

ANILANA

HOTELS • RESORTS • RETREATS

ANNUAL REPORT

16'/17'

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ANNUAL REPORT

2016/2017

Anilana Resorts, a name and place that is etched in your memory, forever. What makes us unforgettable is the heady combination of beauty, tranquility and luxury that all our resorts encompass, set amidst some of Sri Lanka's most breathtaking landscapes.

Our resorts have cleverly combined, comfort with utility, and beauty with privacy without foregoing the traditional hospitality that Sri Lanka is renowned for. Anilana promises to be a safe haven for even the busiest executive, far away from the madding crowd and eons away from the hustle and bustle of city life; a fact that our ever-loyal clientele have come to appreciate, time and time again.

We are renowned for our luxurious get-a-ways, where faultless design and exemplary service go seamlessly hand-in-hand. Each of our resorts has its own unique identity, but the common thread of delectable cuisine, thoughtful service and luxurious accommodations, bind us together as one entity.

From our beginnings in 2013 to date, one villa and two hotels have been in operation; and currently we have several further hotels and villas in the pipeline. We intend to be one of, if not the best, up-market resort chains in Sri Lanka, and realization of this vision, is indeed, well underway.



Vision Anilana aspires to be recognised for stylish, contemporary and comfortable properties, which provide high quality service standards, gracious hospitality and focus on satisfying our guest's needs.

Mission We focus on originality and economically designing facilities to provide services which both surprise and delight our guests, whilst generating profitability for our shareholders.

Our aim is to become preferred: as an employer by our associates, as a hotel by our guests and as a shrewd investment by our shareholders.

Maintaining sustainable growth, we will provide excellent career development opportunities, memorable service and above average profitable returns to our shareholders, enhancing the value of investments and the worth of the company.

A touch of paradise.



CHAIRMAN'S MESSAGE



Anilana is a fore runner in today's hospitality industry. Our dedication to exceptional quality and impeccable service has been rewarded time and time again and this year is no exception, with us garnering numerous accolades from reputed organizations.

Global tourism trends.

The ITB Berlin's World Travel Trends report of 2016/2017 states that "Terror attacks and political unrest had no impact on the overall volume of worldwide outbound trips this year. The global travel industry remains on a growth path, led by Asian and US travellers, and the number of outbound trips will probably increase by about 4 – 5% next year."

The United Nations General Assembly declared 2017 as the International Year of Sustainable Tourism for Development. The World Tourism Organization UNWTO Secretary-General, Taleb Rifai said, "This is a unique opportunity to build a more responsible and committed tourism sector that can capitalize its immense potential in terms of economic prosperity, social inclusion, peace and understanding, cultural and environmental preservation."

The UNWTO report also states that "Millennials are a large market segment who have special characteristics such as the desire for authentic cultural experiences and who use technology intensively. Yet, according to World Travel Monitor

data, they actually display quite similar travel patterns as older travelers." Being proactive, we, at Anilana have recognized this trend and extended our advertising into the realms of social media, whilst keeping the time-honoured traditions of good hospitality unchanged.

International arrival figures from the UNWTO 2016/2017 report shows strong growth for many destinations in Asia and the Pacific this year. The region is leading worldwide inbound growth, with international tourist arrivals (overnight visitors) up 9% through September, according to the UNWTO World Tourism Barometer. This was well ahead of the 6% growth achieved in 2015. Asia "is the star performer this year among the world's tourism regions" Michel Julian, Technical Coordinator of the UNWTO Tourism Market Trends Programme, commented at the Pisa forum. All four sub-regions shared in this growth, led by Oceania (+10%) and followed closely by North-East Asia, South-East Asia (both +9%) and South Asia (+8%). Many destinations reported double-digit growth, with Vietnam (+36%), the Republic of Korea (+34%), Japan (+24%) and Sri Lanka (+15%) in the lead.

Local tourism trends.

In accordance to statistics released by Sri Lanka Tourism Development Authority in 2016 over 2 million tourists visited the island, which shows a 14% increase from 2015 whereby nearly 1.8 million tourist arrivals were recorded.

