reserve released on disposal | **133,322** | - |
| Fair value loss on remeasurement | **-** | (164,524) |
| **At 31 March** | **22,530,761** | 47,490,601 |

(i) At 31 March 2019, the Company held a treasury bill through a financial institution with a maturity date of 25 October 2019 and at an interest rate of 3.70% per annum. The face value of the treasury bill is Rs 23,000,000.

(ii) The Government of Mauritius treasury bills were previously measured at fair value through other comprehensive income and with the adoption of IFRS 9, the Government of Mauritius treasury bills are now measured at amortised cost.

# Notes to the financial statements

**For the year ended 31 March 2019**

## 10. Trade and other receivables

| | 2019 Rs | 2018 Rs |
|---|---|---|
| Trade receivables (Note (i)) | **301,541** | 358,445 |
| Due from a related party (Note (ii)) | **9,580,660** | 1,097,287 |
| Rental and other deposits | **1,535,291** | 1,491,619 |
| Other receivables and prepayments | **8,171,411** | 6,781,925 |
| | **19,588,903** | 9,729,276 |

(i) Trade receivables represent principally commissions receivable from MoneyGram. The credit period is one week and no interest is charged on overdue balances.

(ii) The amount due from the related party is interest free, unsecured and receivable on demand.

(iii) Expected credit losses

The Company applies the IFRS 9 simplified model of recognising lifetime expected credit losses for its amount due from a related party as this item does not have a significant financing component.

The directors consider that no credit risk is associated with the amount due from the related party as the latter forms part of the same group of companies and the ultimate holding company has undertaken to make good of any loss suffered by the Company in the event of any default arising out from this receivable.

## 11. Cash and cash equivalents

| | 2019 Rs | 2018 Rs |
|---|---|---|
| ***Cash at bank:*** | | |
| Local currency* | **77,591,705** | 53,153,720 |
| Foreign currency | **1,473,532** | 435,836 |
| ***Cash in hand:*** | | |
| Local currency | **26,040,904** | 14,447,462 |
| Foreign currency | **7,576,733** | 5,203,502 |
| Cash at bank and in hand | **112,682,874** | 73,240,520 |
| Bank overdrafts (Note 14) | **(20,524,080)** | (5,329,844) |
| **Total** | **92,158,794** | 67,910,676 |

*Includes fixed deposit of **Rs 25,386,089** (2018: Rs 25,391,158) placed on 17 July 2018 and maturing on 18 July 2019.

# Notes to the financial statements

**For the year ended 31 March 2019**

## 12. Stated capital

| | 2019<br>Rs | 2018<br>Rs |
|---|---|---|
| 1,000,000 shares of Rs 100 each | **100,000,000** | 100,000,000 |

## 13. Gratuity obligations

The Company has recognised gratuity obligations of **Rs 904,647** (2018: Rs 643,000) in the statement of financial position in respect of any retirement gratuities that are expected to be paid out of the Company's cash flow to its employees as per the Employment Rights Act 2008 and as determined by the Company's actuary.

| | 2019<br>Rs | 2018<br>Rs |
|---|---|---|
| **Reconciliation of gratuity obligations** | | |
| At 01 April | **643,000** | 598,000 |
| Amount recognised in profit or loss | **167,000** | 135,000 |
| Amount recognised in other comprehensive income | **176,000** | (90,000) |
| Employer contributions | **(81,353)** | - |
| **At 31 March** | **904,647** | 643,000 |

| | 2019<br>Rs | 2018<br>Rs |
|---|---|---|
| **Reconciliation of present value of gratuity obligations** | | |
| At 01 April | **643,000** | 598,000 |
| Current service cost | **133,000** | 96,000 |
| Interest expense | **31,000** | 39,000 |
| Past service cost | **3,000** | - |
| Other benefits paid | **(81,353)** | - |
| Liability experience loss/(gain) | **188,000** | (91,000) |
| Liability loss due to change in financial assumptions | **(12,000)** | 1,000 |
| **At 31 March** | **904,647** | 643,000 |
| | | |
| **Components of amount recognised in profit or loss** | | |
| Current service cost | **133,000** | 96,000 |
| Past service cost | **3,000** | - |
| Net interest on net defined benefit liability | **31,000** | 39,000 |
| | **167,000** | 135,000 |
| | | |
| **Components of amount recognised in other comprehensive income** | | |
| Liability experience loss/(gain) | **188,000** | (91,000) |
| Liability loss due to change in financial assumptions | **(12,000)** | 1,000 |
| | **176,000** | (90,000) |

# Notes to the financial statements

**For the year ended 31 March 2019**

## 13. Gratuity Obligations (Contd)

| | 2019<br>Rs | 2018<br>Rs |
|---|---|---|
| **Principal assumptions used at end of year** | | |
| Discount rate | **6.00%** | 5.50% |
| Rate of salary increases | **4.40%** | 4.00% |
| Average retirement age | **60** | 60 |

| | | |
|---|---|---|
| **Sensitivity analysis on gratuity obligations at end of year** | | |
| Increase due to 1% decrease in discount rate | **122,000** | 85,000 |
| Decrease due to 1% increase in discount rate | **103,000** | 71,000 |

### Future cash flows

(a) The funding policy is to pay benefits out of the reporting entity's cash flow as and when due.
(b) Expected employer contribution for the next year is Rs Nil.
(c) Weighted average duration of the gratuity obligations established at 12 years.

The Company is subject to an unfunded defined benefit plan for the employees. The plan exposes the Company to normal risks described below:

*Interest risk*: A decrease in the bond interest rate will increase the plan liability; however, this may be partially offset by a decrease in inflationary pressures on salary increases.

*Salary risk*: The plan liability is calculated by reference to the future projected salaries of plan participants. As such, an increase in the salary of the plan participants above the assumed rate will increase the plan liability whereas an increase below the assumed rate will decrease the liability.

There has been no plan amendment, curtailment or settlement during the year, except for data adjustments.

## 14. Borrowings

| | | 2019<br>Rs | 2018<br>Rs |
|---|---|---|---|
| 14.1 | **Non-current** | | |
| | Obligations under finance leases (Note 14.2) | - | 318,796 |
| | **Current** | | |
| | Bank overdrafts (Note 11) | **20,524,080** | 5,329,844 |
| | Obligations under finance leases (Note 14.2) | **318,715** | 293,605 |
| | | **20,842,795** | 5,623,449 |
| | **Total borrowings** | **20,842,795** | 5,942,245 |

# Notes to the financial statements

**For the year ended 31 March 2019**

## 14. Borrowings (Contd)

### 14.2 Obligations under finance leases

| | 2019<br>Rs | 2018<br>Rs |
|---|---|---|
| Within one year | **333,240** | 333,240 |
| More than 1 year but before 5 years | **-** | 333,240 |
| | **333,240** | 666,480 |
| Less future finance charges | **(14,525)** | (54,079) |
| Present value of finance lease obligations | **318,715** | 612,401 |

| | 2019<br>Rs | 2018<br>Rs |
|---|---|---|
| *Apportioned as follows:* | | |
| Repayable within one year | **318,715** | 293,605 |
| Repayable after 1 year and before 5 years | **-** | 318,796 |
| | **318,715** | 612,401 |

*Leasing arrangement*

Finance leases relate to motor vehicles with lease terms of 5 years. The Company has options to purchase the vehicles for a nominal amount at the conclusion of the lease agreement. The Company's obligations under finance leases are secured by the lessors' title to the leased assets.

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

## 15. Trade and other payables

| | 2019<br>Rs | 2018<br>Rs |
|---|---|---|
| Trade payables (Note (i)) | **18,934,313** | 9,133,218 |
| Due to intermediate holding company (Note (ii)) | **844,987** | 406,585 |
| Accruals and other payables | **3,166,217** | 4,211,271 |
| | **22,945,517** | 13,751,074 |

(i) Trade payables include amounts due to MoneyGram in respect of transactions done in the normal course of business.

(ii) The amount payable to the intermediate holding company is unsecured, interest free and repayable on demand.

# Notes to the financial statements

**For the year ended 31 March 2019**

## 16. Net gains from foreign currency dealings and net foreign exchange differences

Net gains from foreign currency dealings arise from sale and purchase of foreign currencies. Dealings in foreign exchange transactions are recognised on customer acceptance. Gains and losses arising on dealings in foreign currencies are recognised on a net basis.

Net foreign exchange differences include net realised gains and net gain on currencies translations at year end.

## 17. Other operating income

| | 2019<br>Rs | 2018<br>Rs |
|---|---|---|
| Income from pick-up and delivery of foreign currencies to banks, net of import charges | **2,127,971** | 462,301 |
| Income on telegraphic transfers | **20,529** | 241,678 |
| Commission received on MoneyGram transactions | **7,651,568** | 9,851,092 |
| | **9,800,068** | 10,555,071 |

## 18. Finance income

| | 2019<br>Rs | 2018<br>Rs |
|---|---|---|
| Bank interest | **540,360** | 660,393 |
| Interest received on treasury bills | **1,878,689** | 1,234,832 |
| Other interest income | **-** | 98,625 |
| | **2,419,049** | 1,993,850 |

## 19. Finance costs

| | 2019<br>Rs | 2018<br>Rs |
|---|---|---|
| Interest on obligations under finance leases | **39,554** | 63,803 |
| Interest on bank overdrafts | **388,543** | 341,747 |
| | **428,097** | 405,550 |

## 20. Taxation

### (i) Income tax

The Company is liable to income tax at the rate of 15% and at 31 March 2019 it had no income tax liability due to accumulated losses of **Rs 2,409,732** (2018: Rs 2,297,408) carried forward.

# Notes to the financial statements

**For the year ended 31 March 2019**

## 20. Taxation (Contd)

### (ii) Tax expense

| | 2019<br>Rs | 2018<br>Rs |
|---|---|---|
| Movement in deferred taxation | **27,744** | 1,002,670 |

### (iii) Income tax reconciliation

The tax charge on the Company's (loss)/profit before tax differs from the theoretical amount that would arise using the basic tax rate of the Company as follows:

| | 2019<br>Rs | 2018<br>Rs |
|---|---|---|
| (Loss)/profit before tax | **(419,612)** | 2,852,352 |
| Tax at 15% | **(62,942)** | 427,853 |
| Non-allowable items | **611,606** | 643,534 |
| Movement on deferred taxation | **27,744** | 1,002,670 |
| Annual allowances | **(392,696)** | (635,292) |
| Exempt income | **(25,400)** | (3,633) |
| Tax loss utilised | **(130,568)** | (432,462) |
| **Tax expense** | **27,744** | 1,002,670 |

### (iv) Deferred taxation

Deferred income taxes are calculated on all temporary differences under the liability method at the rate of 15%.

Deferred tax liability amounting to **Rs 1,083,710** at 31 March 2019 (2018: Rs 1,055,966) has been recognised in the financial statements. The movement in deferred tax liabilities is as follows:

| | 2019<br>Rs | 2018<br>Rs |
|---|---|---|
| At 01 April | **1,055,966** | 53,296 |
| Movement during the year | **27,744** | 1,002,670 |
| **At 31 March** | **1,083,710** | 1,055,966 |

# Notes to the financial statements

**For the year ended 31 March 2019**

## 20. Taxation (Contd)

### (iv) Deferred taxation

The deferred tax liabilities made up of:

| | 2019<br>Rs | 2018<br>Rs |
|---|---|---|
| Accelerated capital allowances | **1,450,499** | 1,497,027 |
| Accumulated tax losses | **(231,092)** | (344,611) |
| Gratuity obligations | **(135,697)** | (96,450) |
| **Total** | **1,083,710** | 1,055,966 |

## 21. Operating (loss)/profit

| | 2019<br>Rs | 2018<br>Rs |
|---|---|---|
| Operating (loss)/profit is arrived at after charging: | | |
| Depreciation | **2,051,791** | 2,002,428 |
| Amortisation | **877,700** | 789,348 |
| Rental expenses | **9,370,663** | 8,968,399 |
| Security charges | **2,816,062** | 2,723,550 |
| Telephone and connectivity charges | **2,696,664** | 4,083,742 |
| Licences | **3,563,802** | 2,792,074 |
| Audit fees and other fees | **839,500** | 805,000 |
| *Staff costs:* | | |
| Salaries and allowances | **19,958,980** | 20,645,606 |
| Social security costs | **1,079,115** | 1,038,597 |
| Other employee benefits | **3,812,969** | 3,691,312 |

## 22. Related party transactions

During the year ended 31 March 2019, the Company had transactions with its related entities. The nature, volume of transactions and balances with related parties are as follows:

# Notes to the financial statements

**For the year ended 31 March 2019**

## 22. Related party transactions (Contd)

| Nature of relationship | Nature of transactions | Volume of transactions Rs | Debit/(credit) balances at 31 March 2019 Rs | Debit/(credit) balances at 31 March 2018 Rs |
|---|---|---|---|---|
| Intermediate holding company | Payable | **438,402** | **(844,987)** | (406,585) |
| Fellow subsidiary | Receivable | **8,483,373** | **9,580,660** | 1,097,287 |
| Fellow subsidiary | Sale of foreign currencies | **69,142** | - | - |
| Fellow subsidiary | Purchase of foreign currencies | **20,437,382** | - | - |
| Key Management Personnel | Salaries and related contributions | **3,677,906** | - | - |

The terms and conditions of the receivables and payables are described in Notes 10 and 15 to these financial statements respectively.

## 23. Operating lease commitments

Operating lease arrangements where the Company is a lessee:

| | 2019 Rs | 2018 Rs |
|---|---|---|
| Minimum lease payments under operating leases recognised in the statement of comprehensive income | **9,370,663** | 8,968,399 |

At the reporting date, the Company had outstanding commitments under non-cancellable operating leases which fall due as follows:

| | 2019 Rs | 2018 Rs |
|---|---|---|
| Not later than 1 year | **9,837,095** | 7,767,496 |
| Later than 1 year and not later 5 years | **12,463,672** | 9,492,716 |
| More than 5 years | **101,200** | 177,100 |
| | **22,401,967** | 17,437,312 |

Operating leases payments represent rental of office and archiving spaces. The lease typically runs for a period of one year, with an option to renew the leases after that date.

# Notes to the financial statements

**For the year ended 31 March 2019**

## 24. Contingent liabilities

(i) The Company has given bank guarantees for an amount of Rs 80,000 and for which no financial loss is anticipated.

(ii) The Company is subject to a claim of Rs 500,000 from a former employee. Based on legal advices, the directors consider that this claim has no merit and consequently no provision is required in these financial statements.

## 25. Reconciliation of liabilities arising from financing activities

| | 31 March 2018 Rs | Cash flows Rs | Non-cash changes Rs | 31 March 2019 Rs |
|---|---|---|---|---|
| Obligations under finance leases | 612,401 | (293,686) | - | 318,715 |
| Bank overdrafts | 5,329,844 | 15,194,236 | - | 20,524,080 |
| | **5,942,245** | **14,900,550** | **-** | **20,842,795** |

## 26. Holding companies

The directors consider Thomas Cook (Mauritius) Holding Company Limited, a company incorporated in the Republic of Mauritius, as the Company's immediate holding company. Thomas Cook (Mauritius) Holding Company Limited holds 100 % of the shares of the Company.

Thomas Cook (India) Limited, a company incorporated in the Republic of India, holds 100% of the shares of Thomas Cook (Mauritius) Holding Company Limited.

Fairbridge Capital (Mauritius) Limited, a subsidiary of Fairfax Financial Holdings Limited (the 'ultimate holding'), Canada and its affiliates, held 248,153,725 equity shares of INR 1 each representing a 66.94% stake in Thomas Cook (India) Limited as on 31 March 2019.

# 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, 2019, 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, 2019, 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.

## Management's 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 management 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.

- 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, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 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".

(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, 2019 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, 2019.

(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

**S Sethuraman**
*Partner*
Membership No. 203491
Place: Chennai
Date: May 27, 2019

**Annexure A to the Independent Auditor's Report to the Members of Sterling Holiday Resorts (Kodaikanal) Limited for the year ended March 31, 2019**

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



(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 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, 2019 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 |

(b) According to the information and explanations given to us, there were no dues of duty of customs and duty of excise which have not been deposited with the appropriate authorities on account of any dispute. The particulars of dues of service tax as at March 31, 2019 which have not been deposited on account of dispute are as follows:

| Name of the Statute | Nature of dues | Amount in Rs. Lakhs | Period to which the amount relates | Forum where the dispute is pending |
|---|---|---|---|---|
| Finance Act, 1994 | Service Tax | 2.47 | April 2013 to March 2015 | CESTAT Chennai |
| Finance Act, 1994 | Service Tax | 10.02 | October 2014 to March 2016 | The Commissioner, Madurai |

(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 material fraud by the Company or 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 sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the financial statements as required by the applicable accounting standards.

(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

**S Sethuraman**
*Partner*
Membership No. 203491
Place: Chennai
Date: May 27, 2019

**Annexure B to the Independent Auditor's Report to the Members of Sterling Holiday Resorts (Kodaikanal) Limited for the year ended March 31, 2019**

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

**Report on the internal financial controls with reference to the 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, 2019 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, 2019, 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 with reference to the financial statements

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.

**Annexure B to the Independent Auditor's Report to the Members of Sterling Holiday Resorts (Kodaikanal) Limited for the year ended March 31, 2019**



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

**S Sethuraman**
*Partner*
Membership No. 203491
Place: Chennai
Date: May 27, 2019

**Sterling Holiday Resorts (Kodaikanal) Limited**
**Balance sheet as at March 31, 2019**
*(All amounts in Rs. lakhs, unless otherwise stated)*

| | Note | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 3 | 42.56 | 21.26 |
| Financial assets | | | |
| i. Other financial assets | 4 | 21.37 | 18.59 |
| Other tax assets | 5 | 8.85 | 0.50 |
| Other non current assets | 6 | 4.25 | 5.13 |
| **Total non-current assets** | | **77.03** | **45.48** |
| **Current assets** | | | |
| Inventories | 7 | 5.01 | 6.01 |
| Financial assets | | | |
| i. Trade receivables | 8 | 8.92 | 19.13 |
| ii. Cash and cash equivalents | 9 | 8.53 | 3.31 |
| iii. Loans | 10 | 1.00 | 1.00 |
| iv. Other financial assets | 4 | 6.76 | 6.34 |
| Other current assets | 6 | 15.26 | 53.25 |
| **Total current assets** | | **45.48** | **89.04** |
| **Total Assets** | | **122.51** | **134.52** |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Equity share capital | 11 | 5.00 | 5.00 |
| Other equity | | | |
| Reserves and surplus | 12 | (1,020.26) | (879.24) |
| Other reserves | 13 | 111.78 | 111.78 |
| **Total equity** | | **(903.48)** | **(762.46)** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Financial liabilities | | | |
| i. Borrowings | 14 A | - | 501.34 |
| Provisions | | | |
| i. Provision for employee benefit obligations | 16 | 19.67 | 22.62 |
| **Total non-current liabilities** | | **19.67** | **523.96** |
| **Current liabilities** | | | |
| Financial liabilities | | | |
| i. Borrowings | 14B | 799.13 | - |
| ii. Trade payables | 17 | | |
| Total outstanding dues of micro enterprises and small enterprises | | 0.24 | - |
| Total outstanding dues of creditors other than micro enterprises and small enterprises | | 42.59 | 45.90 |
| iii. Other financial liabilities | 18 | 127.84 | 271.90 |
| Provisions | | | |
| i. Provision for employee benefit obligations | 16 | 7.62 | 6.67 |
| ii. Other provisions | 19 | 1.11 | 1.11 |
| Other current liabilities | 20 | 27.79 | 47.44 |
| **Total current liabilities** | | **1,006.32** | **373.02** |
| **Total liabilities** | | **1,025.99** | **896.98** |
| **Total equity and liabilities** | | **122.51** | **134.52** |
| Significant accounting policies | 1.3 | | |

The accompanying notes are an integral part of these financial statements

**As per our report of even date**

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

S Sethuraman
*Partner*
Membership Number: 203491

Place: Chennai
Date: May 27, 2019

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

**Ramesh Shanmgam**
*Director*
DIN No.: 06646158

**M Balasubramaniyan**
*Director*
DIN No.: 03088801

Place: Chennai
Date: May 14, 2019

**Sterling Holiday Resorts (Kodaikanal) Limited**
**Statement of Profit and loss for the year ended March 31, 2019**
*(All amounts in Rs. lakhs, unless otherwise stated)*

| | Note | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|---|
| **Income** | | | |
| Revenue from operations | 21 | 981.04 | 1,003.61 |
| Other income | 22 | 77.19 | 31.38 |
| **Total income** | | **1,058.23** | **1,034.99** |
| **Expenses** | | | |
| Cost of materials consumed | 23 | 70.25 | 74.68 |
| Employee benefit expenses | 24 | 327.79 | 302.25 |
| Finance cost | 25 | 75.50 | 80.08 |
| Depreciation | 26 | 3.38 | 1.93 |
| Other expenses | 27 | 726.49 | 616.58 |
| **Total expenses** | | **1,203.41** | **1,075.52** |
| **Loss before tax** | | **(145.18)** | **(40.53)** |
| **Income tax expense** | | | |
| Current tax | 28 | - | - |
| Deferred tax | | - | - |
| **Loss for the year** | | **(145.18)** | **(40.53)** |
| **Other comprehensive income** | | | |
| *Items that will not be reclassified to profit or loss* | | | |
| Remeasurement of post employment benefit obligations | | 4.16 | (1.50) |
| Income tax relating to these items | | - | - |
| **Other comprehensive income for the year, net of tax** | | **4.16** | **(1.50)** |
| **Total comprehensive income for the year** | | **(141.02)** | **(42.03)** |
| **Earnings per share (Face value of Rs. 10 each)** | | | |
| Basic and diluted earnings per share (in Rs.) | 38 | (290.36) | (81.06) |
| 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

Sethuraman

**S Sethuraman**
*Partner*
Membership Number: 203491

Place: Chennai
Date: May 27, 2019

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

**Ramesh Shanmugam**
*Director*
DIN No.: 06646158

M. Balasubramaniyan

**M Balasubramaniyan**
*Director*
DIN No.: 03088801

Place: Chennai
Date: May 14, 2019

**Sterling Holiday Resorts (Kodaikanal) Limited**
**Statement of changes in equity as at March 31, 2019**
*(All amounts in Rs. lakhs, unless otherwise stated)*

## I) Equity share capital

| | Note | Amount |
|---|---|---|
| Balance as at April 1, 2017 | | 5.00 |
| Changes in equity share capital during the year | 11 | - |
| **Balance as at March 31, 2018** | | **5.00** |
| Changes in equity share capital during the year | 11 | - |
| **Balance as at March 31, 2019** | | **5.00** |

## II) Other equity

| | Notes | Reserves and surplus | Other reserves | |
|---|---|---|---|---|
| | | Retained earnings | Contribution from holding company | Total |
| **Balance as at April 1, 2017** | | **(837.21)** | **111.78** | **(725.43)** |
| Loss for the year | 12 & 13 | (40.53) | - | (40.53) |
| Other comprehensive income | 12 & 13 | (1.50) | - | (1.50) |
| **Balance as at March 31, 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** | | **(1,020.26)** | **111.78** | **(908.48)** |

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

Sethuraman

**S Sethuraman**
*Partner*
Membership Number: 203491

Place: Chennai
Date: May 27, 2019

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: May 14, 2019

**Sterling Holiday Resorts (Kodaikanal) Limited**
**Statement of cash flows for the year ended March 31, 2019**
*(All amounts in Rs. lakhs, unless otherwise stated)*

| | Note | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| **Profit/(loss) before income tax** | | **(145.18)** | **(40.53)** |
| Adjustments for: | | | |
| Depreciation | 26 | 3.38 | 1.93 |
| Finance cost | 25 | 75.50 | 80.08 |
| **Operating cash flow before working capital changes** | | **(66.30)** | **41.48** |
| **Change in operating assets and liabilities** | | | |
| (Increase)/decrease in trade receivables | 8 | 10.21 | (3.50) |
| Decrease in inventories | 7 | 1.00 | 0.32 |
| (Increase) in other financial assets | 4 | (3.20) | (4.36) |
| (Increase)/decrease in other non current assets | 6(a) | 0.88 | (5.13) |
| (Increase)/decrease in other current assets | 6 | 37.99 | (42.91) |
| (Decrease) in trade payables | 17 | (3.07) | (1.29) |
| Increase/(decrease) in other financial liabilities | | 0.05 | (1.46) |
| Increase in employee benefit obligations | | 2.16 | 6.64 |
| Increase/(decrease) in other current liabilities | 20 | (19.65) | 16.67 |
| **Cash generated from/(used in) operations** | | **(39.93)** | **6.46** |
| Income tax paid | | (8.35) | (0.50) |
| **Net cash generated from/(used in) operating activities** | | **(48.28)** | **5.96** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | (24.64) | (1.93) |
| **Net cash used in investing activities** | | **(24.64)** | **(1.93)** |
| **Cash flows from financing activities** | | | |
| Proceeds from loan taken from holding Company | | 1,515.59 | 1,384.25 |
| Repayment of loan from holding company | | (1,383.99) | (1,321.56) |
| Interest paid | | (53.46) | (65.29) |
| **Net cash generated from/(used in) financing activities** | | **78.14** | **(2.60)** |
| **Net increase in cash and cash equivalents** | | **5.22** | **1.43** |
| Cash and cash equivalents at the beginning of the financial year | 9 | 3.31 | 1.88 |
| **Cash and cash equivalents at end of the year** | | **8.53** | **3.31** |
| **Reconciliation of cash and cash equivalents as per the cash flow statement:** | | | |
| Cash and cash equivalents comprise of the following : | | | |
| Cash and cash equivalents | 9 | 8.53 | 3.31 |
| Balance as per statement of cash flows | | 8.53 | 3.31 |
| 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

Sethuraman

**S Sethuraman**
*Partner*
Membership Number: 203491

Place: Chennai
Date: May 27, 2019

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

R Ramesh

**Ramesh Shammugam**
*Director*
DIN No.: 06646158

M. Balasubramaniyan

**M Balasubramaniyan**
*Director*
DIN No.: 03088801

Place: Chennai
Date: May 14, 2019

## 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 authorized for issue by the Company's Board of Directors on May 14, 2019.

**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 Managing Director (MD) 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. 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 recognized in profit or loss.

## 1.3. Significant accounting policies

### 1.3.1. Revenue recognition

The Company has 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 is recognised at the date of initial application (i.e. April 1, 2018) and included in retained earnings.

Under Ind AS 115 an entity should recognize 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 recognizing 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.

There is no significant impact due to the adoption of Ind AS 115, Revenue from Contracts with Customers.

### 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 recognized 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.

B S R & Co. LLP
Chartered Accountants

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

**1.3.3. Leases**

**a) As a lessee:**

At inception of an arrangement, it is determined whether the arrangement is or contains a lease. Leases of property, plant and equipment where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings or other financial liabilities as appropriate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

**b) As a lessor:**

Lease income from operating leases where the Company is a lessor is recognized as income in accordance with the terms of the arrangement. The respective leased assets are included in the balance sheet on the lease being classified as an operating lease and the ownership, risk and rewards pertaining to the assets are retained by the Company.

**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 recognized 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

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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 recognized initially at fair value and subsequently measured at amortized 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 realizable value. Cost is determined using the first-in-first out (FIFO) method. The cost comprise of purchase price, non-refundable taxes and delivery handling cost incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. 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 amortized 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).

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-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. Amortized 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 amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized 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 recognized in profit and loss.

When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized 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 amortized 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 recognized 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.

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**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 recognized 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 recognized 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 amortized 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 recognized from initial recognition of the receivables.

At each reporting date, the Company assesses whether financial assets carried at amortized 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 derecognized 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

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asset is derecognized. Where the entity has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognized.

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 derecognized 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 recognized 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 recognized 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 derecognized 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).

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### 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 recognized initially at their fair value and subsequently measured at amortised cost using the effective interest method.

### 1.3.11. Borrowings

Borrowings are initially recognized 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 recognized 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 recognized 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 recognized 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 recognized 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.

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- 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. Recent accounting pronouncements

**Standards issued but not yet effective**

**Ind AS 116, Leases**

The Company is required to adopt Ind AS 116, leases from April 1, 2019. 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 use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. Lessors continue to classify leases as finance or operating leases. It replaces existing leases guidance, Ind AS 17, leases.

The Company is in the process of assessing the impact of Ind AS 116 on its standalone financial statements

**a) Leases in which the Company is a lessee**

The Company will recognise new assets and liabilities for its operating leases of offices, resorts and staff accommodation. The nature of expenses related to those leases will now change because the Company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Company recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

In addition, the Company will no longer recognise provisions for operating leases that it assesses to be onerous. Instead, the Company will include the payments due under the lease in its lease liability and apply Ind AS 36, Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment.

No significant impact is expected for the Company's finance leases.

**b) Leases in which the company is a lessor**

The Company will reassess the classification of sub-leases in which the Company is a lessor. No significant impact is expected for other leases in which the Company is a lessor.

**C) Transition**

The Company plans to apply Ind AS 116 initially on April 1, 2019, using the modified retrospective approach without restating the comparative financial statements. Under this approach the right of use asset will be equal to the present value of future lease commitments as on March 31, 2019. Hence there will be no impact, on transition to Ind AS 116, to opening retained earnings.

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The Company plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply Ind AS 116 to all contracts entered into before April 1, 2019 and identified as leases in accordance with Ind AS 17.

**Ind AS 12 Income Taxes (amendments relating to income tax consequences of dividend and uncertainty over income tax treatments)**

The amendment relating to income tax consequences of dividend clarify that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. The Company does not expect any impact from this pronouncement.

The amendment to Appendix C of Ind AS 12 specifies that the amendment is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. It outlines the following: (1) the entity has to use judgement, to determine whether each tax treatment should be considered separately or whether some can be considered together. The decision should be based on the approach which provides better predictions of the resolution of the uncertainty (2) the entity is to assume that the taxation authority will have full knowledge of all relevant information while examining any amount (3) entity has to consider the probability of the relevant taxation authority accepting the tax treatment and the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates would depend upon the probability. The Company does not expect any significant impact of the amendment on its financial statements.

**Ind AS 19 – Plan amendment, curtailment or settlement**

The amendments clarify that if a plan amendment, curtailment or settlement occurs, it is mandatory that the current service cost and the net interest for the period after the re-measurement are determined using the assumptions used for the re-measurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Company does not expect this amendment to have any significant impact on its financial statements.

**Ind AS 23 – Borrowing Costs**

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. The Company does not expect any impact from this amendment.

### 1.3.17. 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 realization 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.

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### 1.3.18. 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 recognized 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.

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

**3 Property, plant and equipment**

Reconciliation of the carrying value for the year ended March 31, 2018 are as follows:

| Asset Description | Gross carrying amount | | | | Accumulated depreciation | | | | Net carrying amount | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at April 1, 2017 | Additions | Disposals | As at March 31, 2018 | As at April 1, 2017 | Depreciation for the year | Disposals | As at March 31, 2018 | As at March 31, 2017 | As at March 31, 2018 |
| Building | 1.31 | - | - | 1.31 | 0.04 | 0.02 | - | 0.06 | 1.27 | 1.25 |
| Computer equipment | 0.13 | 0.36 | - | 0.49 | 0.13 | 0.02 | - | 0.15 | 0.00 | 0.34 |
| Plant and machinery | 23.53 | 0.56 | - | 24.09 | 3.61 | 1.59 | - | 5.20 | 19.92 | 18.89 |
| Office equipment | - | 0.22 | - | 0.22 | - | 0.00 | - | 0.00 | - | 0.22 |
| Electrical installations | - | 0.69 | - | 0.69 | - | 0.28 | - | 0.28 | - | 0.41 |
| Furniture and fixtures | 0.15 | 0.08 | - | 0.23 | 0.06 | 0.02 | - | 0.08 | 0.09 | 0.15 |
| **Total** | **25.12** | **1.91** | **-** | **27.03** | **3.84** | **1.93** | **-** | **5.77** | **21.28** | **21.26** |

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 | As at April 1, 2018 | Depreciation for the year | Disposals | As at March 31, 2019 | As at March 31, 2018 | As at March 31, 2019 |
| Building | 1.31 | - | - | 1.31 | 0.06 | 0.03 | - | 0.09 | 1.25 | 1.22 |
| Computer equipment | 0.49 | - | - | 0.49 | 0.15 | 0.06 | - | 0.21 | 0.34 | 0.28 |
| Plant and machinery | 24.09 | 7.91 | - | 32.00 | 5.20 | 1.97 | - | 7.17 | 18.89 | 24.83 |
| Office equipment | 0.22 | - | - | 0.22 | 0.00 | 0.00 | - | 0.01 | 0.22 | 0.21 |
| Electrical installations | 0.69 | 6.08 | - | 6.77 | 0.28 | 0.48 | - | 0.76 | 0.41 | 6.01 |
| Vehicles | - | 7.87 | - | 7.87 | - | 0.76 | - | 0.76 | - | 7.11 |
| Furniture and fixtures | 0.23 | 2.82 | - | 3.05 | 0.08 | 0.07 | - | 0.15 | 0.15 | 2.90 |
| **Total** | **27.03** | **24.69** | **-** | **51.72** | **5.77** | **3.37** | **-** | **9.14** | **21.26** | **42.56** |

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

**4 Other financial assets**

| | As at March 31, 2019 | | As at March 31, 2018 | |
|---|---|---|---|---|
| | Current | Non Current | Current | Non Current |
| Security deposits | - | 21.37 | - | 18.59 |
| Unbilled revenue | 6.76 | - | 6.34 | - |
| **Total** | **6.76** | **21.37** | **6.34** | **18.59** |

**5 Other tax assets**

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| Taxes receivable | 8.85 | 0.50 |
| **Total** | **8.85** | **0.50** |

**6 Other assets**

| | As at March 31, 2019 | | As at March 31, 2018 | |
|---|---|---|---|---|
| | Current | Non Current | Current | Non Current |
| Prepaid expenses | 13.37 | 4.25 | 10.85 | 5.13 |
| Employee advances | - | - | - | - |
| Advances to suppliers | 1.14 | - | 0.48 | - |
| Balances with statutory authorities | 0.75 | - | 41.92 | - |
| **Total** | **15.26** | **4.25** | **53.25** | **5.13** |

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **7 Inventories** | | |
| Food and beverages | 1.01 | 1.40 |
| Operating supplies | 4.00 | 4.61 |
| **Total** | **5.01** | **6.01** |

**8 Trade receivables**

| | | |
|---|---|---|
| Considered good | 8.92 | 19.13 |
| Considered doubtful | 0.25 | 0.25 |
| | **9.17** | **19.38** |
| Less: Loss allowance | (0.25) | (0.25) |
| **Total** | **8.92** | **19.13** |

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

| | | |
|---|---|---|
| Total trade receivables from related parties (Refer Note 32) | 1.62 | 1.68 |
| Less: Loss allowance | - | - |
| **Net trade receivables** | **1.62** | **1.68** |

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 | 7.14 | 2.66 |
| Cash on hand | 1.39 | 0.65 |
| **Total** | **8.53** | **3.31** |

**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**

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **Authorised** | | |
| 0.5 lakhs (March 31, 2018: 0.5 lakhs) equity shares of Rs.10 each | 5.00 | 5.00 |
| **Issued, subscribed and paid-up** | | |
| 0.5 lakhs (March 31, 2018: 0.5 lakhs) equity shares of Rs.10 each | 5.00 | 5.00 |
| | **5.00** | **5.00** |

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

| | March 31, 2019 | | March 31, 2018 | |
|---|---|---|---|---|
| | 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, 2019 | | March 31, 2018 | |
|---|---|---|---|---|
| | 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, 2019 | | March 31, 2018 | |
|---|---|---|---|---|
| | 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% |

*<This space is left intentionally blank>*

**12 Reserves and surplus**

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| Retained earnings | (1,020.26) | (879.24) |
| **Total** | **(1,020.26)** | **(879.24)** |

**Movement in retained earnings balances is as follows :**

| | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Opening balance | (879.24) | (837.21) |
| Loss for the year | (145.18) | (40.53) |
| *Items of other comprehensive income recognised directly in retained earnings* | | |
| - Remeasurements of post-employment benefit obligation, net of tax | 4.16 | (1.50) |
| **Closing balance** | **(1,020.26)** | **(879.24)** |

**13 Other reserves**

| | Contribution from Holding Company | |
|---|---|---|
| | March 31, 2019 | March 31, 2018 |
| 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.

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **14 A Non-current borrowings** | | |
| Unsecured loan from holding company | - | 501.34 |
| **Total** | **-** | **501.34** |
| **14 B Current borrowings** | | |
| Unsecured loan from holding company | 799.13 | 166.15 |
| | **799.13** | **166.15** |
| Less: Amount included under 'Other financial liabilities' | - | 166.15 |
| **Total** | **799.13** | **-** |

**Unsecured loan from holding company**

Unsecured loan amounting to Rs. 799.13 lakhs outstanding as on March 31, 2019 (March 31, 2018: Rs. 667.49 lakhs) from Sterling Holiday Resorts Limited (holding company) carries an interest rate of 10% and is repayable on demand.

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*(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, 2019 | As at March 31, 2018 |
|---|---|---|
| **Deferred tax liabilities** | | |
| Depreciation | 1.41 | 1.15 |
| **Total deferred tax liabilities** | **1.41** | **1.15** |
| **Deferred tax assets** | | |
| Unabsorbed depreciation allowance and business loss carried forward | 150.27 | 110.26 |
| Provision for employee benefits | 10.60 | 9.56 |
| Set-off of deferred tax assets to the extent of deferred tax liabilities | (1.41) | (1.15) |
| Net deferred tax asset/ liability as per the balance sheet | - | - |
| **Unrecognised deferred tax assets** | **159.46** | **118.67** |

**Movement in deferred tax liabilities**

| | Depreciation |
|---|---|
| At April 1, 2017 | 1.04 |
| Charged/(credited): | |
| - to profit or loss | 0.11 |
| - to other comprehensive income | - |
| **At March 31, 2018** | **1.15** |
| Charged/(credited): | |
| - to profit or loss | 0.26 |
| - to other comprehensive income | - |
| **At March 31, 2019** | **1.41** |

**Movement in deferred tax assets**

| | Unabsorbed depreciation allowance and business loss carried forward | Provision for employee benefits | Provision for doubtful debts | Total |
|---|---|---|---|---|
| At April 1, 2017 | 124.76 | 6.49 | - | 131.25 |
| Movement during the year | (14.50) | 1.92 | - | (12.58) |
| **At March 31, 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** |

In the absence of reasonable certainty that the Company will be able to used 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, 2019 | | | As at March 31, 2018 | | |
|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | Total |
| Compensated absence | 1.25 | 3.45 | 4.70 | 1.71 | 5.09 | 6.79 |
| Gratuity | 6.37 | 16.22 | 22.59 | 4.96 | 17.53 | 22.49 |
| **Total** | **7.62** | **19.67** | **27.29** | **6.67** | **22.62** | **29.29** |

**(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, 2019 | March 31, 2018 |
|---|---|---|
| **Opening present value of obligation** | **22.49** | **16.90** |
| Current service cost | 3.37 | 2.97 |
| Interest expense/(income) | 1.61 | 1.14 |
| **Total amount recognised in profit or loss** | **4.98** | **4.11** |
| *Remeasurements* | | |
| (Gain)/loss from change in demographic assumptions | (0.05) | - |
| (Gain)/loss from change in financial assumptions | (1.90) | (0.86) |
| Experience (gains)/losses | (2.17) | 2.34 |
| **Total amount recognised in other comprehensive income** | **(4.12)** | **1.48** |
| Benefit payments | (0.75) | - |
| **Closing present value of obligation** | **22.61** | **22.49** |
| The net liability disclosed above relates to funded and unfunded plans are as follows: | | |
| Unfunded plans | 22.61 | 22.49 |
| **(iii) Principal actuarial assumptions used in valuation of gratuity** | | |
| Discount rate | 7.13% | 7.41% |
| Salary growth rate | 4% | 7% |
| Attrition rate | 28% | 27% |

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, 2019 | March 31, 2018 |
|---|---|---|
| Discount rate: | | |
| + 100 basis points | (0.52) | (2.01) |
| - 100 basis points | 0.54 | 2.08 |
| Salary escalation rate: | | |
| + 100 basis points | 0.65 | 1.88 |
| - 100 basis points | (0.62) | (1.79) |
| **b) Compensated absence** | | |
| Discount rate: | | |
| + 100 basis points | (0.12) | (0.61) |
| - 100 basis points | 0.13 | 0.63 |
| Salary escalation rate: | | |
| + 100 basis points | 0.16 | 0.52 |
| - 100 basis points | (0.15) | (0.51) |

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.

**(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 basic 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.17.24 lakhs (March 31, 2018: Rs.16.60 lakhs)

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Sterling Holiday Resorts (Kodaikanal) Limited
Notes forming part of financial statements as at and for the year ended March 31, 2019
*(All amounts in Rs. lakhs, unless otherwise stated)*

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **17 Trade payables** | | |
| Dues to micro and small enterprises (Refer Note 36) | 0.24 | - |
| Dues to creditors other than micro and small enterprises | 42.59 | 45.90 |
| **Total** | **42.83** | **45.90** |

The Company's exposure to liquidity risks related to trade payables is disclosed in Note 30.

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **18 Other financial liabilities** | | |
| Current maturities of long-term borrowings (Refer Note 14B) | - | 166.15 |
| Interest accrued but not due on borrowings | 89.75 | 67.71 |
| Security deposits | 38.03 | 38.03 |
| Others | 0.06 | 0.01 |
| **Total** | **127.84** | **271.90** |
| **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 | 14.90 | 15.60 |
| Statutory liabilities | 6.70 | 28.27 |
| Advance received from customers | 6.19 | 3.57 |
| **Total** | **27.79** | **47.44** |

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Sterling Holiday Resorts (Kodaikanal) Limited Chennai

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

| | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| **21 Revenue from operations** | | |
| **Disseggregation of revenue:** | | |
| **On the basis of nature of goods or services:** | | |
| **Sale of products** | | |
| Food and beverages | 269.14 | 286.48 |
| **Sale of services** | | |
| Income from resorts: | | |
| - Room rentals (Refer Note 32) | 583.92 | 608.11 |
| - Others | 109.42 | 89.71 |
| **Other operating revenues** | | |
| Service charges | 18.56 | 19.31 |
| **Total** | **981.04** | **1,003.61** |
| **On the basis of timing of transfer of goods or services:** | | |
| At a point in time | 397.12 | 395.50 |
| Over a period of time | 583.92 | 608.11 |
| **Total** | **981.04** | **1,003.61** |
| **22 Other income** | | |
| Interest income on bank deposits | 1.14 | - |
| Scrap sales | 0.33 | 0.42 |
| Management services income | 75.72 | 30.96 |
| **Total** | **77.19** | **31.38** |
| **23 Cost of materials consumed** | | |
| Inventory of materials at the beginning of the year | 1.40 | 2.27 |
| Add: Purchases | 69.86 | 73.81 |
| Less: Inventory of materials at the end of the year | 1.01 | 1.40 |
| **Cost of food, beverages and operating supplies consumed** | **70.25** | **74.68** |
| **24 Employee benefit expenses** | | |
| Salaries, wages and bonus | 257.13 | 238.79 |
| Contribution to provident and other funds | 23.51 | 22.45 |
| Gratuity and compensated absences | 4.08 | 5.16 |
| Staff welfare expenses | 43.07 | 35.85 |
| **Total** | **327.79** | **302.25** |
| **25 Finance cost** | | |
| Interest on financial liabilities not measued at fair value through profit and loss | 75.50 | 80.08 |
| **Total** | **75.50** | **80.08** |
| **26 Depreciation** | | |
| Depreciation of property, plant and equipment | 3.38 | 1.93 |
| **Total** | **3.38** | **1.93** |
| **27 Other expenses** | | |
| Consumption of stores and spares | 22.79 | 16.53 |
| Power and fuel | 91.23 | 92.15 |
| Rent | 84.95 | 48.66 |
| Repairs and maintenance: | | |
| -Building | 9.34 | 8.31 |
| -Plant and machinery | 15.70 | 11.34 |
| -Others | 3.47 | 1.84 |
| Insurance | 0.31 | 0.57 |
| Rates and taxes | 26.78 | 14.91 |
| Guest supplies | 16.60 | 12.64 |
| Laundry expenses | 19.66 | 14.43 |
| Communication | 1.92 | 1.74 |
| Recruitment and training | 1.96 | 0.80 |
| Travel and tours | 30.68 | 18.79 |
| Legal and professional | 4.76 | 5.54 |
| Management fees | 290.18 | 262.03 |
| Payment to statutory auditors: | | |
| As Auditor: | | |
| - Statutory audit | 3.50 | 3.50 |
| - Other services | 0.50 | - |
| Travel and conveyance | 12.52 | 11.47 |
| Security charges | 18.75 | 13.71 |
| Sales commission | 50.01 | 66.54 |
| Sales promotion | 1.85 | 1.92 |
| Bank charges | 5.17 | 5.44 |
| Printing and stationery | 2.90 | 3.55 |
| Miscellaneous expenses | 10.96 | 0.17 |
| **Total** | **726.49** | **616.58** |

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

| | For the year ended | For the year ended |
|---|---|---|
| **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:** | | |
| Profit/(loss) before income tax expense | (145.18) | (40.53) |
| Tax at the Indian tax rate of 27.82% (Previous year: 32.45%) | (40.39) | (11.17) |
| Net tax effects of temporary differences which are (deductible)/disallowed in calculating taxable income | 1.92 | 7.73 |
| Tax impact of unrecognised tax losses | 38.47 | 3.44 |
| **Income tax expense** | - | - |
| **c) Tax losses** | | |
| Amount of deductible temporary differences on which no deferred tax assets has been recognised | 33.04 | 30.51 |
| Unused tax losses for which no deferred tax assets have been recognised | 540.14 | 400.19 |
| Potential tax benefit at 27.82% (Previous year: 32.445%) | 159.46 | 139.76 |

**Tax losses on account of unrecognised deferred tax assets**

| **Date of Expiry to Carry Forward** | **March 31, 2019** | **March 31, 2018** |
|---|---|---|
| 31-Mar-28 | 138.32 | |
| 31-Mar-27 | 9.56 | 12.81 |
| 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 | 92.84 |
| Indefinite period to carry forward | 21.78 | 16.90 |
| **Total** | **540.14** | **400.19** |

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

## 29 Fair value measurements

**Financial instruments by category**

| | March 31, 2019 | | | March 31, 2018 | | |
|---|---|---|---|---|---|---|
| | FVTPL | FVOCI | Amortised cost | FVTPL | FVOCI | Amortised cost |
| **Financial assets** | | | | | | |
| Trade receivables | - | - | 8.92 | - | - | 19.13 |
| Cash and cash equivalents | - | - | 8.53 | - | - | 3.31 |
| Loans | - | - | 1.00 | - | - | 1.00 |
| Unbilled revenue | - | - | 6.76 | - | - | 6.34 |
| Security deposits | - | - | 21.37 | - | - | 18.59 |
| **Total financial assets** | - | - | **46.58** | - | - | **48.37** |
| ***Financial liabilities*** | | | | | | |
| Borrowings | - | - | 799.13 | - | - | 667.49 |
| Interest accrued and not due on borrowings | - | - | 89.75 | - | - | 67.71 |
| Trade payables | - | - | 42.59 | - | - | 45.90 |
| Security deposits | - | - | 38.03 | - | - | 38.03 |
| Interest payable | - | - | 0.06 | - | - | - |
| Share application money | - | - | - | - | - | - |
| **Total financial liabilities** | - | - | **969.56** | - | - | **819.13** |

**(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, 2019 | Notes | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| **Financial liabilities** | | | | | |
| Borrowings | 14A & 14B | - | - | 799.13 | **799.13** |
| Interest accrued and not due on borrowings | 18 | - | - | 89.75 | **89.75** |
| **Total** | | - | - | **888.88** | **888.88** |

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

| At March 31, 2018 | Notes | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| **Financial liabilities** | | | | | |
| Borrowings | 14A & 14B | - | - | 667.49 | **667.49** |
| Interest accrued and not due on borrowings | 18 | - | - | 67.71 | **67.71** |
| **Total** | | - | - | **735.20** | **735.20** |

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, 2019 | | March 31, 2018 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| **Financial liabilities** | | | | |
| Borrowings | 799.13 | 799.13 | 667.49 | 667.49 |
| Interest accrued and not due on borrowings | 89.75 | 89.75 | 67.71 | 67.71 |
| **Total** | **888.88** | **888.88** | **735.20** | **735.20** |

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.

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STERLING HOLIDAY RESORTS (KODAIKANAL) LTD CHENNAI

## 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 credit ratings | 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 |

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 forwarding-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:

| | | | Basis for recognition of expected credit loss provision | |
|---|---|---|---|---|
| **Internal rating** | **Category** | **Description of category** | **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 |

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Sterling Holiday Resorts (Kodaikanal) Ltd

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

**For the year ended March 31, 2019 and March 31, 2018:**

**(a) Expected credit loss for deposits**
The estimated gross carrying amount at default is Nil (March 2018: 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, 2019**

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

**As at March 31, 2018**

| **Ageing** | **Upto 180 days past due** | **More than 180 days past due** | **Total** |
|---|---|---|---|
| Gross carrying amount | 18.02 | 1.36 | 19.38 |
| Expected loss rate | 0% | 18% | 1% |
| Expected credit losses (Loss allowance provision) | - | 0.25 | 0.25 |
| **Carrying amount of trade receivables (loss allowance provision)** | **18.02** | **1.11** | **19.13** |

**(b) Reconciliation of loss allowance provision- Trade receivables**

| | |
|---|---|
| **Loss allowance on April 1, 2017** | **0.25** |
| Changes in loss allowances due to | |
| Provision made during the year | - |
| **Loss allowance on March 31, 2018** | **0.25** |
| Changes in loss allowances due to | |
| Provision made during the year | - |
| **Loss allowance on March 31, 2019** | **0.25** |

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

**(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:

a) all non-derivative financial liabilities, and

b) 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, 2019** | | | | | | |
| **Non-derivatives** | | | | | | |
| Borrowings | 888.88 | 908.86 | - | - | - | 908.86 |
| Trade payables | 42.59 | 42.59 | - | - | - | 42.59 |
| Other financial liabilities | 38.09 | 38.09 | - | - | - | 38.09 |
| **Total non-derivative liabilities** | **969.56** | **989.54** | - | - | - | **989.54** |
| **March 31, 2018** | | | | | | |
| **Non-derivatives** | | | | | | |
| Borrowings | 150.65 | 150.65 | 65.98 | 137.88 | 475.24 | 829.75 |
| Trade payables | 45.90 | 45.90 | - | - | - | 45.90 |
| Other financial liabilities | 38.04 | 38.04 | - | - | - | 38.04 |
| **Total non-derivative liabilities** | **234.59** | **234.59** | **65.98** | **137.88** | **475.24** | **913.69** |

**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, 2019, 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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*(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, 2019 | Ownership interest held by the group March 31, 2018 |
|---|---|---|---|
| Fairfax Financial Holdings Limited, Canada | Ultimate holding company | - | - |
| Thomas Cook (India) Limited | Intermediate holding company | - | - |
| Sterling Holiday Resorts Limited | Holding company | 98% | 98% |

**(b) Fellow subsidiaries with whom transactions have been entered**

Sterling Holidays (Ooty) Limited
Nature Trails Resorts Private Limited
TC Tours Private Limited
SOTC Travel Services Private Limited
Travel Corporation (India) Limited

**(c)Transactions with related parties**

| Transactions with related parties are as follows: | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| **Sale of services** | | |
| Thomas Cook (India) Limited | 0.70 | 1.31 |
| TC Tours Private Limited | 2.24 | - |
| SOTC Travel Services Private Limited | 0.24 | 0.42 |
| Travel Corporation (India) Limited | 0.26 | - |
| **Rent expenses** | | |
| Sterling Holiday Resorts Limited | 67.93 | 30.96 |
| **Brand expenses** | | |
| Sterling Holiday Resorts Limited | 19.65 | - |
| **Miscellaneous income** | | |
| Sterling Holiday Resorts Limited | 75.72 | 30.96 |
| **Management fees** | | |
| Sterling Holiday Resorts Limited | 270.53 | 262.03 |
| **Interest on borrowings** | | |
| Sterling Holiday Resorts Limited | 75.45 | 80.08 |
| **Loans availed** | | |
| Sterling Holiday Resorts Limited | 1,515.59 | 1,384.25 |
| **Loans repaid** | | |
| Sterling Holiday Resorts Limited | 1,383.99 | 1,321.56 |

**(d) Outstanding balances as at year end**

| The following balances are outstanding at the end of the reporting period: | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **Trade receivables** | | |
| SOTC Travel Services Private Limited | - | 0.35 |
| Thomas Cook (India) Limited | 1.62 | 1.33 |
| **Total receivables from related parties** | **1.62** | **1.68** |
| **Borrowings** | | |
| Sterling Holiday Resorts Limited | 799.13 | 667.49 |
| **Interest accrued but not due** | | |
| Sterling Holiday Resorts Limited | 89.75 | 67.71 |

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| 33 Contingent liabilities and contingent assets | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **Claims against the Company not acknowledged as debt:** | | |
| (a) Show cause notice issued for the wrong availment of service tax input credit | 12.49 | 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 2018-19, to the extent the Company has received intimation from the "Suppliers" regarding their status under the Act

| | | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|---|
| i | Principal amount due to suppliers registered under the MSMED Act and remaining unpaid as at year end | 0.24 | - |
| ii | Interest due to suppliers registered under the MSMED Act and remaining unpaid as at year end | 0.05 | - |
| iii | Principal amounts paid to suppliers registered under the MSMED Act, beyond the appointed date during the year | 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 | 0.00 | - |
| 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 | 0.00 | - |

**37** For the year ended March 31, 2019 the Company has incurred a net loss of Rs. 145.18 lakhs and as of that date, the net-worth of the Company has been fully eroded. The Company expects higher growth and profitability in future due to increase in occupancy rates and tariffs from property which was recently refurbished. Considering the future financial projections approved by the Board of Directors which reflect positive cash flow from operations, these financial statements are prepared on a going concern basis.

**38 Earnings per share**

| | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Loss attributable to the equity holders | (145.18) | (40.53) |
| Weighted average number of equity shares outstanding (in numbers) | 50,000 | 50,000 |
| **Basic & diluted earnings per share (in Rs.)** | (290.36) | (81.06) |

**39 Disclosure of specified bank notes**

The disclosures regarding details of specified bank notes held and transacted during November 8, 2016 to December 30, 2016 has not been made in these financial statements since the requirement does not pertain to financial year ended March 31, 2019.

**As per our report of even date**

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

S Sethuraman
*Partner*
Membership Number: 203491

Place: Chennai
Date: May 27, 2019

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: May 14, 2019

# B S R & Co. LLP

Chartered Accountants

KRM Tower, 1st & 2nd Floor,
No 1, Harrington Road, Chetpet,
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, 2019, 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, 2019, 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.


B S R & Co. (a partnership firm with Registration No. BA61223) converted into B S R & Co. LLP (a Limited Liability Partnership with LLP Registration No. AAB-8181) with effect from October 14, 2013

**Registered Office :**
5th Floor, Lodha Excelus
Apollo Mills Compound
N.M. Joshi Marg, Mahalakshmi
Mumbai - 400 011

## Management's 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 management 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.

- 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, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 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".

(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, 2019 on its financial position in its financial statements - Refer Note 34 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, 2019.

(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

Sethuraman

**S Sethuraman**
*Partner*
Membership No. 203491
Place: Chennai
Date: May 27, 2019

**Annexure A to the Independent Auditor's Report to the Members of Sterling Holidays (Ooty) Limited for the year ended March 31, 2019**

**(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)**



(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 sale of goods and the services rendered by 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 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, 2019 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 |

(b) According to the information and explanations given to us, 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 material fraud by the Company or 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

Sethuraman

**S Sethuraman**
*Partner*
Membership No. 203491
Place: Chennai
Date: May 27, 2019

**Annexure B to the Independent Auditor's Report to the Members of Sterling Holidays (Ooty) Limited for the year ended March 31, 2019**

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

**Report on the internal financial controls with reference to the 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, 2019 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, 2019, 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 with reference to the financial statements**

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.