Tourist arrivals from East Asia had increased by 17.2 % from the preceding year, while arrivals from South Asia had increased by 11.8%. Tourist arrivals from Australia rose to 17.2% in 2016 while arrivals from Western Europe increased by 16.5%. In a similar vein, arrivals from North America rose by 15.8 % whilst tourist arrivals from Eastern Europe increased by 8.6% in 2016. However, a marginal decline was noted in Russian tourist arrivals amounting to 5.9% .

Awards garnered.

We, at Anilana, know that our commitment to quality and service has made Sri Lankan hospitality even more memorable than before. This fact is amply reiterated by the numerous accolades we have garnered over the period 2016/2017, namely:

Anilana Nilaveli

World Luxury Hotel Award 2016 – Winner of Best Luxury Beach Resort

Travellers Choice Award 2017

Travel Myth – Top 3 5 star hotels in Trincomalee

Anilana Pasikudah

Travellers Choice Award 2017

Travel Myth – Top 5 5 star hotels in Batticaloa

We are indeed, rightfully proud of each and every one of these awards and accolades. However, we will not rest contented on past achievements, but will endeavour to better our best in the coming years.

Acknowledgements.

I extend my sincere appreciation to each and every person who plays an integral role in Anilana's intricate tapestry. The Board of Directors for their strategic direction in guiding the company forward, our Management Team for their competence in making this vision a feasible reality, and our valued staff for their commitment, skill and unwavering hard work, which is duly appreciated and recognised. I also wish to thank the tour operators for the unwavering relationships they have fostered with Anilana over the years, our loyal customers without whom none of this would ever have been possible and our esteemed shareholders for their confidence in us and our ability to take this company to even greater heights in the foreseeable future.



Peter Lucien Amerasinghe

Chairman

MANAGING DIRECTOR'S MESSAGE



Over our financial year 2016/2017 we have garnered many achievements. Anilana Nilaveli has yet again won some prestigious accolades, namely The World Luxury Hotel Award – Winner of Best Luxury Beach Resort 2016 & the Traveller's Choice Award 2017. Anilana Pasikudah too has secured Traveller's Choice Award 2017, a fact that we are indeed, proud of.

Sales & Marketing.

Our Sales & Marketing team has much to be lauded for, and their venture into advertising via Social Media is a noteworthy accomplishment. We wish to move with the times, whilst saluting & respecting time-honoured traditions & processes.

Achievements

External reiteration does not necessarily capture all what we put into Anilana behind the scenes, but being appreciated by stakeholders is indeed, a boon to us. We are honoured to have been awarded numerous accolades over the period 2016/2017, which is an ample testimony to our ongoing commitment to quality and service. We assure you, that we will not rest on our laurels, but strive to attain further heights.

Future Plans

The increase in interest rates and borrowing costs by 5% has had a fairly detrimental effect on our company. In the long term, reducing debt is of

foremost importance to us, and we hope to either attract solid investors who will help raise further capital or we may resort to selling some assets as we feel this will improve the company's bottom line significantly.

Problems Faced

We expected a more proactive approach to Sri Lankan Tourism, now that the Civil War is long past, but we are disappointed with the lackadaisical promotion of tourism carried out by the government at present.

Also, we expected faster infrastructure development, as connectivity to the East Coast has not seen any improvement in the recent past, where a road trip from Colombo to the East Coast still takes over 5 ½ hours, whilst alternative travel via air courier is still prohibitively expensive.