**Annexure B to the Independent Auditor's Report to the Members of Sterling Holidays (Ooty) Limited for the year ended March 31, 2019**



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

**S Sethuraman**
*Partner*
Membership No. 203491
Place: Chennai
Date: May 27, 2019

Sterling Holidays (Ooty) Limited
Balance sheet as at March 31, 2019
*(All amounts in Rs. lakhs, unless otherwise stated)*

| | Notes | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 4 | 10.85 | 5.99 |
| Financial assets | | | |
| i. Other financial assets | 5 | 23.44 | 23.61 |
| Other tax assets | 5A | 0.66 | - |
| Deferred tax assets (net) | 15 | 10.18 | 12.21 |
| **Total non-current assets** | | **45.13** | **41.81** |
| **Current assets** | | | |
| Inventories | 6 | 5.07 | 4.32 |
| Financial assets | | | |
| i. Trade receivables | 7 | 17.81 | 44.02 |
| ii. Cash and cash equivalents | 8 | 3.17 | 1.83 |
| iii. Loans | 9 | - | 0.33 |
| iv. Other financial assets | 5 | 7.52 | 11.60 |
| Other current assets | 10 | 15.60 | 90.34 |
| **Total current assets** | | **49.17** | **152.44** |
| **Total assets** | | **94.30** | **194.25** |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Equity share capital | 11 | 5.00 | 5.00 |
| **Other equity** | | | |
| Reserves and surplus | 12 | (471.20) | (515.52) |
| Other reserves | 13 | 68.58 | 68.58 |
| **Total equity** | | **(397.62)** | **(441.94)** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Financial liabilities | | | |
| i. Borrowings | 14A | - | 150.71 |
| Provisions | | | |
| i. Provision for employee benefit obligations | 16 | 13.12 | 14.33 |
| **Total non-current liabilities** | | **13.12** | **165.04** |
| **Current liabilities** | | | |
| Financial liabilities | | | |
| i. Borrowings | 14B | 179.20 | - |
| ii. Trade payables | 17 | | |
| Total outstanding dues of micro enterprises and small enterprises | | 2.15 | - |
| Total outstanding dues of creditors other than micro enterprises and small enterprises | | 109.55 | 78.55 |
| iii. Other financial liabilities | 18 | 110.35 | 311.02 |
| Provisions | | | |
| i. Provision for employee benefit obligations | 16 | 6.14 | 6.02 |
| ii. Other provisions | 19 | 0.36 | 0.36 |
| Current tax liabilities | 20 | - | 25.90 |
| Other current liabilities | 21 | 71.05 | 49.30 |
| **Total current liabilities** | | **478.80** | **471.15** |
| **Total liabilities** | | **491.92** | **636.19** |
| **Total equity and liabilities** | | **94.30** | **194.25** |
| 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

**S Sethuraman**
*Partner*
Membership Number: 203491

Place: Chennai
Date: May 27, 2019

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

**Ramesh Shanmugam**
*Director*
DIN No.: 06646158

**M Balasubramaniyan**
*Director*
DIN No.: 03088801

Place: Chennai
Date: May 14, 2019

**Sterling Holidays (Ooty) Limited**
**Statement of profit and loss for the year ended March 31, 2019**
*(All amounts in Rs. lakhs, unless otherwise stated)*

| | Notes | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|---|
| **Income** | | | |
| Revenue from operations | 22 | 1,661.12 | 1,508.55 |
| Other income | 23 | 49.20 | 34.31 |
| **Total income** | | **1,710.32** | **1,542.86** |
| **Expenses** | | | |
| Cost of materials consumed | 24 | 109.17 | 114.13 |
| Employee benefit expenses | 25 | 313.02 | 301.63 |
| Finance costs | 26 | 26.69 | 63.39 |
| Depreciation | 27 | 1.12 | 0.51 |
| Other expenses | 28 | 1,210.06 | 941.91 |
| **Total expenses** | | **1,660.06** | **1,421.57** |
| **Profit before tax** | | **50.26** | **121.29** |
| **Income tax expense** | 29 | | |
| Current tax | | 16.12 | 15.98 |
| Deferred tax | | (8.55) | (2.75) |
| **Profit for the year** | | **42.69** | **108.06** |
| **Other comprehensive income** | | | |
| *Items that will not be reclassified to profit or loss* | | | |
| Remeasurement of post employment benefit obligations | | 2.25 | 1.68 |
| Income tax relating to this item | | (0.62) | (0.46) |
| **Other comprehensive income for the year, net of tax** | | **1.62** | **1.22** |
| **Total comprehensive income for the year** | | **44.31** | **109.28** |
| **Earnings per share (Face value of Rs. 10 each)** | | | |
| Basic and diluted earnings per share (in Rs.) | 39 | 100.52 | 242.58 |
| 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

**S Sethuraman**
*Partner*
Membership Number: 203491

Place: Chennai
Date: May 27, 2019

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

**Ramesh Shanmugam**
*Director*
DIN No.: 06646158

**M Balasubramaniyan**
*Director*
DIN No.: 03088801

Place: Chennai
Date: May 14, 2019

**Sterling Holidays (Ooty) Limited**
**Statement of changes in equity for the year ended March 31, 2019**
*(All amounts in Rs. lakhs, unless otherwise stated)*

**I) Equity share capital**

| | Notes | Amount |
|---|---|---|
| **Balance as at April 1, 2017** | | 5.00 |
| Changes in equity share capital during the year | 11 | - |
| **Balance as at March 31, 2018** | | 5.00 |
| Changes in equity share capital during the year | 11 | - |
| **Balance as at March 31, 2019** | | 5.00 |

**II) Other equity**

| | Notes | Reserves and surplus | Other reserves | Total |
|---|---|---|---|---|
| | | Retained earnings | Contribution from holding company | |
| **Balance as at April 1, 2017** | | (624.80) | 68.58 | (556.22) |
| Profit for the year | 12 & 13 | 108.06 | - | 108.06 |
| Other comprehensive income, net of tax | 12 & 13 | 1.22 | - | 1.22 |
| **Balance as at March 31, 2018** | | (515.52) | 68.58 | (446.94) |
| Profit for the year | 12 & 13 | 42.69 | - | 42.69 |
| Other comprehensive income, net of tax | 12 & 13 | 1.63 | - | 1.63 |
| **Balance as at March 31, 2019** | | (471.20) | 68.58 | (402.62) |

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

**S Sethuraman**
*Partner*
Membership Number: 203491

Place: Chennai
Date: May 27, 2019

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

**Ramesh Shanmugam**
*Director*
DIN No.: 06646158

**M Balasubramaniyan**
*Director*
DIN No.: 03088801

Place: Chennai
Date: May 14, 2019

**Sterling Holidays (Ooty) Limited**
**Statement of cash flows as at March 31, 2019**
*(All amounts in Rs. lakhs, unless otherwise stated)*

| | Notes | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| **Profit before income tax** | | **50.26** | **121.29** |
| **Adjustments for** | | | |
| Depreciation | 27 | 1.12 | 0.51 |
| Provision for bad debts | 28 | - | - |
| Finance costs | 26 | 26.69 | 63.39 |
| **Operating cash flow before working capital changes** | | **78.07** | **185.19** |
| **Change in operating assets and liabilities** | | | |
| (Increase)/decrease in trade receivables | 7 | 26.21 | (3.54) |
| (Increase)/decrease in inventories | 6 | (0.75) | 1.16 |
| (Increase)/decrease in other financial assets | 5 | 4.58 | (9.04) |
| (Increase)/decrease in other current assets | 10 | 74.74 | (79.65) |
| Increase in trade payables | 17 | 33.15 | 3.69 |
| Increase in other financial liabilities | 18 | 2.38 | 1.36 |
| Increase in employee benefit obligations | 16 | 1.16 | 2.66 |
| Increase in other current liabilities | 21 | 21.75 | 0.53 |
| **Cash generated from operations** | | **241.29** | **102.36** |
| Income tax paid | | (32.71) | - |
| **Net cash generated from operating activities** | | **208.58** | **102.36** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | (5.98) | (2.02) |
| **Net cash used in investing activities** | | **(5.98)** | **(2.02)** |
| **Cash flows from financing activities** | | | |
| Proceeds from loan taken from holding company | | 2,447.32 | 1,936.28 |
| Repayment of loan from holding company | | (2,633.41) | (2,001.27) |
| Interest paid | | (15.17) | (34.25) |
| **Net cash used in financing activities** | | **(201.26)** | **(99.24)** |
| **Net increase in cash and cash equivalents** | | **1.34** | **1.10** |
| Cash and cash equivalents at the beginning of the financial year | 8 | 1.83 | 0.73 |
| **Cash and cash equivalents at end of the year** | | **3.17** | **1.83** |
| **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 | 3.17 | 1.83 |
| Balance as per statement of cash flows | | 3.17 | 1.83 |
| 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

Sethuraman

**S Sethuraman**
*Partner*
Membership Number: 203491

Place: Chennai
Date: May 27, 2019

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

Ramesh

**Ramesh Shanmugam**
*Director*
DIN No.: 06646158

M.Balasubramaniyan

**M Balasubramaniyan**
*Director*
DIN No.: 03088801

Place: Chennai
Date: May 14, 2019

**Sterling Holiday (Ooty) Limited**
**Notes to the financial statements as at and for the year ended March 31, 2019**

## 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 authorized for issue by the Company's Board of Directors on May 14, 2019.

**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 30).
- 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 Managing Director (MD) 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 36 for segment information presented.

### 1.2.3. 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 has 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 is recognised at the date of initial application (i.e. April 1, 2018) and included in retained earnings.

Under Ind AS 115 an entity should recognize 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 recognizing 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.

There is no significant impact due to the adoption of Ind AS 115, Revenue from Contracts with Customers.

### 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.

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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

**a) As a lessee:**

At inception of an arrangement, it is determined whether the arrangement is or contains a lease. Leases of property, plant and equipment where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings or other financial liabilities as appropriate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

**b) As a lessor:**

Lease income from operating leases where the Company is a lessor is recognised as income in accordance with the terms of the arrangement. The respective leased assets are included in the balance sheet on the lease being classified as an operating lease and the ownership, risk and rewards pertaining to the assets are retained by the Company.

### 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.

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### 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.

### 1.3.7. Inventories

Inventories comprising of provisions, perishables, beverages and operating supplies are stated at lower of cost and net realizable value. Cost is determined using the first-in-first out (FIFO) method. The cost comprise 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.

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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).

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.

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**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 31 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
- **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.

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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).

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### 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.

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**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.

**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.

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### 1.3.15. Recent accounting pronouncements

**Standards issued but not yet effective**

**Ind AS 116, Leases**

The Company is required to adopt Ind AS 116, leases from April 1, 2019. 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 use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. Lessors continue to classify leases as finance or operating leases. It replaces existing leases guidance, Ind AS 17, leases.

The Company is in the process of assessing the impact of Ind AS 116 on its standalone financial statements

**a) Leases in which the Company is a lessee**

The Company will recognise new assets and liabilities for its operating leases of offices, resorts and staff accommodation. The nature of expenses related to those leases will now change because the Company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Company recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

In addition, the Company will no longer recognise provisions for operating leases that it assesses to be onerous. Instead, the Company will include the payments due under the lease in its lease liability and apply Ind AS 36, Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment.

No significant impact is expected for the Company's finance leases.

**b) Leases in which the Company is a lessor**

The Company will reassess the classification of sub-leases in which the company is a lessor.

No significant impact is expected for other leases in which the Company is a lessor.

**C) Transition**

The Company plans to apply Ind AS 116 initially on April 1, 2019, using the modified retrospective approach without restating the comparative financial statements. Under this approach the right of use asset will be equal to the present value of future lease commitments as on March 31, 2019. Hence there will be no impact, on transition to Ind AS 116, to opening retained earnings.

The Company plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply Ind AS 116 to all contracts entered into before April 1, 2019 and identified as leases in accordance with Ind AS 17.

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**Ind AS 12 Income Taxes (amendments relating to income tax consequences of dividend and uncertainty over income tax treatments)**

The amendment relating to income tax consequences of dividend clarify that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. The Company does not expect any impact from this pronouncement.

The amendment to Appendix C of Ind AS 12 specifies that the amendment is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. It outlines the following: (1) the entity has to use judgement, to determine whether each tax treatment should be considered separately or whether some can be considered together. The decision should be based on the approach which provides better predictions of the resolution of the uncertainty (2) the entity is to assume that the taxation authority will have full knowledge of all relevant information while examining any amount (3) entity has to consider the probability of the relevant taxation authority accepting the tax treatment and the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates would depend upon the probability. The Company does not expect any significant impact of the amendment on its financial statements.

**Ind AS 19 – Plan amendment, curtailment or settlement**

The amendments clarify that if a plan amendment, curtailment or settlement occurs, it is mandatory that the current service cost and the net interest for the period after the re-measurement are determined using the assumptions used for the re-measurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Company does not expect this amendment to have any significant impact on its financial statements.

**Ind AS 23 – Borrowing Costs**

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. The Company does not expect any impact from this amendment.

**1.3.16. 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 realization 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.

**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.

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## 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 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.

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## 4 Property, plant and equipment

Reconciliation of carrying amount for the year ended March 31, 2018:

| Asset description | Gross carrying amount | | | | Accumulated depreciation | | | | Net carrying amount | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at April 1, 2017 | Additions | Disposals | As at March 31, 2018 | As at April 1, 2017 | Depreciation for the year | Disposals | As at March 31, 2018 | As at March 31, 2017 | As at March 31, 2018 |
| Plant and machinery | 4.42 | - | - | 4.42 | 0.64 | 0.29 | - | 0.93 | 3.78 | 3.49 |
| Furniture and fixtures | 0.25 | - | - | 0.25 | 0.05 | 0.02 | - | 0.07 | 0.20 | 0.18 |
| Office equipment | 0.79 | - | - | 0.79 | 0.66 | 0.07 | - | 0.73 | 0.13 | 0.06 |
| Electrical installations | 0.39 | 1.81 | - | 2.20 | 0.02 | 0.11 | - | 0.13 | 0.37 | 2.07 |
| Computer equipment | 0.04 | 0.20 | - | 0.24 | 0.03 | 0.02 | - | 0.05 | 0.01 | 0.19 |
| **Total** | **5.89** | **2.01** | - | **7.90** | **1.40** | **0.51** | - | **1.91** | **4.49** | **5.99** |

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 | As at April 1, 2018 | Depreciation for the year | Disposals | As at March 31, 2019 | As at March 31, 2018 | As at March 31, 2019 |
| Plant and machinery | 4.42 | 2.16 | - | 6.58 | 0.93 | 0.57 | - | 1.50 | 3.49 | 5.08 |
| Furniture and fixtures | 0.25 | 3.82 | - | 4.07 | 0.07 | 0.32 | - | 0.39 | 0.18 | 3.68 |
| Office equipment | 0.79 | - | - | 0.79 | 0.73 | 0.00 | - | 0.73 | 0.06 | 0.06 |
| Electrical installations | 2.20 | - | - | 2.20 | 0.13 | 0.20 | - | 0.33 | 2.07 | 1.87 |
| Computer equipment | 0.24 | - | - | 0.24 | 0.05 | 0.03 | - | 0.08 | 0.19 | 0.16 |
| **Total** | **7.90** | **5.98** | - | **13.88** | **1.91** | **1.12** | - | **3.03** | **5.99** | **10.85** |

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**5 Other financial assets**

| | As at March 31, 2019 | | As at March 31, 2018 | |
|---|---|---|---|---|
| | Current | Non Current | Current | Non Current |
| Security deposits | - | 23.44 | - | 23.61 |
| Unbilled revenue | 7.52 | - | 11.60 | - |
| **Total** | **7.52** | **23.44** | **11.60** | **23.61** |

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **5A Other tax assets** | | |
| Taxes receivable (net of provision for income tax of INR 5.36) | 0.66 | - |
| **Total** | **0.66** | - |
| **6 Inventories** | | |
| Food and beverages | 2.11 | 2.27 |
| Operating supplies | 2.96 | 2.05 |
| **Total** | **5.07** | **4.32** |
| **7 Trade receivables** | | |
| **Current - Unsecured** | | |
| Considered good | 17.81 | 44.02 |
| Considered doubtful | 4.55 | 4.55 |
| | **22.36** | **48.57** |
| Less: Loss allowance | (4.55) | (4.55) |
| **Total** | **17.81** | **44.02** |
| Of the above, trade receivables from related parties are as below: | | |
| Total trade receivables from related parties (Refer Note 33) | 4.58 | 2.17 |
| Loss allowance | - | - |
| **Net trade receivables** | **4.58** | **2.17** |

The Company's exposure to credit and currency risks, and loss allowances related to trade receivables are disclosed in Note 31.

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **8 Cash and cash equivalents** | | |
| Balances with banks | | |
| - in current accounts | 1.59 | 0.45 |
| Cash on hand | 1.58 | 1.38 |
| **Total** | **3.17** | **1.83** |
| **9 Loans** | | |
| Employee advances | - | 0.33 |
| **Total** | - | **0.33** |
| **10 Other current assets** | | |
| Prepaid expenses | 14.45 | 15.05 |
| Advances to suppliers | 1.15 | 11.03 |
| Balances with statutory authorities | - | 64.26 |
| **Total** | **15.60** | **90.34** |

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## 11 Equity share capital

**Authorised equity share capital**

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **Authorised** | | |
| 0.5 lakhs (March 31, 2018: 0.5 lakhs) equity shares of Rs.10 each | 5.00 | 5.00 |
| **Issued, subscribed and paid-up** | | |
| 0.5 lakhs (March 31, 2018: 0.5 lakhs) equity shares of Rs.10 each | 5.00 | 5.00 |
| | **5.00** | **5.00** |

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

| | March 31, 2019 | | March 31, 2018 | |
|---|---|---|---|---|
| **Equity shares** | 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** |

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, 2019 | | March 31, 2018 | |
|---|---|---|---|---|
| | 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, 2019 | | March 31, 2018 | |
|---|---|---|---|---|
| | 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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**12 Reserves and surplus**

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| Retained earnings | (471.20) | (515.52) |
| **Total** | **(471.20)** | **(515.52)** |

**Movement in retained earnings balances is as follows :**

| | | |
|---|---|---|
| **(a) Retained earnings** | | |
| Opening balance | (515.52) | (624.80) |
| Profit for the year | 42.69 | 108.06 |
| *Items of other comprehensive income recognised directly in retained earnings* | | |
| - Remeasurements of post-employment benefit obligation | 2.25 | 1.68 |
| - Income tax relating to this item | (0.62) | (0.46) |
| **Closing balance** | **(471.20)** | **(515.52)** |

**13 Other reserves**

| | Contribution from holding company | |
|---|---|---|
| | **March 31, 2019** | **March 31, 2018** |
| 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.

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **14A Non-current borrowings** | | |
| Unsecured loan from holding company | - | 150.71 |
| **Total** | - | **150.71** |
| **14B Current borrowings** | | |
| Unsecured loan from holding company | 179.20 | 214.57 |
| | **179.20** | **214.57** |
| Less: Amount included under 'Other financial liabilities' | - | 214.57 |
| **Total** | **179.20** | - |

**Unsecured loan from holding company**

Unsecured loan amounting to Rs.179.20 lakhs outstanding as on March 31, 2019 (March 31, 2018: Rs. 365.28 lakhs) from Sterling Holiday Resorts Limited (holding company) carries an interest rate of 10% and is repayable on demand.

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Sterling Holidays (Ooty) Limited
Notes forming part of financial statements as at and for the year ended March 31, 2019
*(All amounts in Rs. lakhs, unless otherwise stated)*

## 15 Deferred tax assets

The balance comprises temporary differences attributable to:

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **Deferred tax assets** | | |
| Property, plant and equipment | 0.50 | 0.29 |
| Provision for employee benefits | 9.68 | 1.99 |
| Provision for doubtful debts | - | - |
| MAT credit entitlement | - | 9.93 |
| Net deferred tax (asset)/ liability as per the balance sheet | (10.18) | (12.21) |
| **Unrecognised deferred tax assets** | - | - |

**Movement in deferred tax assets:**

| | Property, plant and equipment | Provision for employee benefits | Provision for doubtful debts | MAT credit entitlement | Total |
|---|---|---|---|---|---|
| At April 1, 2017 | 0.48 | 5.52 | 1.48 | - | 7.48 |
| Movement during the year | (0.19) | (3.53) | (1.48) | 9.93 | 4.73 |
| **At March 31, 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** | **0.49** | **9.69** | - | - | **10.18** |

*<This space is left intentionally blank>*

**16 Provision for employee benefit obligations**

| | March 31, 2019 | | | March 31, 2018 | | |
|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | Total |
| Compensated absence | 2.01 | 3.69 | 5.70 | 1.95 | 4.14 | 6.08 |
| Gratuity | 4.13 | 9.43 | 13.56 | 4.07 | 10.19 | 14.26 |
| **Total** | **6.14** | **13.12** | **19.26** | **6.02** | **14.33** | **20.34** |

**(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, 2019 | March 31, 2018 |
|---|---|---|
| **Opening present value of obligation** | **14.26** | **12.48** |
| Current service cost | 2.67 | 2.60 |
| Past service cost | - | - |
| Interest expense/(income) | 1.01 | 0.86 |
| **Total amount recognised in profit or loss** | **3.68** | **3.46** |
| ***Remeasurements:*** | | |
| (Gain)/loss from change in demographic assumptions | (0.07) | - |
| (Gain)/loss from change in financial assumptions | (1.33) | (0.60) |
| Experience (gains)/losses | (0.85) | (1.08) |
| **Total amount recognised in other comprehensive income** | **(2.25)** | **(1.68)** |
| Benefit payments | (2.13) | - |
| **Closing present value of obligation** | **13.56** | **14.26** |
| The net liability disclosed above related to unfunded plans are as follows: | | |
| Unfunded plans | 13.56 | 14.26 |
| **(iii) Principal actuarial assumptions used in valuation of gratuity** | | |
| Discount rate | 7.13% | 7.40% |
| Salary growth rate | 4% | 7% |
| Attrition rate | 28% | 27% |

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, 2019 | March 31, 2018 |
|---|---|---|
| **a) Gratuity** | | |
| Discount rate: | | |
| + 100 basis points | (0.35) | (1.26) |
| - 100 basis points | 0.41 | 1.31 |
| Salary escalation rate: | | |
| + 100 basis points | 0.48 | 1.12 |
| - 100 basis points | (0.42) | (1.03) |
| **b) Compensated absence** | | |
| Discount rate: | | |
| + 100 basis points | (0.15) | (0.51) |
| - 100 basis points | 0.14 | 0.55 |
| Salary escalation rate: | | |
| + 100 basis points | 0.18 | 0.47 |
| - 100 basis points | (0.17) | (0.44) |

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 basic 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.16.74 lakhs (March 31, 2018: Rs.13.06 lakhs).

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

| | | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|---|
| **17** | **Trade payables** | | |
| | Dues to micro and small enterprises (Refer Note 38) | 2.15 | - |
| | Dues to creditors other than micro and small enterprises | 109.55 | 78.55 |
| | **Total** | **111.70** | **78.55** |

The Company's exposure to liquidity risks related to trade payables is disclosed in Note 31.

| | | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|---|
| **18** | **Other financial liabilities** | | |
| | **Current** | | |
| | Current maturities of long-term borrowings (Refer Note 14B) | - | 214.57 |
| | Interest accrued but not due on borrowings | 87.47 | 75.95 |
| | Security deposits | 22.56 | 20.25 |
| | Others | 0.32 | 0.25 |
| | **Total** | **110.35** | **311.02** |
| **19** | **Other provisions** | | |
| | Provision for fringe benefit tax | 0.36 | 0.36 |
| | **Total** | **0.36** | **0.36** |
| **20** | **Current tax liabilities** | | |
| | Provision for income tax | - | 25.90 |
| | **Total** | - | **25.90** |
| **21** | **Other current liabilities** | | |
| | Salaries, wages, bonus and other employee payables | 19.75 | 8.32 |
| | Statutory dues payable | 51.30 | 40.98 |
| | **Total** | **71.05** | **49.30** |

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

| | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| **22 Revenue from operations** | | |
| **Disaggregation of revenue:** | | |
| **On the basis of nature of goods or services:** | | |
| **Sale of products** | | |
| Food and beverages | 402.09 | 393.12 |
| **Sale of services** | | |
| Income from resorts: | | |
| - Room rentals (Refer Note 33) | 1,103.54 | 986.74 |
| - Others | 127.94 | 102.89 |
| **Other operating revenues** | | |
| Service charges | 27.55 | 25.80 |
| **Total** | **1,661.12** | **1,508.55** |
| **On the basis of timing of transfer of goods or services:** | | |
| At a point in time | 557.58 | 521.81 |
| Over a period of time | 1,103.54 | 986.74 |
| **Total** | **1,661.12** | **1,508.55** |
| **23 Other income** | | |
| Scrap sales | 0.16 | 0.07 |
| Management services income | 49.04 | 34.24 |
| **Total** | **49.20** | **34.31** |
| **24 Cost of materials consumed** | | |
| Inventory of materials at the beginning of the year | 2.27 | 2.41 |
| Add: Purchases | 109.01 | 113.99 |
| Less: Inventory of materials at the end of the year | 2.11 | 2.27 |
| **Cost of food and beverages consumed** | **109.17** | **114.13** |
| **25 Employee benefit expense** | | |
| Salaries, wages and bonus | 245.79 | 220.98 |
| Contribution to provident and other funds | 22.98 | 17.59 |
| Gratuity and compensated absences | 3.53 | 4.35 |
| Staff welfare expenses | 40.72 | 58.71 |
| **Total** | **313.02** | **301.63** |
| **26 Finance cost** | | |
| Interest charges on financial liabilities not measured at fair value through profit and loss | 26.69 | 63.39 |
| **Total** | **26.69** | **63.39** |
| **27 Depreciation** | | |
| Depreciation of property, plant and equipment | 1.12 | 0.51 |
| **Total** | **1.12** | **0.51** |
| **28 Other expenses** | | |
| Consumption of stores and spares | 25.31 | 21.81 |
| Power and fuel | 122.85 | 120.46 |
| Rent | 176.39 | 43.95 |
| Repairs and maintenance: | | |
| - Building | 7.50 | 8.11 |
| - Plant and machinery | 21.71 | 20.65 |
| - Others | 3.50 | 4.27 |
| Insurance | 1.57 | 0.23 |
| Rates and taxes | 33.11 | 24.74 |
| Guest supplies | 23.01 | 27.23 |
| Laundry expenses | 24.07 | 20.69 |
| Communication | 3.74 | 1.38 |
| Printing & Stationery | 3.96 | - |
| Recruitment and training | 1.38 | 1.84 |
| Travel and tours | 58.76 | 37.83 |
| Legal and professional | 2.12 | 6.27 |
| Management and brand fees | 483.20 | 394.78 |
| Payment to statutory auditors: | | |
| As Auditor: | | |
| - Statutory audit | 3.50 | 3.50 |
| - Other services | 0.50 | - |
| Travel and conveyance | 8.17 | 7.31 |
| Security charges | 21.45 | 14.63 |
| Water charges | 25.45 | 29.22 |
| Sales commission | 121.47 | 122.67 |
| Sales promotion | 2.32 | 11.75 |
| Bank charges | 6.42 | 6.76 |
| Miscellaneous expenses | 28.60 | 11.83 |
| **Total** | **1,210.06** | **941.91** |

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

| | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| **29 Income tax expense** | | |
| **a) Amount recognised in profit or loss** | | |
| *Current tax* | | |
| Current tax for the year | 16.12 | 15.98 |
| **Total** | **16.12** | **15.98** |
| *Deferred tax expense* | | |
| (Increase)/Decrease in deferred tax assets | (8.55) | (2.75) |
| **Total** | **(8.55)** | **(2.75)** |
| **b) Reconciliation of tax expense and the accounting profit multiplied by India's tax rate:** | | |
| Profit before income tax expense | 50.26 | 121.29 |
| Tax at the Indian tax rate of 27.82% (Previous year: 32.45%) | 13.98 | 33.42 |
| Net tax effects of temporary differences which are (deductible)/disallowed in calculating taxable income | 2.13 | 10.58 |
| Previously unrecognised tax losses now recouped to reduce profit | - | (28.02) |
| **Income tax expense** | **16.12** | **15.98** |
| **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 27.55% | - | - |

**Tax losses on account of unrecognised deferred tax assets**

| **Date of expiry to carry forward** | **March 31, 2019** | **March 31, 2018** |
|---|---|---|
| 31-Mar-20 | - | - |
| 31-Mar-21 | - | - |
| 31-Mar-22 | - | - |
| Indefinite period to carry forward | - | - |
| **Total** | - | - |

*<This space is left intentionally blank>*

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

## 30 Fair value measurements

**Financial instruments by category**

| | March 31, 2019 | | | March 31, 2018 | | |
|---|---|---|---|---|---|---|
| | **FVTPL** | **FVOCI** | **Amortised cost** | **FVTPL** | **FVOCI** | **Amortised cost** |
| **Financial assets** | | | | | | |
| Trade receivables | - | - | 17.81 | - | - | 44.02 |
| Cash and cash equivalents | - | - | 3.17 | - | - | 1.83 |
| Loans | - | - | - | - | - | 0.33 |
| Security deposits | - | - | 23.44 | - | - | 23.61 |
| Unbilled revenue | - | - | 7.52 | - | - | 11.60 |
| **Total financial assets** | - | - | **51.94** | - | - | **81.39** |
| **Financial liabilities** | | | | | | |
| Borrowings | - | - | 179.20 | - | - | 365.28 |
| Interest accrued and not due on borrowings | - | - | 87.47 | - | - | 75.95 |
| Trade payables | - | - | 109.55 | - | - | 78.55 |
| Security deposits | - | - | 22.56 | - | - | 20.25 |
| Share application money | - | - | 0.32 | - | - | 0.25 |
| Interest payable | - | - | - | - | - | - |
| **Total financial liabilities** | - | - | **399.10** | - | - | **540.28** |

**(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, 2019** | **Notes** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|---|
| **Financial Liabilities** | | | | | |
| Borrowings | 14A & 14B | - | - | 179.20 | **179.20** |
| Interest accrued and not due on borrowings | 18 | - | - | 87.47 | **87.47** |
| **Total financial liabilities** | | - | - | **266.67** | **266.67** |

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

| **At March 31, 2018** | **Notes** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|---|
| **Financial Liabilities** | | | | | |
| Borrowings | 14A & 14B | - | - | 365.28 | **365.28** |
| Interest accrued and not due on borrowings | 18 | - | - | 75.95 | **75.95** |
| **Total financial liabilities** | | - | - | **441.23** | **441.23** |

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, 2019 | | March 31, 2018 | |
|---|---|---|---|---|
| | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** |
| **Financial Liabilities** | | | | |
| Borrowings | 179.20 | 179.20 | 365.28 | 365.28 |
| Interest accrued and not due on borrowings | 87.47 | 87.47 | 75.95 | 75.95 |
| **Total financial liabilities** | **266.67** | **266.67** | **441.23** | **441.23** |

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.

STERLING HOLIDAYS (OOTY) LTD. CHENNAI

**31 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 Credit ratings | 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 forwarding-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:

| | | | Basis for recognition of expected credit loss provision | |
|---|---|---|---|---|
| **Internal rating** | **Category** | **Description of category** | **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 |

S R & Co. LLP * Chartered Accountants

STERLING HOLIDAYS (OOTY) LTD. * CHENNAI

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

**For the year ended March 31, 2019 and March 31, 2018:**

**(a) Expected credit loss for deposits**

The estimated gross carrying amount at default is Nil (March 2018: 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, 2019**

| **Ageing** | **Upto 180 days past due** | **More than 180 days past due** | **Total** |
|---|---|---|---|
| Gross carrying amount | 20.30 | 2.06 | 22.36 |
| Expected loss rate | 12% | 100% | 20% |
| Expected credit losses (Loss allowance provision) | 2.49 | 2.06 | 4.55 |

**As at March 31, 2018**

| **Ageing** | **Upto 180 days past due** | **More than 180 days past due** | **Total** |
|---|---|---|---|
| Gross carrying amount | 47.02 | 1.55 | 48.57 |
| Expected loss rate | 6% | 100% | 9% |
| Expected credit losses (Loss allowance provision) | 3.00 | 1.55 | 4.55 |

**(c) Reconciliation of loss allowance provision- Trade receivables**

| | |
|---|---|
| **Loss allowance on April 1, 2017** | **4.55** |
| Changes in loss allowances due to | |
| Provision made in the year | - |
| Recoveries | - |
| **Loss allowance on March 31, 2018** | **4.55** |
| Changes in loss allowances due to | |
| Provision made in the year | - |
| Recoveries | - |
| **Loss allowance on March 31, 2019** | **4.55** |

STERLING HOLIDAYS (OOTY) LTD. CHENNAI

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

**(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, 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** |
| **March 31, 2018** | | | | | | |
| **Non-derivatives** | | | | | | |
| Borrowings | 162.86 | 162.86 | 93.95 | 30.58 | 188.71 | 476.10 |
| Trade payables | 78.55 | 78.55 | - | - | - | 78.55 |
| Other financial liabilities | 20.50 | 20.50 | - | - | - | 20.50 |
| **Total non-derivative liabilities** | **261.91** | **261.91** | **93.95** | **30.58** | **188.71** | **575.15** |

**32 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, 2019 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.

S R B & Co LLP Chartered Accountants

STERLING HOLIDAYS (OOTY) LTD. CHENNAI

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

## 33 Related party transactions

### (a) Parent entities

| Name of entity | Type | Ownership interest held by the group March 31, 2019 | Ownership interest held by the group March 31, 2018 |
|---|---|---|---|
| Fairfax Financial Holdings Limited, Canada | Ultimate holding company | - | - |
| Thomas Cook (India) Limited | Intermediate holding company | - | - |
| Sterling Holiday Resorts Limited | Holding company | 98% | 98% |

### (b) Fellow subsidiaries with whom transactions have been entered

Sterling Holiday Resorts (Kodaikanal) Limited
Nature Trails Resorts Private Limited
SOTC Travel Services Private Limited
Travel Corporation (India) Limited

### (c) Transactions with related parties

Transactions with related parties are as follows:

| | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| **Sale of services** | | |
| Thomas Cook (India) Limited | 6.73 | 3.79 |
| SOTC Travel Services Private Limited | - | 2.45 |
| Travel Corporation (India) Limited | 0.22 | - |
| **Lease rent expenses** | | |
| Sterling Holiday Resorts Limited | 165.21 | 34.24 |
| **Brand expenses** | | |
| Sterling Holiday Resorts Limited | 33.23 | - |
| **Miscellaneous income** | | |
| Sterling Holiday Resorts Limited | 49.04 | 34.24 |
| **Management fees** | | |
| Sterling Holiday Resorts Limited | 449.98 | 394.78 |
| **Interest on borrowings** | | |
| Sterling Holiday Resorts Limited | 26.69 | 63.39 |
| **Loans availed** | | |
| Sterling Holiday Resorts Limited | 2,474.01 | 1,936.28 |
| **Loans repaid** | | |
| Sterling Holiday Resorts Limited | 2,648.57 | 2,001.27 |

### (d) Outstanding balances as at year end

The following balances are outstanding at the end of the reporting period:

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **Trade receivables** | | |
| SOTC Travel Services Private Limited | - | 1.69 |
| Thomas Cook (India) Limited | 3.64 | 0.48 |
| Travel Corporation (India) Limited | 0.94 | - |
| **Total** | **4.58** | **2.17** |
| **Borrowings** | | |
| Sterling Holiday Resorts Limited | 179.20 | 365.28 |
| **Interest accrued but not due** | | |
| Sterling Holiday Resorts Limited | 87.47 | 75.95 |

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

**34 Contingent liabilities and contingent assets**

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **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.

**35** 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.

**36** 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.

**37** As at March 31, 2019, the net-worth of the Company has been fully eroded. The Company expects higher growth and profitability in future due to increase in occupancy rates and tariffs from property which was recently refurbished. Considering the future financial projections approved by the Board of Directors which reflect positive cash flow from operations, these financial statements are prepared on a going concern basis.

**38** Disclosure under Micro, Small and Medium Enterprises Development Act, 2006 are provided as under for the year 2018-19, to the extent the Company has received intimation from the "Suppliers" regarding their status under the Act

| | | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|---|
| i | Principal amount due to suppliers registered under the MSMED Act and remaining unpaid as at year end | 2.15 | - |
| ii | Interest due to suppliers registered under the MSMED Act and remaining unpaid as at year end | 0.07 | - |
| iii | Principal amounts paid to suppliers registered under the MSMED Act, beyond the appointed date during the year | 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 | 0.06 | - |
| 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 | 0.00 | - |

*<This space is left intentionally blank>*

STERLING HOLIDAYS (OOTY) LTD. CHENNAI

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

**39 Earnings per share**

| | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Profit for the year attributable to the equity holders | 50.26 | 121.29 |
| Weighted average number of equity shares outstanding (in numbers) | 50,000 | 50,000 |
| **Basic & diluted earnings per share (in Rs.)** | **100.52** | **242.58** |

**40 Disclosure of specified bank notes**

The disclosures regarding details of specified bank notes held and transacted during November 8, 2016 to December 30, 2016 has not been made in these financial statements since the requirement does not pertain to financial year ended March 31, 2019.

**As per our report of even date**

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

Sethuraman

**S Sethuraman**
*Partner*
Membership Number: 203491

Place: Chennai
Date: May 27, 2019

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

**Ramesh Shanmugam**
*Director*
DIN No.: 06646158

M. Balasubramaniyan

**M Balasubramaniyan**
*Director*
DIN No.: 03088801

Place: Chennai
Date: May 14, 2019

**TC VISA SERVICES (INDIA) LIMITED**
**Balance Sheet as at March 31, 2019**
**(All amounts in INR Lakhs, unless otherwise stated)**

| Particulars | Notes | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Financial assets | | | |
| Deferred tax assets (net) | 3 | 18.6 | 24.9 |
| **Total non-current assets** | | **18.6** | **24.9** |
| **Current assets** | | | |
| Financial assets | | | |
| - Investment | 5(a) | 300.0 | - |
| - Trade receivables | 5(b) | 1,090.2 | 1,244.1 |
| - Cash and cash equivalents | 5(c) | 197.2 | 146.8 |
| - Other financial assets | 5(d) | 8.8 | - |
| Other current assets | 6 | 87.3 | 58.1 |
| **Total current assets** | | **1,683.5** | **1,449.0** |
| **TOTAL ASSETS** | | **1,702.1** | **1,473.9** |
| **EQUITY AND LIABILITIES** | | | |
| **EQUITY** | | | |
| Equity share capital | 7 | 5.0 | 5.0 |
| Other equity | | | |
| -Reserve & surplus | 8 | 895.9 | 604.2 |
| **Total Equity** | | **900.9** | **609.2** |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Employee Benefit Obligations | 9 | 8.7 | 4.1 |
| **Total non-current liabilities** | | **8.7** | **4.1** |
| **Current liabilities** | | | |
| Financial liabilities | | | |
| - Trade payables | 11(b) | 570.4 | 662.7 |
| - Other financial liabilities | 11(c) | - | 10.4 |
| Employee Benefit Obligations | 9 | 14.1 | 33.0 |
| Current Tax Liabilities | 4 | 30.8 | 43.0 |
| Other current liabilities | 12 | 177.2 | 111.4 |
| **Total current liabilities** | | **792.5** | **860.5** |
| **TOTAL LIABILITIES** | | **801.2** | **864.6** |
| **TOTAL EQUITY AND LIABILITIES** | | **1,702.1** | **1,473.9** |

The above balance sheet should be read in conjunction with the accompanying notes.

As per our report of even date.
**For G. M. Kapadia & Co.**
Chartered Accountants
Firm Registration Number 104767W

**For and on behalf of the Board of Directors**

**Atul Shah**
Partner
Membership No. 39569

Date: May 23, 2019
Place: Mumbai

**Rajeev Kale**
Director
DIN: 6775970

Date: May 23, 2019
Place: Mumbai

**Abraham Alapatt**
Director
DIN No. 6809421

Date: May 23, 2019
Place: Mumbai

**TC VISA SERVICES (INDIA) LIMITED**
**Statement of Profit And Loss for the year ended March 31, 2019**
**(All amounts in INR Lakhs, unless otherwise stated)**

| Particulars | Notes | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|---|
| **Income** | | | |
| Revenue from operations | 13 | 1,134.4 | 984.5 |
| Other income | 14 | 94.1 | 46.7 |
| **Total income** | | **1,228.5** | **1,031.1** |
| **Expenses** | | | |
| Employee benefits expense | 15 | 443.1 | 399.7 |
| Finance Cost | 16 | 4.2 | 13.5 |
| Other expenses | 17 | 374.5 | 314.9 |
| **Total expenses** | | **821.8** | **728.0** |
| **Profit before tax** | | **406.7** | **303.1** |
| Less : Tax expense | 18 | | |
| Current tax | | 111.8 | 94.8 |
| Deferred tax | | 6.5 | (6.4) |
| **Total tax expenses** | | **118.3** | **88.4** |
| **Profit for the year (A)** | | **288.4** | **214.7** |
| **Other comprehensive income** | | | |
| *Items that will not be reclassified to profit or loss* | | | |
| Remeasurements of post-employment benefit obligations | | -0.5 | 4.1 |
| Income tax relating to items that will not be reclassified to profit or loss | | 0.1 | (0.9) |
| **Total other comprehensive income for the year, net of taxes (B)** | | **-0.4** | **3.1** |
| **Total comprehensive income for the year (A+B)** | | **288.0** | **217.8** |
| **Earnings per equity share ( Face value of INR 10 each)** | 23 | | |
| - Basic earnings per share (In INR) | | 576.8 | 429.4 |
| - Diluted earnings per share (In INR) | | 576.8 | 429.4 |

The above statement of profit and loss should be read in conjunction with the accompanying notes.

As per our report of even date.
**For G. M. Kapadia & Co.**
Chartered Accountants
Firm Registration Number 104767W

**Atul Shah**
Partner
Membership No. 39569

Date: May 23, 2019
Place: Mumbai

**For and on behalf of the Board of Directors**

**Rajeev Kale**
Director
DIN: 6775970

Date: May 23, 2019
Place: Mumbai

**Abraham Alapatt**
Director
DIN No. 6809421

Date: May 23, 2019
Place: Mumbai

**TC VISA SERVICES (INDIA) LIMITED**
**Notes to financial statements for the year ended March 31, 2019**
**(All amounts in INR Lakhs, unless otherwise stated)**

## STATEMENT OF CHANGES IN EQUITY

**Equity share capital**

| Particulars | Amount |
|---|---|
| **Balance as at April 1, 2017** | **5.0** |
| changes in equity share capital during the year | - |
| **Balance as at March 31, 2018** | **5.0** |
| changes in equity share capital during the year | - |
| **Balance as at March 31, 2019** | **5.0** |

**Other Equity**

| | Reserves and Surplus | | |
|---|---|---|---|
| **Particulars** | **Capital Contribution** | **Retained Earnings** | **Total Other Equity** |
| **Balance as at March 31, 2017** | **9.8** | **380.2** | **390.0** |
| Profit for the year | - | 214.7 | 214.7 |
| Other Comprehensive Income | - | 3.1 | 3.1 |
| Total Comprehensive Income for the year | - | - | - |
| **Transaction with owners in their capacity as owners** | | | |
| Capital Contribution | -3.6 | - | -3.6 |
| **Balance at the March 31, 2018** | **6.2** | **598.0** | **604.2** |
| Profit for the year | - | 288.4 | 288.4 |
| Other Comprehensive Income | - | -0.4 | -0.4 |
| Total Comprehensive Income for the year | - | - | - |
| **Transaction with owners in their capacity as owners** | | | |
| Employee Stock Option Expense | 3.7 | - | 3.7 |
| **Balance as at March 31, 2019** | **9.9** | **886.0** | **895.9** |

The above statement of changes in equity should be read in conjunction with the accompanying notes.

As per our report of even date.
**For G. M. Kapadia & Co.**
Chartered Accountants
Firm Registration Number 104767W

**Atul Shah**
Partner
Membership No. 39569

Date: May 23, 2019
Place: Mumbai

**For and on behalf of the Board of Directors**

**Rajeev Kale**
Director
DIN: 6775970

Date: May 23, 2019
Place: Mumbai

**Abraham Alapatt**
Director
DIN No. 6809421

Date: May 23, 2019
Place: Mumbai

**TC VISA SERVICES (INDIA) LIMITED**
**Statement of Cash Flows for the year ended March 31, 2019**
**(All amounts in INR Lakhs, unless otherwise stated)**

| Particulars | Note | Year ended March 31,2019 | Year ended March 31, 2018 |
|---|---|---|---|
| **A) Cash flow from operating activities** | | | |
| **Profit before income tax** | | **406.7** | **303.1** |
| *Adjustments for:* | | | |
| Provision for Doubtful Debts and Advances (Net) | | 3.0 | 23.7 |
| Dividend Income | | - | (5.8) |
| Employee share-based payment expense | | 3.7 | - |
| Interest income on bank deposit | | - | (0.7) |
| Gain from Mutual Fund | | (13.7) | - |
| **Operating profit before changes in operating assets and liabilities** | | **399.7** | **320.2** |
| *Change in operating assets and liabilities:* | | | |
| (Increase)/Decrease in trade receivables | | 154.0 | (953.6) |
| (Increase)/Decrease in other financial assets | | (8.8) | 0.2 |
| (Increase)/Decrease in other current assets | | (29.2) | 107.4 |
| Increase/(Decrease) in non current employee benefit obligations | | 4.6 | (1.1) |
| Increase/(Decrease) in trade payables | | (92.3) | 212.3 |
| Increase/(Decrease) in current employee benefit obligations | | (18.9) | 11.7 |
| Increase/(Decrease) in other current liabilities | | 65.8 | 52.2 |
| **Cash generated from operations** | | **474.9** | **(250.7)** |
| Income taxes paid | | (124.2) | (81.8) |
| **Net cash inflow from operating activities** | | **350.7** | **(332.5)** |
| **B) Cash flow from investing activities:** | | | |
| Purchase of Mutual funds | | (41,031.3) | (25,059.5) |
| Sale of Mutual funds | | 40,731.0 | 25,071.8 |
| Interest on bank deposits | | - | 0.7 |
| **Net cash inflow / (outflow) from investing activities** | | **(300.3)** | **13.1** |
| **Net increase in cash and cash equivalents** | | 50.4 | (319.4) |
| Add: Cash and cash equivalents at the beginning of the financial year | | 146.8 | 466.2 |
| **Cash and cash equivalents at the end of the year** | | **197.2** | **146.8** |
| ***Reconciliation of Cash Flow statements as per the cash flow statement*** | | **31 March 2019** | **31 March 2018** |
| **Cash Flow statement as per above comprises of the following** | | | |
| Cash and cash equivalents | | 197.2 | 146.8 |
| Bank Overdrafts | | - | - |
| **Balances as per statement of cash flows** | | 197.2 | 146.8 |

**Notes :**

1. The above Cash Flow Statement has been prepared under the "Indirect Method" set out in Indian Accounting Standard (Ind AS-7) on Statement of Cash Flow as notified under Companies (Acounts) Rules, 2015.
2. The above statement of Cash flow should be read in conjunction with the accompanying notes.

As per our report of even date
**For G. M. Kapadia & Co.**
Chartered Accountants
Firm Registration Number 104767W

**For and on behalf of the Board of Directors**

**Atul Shah**
Partner
Membership No. 39569

Date: May 21, 2018
Place: Mumbai

**Rajeev Kale**
Director
DIN: 6775970

Date: May 21, 2018
Place: Mumbai

**Abraham Alapatt**
Director
DIN No. 6809421

Date: May 21, 2018
Place: Mumbai

**General Information**

TC Visa Services (India) Limited (the "Company") was incorporated on August 30, 2011 with main object to render consultancy and / or advisory services in connection with obtaining / arranging visas. The Company is a 100% subsidiary of Travel Corporation (India) Limited. The Company commenced operations from February 1, 2013.

## 1 Significant Accounting Policies

### 1.1 Basis of preparation of financial statements

**(a) Statement of compliance with Ind AS**

These financial statements have been prepared in accordance with the Indian Accounting Standards (hereinafter referred to as the 'Ind AS') In accordance with proviso of the Rule 4A of Companies Accounting Rules, 2014, the terms used in these financial statements are in accordance with the definitions and other requirements specified in the applicable Accounting standards as notified by Ministry of Corporate Affairs pursuant to section 133 of the Companies Act, 2013 read with rule 4 of the Companies (Indian Accounting standards) Rules, 2015 and other relevant provisions of the Act as amended from time to time that are notified and effective as at 31st March, 2019.
Financial for the period 2018-19 is prepared based on IND AS.

**Current V/s Non-Current**

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 services and the time between the rendering of services and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current-noncurrent classification of assets and liabilities.

**(b) Historical cost convention**

The Financial Statements have been prepared on a historical cost basis, except for the following:
• Investments, and
• Defined benefit plans

**(c ) Use of estimates and judgments**

The preparation of Standalone Financial Information requires the use of accounting estimates which, by definition, will seldom equal the actual results. This note provides an overview of the areas that involved a higher degree of judgment or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed. Detailed information about each of these estimates and judgments is included in relevant notes together with information about the basis of calculation for each affected line item in the Standalone Financial Information. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The areas involving critical estimates and judgments are:
(i) Estimation of defined benefit obligation
(ii) Impairment of Trade Receivables

### 1.2 Revenue Recognition

Effective April 1, 2018 the Company adopted Ind AS 115 "Revenue from Contracts with Customers" using the cumulative catch-up transition method, applied to contracts that were not completed as at April 1, 2018. In accordance with the cumulative catch-up transition method, the comparatives have not been retrospectively adjusted. The following is the summary of new and/or revised significant accounting policies related to revenue recognition. Refer Note 1 "Significant Accounting Policies," in the Company's 2018 Annual Report for the policies in effect for revenue prior to April 1, 2018. The effect on adoption of Ind AS 115 was insignificant.

To recognize revenues, the Company applies the following five step approach:
1. identify the contract with a customer;
2. identify the performance obligations in the contract;
3. determine the transaction price;
4. allocate the transaction price to the performance obligations in the contract; and
5. recognize revenues when a performance obligation is satisfied.

Revenue is recognised upon transfer of control of promised services to customers in an amount that reflects the consideration which the Company expects to receive in exchange for those products or services.

Revenue comprises of consultancy and / or advisory services in connection with obtaining / arranging visas. The revenue arising from providing consultancy and/or advisory services in connection with obtaining Visa clearance services is included on the basis of margins earned, since inclusion on the basis of their gross value would not be meaningful and potentially misleading as an indicator of the level of the Company's business.

Revenue is recognised when services towards obtaining /arranging Visa clearance(s) are rendered i.e. submission of relevant documents to the Consulate.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.

A receivable is a right to consideration that is unconditional upon passage of time. Revenue in excess of billing is classified as Accrued Revenue and is classified as a financial asset because, in these cases, right to consideration is unconditional upon passage of time. While invoicing in excess of revenue is classified as Income received in Advance.

The Company presents revenues net of indirect taxes in its statement of profit and loss.

### 1.3 Other Income

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

Dividend income is recognized when the right to receive dividend is established.

**1.4 Taxes on Income**

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 or substantively enacted at the end of the reporting period in the countries where the company operate and generate taxable income. 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.

Income Tax:
Income tax for the period comprises of current tax and deferred tax. Income tax is recognised in the Statement of Profit and Loss except to the extent that it relates to items recognised in 'Other comprehensive income or directly in equity, in which case the tax is recognised in 'Other comprehensive income' or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the Balance Sheet date, and any adjustments to tax payable in respect of previous years. Interest income/expenses and penalties, if any, related to income tax are included in current tax expense.

Deferred Tax:
Deferred tax is recognised using the liability method on taxable temporary differences between the tax base and the accounting base of items included in the Balance Sheet of the Company.

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 are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

A deferred tax liability is recognised based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted, or substantively enacted, by the end of the reporting period. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Certain temporary differences arising on initial recognition of assets or liabilities that affect neither accounting nor taxable profit are not recognised.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis. Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities; and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

**1.5 Leases**

Determining whether an arrangement contains a lease:

At the inception of an arrangement, it is determined the arrangement is or contains a lease.

At inception or on reassessment of the arrangement that contains a lease, the payments and other considerations required by such an arrangement are separated into those for the lease and those for elements on basis of the relative fair values.

As a lessee:

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments under leases are charged or credited to the statement of profit and loss on a straight-line basis over the term of the lease unless the lease payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases, in which case the same are recognised as an expense in line with the contractual term.

Lease arrangements of property, plant and equipments where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. If it is concluded for a finance lease that is 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. Each lease payment is apportioned between the finance charge and the reduction of the outstanding liability. The outstanding liability pertaining to non - current portion is included in other long - term borrowings and the current portion is included in other financial liabilities. The finance charge is charged to the statement of profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

**1.6 Employee Benefits**

**(a) Long-term Employee Benefits**

The Company operates the following post-employment schemes:
(i) Defined benefit plans such as gratuity
(ii) Defined contribution plans such as provident fund

**(i) Defined Contribution Plans**

Contribution towards Provident Fund for all employees are made to the regulatory authorities,where the Company has no further obligations. Such benefits are classified as Defined Contribution Schemes as the Company does not carry any further obligations, apart from the contributions made on a monthly basis.

Company's contributions to the above funds are charged to the Statement of Profit and Loss for the year for which the contributions are due for payment.

**(ii) Defined Benefit Plans**

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.

Contribution to Gratuity is based on the premium contribution called for by the Life Insurance Corporation of India (LIC) with whom the Company has entered into an arrangement. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. The amount of net interest expense calculated by applying the liability discount rate to the net defined benefit liability or asset is charged or credited in the statement of profit and loss. Any differences between the interest income on plan assets and the return actually achieved, and any changes in the liabilities over the year due to changes in actuarial assumptions or experience adjustments within the plans, are recognised immediately in 'Other comprehensive income' and subsequently not reclassified to the statement of profit and loss.

**(b) Short-term Employee Benefit**

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

### 1.7 Impairment of Assets

**Financial Assets**

A financial asset not carried at fair value is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The entity considers evidence of impairment for receivables for each specific asset. All individually significant receivables are assessed for specific impairment.

### 1.8 Provisions and contingent liabilities

Provisions are recognised when the entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the Balance Sheet date. Provisions are not recognised for future operating losses. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of management's best estimate of the expenditure require to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount cannot be made.

### 1.9 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. Cash and cash equivalents include cash on hand, term deposits with banks and other short-term highly liquid investments. To be classified as cash and cash equivalents, the financial asset must:

• be readily convertible into cash;
• have an insignificant risk of changes in value; and
• have a maturity period of three months or less at acquisition.

In the cash flow statement, Cash and Cash Equivalents includes Cash on Hand, Cheques/Drafts on Hand, Remittances in Transit, Balances with Bank held in Current Account and Demand Deposits with maturities of three months or less. Bank overdrafts are repayable on demand and form an integral part of an entity's cash management, and are included as a component of cash and cash equivalents. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

### 2.0 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Although the Company recognises the revenue relating to commission on net and agent basis, the trade receivables and trade payables are recognised on the gross value of services rendered and services received respectively.

### 2.1 Financial Instruments

**(a) Financial assets**

**(i) Initial recognition and measurement**

Financial assets are recognised when the entity becomes a party to the contractual provisions of the instruments. Financial assets other than trade receivables are initially recognised at fair value. Transaction costs are expensed in the Statement of Profit and Loss, expect for financial instruments carried at amortised cost, where transaction costs are adjusted in the amortised cost of the asset.

**(ii) Subsequent Measurement**

Financial assets, other than equity instruments, are subsequently measured at amortised cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVTPL') on the basis of:
- the entity's business model for managing the financial assets and
- the contractual cash flow characteristics of the financial asset.

(a) **Measured at amortised cost** : Financial assets which have contractual cash flows that are solely payments of principal and interest on the principal outstanding and is held within a business model with the objective of holding the assets to collect contractual cash flows, are subsequently measured at amortised cost using the effective interest rate ('EIR') method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest income in the Statement of Profit and Loss. The losses arising from impairment are recognised in the Statement of Profit and Loss. On derecognition, gain or loss, if any, is recognised in the Statement of Profit and Loss.

(b)**Measured at fair value through other comprehensive income** : Financial assets which have contractual cash flows that are solely payments of principal and interest on the principal outstanding and is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, is measured at fair value through other comprehensive income. It is subsequently measured at fair value with unrealised gains or losses recognised in the other comprehensive income ('OCI'), except for interest income which is recognised as 'other income' in the Statement of Profit and Loss using the EIR method. The losses arising from impairment are recognised in the Statement of Profit and Loss. On derecognition, cumulative gain or loss previously recognised in OCI is reclassified from the equity to 'other income' in the Statement of Profit and Loss.

('c) **Measured at fair value through profit or loss**: A financial asset not measured at either amortised cost or FVOCI, is measured at FVTPL. Such financial assets are measured at fair value with all changes in fair value, including interest income and dividend income if any, recognised as 'other income' in the Statement of Profit and Loss.