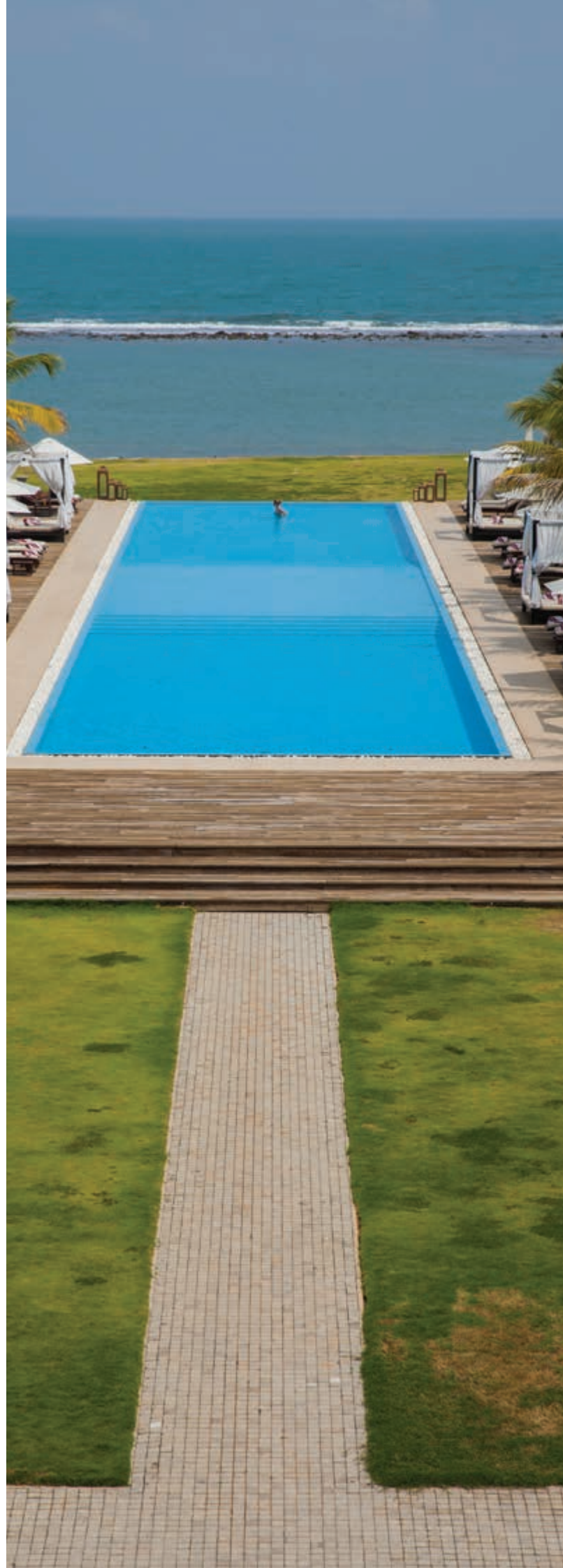
Acknowledgement

I wish to thank our Management Team for their untiring efforts in guiding Anilana towards greater heights. Their tactical approach makes visions a grounded reality. I also wish to thank each and every one of our valuable employees for their hard work, dedication and commitment to quality, without whom Anilana could not be where it is, today.



Asanga Seneviratne

Managing Director



BOARD OF DIRECTOR'S



Mr. Peter Amerasinghe
Chairman

Mr. Peter Amerasinghe is a Fellow Member of the Chartered Management Institute, United Kingdom. He is a respected professional with more than 45 years of senior managerial experience, with over 15 years of experience in Plantation Management and 17 years of experience as Chief Executive Officer of Lanka Walltiles PLC.

Mr. Amerasinghe is the Founder and Director of Lanka Tiles Ltd, (now known as Lanka Floortiles PLC) and he is also the Chairman of Aristons (Pvt) Ltd. Furthermore, he established Ceyquartz MBI (Pvt) Ltd, a joint venture with Japanese collaboration, of which he is the Chairman and Managing Director, and he is a Consultant to Noritake Lanka Porcelain (Pvt) Ltd, too.

He has been on the Anilana Board of Directors from its inception to date and he has considerable experience in the management of export oriented manufacturing organizations and on export marketing, both on a local and global platform.



Asanga Seneviratne
Managing Director

Mr. Asanga Seneviratne is the Founder of Anilana Hotels & Properties PLC. He is also a Non-Executive Director of Nation Lanka Finance PLC. Mr. Seneviratne was previously a director of Taru Villas Holdings (Pvt) PLC where he was instrumental in developing the hotel chain of Taru Villas, as well as being a Director and Chief Executive Officer of Asia Capital PLC, a public quoted company on the Colombo Stock Exchange (since 1994). Mr. Seneviratne was previously Managing Director of Asia Securities (Pvt) Ltd, and Chief Executive Officer of Asia Capital Ltd. He has also served as Chairman of the Stock Brokers Association of Sri Lanka (2005/2006), and is currently a Director of the Colombo Stock Exchange.