All investments in equity instruments classified under financial assets are subsequently measured at fair value. Equity instruments which are held for trading are measured at FVTPL. For all other equity instruments, the Company may, on initial recognition, irrevocably elect to measure the same either at FVOCI or FVTPL. The Company makes such election on an instrument-by-instrument basis. Fair value changes on an equity instrument shall be recognised as 'other income' in the Statement of Profit and Loss unless the Company has elected to measure such instrument at FVOCI. Fair value changes excluding dividends, on an equity instrument measured at FVOCI are recognised in OCI. Amounts recognised in OCI are not subsequently reclassified to the Statement of Profit and Loss. Dividend income on the investments in equity instruments are recognised as 'other income' in the Statement of Profit and Loss.

**(iii) Derecognition**

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the contractual rights to receive the cash flows from the asset On transfer of the financial asset, the Company evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

**(b) Financial liabilities**

**(i) Initial recognition and measurement:**

Financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments. Financial liabilities are initially recognised at fair value plus transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the Statement of Profit and Loss.

**(ii) Subsequent measurement:**

Financial liabilities are subsequently measured at amortised cost using EIR method. Financial liabilities carried at fair value through profit or loss are measured at fair value with all changes in fair value recognised in the Statement of Profit and Loss.

**(iii) Derecognition:**

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

**2.2 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

**2.3 Earnings per share**

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Earnings considered in ascertaining the Company's earnings per share is the net profit for the year after deducting preference dividends and any attributable tax thereto for the year. The weighted average number of equity shares outstanding during the year and for all years presented is adjusted for events, such as bonus shares, other than the conversion of potential equity shares, that have changed the number of equity shares outstanding, without a corresponding change in resources. For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year is adjusted for the effects of all dilutive potential equity shares.

**2.4 Rounding of amounts**

All amounts disclosed in the financial statements and notes have been rounded off to the nearest lakhs or decimals thereof as per the requirement of schedule III (division II), unless otherwise stated.

**2.5** Previous year's figures have been regrouped/rearranged wherever necessary to confirm with current year's figures.

## 2 Critical Accounting Estimates and Judgements:

The preparation of Standalone Financial Information requires the use of accounting estimates which, by definition, will seldom equal the actual results. This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed. Detailed information about each of these estimates and judgements is included in relevant notes together with information about the basis of calculation for each affected line item in the Standalone Financial Information. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances.

**TC VISA SERVICES (INDIA) LIMITED**

**Notes to financial statements for the year ended March 31, 2019**

**(All amounts in INR Lakhs, unless otherwise stated)**

**Note 3: Deferred Tax Assets (Net)**

**The balance comprises of temporary differences attributable to:**

| Particulars | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **Deferred Tax Liabilities** | - | - |
| | | |
| **Deferred Tax Assets** | | |
| On provisions allowable for tax purpose when paid | 4.8 | 9.0 |
| On Provision for Doubtful Advances | 13.8 | 15.9 |
| **Net Deferred Tax Assets** | **18.6** | **24.9** |

**Movement in Deferred Tax Assets**

| Particulars | On provisions allowable for tax purpose when paid | On Provision for Doubtful Advances | Total |
|---|---|---|---|
| **As at April 1, 2017** | 8.6 | 10.8 | 19.4 |
| charged/(credited) | | | |
| -to profit or loss | 1.4 | 5.1 | 6.4 |
| -to other comprehensive income | -0.9 | | -0.9 |
| **As at March 31, 2018** | **9.0** | **15.9** | **24.9** |
| charged/(credited) | | | |
| -to profit or loss | -4.3 | -2.1 | -6.4 |
| -to other comprehensive income | 0.1 | - | 0.1 |
| **As at March 31, 2019** | **4.8** | **13.8** | **18.6** |

**Note 4: Current Tax Liabilities**

| Particulars | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| Opening Balance | -43.0 | -30.0 |
| Less: Current Tax payable for the year | 111.8 | 94.8 |
| Add: Taxes Paid | 124.0 | 81.8 |
| **Closing Balances - Current Tax Asset/(Liabilities)** | **-30.8** | **-43.0** |

* Amount is below the rounding off norm adopted by the Company.

**TC VISA SERVICES (INDIA) LIMITED**
**Notes to financial statements for the year ended March 31, 2019**
**(All amounts in INR Lakhs, unless otherwise stated)**

**Note 5: Financial Assets**

**5(a) Investment**

| Particulars | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| Investment in Mutual fund | 300.0 | -0.0 |
| **Total Investment** | **300.0** | **-0.0** |

**5(b)Trade receivables**

| Particulars | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| Trade receivables | 1,139.9 | 1,293.3 |
| Less : Allowance for doubtful debts | -49.7 | -49.2 |
| **Total recievables** | **1,090.2** | **1,244.1** |
| | | |
| **Break up of Security Details** | | |
| Secured, considered good | - | - |
| Unsecured, considered good | 1,090.2 | 1,244.1 |
| Unsecured, considered Doubtful | 49.7 | 49.2 |
| **Total** | **1,139.9** | **1,293.3** |
| Less : Allowance for doubtful debts | (49.7) | (49.2) |
| **Total Trade Recievables** | **1,090.2** | **1,244.1** |

**5(c ) Cash and cash equivalents**

| Particulars | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| Balances with banks : | | |
| In current accounts | 94.6 | 68.6 |
| Fixed Deposits with original maturity of less than three months | - | - |
| Cash in hand | 80.2 | 42.5 |
| Cheques on hand | 22.4 | 35.7 |
| **Total Cash and cash equivalents** | **197.2** | **146.8** |

**5(d) Other financial Assets**

| Particulars | Non-current | Current | Non-current | Current |
|---|---|---|---|---|
| | March 31, 2019 | March 31, 2019 | March 31, 2018 | March 31, 2018 |
| Accrued Revenue | - | 0.3 | - | - |
| Advances to Related Parties | - | 8.5 | - | -0.0 |
| **Total Other Financial Assets** | | **8.8** | **-** | **-0.0** |

**TC VISA SERVICES (INDIA) LIMITED**
**Notes to financial statements for the year ended March 31, 2019**
**(All amounts in INR Lakhs, unless otherwise stated)**

**Note 6: Other Current Assets**

| Particulars | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| Advance to Suppliers | | |
| Considered good | 1.2 | 12.9 |
| Considered Doubtful | - | - |
| Less: Allowance for doubtful advances | - | - |
| | **1.2** | **12.9** |
| Advance to Employees | | |
| Considered good | 67.8 | 39.5 |
| Considered Doubtful | - | 6.6 |
| Less: Allowance for doubtful debts | - | (6.6) |
| | **67.8** | **39.5** |
| Prepaid expenses | 5.3 | - |
| Receivable with Government authorities- GST | 13.0 | 5.7 |
| **Total** | **87.3** | **58.1** |

**TC VISA SERVICES (INDIA) LIMITED**
**Notes to financial statements for the year ended March 31, 2019**
**(All amounts in INR Lakhs, unless otherwise stated)**

## Note 7: Equity Share Capital

**Equity Share capital**

| Particulars | No of Shares (In lakhs) | Amount |
|---|---|---|
| **AUTHORISED** | | |
| **As at April 1, 2017** | **5.0** | **50.0** |
| Increase during the year | - | - |
| **As at March 31, 2018** | **5.0** | **50.0** |
| Increase during the year | - | - |
| **As at March 31, 2019** | **5.0** | **50.0** |

**(i) Movement in Equity Share Capital during the Year**

| Particulars | No of Shares (In lakhs) | Amount |
|---|---|---|
| **As at April 1, 2017** | **0.5** | **5.0** |
| Add: No of Shares issued during the year | - | - |
| **As at March 31, 2018** | **0.5** | **5.0** |
| Add: No of Shares issued during the year | - | - |
| **As at March 31, 2019** | **0.5** | **5.0** |

**(ii) Terms and rights attached to shares**
The Company has one class of equity shares having a par value of Rs. 10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed 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. In the event of liquidation, the equity shareholders are eligible to receive the residual assets of the Company after distribution to all secured creditors, if any, of all preferential amounts, in proportion to their dues.

**(iii) Shares of the company held by Holding Company**

| Particulars | As at March 31, 2019 | | As at March 31, 2018 | |
|---|---|---|---|---|
| | No of Shares (In lakhs) | Amount | No of Shares (In lakhs) | Amount |
| **Equity Shares** | | | | |
| Travel Corporation (India) Limited and its nominees | 0.5 | 5.0 | 0.5 | 5.0 |

**(iv) Shareholding Pattern (Shareholders holding 5% or more shares in the Company)**

| Category of Shareholder | As at March 31, 2019 | | As at March 31, 2018 | |
|---|---|---|---|---|
| | No of shares (In lakhs) | % of Holding | No of shares (In lakhs) | % of Holding |
| **Equity Shares** | | | | |
| Travel Corporation (India) Limited and its nominees | 0.5 | 100.0% | 0.5 | 100.0% |

**TC VISA SERVICES (INDIA) LIMITED**
**Notes to financial statements for the year ended March 31, 2019**
**(All amounts in INR Lakhs, unless otherwise stated)**

**Note 8: Reserves and surplus**

| **Particulars** | **As at March 31, 2019** | **As at March 31, 2018** |
|---|---|---|
| Capital Contribution | 9.9 | 6.2 |
| Retained Earnings | 886.0 | 598.0 |
| **Total reserves and surplus** | **895.9** | **604.2** |

**(a) Retained Earnings**

| **Particulars** | **As at March 31, 2019** | **As at March 31, 2018** |
|---|---|---|
| **Opening Balance** | **598.0** | **380.2** |
| Net Profit for the year | 288.4 | 214.7 |
| *Items of other Comprehensive income recognised directly in retained earnings* | -0.4 | 3.1 |
| | | |
| **Closing Balance** | **886.0** | **598.0** |

**(b) Capital Contribution**

| **Particulars** | **As at March 31, 2019** | **As at March 31, 2018** |
|---|---|---|
| **Opening Balance** | **6.2** | **6.2** |
| Capital Contribution towards ESOP Expenses | 3.7 | - |
| **Closing Balance** | **9.9** | **6.2** |

**Nature and Purpose of Reserves-**

**Capital Contribution**
The company has created capital contribution reserve in relation to push-down ESOP's from its parent company- Thomas Cook (India) Limited due to Ind AS requirement.

**TC VISA SERVICES (INDIA) LIMITED**
**Notes to financial statements for the year ended March 31, 2019**
**(All amounts in INR Lakhs, unless otherwise stated)**

**Note 9: Employee Benefit Obligations**

| Particulars | March 31, 2019 | | | March 31, 2018 | | |
|---|---|---|---|---|---|---|
| | Non Current | Current | Total | Non Current | Current | Total |
| Leave Entitlement | - | 4.9 | 4.9 | - | 8.9 | 8.9 |
| Gratuity | 8.7 | - | 8.7 | 4.1 | - | 4.1 |
| Employee Benefit Payables | - | 9.2 | 9.2 | - | 24.1 | 24.1 |
| **Total** | **8.7** | **14.1** | **22.8** | **4.1** | **33.0** | **37.1** |

**(i)Leave Obligations - Leave Entitlement**
The leave obligations cover the Company's liability for earned leave.
The amount of the provision of INR 4.9 (31 March 2018 - INR 8.9) is presented as current, since the company does not have an unconditional right to defer settlement for any of these obligations. The following amounts reflect leave that is expected to be taken or paid within the next 12 months.

| Particulars | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| Current leave obligations expected to be settled within next 12 months | 4.9 | 8.9 |

**(ii) Post Employment Obligations**
**Gratuity**
The company provides for gratuity for employees in India 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.

**(iii) Defined contribution Plans**
The company also has certain defined contribution plans. Contributions are made to provident fund in India for employees at the rate of 12% of basic salary as per regulations. The contributions are made to registered provident fund administered by the 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 INR 17.8 Lakhs (31 March 2018 - INR 16.9 Lakhs).

**Balance Sheet Amounts - Gratuity**
The amounts recognised in the balance sheet and the movements in the net defined benefit obligation over the year are as follows:

| Particulars | Present value of obligation | Fair value of plan assets | Net amount |
|---|---|---|---|
| **April 1, 2017** | 25.1 | 15.9 | 9.2 |
| Current service cost | 4.8 | - | 4.8 |
| Interest expense/(income) | 1.7 | 1.3 | 0.5 |
| **Total amount recognised in profit and loss** | **6.5** | **1.3** | **5.3** |
| *Remeasurements* | | | |
| Return on plan assets, excluding amount included in interest expense/(income) | - | -0.1 | -0.1 |
| (Gain )/loss from change in demographic assumptions | 1.5 | - | 1.5 |
| (Gain )/loss from change in financial assumptions | -0.3 | - | -0.3 |
| Experience (gains)/losses | -5.1 | - | -5.1 |
| **Total amount recognised in other comprehensive income** | **-3.9** | **-0.1** | **-4.1** |
| Employer contributions | - | 6.3 | 6.3 |
| Benefit payments | - | - | - |
| **March 31, 2018** | **27.7** | **23.6** | **4.1** |

| Particulars | Present value of obligation | Fair value of plan assets | Net amount |
|---|---|---|---|
| **March 31, 2018** | **27.7** | **23.6** | **4.0** |
| Current service cost | 4.4 | - | 4.4 |
| Interest expense/(income) | 1.8 | 1.7 | 0.1 |
| **Total amount recognised in profit and loss** | **6.2** | **1.7** | **4.5** |
| *Remeasurements* | | | |
| Return on plan assets, excluding amount included in interest expense/(income) | - | -0.2 | 0.2 |
| (Gain )/loss from change in demographic assumptions | -0.0 | - | -0.0 |
| (Gain )/loss from change in financial assumptions | 0.6 | - | 0.6 |
| Experience (gains)/losses | -0.2 | - | -0.2 |
| **Total amount recognised in other comprehensive income** | **0.4** | **-0.2** | **0.6** |
| Employer contributions | - | 0.4 | -0.4 |
| Benefit payments | -1.9 | -1.9 | - |
| **March 31, 2019** | **32.4** | **23.7** | **8.7** |

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

| Particulars | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| Present value of funded obligations | 32.4 | 27.7 |
| Fair value of plan assets | 23.7 | 23.6 |
| **Deficit of funded plan** | 8.7 | 4.1 |
| Unfunded plans | - | - |
| **Deficit of gratuity plan** | **8.7** | **4.1** |

**(All amounts in INR Lakhs, unless otherwise stated)**

***Significant estimates: Actuarial assumptions and sensitivity***

The significant actuarial assumptions were as follows:

| Particulars | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| Discount rate | 7.00% | 7.35% |
| Salary growth rate | 6.00% | 6.00% |

**(iv) Sensitivity analysis**

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

| Particulars | Change in assumptions | | Impact on defined benefit obligation | | | |
|---|---|---|---|---|---|---|
| | | | Increase in assumptions | | Decrease in assumptions | |
| | March 31,2019 | March 31,2018 | March 31,2019 | March 31,2018 | March 31,2019 | March 31,2018 |
| Discount rate | 50 basis point | 50 basis point | -2.54% | -2.48% | 2.67% | 2.60% |
| Salary growth rate | 50 basis point | 50 basis point | 2.69% | 2.63% | -2.58% | -2.52% |

The above sensitivity analyses are 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 assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet.

**The major categories of plans assets for gratuity are as follows:**

| Particulars | As at March 31, 2019 | | | As at March 31, 2018 | | |
|---|---|---|---|---|---|---|
| | Unquoted | Total | In % | Unquoted | Total | In % |
| Insurer (LIC) Managed Funds | 23.7 | 23.7 | 100.00% | 23.6 | 23.6 | 100.00% |

**(v) Risk Exposure for Gratuity**

Through its defined benefit plans, the company is exposed to a number of risks, the most significant of which are detailed below :

a) **Asset volatility**- The plan liabilities are calculated using a discount rate set with reference to bond yields, if the plan assets underperform this yield, this will create a deficit. Further any decrease in the bond yields will increase the plan liabilities. The plan assets investments are in unquoted securities which are subject to interest rate risks and the fund manages the interest rate risks to an acceptable low level.

b) **Salary growth & Demographic assumptions-** The plan is of a final salary defined benefit in nature which is sponsored by the Company and hence it underwrites all the risks pertaining to the plan. In particular, there is a risk for the company that any adverse salary growth or demographic experience or inadequate returns on underlying plan assets can result in an increase in cost of providing these benefits to employees in future. Since the benefits are lumpsum in nature the plan is not subject to any longevity risks.

**(vi) Defined benefit liability and employer contributions**

The weighted average duration of the defined benefit obligation is 5.21 years (2018 - 5.08 years). The expected maturity analysis of undiscounted gratuity is as follows:

| Particulars | Less than a year | Between 1-2 years | Between 2-5 years | Over 5 years | Total |
|---|---|---|---|---|---|
| Post Employment Obligations as at March 31, 2019 | 6.3 | 5.5 | 11.8 | 26.5 | **50.1** |
| Post Employment Obligations as at March 31, 2018 | 5.5 | 4.9 | 10.8 | 22.4 | **69.2** |
| Post Employment Obligations as at March 31, 2017 | 1.7 | 1.5 | 4.5 | 61.5 | **69.6** |

**TC VISA SERVICES (INDIA) LIMITED**
**Notes to financial statements for the year ended March 31, 2019**
**(All amounts in INR Lakhs, unless otherwise stated)**

**Note 11: Financial Liabilities**

**Note 11(b): Trade Payables**

| Particulars | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **Trade Payables** | | |
| -Dues of micro enterprises and small enterprises | - | - |
| -Dues of creditors other than micro enterprises and small enterprises | 570.4 | 662.7 |
| **Total Trade Payables** | **570.4** | **662.7** |

Note: There are no delayed payments to Micro and Small Enterprises as defined in the Micro, Small and Medium Enterprises Development Act, 2006 during the year. Further, there are no dues to such parties which are outstanding as at the Balance Sheet date. This information has been determined on the basis of information available with the company. This has been relied upon by the auditors.

**Note 11(c): Other Financial Liablities**

| Particulars | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| CLP Recovery from Employee | - | 6.3 |
| Other Liabilities | - | 4.2 |
| **Total Other Financial Liablities** | - | **10.4** |

**Note 12: Other Current Liabilities**

| Particulars | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| Advance received from Customers | 147.5 | 79.7 |
| Statutory Dues | 29.7 | 30.2 |
| Other Liabilities | 0.0 | 1.5 |
| **Total** | **177.2** | **111.4** |

**TC VISA SERVICES (INDIA) LIMITED**
**Notes to financial statements for the year ended March 31, 2019**
**(All amounts in INR Lakhs, unless otherwise stated)**

### Note 13: Revenue from Operations

| Particulars | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| Income From Operations | 1,134.4 | 984.5 |
| **Total** | **1,134.4** | **984.5** |

### Note 14: Other Income

| Particulars | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| Interest Income on Bank Deposits | - | 0.7 |
| Employees share based expense reversal | - | 3.5 |
| Dividend Income from Mutual Fund Investments | - | 5.8 |
| Gains from Mutual Fund | 13.7 | 15.2 |
| Claims Written back | - | - |
| Miscellaneous Income | 80.4 | 21.4 |
| **Total** | **94.1** | **46.7** |

### Note 15: Employee Benefit Expense

| Particulars | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| Salaries Wages and Bonus | 407.2 | 366.8 |
| Contribution to Provident and Other Funds | 17.8 | 16.9 |
| Gratuity (Refer note 9) | 4.5 | 6.0 |
| Employees Stock Option Scheme* | 3.7 | - |
| Staff Welfare Expenses | 9.9 | 10.0 |
| **Total** | **443.1** | **399.7** |

*ESOP reversal on account of ESOP cancelled.

### Note 16: Finance Costs

| Particulars | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| Interest on Bank Overdraft | - | - |
| Other Finance Charges | 4.2 | 13.5 |
| Interest on shortfall of Advance tax | - | - |
| **Total** | **4.2** | **13.5** |

* Amount is below the rounding off norm adopted by the Company.

### Note 17: Other Expenses

| Particulars | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| Rent (Refer note 26) | 6.0 | 5.9 |
| Electricity | 7.7 | 7.2 |
| Repairs and Maintenance | 7.4 | 6.3 |
| Rates and Taxes | - | 0.1 |
| Security Services | 1.4 | 1.3 |
| Travelling Expenses | 28.5 | 28.8 |
| Legal and Professional Charges #(Refer note below "a") | 13.3 | 11.1 |
| Printing, Stationery and Communication Cost | 4.6 | 4.1 |
| Courier Charges | 28.5 | 23.0 |
| Brokerage | 35.5 | 11.5 |
| Provisions for doubtful debts and Advances (net off bad debt w/off) | 3.0 | 23.7 |
| Advertisment Expenses | 3.3 | 1.5 |
| Outsourced Staff | 225.1 | 181.2 |
| Miscellaneous Expenses | 10.2 | 9.2 |
| **Total** | **374.5** | **314.9** |

# Legal and Professional charges include auditors remuneration

### (a): Details of payments to auditors

| Particulars | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| **Payment to auditors** | | |
| **As auditor:** | | |
| -Statutory Audit | 4.5 | 3.5 |
| -Tax Audit | 1.1 | - |
| **In other capacities** | | |
| -Re-imbursement of expenses | - | - |
| **Total payments to auditors** | **5.6** | **3.5** |

**(All amounts in INR Lakhs, unless otherwise stated)**

**Note 18: Income Tax Expense**

| Particulars | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| **(a) Income tax expense** | | |
| *Current tax* | | |
| Current tax on profits for the year | 111.8 | 94.8 |
| Adjustments for current tax of prior periods | - | - |
| Total current tax expense | **111.8** | **94.8** |
| *Deferred tax* | | |
| Decrease (increase) in deferred tax assets | 6.5 | (6.4) |
| Total deferred tax credit | **6.5** | **(6.4)** |
| **Income tax expense** | **118.3** | **88.4** |

**(b) The reconciliation of tax expense and the accounting profit multiplied by India's tax rate :**

| Particulars | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| Profit from continuing operations before income tax expense | 406.7 | 303.1 |
| **Tax at the Indian tax rate of 27.55% (PY - 27.82%)** | **112.0** | **84.3** |
| Tax effect of amounts which are not deductible(taxable) in calculating taxable income: | | |
| Interest on shortfall of advance tax | 2.1 | 1.3 |
| Dividend income | 0.0 | (1.6) |
| Sec 14A Disallowance | - | 0.5 |
| On account of rate difference as compared to previous year | - | 3.1 |
| Other items | 4.1 | 0.7 |
| **Income tax expense** | **118.3** | **88.4** |

**Note 19: Fair value measurements**

**Financial instruments by category**

| | As at 31 March 2019 | | | As at 31 March 2018 | | |
|---|---|---|---|---|---|---|
| | **FVPL** | **FVOCI** | **Amortised cost** | **FVPL** | **FVOCI** | **Amortised cost** |
| **Financial assets** | | | | | | |
| Trade receivable | - | - | 1,090.2 | - | - | 417.0 |
| Cash and cash equivalents | - | - | 197.2 | - | - | 146.8 |
| Others | - | - | - | - | - | - |
| **Total financial assets** | **-** | **-** | **1,287.3** | **-** | **-** | **563.8** |
| | | | | | | |
| **Financial liabilities** | | | | | | |
| Trade Payable | - | - | 570.4 | - | - | 664.0 |
| **Total financial liabilities** | **-** | **-** | **570.4** | **-** | **-** | **664.0** |

The carrying amounts of trade receivable, cash and cash equivalents, other financial assets, trade payables, other financial liabilities are considered to be the same as their fair values due to their short-term nature.

**Note 20: Financial risk management**

**(i) Risk management framework**

The Company's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk. The Company's primary risk management focus is to minimize potential adverse effects of market risk on its financial performance. The Company's risk management assessment and policies and processes are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor such risks and compliance with the policies and processes. Risk assessment and management policies and processes are reviewed regularly to reflect changes in market conditions and the Company's activities. The Board of Directors and the management is responsible for overseeing the Company's risk assessment and management policies and processes.

**(ii) 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. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business. The Company establishes an allowance for payments that are 365 days past due as it represents its estimate of expected credit loss in respect of trade and other receivables. The Company does not have any financial assets, other than receivables from group entities, that are 365 days past due but not impaired.

Summary of the Company's exposure to credit risk by age of the outstanding from various customers including group entities is as follows:

| | **As at March 31, 2019** | **As at March 31, 2018** |
|---|---|---|
| Neither past due nor impaired | - | - |
| Past due but not impaired | - | - |
| Past due 1–90 days | 975.1 | 1,198.5 |
| Past due 91–180 days | 49.6 | 33.7 |
| Past due 180–365 days | 66.1 | 47.5 |
| Past due > 365 days | 49.1 | 13.5 |
| | **1,139.9** | **1,293.1** |
| | | |

**Reconciliation of loss allowance provision – Trade receivables**

| **Reconciliation of loss allowance** | **Amount** |
|---|---|
| **Loss allowance on March 31, 2017** | **32.1** |
| Changes in loss allowance | 17.1 |
| **Loss allowance on March 31, 2018** | **49.2** |
| Changes in loss allowance | 0.5 |
| **Loss allowance on March 31, 2019** | **49.7** |

**Expected credit loss assessment for customers as at March 31, 2017 and March 31, 2018**
Exposures to customers outstanding at the end of each reporting period are reviewed by the Company to determine incurred and expected credit losses. As company's customer is mainly its group company and few corporate customers (for whom based on information available in the public domain about their credibility/financial performance no impairment indicator exist) hence impairment of trade receivables do not reflect any significant credit losses.

**Cash and cash equivalents**
The Company held cash and cash equivalents with credit worthy banks and financial institutions of Rs 197.2 Lakhs and Rs 146.8 Lakhs as at March 31, 2019 and March 31, 2018 respectively. The credit worthiness of such banks and financial institutions is evaluated by the management on an ongoing basis and is considered to be good.

**(iii) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by ensuring, 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 risk to the Company's reputation.

The Company had working capital of INR 890.98 Lacs as at March 31, 2019 and INR 588.5 Lacs as at March 31, 2018.

**(iv) Market risk**

**(a) Foreign currency risk**
The Company does not deal in foreign currency and hence there is no foreign currency risk exposure.

**(b) Cash flow and interest rate risk**
The entity does not have any borrowings with fluctuating interest rates and hence it is not exposed to interest rate risk.

**(c) Price risk**
The entity does not have investsment which are exposed to market fluctuations and hence it is not exposed to price risk.

**Note 21: Capital management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

**TC VISA SERVICES (INDIA) LIMITED**
**Notes to financial statements for the year ended March 31, 2019**
**(All amounts in INR Lakhs, unless otherwise stated)**

**Note 22: Related Party Transactions**
**(a) Parent Entities**
The Company is controlled by the following entity:

| Name | Type | Place of Incorporation | Ownership Interest (%) | |
|---|---|---|---|---|
| | | | As at March 31, 2019 | As at March 31, 2018 |
| Travel Corporation (India) Limited ("TCI") and its nominees, India holds 100% of Equity Shares of the Company. | Holding Company | India | 100% | 100% |
| Thomas Cook (India) Limited, India ("TCIL") which holds 100%shares in TCI . | Holding Company | India | | |
| Fairbridge Capital (Mauritius) Limited, Mauritius ("FCML") holds 66.94% of Equity Shares of TCIL. FCML is wholly owned and controlled by Fairfax Financial Holding Limited, Canada the ultimate Holding Company. | Ultimate Holding Company | Canada | | |

**(b) Name of the related party and related party relationship**

| Name of Entity | Place of Business/ country of incorporation | Relationship |
|---|---|---|
| Quess Corp Limited<br>(was fellow subsidiary upill February 28, 2018.) | India | Fellow Associate |

**(c) Key Management personnel**

| Particulars |
|---|
| R.R. Kenkare |
| Rajeev Kale |
| Abraham Alapatt |

**(d) Transactions with related parties**
The following transactions occurred with related parties:

| Nature of transaction | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| | | |
| Reimbursement of Expenses (Net) | | |
| Thomas Cook (India) Limited | - | 8.8 |
| Travel Corporation (India) Limited | 8.8 | - |
| | | |
| Sale of services | | |
| Thomas Cook (India) Limited | 9,990.5 | 9,031.9 |
| Travel Corporation (India) Limited | - | - |
| | | |
| Facilities and Support Services Availed | | |
| Thomas Cook (India) Limited | 14.7 | 14.7 |
| Travel Corporation (India) Limited | - | - |
| | | |
| Employee share-based payments push down charge | | |
| Thomas Cook (India) Limited | 3.7 | - |
| | | |
| Facilities and Support Services Provided | | |
| Thomas Cook (India) Limited | 10.4 | 15.2 |
| | | |
| Other professional charges (Outsourced staff) | | |
| Quess Corp Limited | 226.4 | 177.8 |
| | | |
| | | |
| **Balances as at the year end** | **As at 31 March 2019** | **As at 31 March 2018** |
| | | |
| Outstanding Receivable | | |
| Thomas Cook (India) Limited | 720.4 | 0.9 |
| Travel Corporation (India) Limited | 8.5 | - |
| | | |
| Outstanding payables | | |
| Thomas Cook (India) Limited | - | 0.9 |
| Travel Corporation (India) Limited | - | - |
| Quess Corp Limited | 3.8 | - |
| | | |

**TC VISA SERVICES (INDIA) LIMITED**
**Notes to financial statements for the year ended March 31, 2019**
**(All amounts in INR Lakhs, unless otherwise stated)**

**Note 23: Earnings Per Share**

| **Particulars** | **For the year ended March 31, 2019** | **For the year ended March 31, 2018** |
|---|---|---|
| Net Profit attributable to equity shareholders | 288.4 | 214.7 |
| Weighted average number of outstanding shares | 0.5 | 0.5 |
| | | |
| **(a) Basic earnings per share** | | |
| Attributable to the equity holder of the company | 576.8 | 429.4 |
| | | |
| **(b) Diluted earnings per share** | | |
| Attributable to the equity holder of the company | 576.8 | 429.4 |

**(c) Reconciliation of earnings used in calculating earnings per share**

| **Particulars** | **March 31, 2019** | **March 31, 2018** |
|---|---|---|
| **Basic earnings per share** | | |
| Profits attributable to the equity holders of the company used in calculating basic earnings per share | 288.4 | 214.7 |
| Profits attributable to the equity holders of the company used in calculating diluted earnings per share | **288.4** | **214.7** |

**(d) Weighted average number of shares used as the denominator**

| **Particulars** | **March 31, 2019** | **March 31, 2018** |
|---|---|---|
| Weighted average number of equity shares used as the denominator in calculating basic earning per share | 0.5 | 0.5 |
| Weighted average number of equity shares and potential equity shares used as the denominator in calculating diluted earning per share | 0.5 | 0.5 |

**TC VISA SERVICES (INDIA) LIMITED**
**Notes to financial statements for the year ended March 31, 2019**
**(All amounts in INR Lakhs, unless otherwise stated)**

**Note 24: Operating Leases**
Disclosures in respect of cancellable agreements for office premises taken on lease

| **Particulars** | **For the year ended 31 March 2019** | **For the year ended 31 March 2018** |
|---|---|---|
| Lease payments recognised in the Statement of Profit and Loss | 6.0 | 5.9 |

**Significant leasing arrangements**
-The lease agreements are for a period of eleven months to nine years.
-The lease agreements are cancellable at the option of either party by giving one month to six months' notice.
-Certain agreements provide for increase in rent.
-Some of the agreements contain a provision for their renewal.

**Note 25: Segment Information**
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Company has only one operating segment, which is 'Visa related services'. The Company earns it's entire revenue from its operations in India. There is no single customer which contributes more than 10% of the Company's total revenues.

**Note 26: Micro, Small and Medium Enterprises**
There are no Micro, Small and Medium Enterprises, to whom the Company owes dues, which are outstanding as at March 31, 2019. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

**Note 27: Provision of PF based on SC Decision**
The Hon'ble Supreme Court of India ("SC") by their order dated February 28, 2019, set out the principles based on which allowances paid to the employees should be identified for inclusion in basic wages for the purposes of computation of provident fund contribution. Subsequently, a review petition against this decision has been filed and is pending before the SC for disposal. Management has accounted for the liability for the period from date of the SC order to 31 March 2019. Further, pending decision on the subject review petition and directions from the EPFO, the impact for the past period, if any, is not ascertainable and consequently no effect has been given in the accounts.

**Note 28: Recent Accounting Pronouncements**
Standards issued but not yet effective:
On March 30, 2019, Ministry of Corporate Affairs ("MCA") has notified the Ind AS 116 Leases which replaces the existing Ind AS 17 Leases. The new standard will come into force from April 1, 2019.
The core principle of the new standard lies in identifying whether the 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. The new standard modifies the accounting of leases in the books of lessee. At the commencement date, a lessee shall recognise a right-of-use asset and a lease liability, for all leases with a term of more than 12 months, unless the underlying asset is of a low value. The accounting for leases in the books of the lessor is substantially similar to the requirements of Ind AS 17.
The standard allows for two methods of transition: the full retrospective approach, requires entities to retrospectively apply the new standard to each prior reporting period presented and the entities need to adjust equity at the beginning of the earliest comparative period presented, or the modified retrospective approach, under which the date of initial application of the new leases standard, lessees recognize the cumulative effect of initial application as an adjustment to the opening balance of equity as of annual periods beginning on or after April 1, 2019.
The Company will adopt this standard using modified retrospective method effective April 1, 2019, and accordingly, the comparative for year ended March 31, 2019, will not be retrospectively adjusted. The effect on adoption of Ind AS 116 is being ascertained.

Signatures to Notes 1 to 28 form an integral part of the financial statements.

As per our report of even date
**For G. M. Kapadia & Co.**
Chartered Accountants
Firm Registration Number 104767W

**For and on behalf of the Board of Directors**

**Atul Shah**
Partner
Membership No. 39569

Date: May 21, 2018
Place: Mumbai

**Rajeev Kale**
Director
DIN: 6775970

Date: May 21, 2018
Place: Mumbai

**Abraham Alapatt**
Director
DIN No. 6809421

Date: May 21, 2018
Place: Mumbai

# B S R & Co. LLP

Chartered Accountants

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Chennai - 600 031, India.

Telephone : +91 44 4608 3100
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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, 2019, 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, 2019, 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. (a partnership firm with Registration No. BA61223) converted into B S R & Co. LLP (a Limited Liability Partnership with LLP Registration No. AAB-8181) with effect from October 14, 2013



**Registered Office :**
5th Floor, Lodha Excelus
Apollo Mills Compound
N.M. Joshi Marg, Mahalakshmi
Mumbai - 400 011

## Management's 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 management 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.

- 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, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 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".

(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, 2019 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, 2019.

(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

**S Sethuraman**
*Partner*
Membership No. 203491
Place: Chennai
Date: May 27, 2019

**Annexure A to the Independent Auditor's Report to the Members of Sterling Holiday Resorts (Kodaikanal) Limited for the year ended March 31, 2019**

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



(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 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, 2019 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 |

(b) According to the information and explanations given to us, there were no dues of duty of customs and duty of excise which have not been deposited with the appropriate authorities on account of any dispute. The particulars of dues of service tax as at March 31, 2019 which have not been deposited on account of dispute are as follows:

| Name of the Statute | Nature of dues | Amount in Rs. Lakhs | Period to which the amount relates | Forum where the dispute is pending |
|---|---|---|---|---|
| Finance Act, 1994 | Service Tax | 2.47 | April 2013 to March 2015 | CESTAT Chennai |
| Finance Act, 1994 | Service Tax | 10.02 | October 2014 to March 2016 | The Commissioner, Madurai |

(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 material fraud by the Company or 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 sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the financial statements as required by the applicable accounting standards.

(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.

**Annexure A to the Independent Auditor's Report to the Members of Sterling Holiday Resorts (Kodaikanal) Limited for the year ended March 31, 2019**



(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

Sethuraman S.

**S Sethuraman**
*Partner*
Membership No. 203491
Place: Chennai
Date: May 27, 2019

**Annexure B to the Independent Auditor's Report to the Members of Sterling Holiday Resorts (Kodaikanal) Limited for the year ended March 31, 2019**

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

**Report on the internal financial controls with reference to the 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, 2019 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, 2019, 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 with reference to the financial statements**

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.

**Annexure B to the Independent Auditor's Report to the Members of Sterling Holiday Resorts (Kodaikanal) Limited for the year ended March 31, 2019**



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

**S Sethuraman**
*Partner*
Membership No. 203491
Place: Chennai
Date: May 27, 2019

**Sterling Holiday Resorts (Kodaikanal) Limited**
**Balance sheet as at March 31, 2019**
*(All amounts in Rs. lakhs, unless otherwise stated)*

| | Note | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 3 | 42.56 | 21.26 |
| Financial assets | | | |
| i. Other financial assets | 4 | 21.37 | 18.59 |
| Other tax assets | 5 | 8.85 | 0.50 |
| Other non current assets | 6 | 4.25 | 5.13 |
| **Total non-current assets** | | **77.03** | **45.48** |
| **Current assets** | | | |
| Inventories | 7 | 5.01 | 6.01 |
| Financial assets | | | |
| i. Trade receivables | 8 | 8.92 | 19.13 |
| ii. Cash and cash equivalents | 9 | 8.53 | 3.31 |
| iii. Loans | 10 | 1.00 | 1.00 |
| iv. Other financial assets | 4 | 6.76 | 6.34 |
| Other current assets | 6 | 15.26 | 53.25 |
| **Total current assets** | | **45.48** | **89.04** |
| **Total Assets** | | **122.51** | **134.52** |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Equity share capital | 11 | 5.00 | 5.00 |
| Other equity | | | |
| Reserves and surplus | 12 | (1,020.26) | (879.24) |
| Other reserves | 13 | 111.78 | 111.78 |
| **Total equity** | | **(903.48)** | **(762.46)** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Financial liabilities | | | |
| i. Borrowings | 14 A | - | 501.34 |
| Provisions | | | |
| i. Provision for employee benefit obligations | 16 | 19.67 | 22.62 |
| **Total non-current liabilities** | | **19.67** | **523.96** |
| **Current liabilities** | | | |
| Financial liabilities | | | |
| i. Borrowings | 14B | 799.13 | - |
| ii. Trade payables | 17 | | |
| Total outstanding dues of micro enterprises and small enterprises | | 0.24 | - |
| Total outstanding dues of creditors other than micro enterprises and small enterprises | | 42.59 | 45.90 |
| iii. Other financial liabilities | 18 | 127.84 | 271.90 |
| Provisions | | | |
| i. Provision for employee benefit obligations | 16 | 7.62 | 6.67 |
| ii. Other provisions | 19 | 1.11 | 1.11 |
| Other current liabilities | 20 | 27.79 | 47.44 |
| **Total current liabilities** | | **1,006.32** | **373.02** |
| **Total liabilities** | | **1,025.99** | **896.98** |
| **Total equity and liabilities** | | **122.51** | **134.52** |
| Significant accounting policies | 1.3 | | |

The accompanying notes are an integral part of these financial statements

**As per our report of even date**

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

S Sethuraman
*Partner*
Membership Number: 203491

Place: Chennai
Date: May 27, 2019

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

**Ramesh Shanmgam**
*Director*
DIN No.: 06646158

**M Balasubramaniyan**
*Director*
DIN No.: 03088801

Place: Chennai
Date: May 14, 2019

**Sterling Holiday Resorts (Kodaikanal) Limited**
**Statement of Profit and loss for the year ended March 31, 2019**
*(All amounts in Rs. lakhs, unless otherwise stated)*

| | Note | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|---|
| **Income** | | | |
| Revenue from operations | 21 | 981.04 | 1,003.61 |
| Other income | 22 | 77.19 | 31.38 |
| **Total income** | | **1,058.23** | **1,034.99** |
| **Expenses** | | | |
| Cost of materials consumed | 23 | 70.25 | 74.68 |
| Employee benefit expenses | 24 | 327.79 | 302.25 |
| Finance cost | 25 | 75.50 | 80.08 |
| Depreciation | 26 | 3.38 | 1.93 |
| Other expenses | 27 | 726.49 | 616.58 |
| **Total expenses** | | **1,203.41** | **1,075.52** |
| **Loss before tax** | | **(145.18)** | **(40.53)** |
| **Income tax expense** | | | |
| Current tax | 28 | - | - |
| Deferred tax | | - | - |
| **Loss for the year** | | **(145.18)** | **(40.53)** |
| **Other comprehensive income** | | | |
| *Items that will not be reclassified to profit or loss* | | | |
| Remeasurement of post employment benefit obligations | | 4.16 | (1.50) |
| Income tax relating to these items | | - | - |
| **Other comprehensive income for the year, net of tax** | | **4.16** | **(1.50)** |
| **Total comprehensive income for the year** | | **(141.02)** | **(42.03)** |
| **Earnings per share (Face value of Rs. 10 each)** | | | |
| Basic and diluted earnings per share (in Rs.) | 38 | (290.36) | (81.06) |
| 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

Sethuraman

**S Sethuraman**
*Partner*
Membership Number: 203491

Place: Chennai
Date: May 27, 2019

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

M. Balasubramaniyan

**Ramesh Shanmugam**
*Director*
DIN No.: 06646158

**M Balasubramaniyan**
*Director*
DIN No.: 03088801

Place: Chennai
Date: May 14, 2019

Sterling Holiday Resorts (Kodaikanal) Limited
Statement of changes in equity as at March 31, 2019
*(All amounts in Rs. lakhs, unless otherwise stated)*

**I) Equity share capital**

| | Note | Amount |
|---|---|---|
| Balance as at April 1, 2017 | | 5.00 |
| Changes in equity share capital during the year | 11 | - |
| **Balance as at March 31, 2018** | | 5.00 |
| Changes in equity share capital during the year | 11 | - |
| **Balance as at March 31, 2019** | | 5.00 |

**II) Other equity**

| | Notes | Reserves and surplus | Other reserves | Total |
|---|---|---|---|---|
| | | Retained earnings | Contribution from holding company | |
| **Balance as at April 1, 2017** | | (837.21) | 111.78 | (725.43) |
| Loss for the year | 12 & 13 | (40.53) | - | (40.53) |
| Other comprehensive income | 12 & 13 | (1.50) | - | (1.50) |
| **Balance as at March 31, 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** | | (1,020.26) | 111.78 | (908.48) |

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

Sethuraman

**S Sethuraman**
*Partner*
Membership Number: 203491

Place: Chennai
Date: May 27, 2019

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

R Ramesh　M. Balasubramaniyan

**Ramesh Shanmugam**
*Director*
DIN No.: 06646158

**M Balasubramaniyan**
*Director*
DIN No.: 03088801

Place: Chennai
Date: May 14, 2019

**Sterling Holiday Resorts (Kodaikanal) Limited**
**Statement of cash flows for the year ended March 31, 2019**
*(All amounts in Rs. lakhs, unless otherwise stated)*

| | Note | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| **Profit/(loss) before income tax** | | **(145.18)** | **(40.53)** |
| Adjustments for: | | | |
| Depreciation | 26 | 3.38 | 1.93 |
| Finance cost | 25 | 75.50 | 80.08 |
| **Operating cash flow before working capital changes** | | **(66.30)** | **41.48** |
| **Change in operating assets and liabilities** | | | |
| (Increase)/decrease in trade receivables | 8 | 10.21 | (3.50) |
| Decrease in inventories | 7 | 1.00 | 0.32 |
| (Increase) in other financial assets | 4 | (3.20) | (4.36) |
| (Increase)/decrease in other non current assets | 6(a) | 0.88 | (5.13) |
| (Increase)/decrease in other current assets | 6 | 37.99 | (42.91) |
| (Decrease) in trade payables | 17 | (3.07) | (1.29) |
| Increase/(decrease) in other financial liabilities | | 0.05 | (1.46) |
| Increase in employee benefit obligations | | 2.16 | 6.64 |
| Increase/(decrease) in other current liabilities | 20 | (19.65) | 16.67 |
| **Cash generated from/(used in) operations** | | **(39.93)** | **6.46** |
| Income tax paid | | (8.35) | (0.50) |
| **Net cash generated from/(used in) operating activities** | | **(48.28)** | **5.96** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | (24.64) | (1.93) |
| **Net cash used in investing activities** | | **(24.64)** | **(1.93)** |
| **Cash flows from financing activities** | | | |
| Proceeds from loan taken from holding Company | | 1,515.59 | 1,384.25 |
| Repayment of loan from holding company | | (1,383.99) | (1,321.56) |
| Interest paid | | (53.46) | (65.29) |
| **Net cash generated from/(used in) financing activities** | | **78.14** | **(2.60)** |
| **Net increase in cash and cash equivalents** | | **5.22** | **1.43** |
| Cash and cash equivalents at the beginning of the financial year | 9 | 3.31 | 1.88 |
| **Cash and cash equivalents at end of the year** | | **8.53** | **3.31** |
| **Reconciliation of cash and cash equivalents as per the cash flow statement:** | | | |
| Cash and cash equivalents comprise of the following : | | | |
| Cash and cash equivalents | 9 | 8.53 | 3.31 |
| Balance as per statement of cash flows | | 8.53 | 3.31 |
| 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

Sethuraman

**S Sethuraman**
*Partner*
Membership Number: 203491

Place: Chennai
Date: May 27, 2019

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

R Ramesh

**Ramesh Shammugam**
*Director*
DIN No.: 06646158

Place: Chennai
Date: May 14, 2019

M. Balasubramaniyan

**M Balasubramaniyan**
*Director*
DIN No.: 03088801

**Sterling Holiday Resorts (Kodaikanal) Limited**
**Notes to the financial statements as at and for the year ended March 31, 2019**

## 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 authorized for issue by the Company's Board of Directors on May 14, 2019.

**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 Managing Director (MD) 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. 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 recognized in profit or loss.

B S R & Co. LLP * Chartered Accountants *

HOLIDAY RESORTS (KODAIKANAL) CHENNAI

## 1.3. Significant accounting policies

### 1.3.1. Revenue recognition

The Company has 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 is recognised at the date of initial application (i.e. April 1, 2018) and included in retained earnings.

Under Ind AS 115 an entity should recognize 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 recognizing 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.

There is no significant impact due to the adoption of Ind AS 115, Revenue from Contracts with Customers.

### 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 recognized 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.

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

### 1.3.3. Leases

**a) As a lessee:**

At inception of an arrangement, it is determined whether the arrangement is or contains a lease. Leases of property, plant and equipment where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings or other financial liabilities as appropriate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

**b) As a lessor:**

Lease income from operating leases where the Company is a lessor is recognized as income in accordance with the terms of the arrangement. The respective leased assets are included in the balance sheet on the lease being classified as an operating lease and the ownership, risk and rewards pertaining to the assets are retained by the Company.

### 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 recognized 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

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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 recognized initially at fair value and subsequently measured at amortized 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 realizable value. Cost is determined using the first-in-first out (FIFO) method. The cost comprise of purchase price, non-refundable taxes and delivery handling cost incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. 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 amortized 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).

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-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. Amortized 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 amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized 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 recognized in profit and loss.

When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized 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 amortized 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 recognized 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.

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**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 recognized 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 recognized 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 amortized 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 recognized from initial recognition of the receivables.

At each reporting date, the Company assesses whether financial assets carried at amortized 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 derecognized 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

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asset is derecognized. Where the entity has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognized.

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 derecognized 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 recognized 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 recognized 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 derecognized 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).

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### 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 recognized initially at their fair value and subsequently measured at amortised cost using the effective interest method.

### 1.3.11. Borrowings

Borrowings are initially recognized 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 recognized 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 recognized 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 recognized 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 recognized 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.

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- 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. Recent accounting pronouncements

**Standards issued but not yet effective**

**Ind AS 116, Leases**

The Company is required to adopt Ind AS 116, leases from April 1, 2019. 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 use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. Lessors continue to classify leases as finance or operating leases. It replaces existing leases guidance, Ind AS 17, leases.

The Company is in the process of assessing the impact of Ind AS 116 on its standalone financial statements

**a) Leases in which the Company is a lessee**

The Company will recognise new assets and liabilities for its operating leases of offices, resorts and staff accommodation. The nature of expenses related to those leases will now change because the Company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Company recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

In addition, the Company will no longer recognise provisions for operating leases that it assesses to be onerous. Instead, the Company will include the payments due under the lease in its lease liability and apply Ind AS 36, Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment.

No significant impact is expected for the Company's finance leases.

**b) Leases in which the company is a lessor**

The Company will reassess the classification of sub-leases in which the Company is a lessor. No significant impact is expected for other leases in which the Company is a lessor.

**C) Transition**

The Company plans to apply Ind AS 116 initially on April 1, 2019, using the modified retrospective approach without restating the comparative financial statements. Under this approach the right of use asset will be equal to the present value of future lease commitments as on March 31, 2019. Hence there will be no impact, on transition to Ind AS 116, to opening retained earnings.

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The Company plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply Ind AS 116 to all contracts entered into before April 1, 2019 and identified as leases in accordance with Ind AS 17.

**Ind AS 12 Income Taxes (amendments relating to income tax consequences of dividend and uncertainty over income tax treatments)**

The amendment relating to income tax consequences of dividend clarify that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. The Company does not expect any impact from this pronouncement.

The amendment to Appendix C of Ind AS 12 specifies that the amendment is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. It outlines the following: (1) the entity has to use judgement, to determine whether each tax treatment should be considered separately or whether some can be considered together. The decision should be based on the approach which provides better predictions of the resolution of the uncertainty (2) the entity is to assume that the taxation authority will have full knowledge of all relevant information while examining any amount (3) entity has to consider the probability of the relevant taxation authority accepting the tax treatment and the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates would depend upon the probability. The Company does not expect any significant impact of the amendment on its financial statements.

**Ind AS 19 – Plan amendment, curtailment or settlement**

The amendments clarify that if a plan amendment, curtailment or settlement occurs, it is mandatory that the current service cost and the net interest for the period after the re-measurement are determined using the assumptions used for the re-measurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Company does not expect this amendment to have any significant impact on its financial statements.

**Ind AS 23 – Borrowing Costs**

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. The Company does not expect any impact from this amendment.

**1.3.17. 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 realization 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.

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### 1.3.18. 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 recognized 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.

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

## 3 Property, plant and equipment

Reconciliation of the carrying value for the year ended March 31, 2018 are as follows:

| Asset Description | Gross carrying amount | | | | Accumulated depreciation | | | | Net carrying amount | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at April 1, 2017 | Additions | Disposals | As at March 31, 2018 | As at April 1, 2017 | Depreciation for the year | Disposals | As at March 31, 2018 | As at March 31, 2017 | As at March 31, 2018 |
| Building | 1.31 | - | - | 1.31 | 0.04 | 0.02 | - | 0.06 | 1.27 | 1.25 |
| Computer equipment | 0.13 | 0.36 | - | 0.49 | 0.13 | 0.02 | - | 0.15 | 0.00 | 0.34 |
| Plant and machinery | 23.53 | 0.56 | - | 24.09 | 3.61 | 1.59 | - | 5.20 | 19.92 | 18.89 |
| Office equipment | - | 0.22 | - | 0.22 | - | 0.00 | - | 0.00 | - | 0.22 |
| Electrical installations | - | 0.69 | - | 0.69 | - | 0.28 | - | 0.28 | - | 0.41 |
| Furniture and fixtures | 0.15 | 0.08 | - | 0.23 | 0.06 | 0.02 | - | 0.08 | 0.09 | 0.15 |
| **Total** | **25.12** | **1.91** | **-** | **27.03** | **3.84** | **1.93** | **-** | **5.77** | **21.28** | **21.26** |

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 | As at April 1, 2018 | Depreciation for the year | Disposals | As at March 31, 2019 | As at March 31, 2018 | As at March 31, 2019 |
| Building | 1.31 | - | - | 1.31 | 0.06 | 0.03 | - | 0.09 | 1.25 | 1.22 |
| Computer equipment | 0.49 | - | - | 0.49 | 0.15 | 0.06 | - | 0.21 | 0.34 | 0.28 |
| Plant and machinery | 24.09 | 7.91 | - | 32.00 | 5.20 | 1.97 | - | 7.17 | 18.89 | 24.83 |
| Office equipment | 0.22 | - | - | 0.22 | 0.00 | 0.00 | - | 0.01 | 0.22 | 0.21 |
| Electrical installations | 0.69 | 6.08 | - | 6.77 | 0.28 | 0.48 | - | 0.76 | 0.41 | 6.01 |
| Vehicles | - | 7.87 | - | 7.87 | - | 0.76 | - | 0.76 | - | 7.11 |
| Furniture and fixtures | 0.23 | 2.82 | - | 3.05 | 0.08 | 0.07 | - | 0.15 | 0.15 | 2.90 |
| **Total** | **27.03** | **24.69** | **-** | **51.72** | **5.77** | **3.37** | **-** | **9.14** | **21.26** | **42.56** |

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Notes forming part of financial statements as at and for the year ended March 31, 2019
*(All amounts in Rs. lakhs, unless otherwise stated)*

**4 Other financial assets**

| | As at March 31, 2019 | | As at March 31, 2018 | |
|---|---|---|---|---|
| | Current | Non Current | Current | Non Current |
| Security deposits | - | 21.37 | - | 18.59 |
| Unbilled revenue | 6.76 | - | 6.34 | - |
| **Total** | **6.76** | **21.37** | **6.34** | **18.59** |

**5 Other tax assets**

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| Taxes receivable | 8.85 | 0.50 |
| **Total** | **8.85** | **0.50** |

**6 Other assets**

| | As at March 31, 2019 | | As at March 31, 2018 | |
|---|---|---|---|---|
| | Current | Non Current | Current | Non Current |
| Prepaid expenses | 13.37 | 4.25 | 10.85 | 5.13 |
| Employee advances | - | - | - | - |
| Advances to suppliers | 1.14 | - | 0.48 | - |
| Balances with statutory authorities | 0.75 | - | 41.92 | - |
| **Total** | **15.26** | **4.25** | **53.25** | **5.13** |

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **7 Inventories** | | |
| Food and beverages | 1.01 | 1.40 |
| Operating supplies | 4.00 | 4.61 |
| **Total** | **5.01** | **6.01** |
| **8 Trade receivables** | | |
| Considered good | 8.92 | 19.13 |
| Considered doubtful | 0.25 | 0.25 |
| | **9.17** | **19.38** |
| Less: Loss allowance | (0.25) | (0.25) |
| **Total** | **8.92** | **19.13** |
| Of the above, trade receivables from related parties are as below: | | |
| Total trade receivables from related parties (Refer Note 32) | 1.62 | 1.68 |
| Less: Loss allowance | - | - |
| **Net trade receivables** | **1.62** | **1.68** |

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

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **9 Cash and cash equivalents** | | |
| Balances with banks | | |
| - in current accounts | 7.14 | 2.66 |
| Cash on hand | 1.39 | 0.65 |
| **Total** | **8.53** | **3.31** |
| **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**

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **Authorised** | | |
| 0.5 lakhs (March 31, 2018: 0.5 lakhs) equity shares of Rs.10 each | 5.00 | 5.00 |
| **Issued, subscribed and paid-up** | | |
| 0.5 lakhs (March 31, 2018: 0.5 lakhs) equity shares of Rs.10 each | 5.00 | 5.00 |
| | **5.00** | **5.00** |

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

| | March 31, 2019 | | March 31, 2018 | |
|---|---|---|---|---|
| | 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, 2019 | | March 31, 2018 | |
|---|---|---|---|---|
| | 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, 2019 | | March 31, 2018 | |
|---|---|---|---|---|
| | 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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## 12 Reserves and surplus

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| Retained earnings | (1,020.26) | (879.24) |
| **Total** | **(1,020.26)** | **(879.24)** |

**Movement in retained earnings balances is as follows :**

| | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Opening balance | (879.24) | (837.21) |
| Loss for the year | (145.18) | (40.53) |
| *Items of other comprehensive income recognised directly in retained earnings* | | |
| - Remeasurements of post-employment benefit obligation, net of tax | 4.16 | (1.50) |
| **Closing balance** | **(1,020.26)** | **(879.24)** |

## 13 Other reserves

| | Contribution from Holding Company | |
|---|---|---|
| | March 31, 2019 | March 31, 2018 |
| 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.

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **14 A Non-current borrowings** | | |
| Unsecured loan from holding company | - | 501.34 |
| **Total** | **-** | **501.34** |
| **14 B Current borrowings** | | |
| Unsecured loan from holding company | 799.13 | 166.15 |
| | **799.13** | **166.15** |
| Less: Amount included under 'Other financial liabilities' | - | 166.15 |
| **Total** | **799.13** | **-** |

**Unsecured loan from holding company**
Unsecured loan amounting to Rs. 799.13 lakhs outstanding as on March 31, 2019 (March 31, 2018: Rs. 667.49 lakhs) from Sterling Holiday Resorts Limited (holding company) carries an interest rate of 10% and is repayable on demand.