Mr. Seneviratne pioneered on-line trading in Sri Lanka through Investor Access Asia (Pvt) Ltd with CDAX, the first on-line trading system in Sri Lanka, enabling direct access to the Colombo Stock Exchange for the first time, directly from the clients' personal computer. He has been instrumental in numerous capital market and private investment ventures that have taken place in Sri Lanka over the last two decades. He has pioneered many Direct Investments in Sri Lanka from reputed foreign institutions such as Credit Agricole-Indosuez W.I.Carr, Regent Fund Management, Auerbach Grayson & Company, as well as high net-worth individuals such as Dr. Sena Yaddhige and S.K. Tiog (Malaysia). Mr Seneviratne has been instrumental in promoting many investor conferences in Sri Lanka, too.

With more than 20 years of extensive finance and investment experience with Asia Securities and Asia Capital, along with his experience within the hospitality industry, Mr. Seneviratne is more than capable of leading the Anilana Group of Companies forward, and to greater heights.

In addition to his many business achievements, Mr. Seneviratne has displayed a great passion for sports since his school days, when he studied at St. Thomas' College, Mt. Lavinia. His accomplishments in the sporting arena include representing Sri Lanka Rugby and Under 23 Cricket teams, previously captaining Sri Lanka's most famous Rugby & Football Club; CR & FC (1987), and serving as the National Coach for the Sri Lankan Rugby 7's team (2000 to 2003). Mr. Seneviratne also currently serves as President of the Sri Lanka Rugby Football Union. In addition to his achievements in Rugby, he also was Captain for the prestigious Colombo Cricket Club (1994-1996), and has served as Vice President of the Sri Lanka Cricket Board, too.

Manjula Seneviratne



Director

Ms. Manjula Seneviratne is a co-founder of Anilana Hotels and Properties PLC and has been a Non-Executive Director of the company from inception to date. She also serves as an Executive Director of Ceyquartz MBL (Pvt) Ltd, a joint venture which she co-founded with a Japanese partnership in 1996, which was established as a BOI company, which has won numerous Export Awards from the National Chamber of Exporters, the most recent

being the two awards garnered at the National Business Excellence Awards (2010).

Ms. Seneviratne obtained her primary & secondary education at Bishops College, Colombo; and later, at Colombo International School; after which she furthered her academic qualifications by accepting a place at the University of Aberdeen, Scotland, where she was awarded a MA in Economics and Management Studies in 1995.



Ajahn Gardiye Punchihewa

Director

Mr. Ajahn Punchihewa holds the position of Non Executive Director of Anilana Hotels and Properties PLC, and he is the Chief Executive Officer and a Board Director of Nation Lanka Equities (Pvt) Ltd whilst also being an active member of the Colombo Stock Exchange.

Mr. Punchihewa worked for Asia Securities (Pvt) Ltd, a leading investment bank, prior to forming TKS Securities (Pvt) Ltd, a Malaysian owned licensed stock-broking firm in 2010. NLE formed strategic alliances with foreign fund/wealth management companies, world-renowned research/media firms and many high net worth individuals operating on both a local and global scale.

Mr. Punchihewa pursued his higher studies in the UK, where he obtained his BSc (Hons) in Finance, Accounting and Management, from the University of Nottingham.



A full-page background image of a tropical beach. The foreground shows a wide expanse of golden sand. The middle ground features gentle waves with white foam washing onto the shore. The ocean extends to a clear horizon under a vast, bright blue sky.

Anilana Destinations





Anilana Nilaveli began its operations in 2014, and its recipe for success is simple. Situated in the East Coast of Sri Lanka, on the golden beaches of Irakkandai, Nilaveli, our hotel is sprawled amongst 7 acres of prime land, strategically entwining luxury, comfort and privacy in its own unique style. Winner of the prestigious Best Luxury Beach Resort 2016 award and the Travellers Choice 2017 award recently it is a place that memories are made of.