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*(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, 2019 | As at March 31, 2018 |
|---|---|---|
| **Deferred tax liabilities** | | |
| Depreciation | 1.41 | 1.15 |
| **Total deferred tax liabilities** | **1.41** | **1.15** |
| **Deferred tax assets** | | |
| Unabsorbed depreciation allowance and business loss carried forward | 150.27 | 110.26 |
| Provision for employee benefits | 10.60 | 9.56 |
| Set-off of deferred tax assets to the extent of deferred tax liabilities | (1.41) | (1.15) |
| Net deferred tax asset/ liability as per the balance sheet | - | - |
| **Unrecognised deferred tax assets** | **159.46** | **118.67** |

**Movement in deferred tax liabilities**

| | Depreciation |
|---|---|
| At April 1, 2017 | 1.04 |
| Charged/(credited): | |
| - to profit or loss | 0.11 |
| - to other comprehensive income | - |
| **At March 31, 2018** | **1.15** |
| Charged/(credited): | |
| - to profit or loss | 0.26 |
| - to other comprehensive income | - |
| **At March 31, 2019** | **1.41** |

**Movement in deferred tax assets**

| | Unabsorbed depreciation allowance and business loss carried forward | Provision for employee benefits | Provision for doubtful debts | Total |
|---|---|---|---|---|
| At April 1, 2017 | 124.76 | 6.49 | - | 131.25 |
| Movement during the year | (14.50) | 1.92 | - | (12.58) |
| **At March 31, 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** |

In the absence of reasonable certainty that the Company will be able to used 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, 2019 | | | As at March 31, 2018 | | |
|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | Total |
| Compensated absence | 1.25 | 3.45 | 4.70 | 1.71 | 5.09 | 6.79 |
| Gratuity | 6.37 | 16.22 | 22.59 | 4.96 | 17.53 | 22.49 |
| **Total** | **7.62** | **19.67** | **27.29** | **6.67** | **22.62** | **29.29** |

**(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, 2019 | March 31, 2018 |
|---|---|---|
| **Opening present value of obligation** | **22.49** | **16.90** |
| Current service cost | 3.37 | 2.97 |
| Interest expense/(income) | 1.61 | 1.14 |
| **Total amount recognised in profit or loss** | **4.98** | **4.11** |
| *Remeasurements* | | |
| (Gain)/loss from change in demographic assumptions | (0.05) | - |
| (Gain)/loss from change in financial assumptions | (1.90) | (0.86) |
| Experience (gains)/losses | (2.17) | 2.34 |
| **Total amount recognised in other comprehensive income** | **(4.12)** | **1.48** |
| Benefit payments | (0.75) | - |
| **Closing present value of obligation** | **22.61** | **22.49** |
| The net liability disclosed above relates to funded and unfunded plans are as follows: | | |
| Unfunded plans | 22.61 | 22.49 |
| **(iii) Principal actuarial assumptions used in valuation of gratuity** | | |
| Discount rate | 7.13% | 7.41% |
| Salary growth rate | 4% | 7% |
| Attrition rate | 28% | 27% |

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, 2019 | March 31, 2018 |
|---|---|---|
| Discount rate: | | |
| + 100 basis points | (0.52) | (2.01) |
| - 100 basis points | 0.54 | 2.08 |
| Salary escalation rate: | | |
| + 100 basis points | 0.65 | 1.88 |
| - 100 basis points | (0.62) | (1.79) |
| **b) Compensated absence** | | |
| Discount rate: | | |
| + 100 basis points | (0.12) | (0.61) |
| - 100 basis points | 0.13 | 0.63 |
| Salary escalation rate: | | |
| + 100 basis points | 0.16 | 0.52 |
| - 100 basis points | (0.15) | (0.51) |

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.

**(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 basic 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.17.24 lakhs (March 31, 2018: Rs.16.60 lakhs)

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Sterling Holiday Resorts (Kodaikanal) Limited
Notes forming part of financial statements as at and for the year ended March 31, 2019
*(All amounts in Rs. lakhs, unless otherwise stated)*

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **17 Trade payables** | | |
| Dues to micro and small enterprises (Refer Note 36) | 0.24 | - |
| Dues to creditors other than micro and small enterprises | 42.59 | 45.90 |
| **Total** | **42.83** | **45.90** |

The Company's exposure to liquidity risks related to trade payables is disclosed in Note 30.

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **18 Other financial liabilities** | | |
| Current maturities of long-term borrowings (Refer Note 14B) | - | 166.15 |
| Interest accrued but not due on borrowings | 89.75 | 67.71 |
| Security deposits | 38.03 | 38.03 |
| Others | 0.06 | 0.01 |
| **Total** | **127.84** | **271.90** |
| **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 | 14.90 | 15.60 |
| Statutory liabilities | 6.70 | 28.27 |
| Advance received from customers | 6.19 | 3.57 |
| **Total** | **27.79** | **47.44** |

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Chennai

**Sterling Holiday Resorts (Kodaikanal) Limited**
**Notes forming part of financial statements as at and for the year ended March 31, 2019**
*(All amounts in Rs. lakhs, unless otherwise stated)*

| | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| **21 Revenue from operations** | | |
| **Disseggregation of revenue:** | | |
| **On the basis of nature of goods or services:** | | |
| **Sale of products** | | |
| Food and beverages | 269.14 | 286.48 |
| **Sale of services** | | |
| Income from resorts: | | |
| - Room rentals (Refer Note 32) | 583.92 | 608.11 |
| - Others | 109.42 | 89.71 |
| **Other operating revenues** | | |
| Service charges | 18.56 | 19.31 |
| **Total** | **981.04** | **1,003.61** |
| **On the basis of timing of transfer of goods or services:** | | |
| At a point in time | 397.12 | 395.50 |
| Over a period of time | 583.92 | 608.11 |
| **Total** | **981.04** | **1,003.61** |
| **22 Other income** | | |
| Interest income on bank deposits | 1.14 | - |
| Scrap sales | 0.33 | 0.42 |
| Management services income | 75.72 | 30.96 |
| **Total** | **77.19** | **31.38** |
| **23 Cost of materials consumed** | | |
| Inventory of materials at the beginning of the year | 1.40 | 2.27 |
| Add: Purchases | 69.86 | 73.81 |
| Less: Inventory of materials at the end of the year | 1.01 | 1.40 |
| **Cost of food, beverages and operating supplies consumed** | **70.25** | **74.68** |
| **24 Employee benefit expenses** | | |
| Salaries, wages and bonus | 257.13 | 238.79 |
| Contribution to provident and other funds | 23.51 | 22.45 |
| Gratuity and compensated absences | 4.08 | 5.16 |
| Staff welfare expenses | 43.07 | 35.85 |
| **Total** | **327.79** | **302.25** |
| **25 Finance cost** | | |
| Interest on financial liabilities not measued at fair value through profit and loss | 75.50 | 80.08 |
| **Total** | **75.50** | **80.08** |
| **26 Depreciation** | | |
| Depreciation of property, plant and equipment | 3.38 | 1.93 |
| **Total** | **3.38** | **1.93** |
| **27 Other expenses** | | |
| Consumption of stores and spares | 22.79 | 16.53 |
| Power and fuel | 91.23 | 92.15 |
| Rent | 84.95 | 48.66 |
| Repairs and maintenance: | | |
| -Building | 9.34 | 8.31 |
| -Plant and machinery | 15.70 | 11.34 |
| -Others | 3.47 | 1.84 |
| Insurance | 0.31 | 0.57 |
| Rates and taxes | 26.78 | 14.91 |
| Guest supplies | 16.60 | 12.64 |
| Laundry expenses | 19.66 | 14.43 |
| Communication | 1.92 | 1.74 |
| Recruitment and training | 1.96 | 0.80 |
| Travel and tours | 30.68 | 18.79 |
| Legal and professional | 4.76 | 5.54 |
| Management fees | 290.18 | 262.03 |
| Payment to statutory auditors: | | |
| As Auditor: | | |
| - Statutory audit | 3.50 | 3.50 |
| - Other services | 0.50 | - |
| Travel and conveyance | 12.52 | 11.47 |
| Security charges | 18.75 | 13.71 |
| Sales commission | 50.01 | 66.54 |
| Sales promotion | 1.85 | 1.92 |
| Bank charges | 5.17 | 5.44 |
| Printing and stationery | 2.90 | 3.55 |
| Miscellaneous expenses | 10.96 | 0.17 |
| **Total** | **726.49** | **616.58** |

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Sterling Holiday Resorts (Kodaikanal) Limited
Chennai

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

| | For the year ended | For the year ended |
|---|---|---|
| **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:** | | |
| Profit/(loss) before income tax expense | (145.18) | (40.53) |
| Tax at the Indian tax rate of 27.82% (Previous year: 32.45%) | (40.39) | (11.17) |
| Net tax effects of temporary differences which are (deductible)/disallowed in calculating taxable income | 1.92 | 7.73 |
| Tax impact of unrecognised tax losses | 38.47 | 3.44 |
| **Income tax expense** | - | - |
| **c) Tax losses** | | |
| Amount of deductible temporary differences on which no deferred tax assets has been recognised | 33.04 | 30.51 |
| Unused tax losses for which no deferred tax assets have been recognised | 540.14 | 400.19 |
| Potential tax benefit at 27.82% (Previous year: 32.445%) | 159.46 | 139.76 |

**Tax losses on account of unrecognised deferred tax assets**

| **Date of Expiry to Carry Forward** | **March 31, 2019** | **March 31, 2018** |
|---|---|---|
| 31-Mar-28 | 138.32 | |
| 31-Mar-27 | 9.56 | 12.81 |
| 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 | 92.84 |
| Indefinite period to carry forward | 21.78 | 16.90 |
| **Total** | **540.14** | **400.19** |

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

**29 Fair value measurements**

**Financial instruments by category**

| | March 31, 2019 | | | March 31, 2018 | | |
|---|---|---|---|---|---|---|
| | FVTPL | FVOCI | Amortised cost | FVTPL | FVOCI | Amortised cost |
| **Financial assets** | | | | | | |
| Trade receivables | - | - | 8.92 | - | - | 19.13 |
| Cash and cash equivalents | - | - | 8.53 | - | - | 3.31 |
| Loans | - | - | 1.00 | - | - | 1.00 |
| Unbilled revenue | - | - | 6.76 | - | - | 6.34 |
| Security deposits | - | - | 21.37 | - | - | 18.59 |
| **Total financial assets** | - | - | **46.58** | - | - | **48.37** |
| ***Financial liabilities*** | | | | | | |
| Borrowings | - | - | 799.13 | - | - | 667.49 |
| Interest accrued and not due on borrowings | - | - | 89.75 | - | - | 67.71 |
| Trade payables | - | - | 42.59 | - | - | 45.90 |
| Security deposits | - | - | 38.03 | - | - | 38.03 |
| Interest payable | - | - | 0.06 | - | - | - |
| Share application money | - | - | - | - | - | - |
| **Total financial liabilities** | - | - | **969.56** | - | - | **819.13** |

**(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, 2019 | Notes | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| **Financial liabilities** | | | | | |
| Borrowings | 14A & 14B | - | - | 799.13 | **799.13** |
| Interest accrued and not due on borrowings | 18 | - | - | 89.75 | **89.75** |
| **Total** | | - | - | **888.88** | **888.88** |

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

| At March 31, 2018 | Notes | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| **Financial liabilities** | | | | | |
| Borrowings | 14A & 14B | - | - | 667.49 | **667.49** |
| Interest accrued and not due on borrowings | 18 | - | - | 67.71 | **67.71** |
| **Total** | | - | - | **735.20** | **735.20** |

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, 2019 | | March 31, 2018 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| **Financial liabilities** | | | | |
| Borrowings | 799.13 | 799.13 | 667.49 | 667.49 |
| Interest accrued and not due on borrowings | 89.75 | 89.75 | 67.71 | 67.71 |
| **Total** | **888.88** | **888.88** | **735.20** | **735.20** |

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.

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## 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 credit ratings | 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 |

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 forwarding-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:

| | | | Basis for recognition of expected credit loss provision | |
|---|---|---|---|---|
| **Internal rating** | **Category** | **Description of category** | **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 |

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Sterling Holiday Resorts (Kodaikanal) Ltd

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

**For the year ended March 31, 2019 and March 31, 2018:**

**(a) Expected credit loss for deposits**
The estimated gross carrying amount at default is Nil (March 2018: 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, 2019**

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

**As at March 31, 2018**

| **Ageing** | **Upto 180 days past due** | **More than 180 days past due** | **Total** |
|---|---|---|---|
| Gross carrying amount | 18.02 | 1.36 | 19.38 |
| Expected loss rate | 0% | 18% | 1% |
| Expected credit losses (Loss allowance provision) | - | 0.25 | 0.25 |
| **Carrying amount of trade receivables (loss allowance provision)** | **18.02** | **1.11** | **19.13** |

**(b) Reconciliation of loss allowance provision- Trade receivables**

| | |
|---|---|
| **Loss allowance on April 1, 2017** | **0.25** |
| Changes in loss allowances due to | |
| Provision made during the year | - |
| **Loss allowance on March 31, 2018** | **0.25** |
| Changes in loss allowances due to | |
| Provision made during the year | - |
| **Loss allowance on March 31, 2019** | **0.25** |

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STERLING HOLIDAY RESORTS (KODAIKANAL) LTD CHENNAI

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

**(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:

a) all non-derivative financial liabilities, and

b) 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, 2019** | | | | | | |
| **Non-derivatives** | | | | | | |
| Borrowings | 888.88 | 908.86 | - | - | - | 908.86 |
| Trade payables | 42.59 | 42.59 | - | - | - | 42.59 |
| Other financial liabilities | 38.09 | 38.09 | - | - | - | 38.09 |
| **Total non-derivative liabilities** | **969.56** | **989.54** | - | - | - | **989.54** |
| **March 31, 2018** | | | | | | |
| **Non-derivatives** | | | | | | |
| Borrowings | 150.65 | 150.65 | 65.98 | 137.88 | 475.24 | 829.75 |
| Trade payables | 45.90 | 45.90 | - | - | - | 45.90 |
| Other financial liabilities | 38.04 | 38.04 | - | - | - | 38.04 |
| **Total non-derivative liabilities** | **234.59** | **234.59** | **65.98** | **137.88** | **475.24** | **913.69** |

**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, 2019, 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.

B S R & Co. LLP * Chartered Accountants *

STERLING HOLIDAY RESORTS (KODAIKANAL) LTD * CHENNAI *

*(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, 2019 | Ownership interest held by the group March 31, 2018 |
|---|---|---|---|
| Fairfax Financial Holdings Limited, Canada | Ultimate holding company | - | - |
| Thomas Cook (India) Limited | Intermediate holding company | - | - |
| Sterling Holiday Resorts Limited | Holding company | 98% | 98% |

### (b) Fellow subsidiaries with whom transactions have been entered

Sterling Holidays (Ooty) Limited
Nature Trails Resorts Private Limited
TC Tours Private Limited
SOTC Travel Services Private Limited
Travel Corporation (India) Limited

### (c) Transactions with related parties

Transactions with related parties are as follows:

| | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| **Sale of services** | | |
| Thomas Cook (India) Limited | 0.70 | 1.31 |
| TC Tours Private Limited | 2.24 | - |
| SOTC Travel Services Private Limited | 0.24 | 0.42 |
| Travel Corporation (India) Limited | 0.26 | - |
| **Rent expenses** | | |
| Sterling Holiday Resorts Limited | 67.93 | 30.96 |
| **Brand expenses** | | |
| Sterling Holiday Resorts Limited | 19.65 | - |
| **Miscellaneous income** | | |
| Sterling Holiday Resorts Limited | 75.72 | 30.96 |
| **Management fees** | | |
| Sterling Holiday Resorts Limited | 270.53 | 262.03 |
| **Interest on borrowings** | | |
| Sterling Holiday Resorts Limited | 75.45 | 80.08 |
| **Loans availed** | | |
| Sterling Holiday Resorts Limited | 1,515.59 | 1,384.25 |
| **Loans repaid** | | |
| Sterling Holiday Resorts Limited | 1,383.99 | 1,321.56 |

### (d) Outstanding balances as at year end

The following balances are outstanding at the end of the reporting period:

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **Trade receivables** | | |
| SOTC Travel Services Private Limited | - | 0.35 |
| Thomas Cook (India) Limited | 1.62 | 1.33 |
| **Total receivables from related parties** | **1.62** | **1.68** |
| **Borrowings** | | |
| Sterling Holiday Resorts Limited | 799.13 | 667.49 |
| **Interest accrued but not due** | | |
| Sterling Holiday Resorts Limited | 89.75 | 67.71 |

BSR & Co. LLP Chartered Accountants

Sterling Holiday Resorts (Kodaikanal) Limited Chennai

**33 Contingent liabilities and contingent assets**

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **Claims against the Company not acknowledged as debt:** | | |
| **(a)** Show cause notice issued for the wrong availment of service tax input credit | 12.49 | 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 2018-19, to the extent the Company has received intimation from the "Suppliers" regarding their status under the Act

| | | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|---|
| i | Principal amount due to suppliers registered under the MSMED Act and remaining unpaid as at year end | 0.24 | - |
| ii | Interest due to suppliers registered under the MSMED Act and remaining unpaid as at year end | 0.05 | - |
| iii | Principal amounts paid to suppliers registered under the MSMED Act, beyond the appointed date during the year | 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 | 0.00 | - |
| 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 | 0.00 | - |

**37** For the year ended March 31, 2019 the Company has incurred a net loss of Rs. 145.18 lakhs and as of that date, the net-worth of the Company has been fully eroded. The Company expects higher growth and profitability in future due to increase in occupancy rates and tariffs from property which was recently refurbished. Considering the future financial projections approved by the Board of Directors which reflect positive cash flow from operations, these financial statements are prepared on a going concern basis.

**38 Earnings per share**

| | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Loss attributable to the equity holders | (145.18) | (40.53) |
| Weighted average number of equity shares outstanding (in numbers) | 50,000 | 50,000 |
| **Basic & diluted earnings per share (in Rs.)** | (290.36) | (81.06) |

**39 Disclosure of specified bank notes**

The disclosures regarding details of specified bank notes held and transacted during November 8, 2016 to December 30, 2016 has not been made in these financial statements since the requirement does not pertain to financial year ended March 31, 2019.

**As per our report of even date**

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

S Sethuraman
*Partner*
Membership Number: 203491

Place: Chennai
Date: May 27, 2019

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: May 14, 2019

B S R & Co. LLP
Chartered Accountants

KRM Tower, 1st & 2nd Floor,
No 1, Harrington Road, Chetpet,
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, 2019, 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, 2019, 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.

## Management's 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 management 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.

- 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, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 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".

(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, 2019 on its financial position in its financial statements - Refer Note 34 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, 2019.

(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

Sethuraman S.

**S Sethuraman**
*Partner*
Membership No. 203491
Place: Chennai
Date: May 27, 2019

**Annexure A to the Independent Auditor's Report to the Members of Sterling Holidays (Ooty) Limited for the year ended March 31, 2019**

**(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)**



(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 sale of goods and the services rendered by 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 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, 2019 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 |

(b) According to the information and explanations given to us, 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 material fraud by the Company or 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

S Sethuraman

**S Sethuraman**
*Partner*
Membership No. 203491
Place: Chennai
Date: May 27, 2019

**Annexure B to the Independent Auditor's Report to the Members of Sterling Holidays (Ooty) Limited for the year ended March 31, 2019**

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

**Report on the internal financial controls with reference to the 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, 2019 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, 2019, 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 with reference to the financial statements**

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.

**Annexure B to the Independent Auditor's Report to the Members of Sterling Holidays (Ooty) Limited for the year ended March 31, 2019**



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

Sethuraman

**S Sethuraman**
*Partner*
Membership No. 203491
Place: Chennai
Date: May 27, 2019

**Sterling Holidays (Ooty) Limited**
**Balance sheet as at March 31, 2019**
*(All amounts in Rs. lakhs, unless otherwise stated)*

| | Notes | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 4 | 10.85 | 5.99 |
| Financial assets | | | |
| i. Other financial assets | 5 | 23.44 | 23.61 |
| Other tax assets | 5A | 0.66 | - |
| Deferred tax assets (net) | 15 | 10.18 | 12.21 |
| **Total non-current assets** | | **45.13** | **41.81** |
| **Current assets** | | | |
| Inventories | 6 | 5.07 | 4.32 |
| Financial assets | | | |
| i. Trade receivables | 7 | 17.81 | 44.02 |
| ii. Cash and cash equivalents | 8 | 3.17 | 1.83 |
| iii. Loans | 9 | - | 0.33 |
| iv. Other financial assets | 5 | 7.52 | 11.60 |
| Other current assets | 10 | 15.60 | 90.34 |
| **Total current assets** | | **49.17** | **152.44** |
| **Total assets** | | **94.30** | **194.25** |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Equity share capital | 11 | 5.00 | 5.00 |
| **Other equity** | | | |
| Reserves and surplus | 12 | (471.20) | (515.52) |
| Other reserves | 13 | 68.58 | 68.58 |
| **Total equity** | | **(397.62)** | **(441.94)** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Financial liabilities | | | |
| i. Borrowings | 14A | - | 150.71 |
| Provisions | | | |
| i. Provision for employee benefit obligations | 16 | 13.12 | 14.33 |
| **Total non-current liabilities** | | **13.12** | **165.04** |
| **Current liabilities** | | | |
| Financial liabilities | | | |
| i. Borrowings | 14B | 179.20 | - |
| ii. Trade payables | 17 | | |
| Total outstanding dues of micro enterprises and small enterprises | | 2.15 | - |
| Total outstanding dues of creditors other than micro enterprises and small enterprises | | 109.55 | 78.55 |
| iii. Other financial liabilities | 18 | 110.35 | 311.02 |
| Provisions | | | |
| i. Provision for employee benefit obligations | 16 | 6.14 | 6.02 |
| ii. Other provisions | 19 | 0.36 | 0.36 |
| Current tax liabilities | 20 | - | 25.90 |
| Other current liabilities | 21 | 71.05 | 49.30 |
| **Total current liabilities** | | **478.80** | **471.15** |
| **Total liabilities** | | **491.92** | **636.19** |
| **Total equity and liabilities** | | **94.30** | **194.25** |
| 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

S Sethuraman
*Partner*
Membership Number: 203491

Place: Chennai
Date: May 27, 2019

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

**Ramesh Shanmugam**
*Director*
DIN No.: 06646158

**M Balasubramaniyan**
*Director*
DIN No.: 03088801

Place: Chennai
Date: May 14, 2019

**Sterling Holidays (Ooty) Limited**
**Statement of profit and loss for the year ended March 31, 2019**
*(All amounts in Rs. lakhs, unless otherwise stated)*

| | Notes | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|---|
| **Income** | | | |
| Revenue from operations | 22 | 1,661.12 | 1,508.55 |
| Other income | 23 | 49.20 | 34.31 |
| **Total income** | | **1,710.32** | **1,542.86** |
| **Expenses** | | | |
| Cost of materials consumed | 24 | 109.17 | 114.13 |
| Employee benefit expenses | 25 | 313.02 | 301.63 |
| Finance costs | 26 | 26.69 | 63.39 |
| Depreciation | 27 | 1.12 | 0.51 |
| Other expenses | 28 | 1,210.06 | 941.91 |
| **Total expenses** | | **1,660.06** | **1,421.57** |
| **Profit before tax** | | **50.26** | **121.29** |
| **Income tax expense** | 29 | | |
| Current tax | | 16.12 | 15.98 |
| Deferred tax | | (8.55) | (2.75) |
| **Profit for the year** | | **42.69** | **108.06** |
| **Other comprehensive income** | | | |
| *Items that will not be reclassified to profit or loss* | | | |
| Remeasurement of post employment benefit obligations | | 2.25 | 1.68 |
| Income tax relating to this item | | (0.62) | (0.46) |
| **Other comprehensive income for the year, net of tax** | | **1.62** | **1.22** |
| **Total comprehensive income for the year** | | **44.31** | **109.28** |
| **Earnings per share (Face value of Rs. 10 each)** | | | |
| Basic and diluted earnings per share (in Rs.) | 39 | 100.52 | 242.58 |
| 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

Sethuraman

**S Sethuraman**
*Partner*
Membership Number: 203491

Place: Chennai
Date: May 27, 2019

For and on behalf of the Board of Directors
**Sterling Holidays (Ooty) Limited**
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**Ramesh Shanmugam**
*Director*
DIN No.: 06646158

M. Balasubramaniyan

**M Balasubramaniyan**
*Director*
DIN No.: 03088801

Place: Chennai
Date: May 14, 2019

**Sterling Holidays (Ooty) Limited**
**Statement of changes in equity for the year ended March 31, 2019**
*(All amounts in Rs. lakhs, unless otherwise stated)*

**I) Equity share capital**

| | Notes | Amount |
|---|---|---|
| **Balance as at April 1, 2017** | | 5.00 |
| Changes in equity share capital during the year | 11 | - |
| **Balance as at March 31, 2018** | | 5.00 |
| Changes in equity share capital during the year | 11 | - |
| **Balance as at March 31, 2019** | | 5.00 |

**II) Other equity**

| | Notes | Reserves and surplus | Other reserves | |
|---|---|---|---|---|
| | | Retained earnings | Contribution from holding company | Total |
| **Balance as at April 1, 2017** | | (624.80) | 68.58 | (556.22) |
| Profit for the year | 12 & 13 | 108.06 | - | 108.06 |
| Other comprehensive income, net of tax | 12 & 13 | 1.22 | - | 1.22 |
| **Balance as at March 31, 2018** | | (515.52) | 68.58 | (446.94) |
| Profit for the year | 12 & 13 | 42.69 | - | 42.69 |
| Other comprehensive income, net of tax | 12 & 13 | 1.63 | - | 1.63 |
| **Balance as at March 31, 2019** | | (471.20) | 68.58 | (402.62) |

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

S Sethuraman
*Partner*
Membership Number: 203491

Place: Chennai
Date: May 27, 2019

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

**Ramesh Shanmugam**
*Director*
DIN No.: 06646158

**M Balasubramaniyan**
*Director*
DIN No.: 03088801

Place: Chennai
Date: May 14, 2019

**Sterling Holidays (Ooty) Limited**
**Statement of cash flows as at March 31, 2019**
*(All amounts in Rs. lakhs, unless otherwise stated)*

| | Notes | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| **Profit before income tax** | | **50.26** | **121.29** |
| **Adjustments for** | | | |
| Depreciation | 27 | 1.12 | 0.51 |
| Provision for bad debts | 28 | - | - |
| Finance costs | 26 | 26.69 | 63.39 |
| **Operating cash flow before working capital changes** | | **78.07** | **185.19** |
| **Change in operating assets and liabilities** | | | |
| (Increase)/decrease in trade receivables | 7 | 26.21 | (3.54) |
| (Increase)/decrease in inventories | 6 | (0.75) | 1.16 |
| (Increase)/decrease in other financial assets | 5 | 4.58 | (9.04) |
| (Increase)/decrease in other current assets | 10 | 74.74 | (79.65) |
| Increase in trade payables | 17 | 33.15 | 3.69 |
| Increase in other financial liabilities | 18 | 2.38 | 1.36 |
| Increase in employee benefit obligations | 16 | 1.16 | 2.66 |
| Increase in other current liabilities | 21 | 21.75 | 0.53 |
| **Cash generated from operations** | | **241.29** | **102.36** |
| Income tax paid | | (32.71) | - |
| **Net cash generated from operating activities** | | **208.58** | **102.36** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | (5.98) | (2.02) |
| **Net cash used in investing activities** | | **(5.98)** | **(2.02)** |
| **Cash flows from financing activities** | | | |
| Proceeds from loan taken from holding company | | 2,447.32 | 1,936.28 |
| Repayment of loan from holding company | | (2,633.41) | (2,001.27) |
| Interest paid | | (15.17) | (34.25) |
| **Net cash used in financing activities** | | **(201.26)** | **(99.24)** |
| **Net increase in cash and cash equivalents** | | **1.34** | **1.10** |
| Cash and cash equivalents at the beginning of the financial year | 8 | 1.83 | 0.73 |
| **Cash and cash equivalents at end of the year** | | **3.17** | **1.83** |
| **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 | 3.17 | 1.83 |
| Balance as per statement of cash flows | | 3.17 | 1.83 |
| 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

Sethuraman

**S Sethuraman**
*Partner*
Membership Number: 203491

Place: Chennai
Date: May 27, 2019

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

**Ramesh Shanmugam**
*Director*
DIN No.: 06646158

M. Balasubramaniyan

**M Balasubramaniyan**
*Director*
DIN No.: 03088801

Place: Chennai
Date: May 14, 2019

**Sterling Holiday (Ooty) Limited**
**Notes to the financial statements as at and for the year ended March 31, 2019**

## 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 authorized for issue by the Company's Board of Directors on May 14, 2019.

**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 30).
- 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 Managing Director (MD) 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 36 for segment information presented.

### 1.2.3. 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 has 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 is recognised at the date of initial application (i.e. April 1, 2018) and included in retained earnings.

Under Ind AS 115 an entity should recognize 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 recognizing 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.

There is no significant impact due to the adoption of Ind AS 115, Revenue from Contracts with Customers.

### 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.

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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

**a) As a lessee:**

At inception of an arrangement, it is determined whether the arrangement is or contains a lease. Leases of property, plant and equipment where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings or other financial liabilities as appropriate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

**b) As a lessor:**

Lease income from operating leases where the Company is a lessor is recognised as income in accordance with the terms of the arrangement. The respective leased assets are included in the balance sheet on the lease being classified as an operating lease and the ownership, risk and rewards pertaining to the assets are retained by the Company.

### 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.

**1.3.7. Inventories**

Inventories comprising of provisions, perishables, beverages and operating supplies are stated at lower of cost and net realizable value. Cost is determined using the first-in-first out (FIFO) method. The cost comprise 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.

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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).

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.

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**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 31 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

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.

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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).

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### 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.

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**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.

**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.

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**1.3.15. Recent accounting pronouncements**

**Standards issued but not yet effective**

**Ind AS 116, Leases**

The Company is required to adopt Ind AS 116, leases from April 1, 2019. 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 use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. Lessors continue to classify leases as finance or operating leases. It replaces existing leases guidance, Ind AS 17, leases.

The Company is in the process of assessing the impact of Ind AS 116 on its standalone financial statements

**a) Leases in which the Company is a lessee**

The Company will recognise new assets and liabilities for its operating leases of offices, resorts and staff accommodation. The nature of expenses related to those leases will now change because the Company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Company recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

In addition, the Company will no longer recognise provisions for operating leases that it assesses to be onerous. Instead, the Company will include the payments due under the lease in its lease liability and apply Ind AS 36, Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment.

No significant impact is expected for the Company's finance leases.

**b) Leases in which the Company is a lessor**

The Company will reassess the classification of sub-leases in which the company is a lessor.

No significant impact is expected for other leases in which the Company is a lessor.

**c) Transition**

The Company plans to apply Ind AS 116 initially on April 1, 2019, using the modified retrospective approach without restating the comparative financial statements. Under this approach the right of use asset will be equal to the present value of future lease commitments as on March 31, 2019. Hence there will be no impact, on transition to Ind AS 116, to opening retained earnings.

The Company plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply Ind AS 116 to all contracts entered into before April 1, 2019 and identified as leases in accordance with Ind AS 17.

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**Ind AS 12 Income Taxes (amendments relating to income tax consequences of dividend and uncertainty over income tax treatments)**

The amendment relating to income tax consequences of dividend clarify that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. The Company does not expect any impact from this pronouncement.

The amendment to Appendix C of Ind AS 12 specifies that the amendment is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. It outlines the following: (1) the entity has to use judgement, to determine whether each tax treatment should be considered separately or whether some can be considered together. The decision should be based on the approach which provides better predictions of the resolution of the uncertainty (2) the entity is to assume that the taxation authority will have full knowledge of all relevant information while examining any amount (3) entity has to consider the probability of the relevant taxation authority accepting the tax treatment and the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates would depend upon the probability. The Company does not expect any significant impact of the amendment on its financial statements.

**Ind AS 19 – Plan amendment, curtailment or settlement**

The amendments clarify that if a plan amendment, curtailment or settlement occurs, it is mandatory that the current service cost and the net interest for the period after the re-measurement are determined using the assumptions used for the re-measurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Company does not expect this amendment to have any significant impact on its financial statements.

**Ind AS 23 – Borrowing Costs**

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. The Company does not expect any impact from this amendment.

**1.3.16. 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 realization 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.

**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.

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**Sterling Holiday (Ooty) Limited**
**Notes to the financial statements as at and for the year ended March 31, 2019**

## 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 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.

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

**4 Property, plant and equipment**

Reconciliation of carrying amount for the year ended March 31, 2018:

| Asset description | Gross carrying amount | | | | Accumulated depreciation | | | | Net carrying amount | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at April 1, 2017 | Additions | Disposals | As at March 31, 2018 | As at April 1, 2017 | Depreciation for the year | Disposals | As at March 31, 2018 | As at March 31, 2017 | As at March 31, 2018 |
| Plant and machinery | 4.42 | - | - | 4.42 | 0.64 | 0.29 | - | 0.93 | 3.78 | 3.49 |
| Furniture and fixtures | 0.25 | - | - | 0.25 | 0.05 | 0.02 | - | 0.07 | 0.20 | 0.18 |
| Office equipment | 0.79 | - | - | 0.79 | 0.66 | 0.07 | - | 0.73 | 0.13 | 0.06 |
| Electrical installations | 0.39 | 1.81 | - | 2.20 | 0.02 | 0.11 | - | 0.13 | 0.37 | 2.07 |
| Computer equipment | 0.04 | 0.20 | - | 0.24 | 0.03 | 0.02 | - | 0.05 | 0.01 | 0.19 |
| **Total** | **5.89** | **2.01** | - | **7.90** | **1.40** | **0.51** | - | **1.91** | **4.49** | **5.99** |

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 | As at April 1, 2018 | Depreciation for the year | Disposals | As at March 31, 2019 | As at March 31, 2018 | As at March 31, 2019 |
| Plant and machinery | 4.42 | 2.16 | - | 6.58 | 0.93 | 0.57 | - | 1.50 | 3.49 | 5.08 |
| Furniture and fixtures | 0.25 | 3.82 | - | 4.07 | 0.07 | 0.32 | - | 0.39 | 0.18 | 3.68 |
| Office equipment | 0.79 | - | - | 0.79 | 0.73 | 0.00 | - | 0.73 | 0.06 | 0.06 |
| Electrical installations | 2.20 | - | - | 2.20 | 0.13 | 0.20 | - | 0.33 | 2.07 | 1.87 |
| Computer equipment | 0.24 | - | - | 0.24 | 0.05 | 0.03 | - | 0.08 | 0.19 | 0.16 |
| **Total** | **7.90** | **5.98** | - | **13.88** | **1.91** | **1.12** | - | **3.03** | **5.99** | **10.85** |

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Sterling Holidays (Ooty) Limited
Notes forming part of financial statements as at and for the year ended March 31, 2019
*(All amounts in Rs. lakhs, unless otherwise stated)*

**5 Other financial assets**

| | As at March 31, 2019 | | As at March 31, 2018 | |
|---|---|---|---|---|
| | Current | Non Current | Current | Non Current |
| Security deposits | - | 23.44 | - | 23.61 |
| Unbilled revenue | 7.52 | - | 11.60 | - |
| **Total** | **7.52** | **23.44** | **11.60** | **23.61** |

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **5A Other tax assets** | | |
| Taxes receivable (net of provision for income tax of INR 5.36) | 0.66 | - |
| **Total** | **0.66** | - |
| **6 Inventories** | | |
| Food and beverages | 2.11 | 2.27 |
| Operating supplies | 2.96 | 2.05 |
| **Total** | **5.07** | **4.32** |
| **7 Trade receivables** | | |
| **Current - Unsecured** | | |
| Considered good | 17.81 | 44.02 |
| Considered doubtful | 4.55 | 4.55 |
| | **22.36** | **48.57** |
| Less: Loss allowance | (4.55) | (4.55) |
| **Total** | **17.81** | **44.02** |
| Of the above, trade receivables from related parties are as below: | | |
| Total trade receivables from related parties (Refer Note 33) | 4.58 | 2.17 |
| Loss allowance | - | - |
| **Net trade receivables** | **4.58** | **2.17** |

The Company's exposure to credit and currency risks, and loss allowances related to trade receivables are disclosed in Note 31.

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **8 Cash and cash equivalents** | | |
| Balances with banks | | |
| - in current accounts | 1.59 | 0.45 |
| Cash on hand | 1.58 | 1.38 |
| **Total** | **3.17** | **1.83** |
| **9 Loans** | | |
| Employee advances | - | 0.33 |
| **Total** | - | **0.33** |
| **10 Other current assets** | | |
| Prepaid expenses | 14.45 | 15.05 |
| Advances to suppliers | 1.15 | 11.03 |
| Balances with statutory authorities | - | 64.26 |
| **Total** | **15.60** | **90.34** |

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## 11 Equity share capital

**Authorised equity share capital**

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **Authorised** | | |
| 0.5 lakhs (March 31, 2018: 0.5 lakhs) equity shares of Rs.10 each | 5.00 | 5.00 |
| **Issued, subscribed and paid-up** | | |
| 0.5 lakhs (March 31, 2018: 0.5 lakhs) equity shares of Rs.10 each | 5.00 | 5.00 |
| | **5.00** | **5.00** |

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

| | March 31, 2019 | | March 31, 2018 | |
|---|---|---|---|---|
| | 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, 2019 | | March 31, 2018 | |
|---|---|---|---|---|
| | 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, 2019 | | March 31, 2018 | |
|---|---|---|---|---|
| | 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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**12 Reserves and surplus**

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| Retained earnings | (471.20) | (515.52) |
| **Total** | **(471.20)** | **(515.52)** |

**Movement in retained earnings balances is as follows :**

| | | |
|---|---|---|
| **(a) Retained earnings** | | |
| Opening balance | (515.52) | (624.80) |
| Profit for the year | 42.69 | 108.06 |
| *Items of other comprehensive income recognised directly in retained earnings* | | |
| - Remeasurements of post-employment benefit obligation | 2.25 | 1.68 |
| - Income tax relating to this item | (0.62) | (0.46) |
| **Closing balance** | **(471.20)** | **(515.52)** |

**13 Other reserves**

| | Contribution from holding company | |
|---|---|---|
| | **March 31, 2019** | **March 31, 2018** |
| 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.

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **14A Non-current borrowings** | | |
| Unsecured loan from holding company | - | 150.71 |
| **Total** | - | **150.71** |
| **14B Current borrowings** | | |
| Unsecured loan from holding company | 179.20 | 214.57 |
| | 179.20 | 214.57 |
| Less: Amount included under 'Other financial liabilities' | - | 214.57 |
| **Total** | 179.20 | - |

**Unsecured loan from holding company**

Unsecured loan amounting to Rs.179.20 lakhs outstanding as on March 31, 2019 (March 31, 2018: Rs. 365.28 lakhs) from Sterling Holiday Resorts Limited (holding company) carries an interest rate of 10% and is repayable on demand.

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

**15 Deferred tax assets**

The balance comprises temporary differences attributable to:

| **Deferred tax assets** | **As at March 31, 2019** | **As at March 31, 2018** |
|---|---|---|
| Property, plant and equipment | 0.50 | 0.29 |
| Provision for employee benefits | 9.68 | 1.99 |
| Provision for doubtful debts | - | - |
| MAT credit entitlement | - | 9.93 |
| Net deferred tax (asset)/ liability as per the balance sheet | (10.18) | (12.21) |
| **Unrecognised deferred tax assets** | - | - |

**Movement in deferred tax assets:**

| | **Property, plant and equipment** | **Provision for employee benefits** | **Provision for doubtful debts** | **MAT credit entitlement** | **Total** |
|---|---|---|---|---|---|
| At April 1, 2017 | 0.48 | 5.52 | 1.48 | - | 7.48 |
| Movement during the year | (0.19) | (3.53) | (1.48) | 9.93 | 4.73 |
| **At March 31, 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** | **0.49** | **9.69** | - | - | **10.18** |

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**16 Provision for employee benefit obligations**

| | March 31, 2019 | | | March 31, 2018 | | |
|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | Total |
| Compensated absence | 2.01 | 3.69 | 5.70 | 1.95 | 4.14 | 6.08 |
| Gratuity | 4.13 | 9.43 | 13.56 | 4.07 | 10.19 | 14.26 |
| **Total** | **6.14** | **13.12** | **19.26** | **6.02** | **14.33** | **20.34** |

**(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, 2019 | March 31, 2018 |
|---|---|---|
| **Opening present value of obligation** | **14.26** | **12.48** |
| Current service cost | 2.67 | 2.60 |
| Past service cost | - | - |
| Interest expense/(income) | 1.01 | 0.86 |
| **Total amount recognised in profit or loss** | **3.68** | **3.46** |
| ***Remeasurements:*** | | |
| (Gain)/loss from change in demographic assumptions | (0.07) | - |
| (Gain)/loss from change in financial assumptions | (1.33) | (0.60) |
| Experience (gains)/losses | (0.85) | (1.08) |
| **Total amount recognised in other comprehensive income** | **(2.25)** | **(1.68)** |
| Benefit payments | (2.13) | - |
| **Closing present value of obligation** | **13.56** | **14.26** |

The net liability disclosed above related to unfunded plans are as follows:

| | | |
|---|---|---|
| Unfunded plans | 13.56 | 14.26 |

**(iii) Principal actuarial assumptions used in valuation of gratuity**

| | | |
|---|---|---|
| Discount rate | 7.13% | 7.40% |
| Salary growth rate | 4% | 7% |
| Attrition rate | 28% | 27% |

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, 2019 | March 31, 2018 |
|---|---|---|
| **a) Gratuity** | | |
| Discount rate: | | |
| + 100 basis points | (0.35) | (1.26) |
| - 100 basis points | 0.41 | 1.31 |
| Salary escalation rate: | | |
| + 100 basis points | 0.48 | 1.12 |
| - 100 basis points | (0.42) | (1.03) |
| **b) Compensated absence** | | |
| Discount rate: | | |
| + 100 basis points | (0.15) | (0.51) |
| - 100 basis points | 0.14 | 0.55 |
| Salary escalation rate: | | |
| + 100 basis points | 0.18 | 0.47 |
| - 100 basis points | (0.17) | (0.44) |

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 basic 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.16.74 lakhs (March 31, 2018: Rs.13.06 lakhs).

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Sterling Holidays (Ooty) Ltd. Chennai

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

| | | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|---|
| **17** | **Trade payables** | | |
| | Dues to micro and small enterprises (Refer Note 38) | 2.15 | - |
| | Dues to creditors other than micro and small enterprises | 109.55 | 78.55 |
| | **Total** | **111.70** | **78.55** |

The Company's exposure to liquidity risks related to trade payables is disclosed in Note 31.

| | | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|---|
| **18** | **Other financial liabilities** | | |
| | **Current** | | |
| | Current maturities of long-term borrowings (Refer Note 14B) | - | 214.57 |
| | Interest accrued but not due on borrowings | 87.47 | 75.95 |
| | Security deposits | 22.56 | 20.25 |
| | Others | 0.32 | 0.25 |
| | **Total** | **110.35** | **311.02** |
| **19** | **Other provisions** | | |
| | Provision for fringe benefit tax | 0.36 | 0.36 |
| | **Total** | **0.36** | **0.36** |
| **20** | **Current tax liabilities** | | |
| | Provision for income tax | - | 25.90 |
| | **Total** | - | **25.90** |
| **21** | **Other current liabilities** | | |
| | Salaries, wages, bonus and other employee payables | 19.75 | 8.32 |
| | Statutory dues payable | 51.30 | 40.98 |
| | **Total** | **71.05** | **49.30** |

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STERLING HOLIDAYS (OOTY) LTD. * CHENNAI

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

| | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| **22 Revenue from operations** | | |
| **Dissegregation of revenue:** | | |
| **On the basis of nature of goods or services:** | | |
| **Sale of products** | | |
| Food and beverages | 402.09 | 393.12 |
| **Sale of services** | | |
| Income from resorts: | | |
| - Room rentals (Refer Note 33) | 1,103.54 | 986.74 |
| - Others | 127.94 | 102.89 |
| **Other operating revenues** | | |
| Service charges | 27.55 | 25.80 |
| **Total** | **1,661.12** | **1,508.55** |
| **On the basis of timing of transfer of goods or services:** | | |
| At a point in time | 557.58 | 521.81 |
| Over a period of time | 1,103.54 | 986.74 |
| **Total** | **1,661.12** | **1,508.55** |
| **23 Other income** | | |
| Scrap sales | 0.16 | 0.07 |
| Management services income | 49.04 | 34.24 |
| **Total** | **49.20** | **34.31** |
| **24 Cost of materials consumed** | | |
| Inventory of materials at the beginning of the year | 2.27 | 2.41 |
| Add: Purchases | 109.01 | 113.99 |
| Less: Inventory of materials at the end of the year | 2.11 | 2.27 |
| **Cost of food and beverages consumed** | **109.17** | **114.13** |
| **25 Employee benefit expense** | | |
| Salaries, wages and bonus | 245.79 | 220.98 |
| Contribution to provident and other funds | 22.98 | 17.59 |
| Gratuity and compensated absences | 3.53 | 4.35 |
| Staff welfare expenses | 40.72 | 58.71 |
| **Total** | **313.02** | **301.63** |
| **26 Finance cost** | | |
| Interest charges on financial liabilities not measured at fair value through profit and loss | 26.69 | 63.39 |
| **Total** | **26.69** | **63.39** |
| **27 Depreciation** | | |
| Depreciation of property, plant and equipment | 1.12 | 0.51 |
| **Total** | **1.12** | **0.51** |
| **28 Other expenses** | | |
| Consumption of stores and spares | 25.31 | 21.81 |
| Power and fuel | 122.85 | 120.46 |
| Rent | 176.39 | 43.95 |
| Repairs and maintenance: | | |
| - Building | 7.50 | 8.11 |
| - Plant and machinery | 21.71 | 20.65 |
| - Others | 3.50 | 4.27 |
| Insurance | 1.57 | 0.23 |
| Rates and taxes | 33.11 | 24.74 |
| Guest supplies | 23.01 | 27.23 |
| Laundry expenses | 24.07 | 20.69 |
| Communication | 3.74 | 1.38 |
| Printing & Stationery | 3.96 | - |
| Recruitment and training | 1.38 | 1.84 |
| Travel and tours | 58.76 | 37.83 |
| Legal and professional | 2.12 | 6.27 |
| Management and brand fees | 483.20 | 394.78 |
| Payment to statutory auditors: | | |
| As Auditor: | | |
| - Statutory audit | 3.50 | 3.50 |
| - Other services | 0.50 | - |
| Travel and conveyance | 8.17 | 7.31 |
| Security charges | 21.45 | 14.63 |
| Water charges | 25.45 | 29.22 |
| Sales commission | 121.47 | 122.67 |
| Sales promotion | 2.32 | 11.75 |
| Bank charges | 6.42 | 6.76 |
| Miscellaneous expenses | 28.60 | 11.83 |
| **Total** | **1,210.06** | **941.91** |

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

| | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| **29 Income tax expense** | | |
| **a) Amount recognised in profit or loss** | | |
| *Current tax* | | |
| Current tax for the year | 16.12 | 15.98 |
| **Total** | **16.12** | **15.98** |
| *Deferred tax expense* | | |
| (Increase)/Decrease in deferred tax assets | (8.55) | (2.75) |
| **Total** | **(8.55)** | **(2.75)** |
| **b) Reconciliation of tax expense and the accounting profit multiplied by India's tax rate:** | | |
| Profit before income tax expense | 50.26 | 121.29 |
| Tax at the Indian tax rate of 27.82% (Previous year: 32.45%) | 13.98 | 33.42 |
| Net tax effects of temporary differences which are (deductible)/disallowed in calculating taxable income | 2.13 | 10.58 |
| Previously unrecognised tax losses now recouped to reduce profit | - | (28.02) |
| **Income tax expense** | **16.12** | **15.98** |
| **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 27.55% | - | - |

**Tax losses on account of unrecognised deferred tax assets**

| **Date of expiry to carry forward** | **March 31, 2019** | **March 31, 2018** |
|---|---|---|
| 31-Mar-20 | - | - |
| 31-Mar-21 | - | - |
| 31-Mar-22 | - | - |
| Indefinite period to carry forward | - | - |
| **Total** | - | - |

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STERLING HOLIDAYS (OOTY) LTD. CHENNAI

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

## 30 Fair value measurements

**Financial instruments by category**

| | March 31, 2019 | | | March 31, 2018 | | |
|---|---|---|---|---|---|---|
| | **FVTPL** | **FVOCI** | **Amortised cost** | **FVTPL** | **FVOCI** | **Amortised cost** |
| **Financial assets** | | | | | | |
| Trade receivables | - | - | 17.81 | - | - | 44.02 |
| Cash and cash equivalents | - | - | 3.17 | - | - | 1.83 |
| Loans | - | - | - | - | - | 0.33 |
| Security deposits | - | - | 23.44 | - | - | 23.61 |
| Unbilled revenue | - | - | 7.52 | - | - | 11.60 |
| **Total financial assets** | - | - | **51.94** | - | - | **81.39** |
| **Financial liabilities** | | | | | | |
| Borrowings | - | - | 179.20 | - | - | 365.28 |
| Interest accrued and not due on borrowings | - | - | 87.47 | - | - | 75.95 |
| Trade payables | - | - | 109.55 | - | - | 78.55 |
| Security deposits | - | - | 22.56 | - | - | 20.25 |
| Share application money | - | - | 0.32 | - | - | 0.25 |
| Interest payable | - | - | - | - | - | - |
| **Total financial liabilities** | - | - | **399.10** | - | - | **540.28** |

**(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, 2019** | **Notes** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|---|
| **Financial Liabilities** | | | | | |
| Borrowings | 14A & 14B | - | - | 179.20 | **179.20** |
| Interest accrued and not due on borrowings | 18 | - | - | 87.47 | **87.47** |
| **Total financial liabilities** | | - | - | **266.67** | **266.67** |

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

| **At March 31, 2018** | **Notes** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|---|
| **Financial Liabilities** | | | | | |
| Borrowings | 14A & 14B | - | - | 365.28 | **365.28** |
| Interest accrued and not due on borrowings | 18 | - | - | 75.95 | **75.95** |
| **Total financial liabilities** | | - | - | **441.23** | **441.23** |

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, 2019 | | March 31, 2018 | |
|---|---|---|---|---|
| | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** |
| **Financial Liabilities** | | | | |
| Borrowings | 179.20 | 179.20 | 365.28 | 365.28 |
| Interest accrued and not due on borrowings | 87.47 | 87.47 | 75.95 | 75.95 |
| **Total financial liabilities** | **266.67** | **266.67** | **441.23** | **441.23** |

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.

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## 31 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 Credit ratings | 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 forwarding-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:

| | | | Basis for recognition of expected credit loss provision | |
|---|---|---|---|---|
| Internal rating | Category | Description of category | 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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*(All amounts in Rs. lakhs, unless otherwise stated)*

**For the year ended March 31, 2019 and March 31, 2018:**

**(a) Expected credit loss for deposits**

The estimated gross carrying amount at default is Nil (March 2018: 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, 2019**

| **Ageing** | **Upto 180 days past due** | **More than 180 days past due** | **Total** |
|---|---|---|---|
| Gross carrying amount | 20.30 | 2.06 | 22.36 |
| Expected loss rate | 12% | 100% | 20% |
| Expected credit losses (Loss allowance provision) | 2.49 | 2.06 | 4.55 |

**As at March 31, 2018**

| **Ageing** | **Upto 180 days past due** | **More than 180 days past due** | **Total** |
|---|---|---|---|
| Gross carrying amount | 47.02 | 1.55 | 48.57 |
| Expected loss rate | 6% | 100% | 9% |
| Expected credit losses (Loss allowance provision) | 3.00 | 1.55 | 4.55 |

**(c) Reconciliation of loss allowance provision- Trade receivables**

| | |
|---|---|
| **Loss allowance on April 1, 2017** | **4.55** |
| Changes in loss allowances due to | |
| Provision made in the year | - |
| Recoveries | - |
| **Loss allowance on March 31, 2018** | **4.55** |
| Changes in loss allowances due to | |
| Provision made in the year | - |
| Recoveries | - |
| **Loss allowance on March 31, 2019** | **4.55** |

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

**(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, 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** |
| **March 31, 2018** | | | | | | |
| **Non-derivatives** | | | | | | |
| Borrowings | 162.86 | 162.86 | 93.95 | 30.58 | 188.71 | 476.10 |
| Trade payables | 78.55 | 78.55 | - | - | - | 78.55 |
| Other financial liabilities | 20.50 | 20.50 | - | - | - | 20.50 |
| **Total non-derivative liabilities** | **261.91** | **261.91** | **93.95** | **30.58** | **188.71** | **575.15** |

**32 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, 2019 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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*(All amounts in Rs. lakhs, unless otherwise stated)*

## 33 Related party transactions

**(a) Parent entities**

| Name of entity | Type | Ownership interest held by the group March 31, 2019 | Ownership interest held by the group March 31, 2018 |
|---|---|---|---|
| Fairfax Financial Holdings Limited, Canada | Ultimate holding company | - | - |
| Thomas Cook (India) Limited | Intermediate holding company | - | - |
| Sterling Holiday Resorts Limited | Holding company | 98% | 98% |

**(b) Fellow subsidiaries with whom transactions have been entered**

Sterling Holiday Resorts (Kodaikanal) Limited
Nature Trails Resorts Private Limited
SOTC Travel Services Private Limited
Travel Corporation (India) Limited

**(c)Transactions with related parties**

Transactions with related parties are as follows:

| | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| **Sale of services** | | |
| Thomas Cook (India) Limited | 6.73 | 3.79 |
| SOTC Travel Services Private Limited | - | 2.45 |
| Travel Corporation (India) Limited | 0.22 | - |
| **Lease rent expenses** | | |
| Sterling Holiday Resorts Limited | 165.21 | 34.24 |
| **Brand expenses** | | |
| Sterling Holiday Resorts Limited | 33.23 | - |
| **Miscellaneous income** | | |
| Sterling Holiday Resorts Limited | 49.04 | 34.24 |
| **Management fees** | | |
| Sterling Holiday Resorts Limited | 449.98 | 394.78 |
| **Interest on borrowings** | | |
| Sterling Holiday Resorts Limited | 26.69 | 63.39 |
| **Loans availed** | | |
| Sterling Holiday Resorts Limited | 2,474.01 | 1,936.28 |
| **Loans repaid** | | |
| Sterling Holiday Resorts Limited | 2,648.57 | 2,001.27 |

**(d) Outstanding balances as at year end**

The following balances are outstanding at the end of the reporting period:

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **Trade receivables** | | |
| SOTC Travel Services Private Limited | - | 1.69 |
| Thomas Cook (India) Limited | 3.64 | 0.48 |
| Travel Corporation (India) Limited | 0.94 | - |
| **Total** | **4.58** | **2.17** |
| **Borrowings** | | |
| Sterling Holiday Resorts Limited | 179.20 | 365.28 |
| **Interest accrued but not due** | | |
| Sterling Holiday Resorts Limited | 87.47 | 75.95 |

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

**34 Contingent liabilities and contingent assets**

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **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.

**35** 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.

**36** 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.

**37** As at March 31, 2019, the net-worth of the Company has been fully eroded. The Company expects higher growth and profitability in future due to increase in occupancy rates and tariffs from property which was recently refurbished. Considering the future financial projections approved by the Board of Directors which reflect positive cash flow from operations, these financial statements are prepared on a going concern basis.

**38** Disclosure under Micro, Small and Medium Enterprises Development Act, 2006 are provided as under for the year 2018-19, to the extent the Company has received intimation from the "Suppliers" regarding their status under the Act

| | | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|---|
| i | Principal amount due to suppliers registered under the MSMED Act and remaining unpaid as at year end | 2.15 | - |
| ii | Interest due to suppliers registered under the MSMED Act and remaining unpaid as at year end | 0.07 | - |
| iii | Principal amounts paid to suppliers registered under the MSMED Act, beyond the appointed date during the year | 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 | 0.06 | - |
| 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 | 0.00 | - |

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STERLING HOLIDAYS (OOTY) LTD. CHENNAI

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

**39 Earnings per share**

| | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Profit for the year attributable to the equity holders | 50.26 | 121.29 |
| Weighted average number of equity shares outstanding (in numbers) | 50,000 | 50,000 |
| **Basic & diluted earnings per share (in Rs.)** | **100.52** | **242.58** |

**40 Disclosure of specified bank notes**

The disclosures regarding details of specified bank notes held and transacted during November 8, 2016 to December 30, 2016 has not been made in these financial statements since the requirement does not pertain to financial year ended March 31, 2019.

**As per our report of even date**

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

Sethuraman

**S Sethuraman**
*Partner*
Membership Number: 203491

Place: Chennai
Date: May 27, 2019

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

R Ramesh

M. Balasubramaniyan

**Ramesh Shanmugam**
*Director*
DIN No.: 06646158

**M Balasubramaniyan**
*Director*
DIN No.: 03088801

Place: Chennai
Date: May 14, 2019