A haven for outdoor enthusiasts, at Anilana Nilaveli our guests can dabble in snorkeling, deep sea fishing, sailing, water sports, whale and dolphin watching and myriad other such activities that this area is famed for. However, those who prefer a quieter holiday, can take a dip in either of our two enormous swimming pools, be pampered at our state-of-the-art spa, enjoy tropical cocktails made by our skilled bartenders and savour some of the delectable dishes that are on offer at any of our restaurants here.

Anilana Nilaveli has a tranquility all of its own that is hard to describe. Peace and comfort are its watchwords, yet here you will not be cut off from the rest of the world, unless it is your wish to do so, for we provide access to high speed Wifi connectivity, cable tv, music, videos and digital telephones, all delivered on one digital IP platform.

Our service signifies our deep seated commitment to excellence, with our staff taking care of each and every one of our valued guests with courtesy, skill and attentiveness. We provide service with a smile and you will indeed feel at home here, with a few additional creature comforts, of course.

Our facilities include 70 magnificent rooms and suites, a lobby restaurant & bar which promises some of the most delectable cuisine that leave our guests craving for more, a grill room restaurant of the highest quality, a large veranda for al fresco dining, two enormous swimming pools leading the way to a wonderful, cosy beach restaurant & bar and a roof-top restaurant where you can take in the splendorous view of the breathtaking landscape that surrounds you here.

NILAVELI



Sri Lanka's East Coast has a charm all of its own, and we at Anilana, know this only too well. Nestled amidst 7 acres of pristine land, approximately 35 kilometres North of Batticaloa, lies Anilana Pasikudah. Awarded the Traveller's Choice Award for 2017, this is a place where heaven seems not far away.

We seem to own the Indian Ocean, if the unsurpassed view of its glistening waters that greet our guests from our lobby, past the long swimming pool; and from each of our spacious and luxurious rooms, is anything to go by. Simple yet elegant design combined with the natural elements used during construction gives this retreat its own unique beauty; - an ideal foil to the golden sands, azure waters and stunning coral reefs that lie just outside.

The friendly and courteous staff at Anilana Pasikudah, provide impeccable service, and it is their attentive care, their attention to detail and their swiftness of service which proves that Sri Lankan hospitality is indeed, in a class of its own. With the ocean literally being our backyard, fresh seafood comes as no surprise, but our talented chefs surpass your wildest expectations and even the most fastidious gourmand would be at a loss for words at the array of mouth-watering dishes that are conjured up in the magical confines of our kitchens.

PASIKUDA





Anilana Pasikudah makes heaven seem near at hand. Here is a place where rest, relaxation and rejuvenation are a way of life, and it is a place where tranquility beckons even the weariest traveller. However peace does not necessitate isolation, and via fibre optic technology, most modern devices are functional here, be it cable tv, music or high speed Wifi internet connectivity.

No matter how diversified the interests of our clients may be, we have something for everyone; be it a beach bar and restaurant for those who wish to bask under the tropical sun, a lobby bar and restaurant for others who may prefer indoor comforts, a gymnasium for fitness enthusiasts, a vast swimming pool for those who prefer a dip in its cool confines, and 60 spacious, luxurious rooms for our many guests, including single, double and duplex chalets.



NUWARA ELIYA

The awe-inspiring mountains of the Central Province provide the backdrop to Craig Bank Nuwara Eliya. Nestled on one acre of land, this is a place where the romance of a bygone era can be rekindled without much ado and without foregoing the comforts and conveniences of the modern world. Its secret may lie in its Art Deco style, or perhaps it's the traditional designs, and the numerous antiques that are found here that lend it its own particular charm, or perhaps it's something all of its own that lends this magical quality to a place that can be best described as one of Sri Lanka's most priceless treasures.

The picturesque landscape of lush green tea estates, sloping hills and cascading waterfalls serves as an ideal backdrop to Craig Bank, Nuwara Eliya. Unlike most parts of Sri Lanka, Nuwara Eliya enjoys a sub-tropical climate and the delectable fruits, flowers and vegetables that are usually found in the temperate regions of Europe abound here, and so it comes as no surprise to learn that Nuwara Eliya is fondly referred to as "Little England" by many. In keeping with its Colonial past, at Craig Bank Nuwara Eliya, you will find attentive staff and a butler service to cater to your every whim. Our beautifully laid out garden with its profusion of flowers is a feast for the senses; whilst our multi-faceted cook turns out a very different type of gastronomical feast that can be sampled in our dining room, and is one that is guaranteed to impress even our most fastidious guest.



Nuwara Eliya offers a diverse range of activities for visitors and residents alike be it golf, horse riding or trekking. A visit to Nuwara Eliya would be incomplete without visiting some of its iconic locations be it the Haggala Botanical Gardens which promises to be a riot of colour with its impressive range of fauna and flora, the Galway's Land Bird Sanctuary near Lake Gregory, or the picturesque Devon Falls. Yet others use Nuwara Eliya as a base to visit the Horton Plains National Park, famed for its wildlife and its renowned attraction "World's End." For those who prefer to relax indoors, our villa offers Wifi facilities, cable tv in the TV room, and an assortment of board games ranging from chess to backgammon and draughts.

The facilities at Craig Bank Nuwara Eliya are indeed second to none and it includes four large bedrooms with en-suite bathrooms, a drawing room cum lounge with a cosy fire place, a sprawling TV room, a fully-equipped kitchen and even a laundry room. There is also a veranda where one can sit, relax and savour some of Sri Lanka's finest teas or perhaps sample some pre-dinner drinks and ample space for parking, all of which enable our guests to rest, relax and engage in a life-style that transports them back to a simpler, more laid-back era.







DAMBULLA

This 39 acre plot of prime real-estate is situated on the main road which connects Dambulla to Colombo, and is an ideal destination for all nature-lovers as its beautiful surroundings abound with lush vegetation and a meandering stream borders the property in an artful manner. A haven for ornithologists, birds of every describable hue and shape can be found here.

Dambulla city centre, which is 72 kilometres away from Colombo, has the distinction of being a pivotal hub that connects the East Coast of Sri Lanka with the West, and is just a few minutes away from this property. Dambulla is part of the Cultural Triangle and boasts of World Heritage and Cultural sites and is a convenient base from where other ancient cities such as Sigiriya, Polonnaruwa and Anuradapura can be explored with ease. It is also a short distance from the Knuckles mountain range in Matale, which once again is a UNESCO World Heritage site abound with a diverse range of fauna and flora.

Plans are afoot to develop the Anilana Dambulla Country Club, centering it round an equestrian theme, which would include a professional horse riding school, a stable full of horses and show jumping, making it a distinctive venture in our resplendent isle. Horses are synonymous with British aristocracy and country living, and keeping to this theme, we intend to design the main building reminiscent of a quaint English country manor, with large rooms and even larger suites. Apart from the main building, we intend to construct riverside chalets and split level lofts, through which we hope to attract a diverse portfolio of visitors, be it large families or small groups.

Facilities at the resort would include a main building, riverside chalets totalling 54 rooms and suites, including 8 lofts which are ideal for families. For those who come here for rest and relaxation, there will be two enormous swimming pools, a state-of-the-art spa and a fully equipped gymnasium. Two distinctive restaurants and well stocked bars will ensure that the gastronomic appetite of each and every guest is met effortlessly.

The second phase of this project will include the development of spacious villas each with its own unique identity, ranging from 4 bedroom units to 8 bedroom units, all of which will have one commonality, that being the breathtaking views of the surrounding country side. Our goal is to sell these to individual investors or for it to be part of the hotel inventory on a profit sharing basis.

As the third phase of this project, we intend to develop the road side frontage of the property, making it a promenade of sorts, so that clean, high quality street food, beverages and retail opportunities will be available to travellers; which in turn is expected to generate additional revenue, whilst offering an opportunity for well-trained locals who reside nearby to be an active part of our venture, a part of our larger plan to incorporate social responsibility and inculcate goodwill to all those directly and indirectly touched by Anilana's greatness.



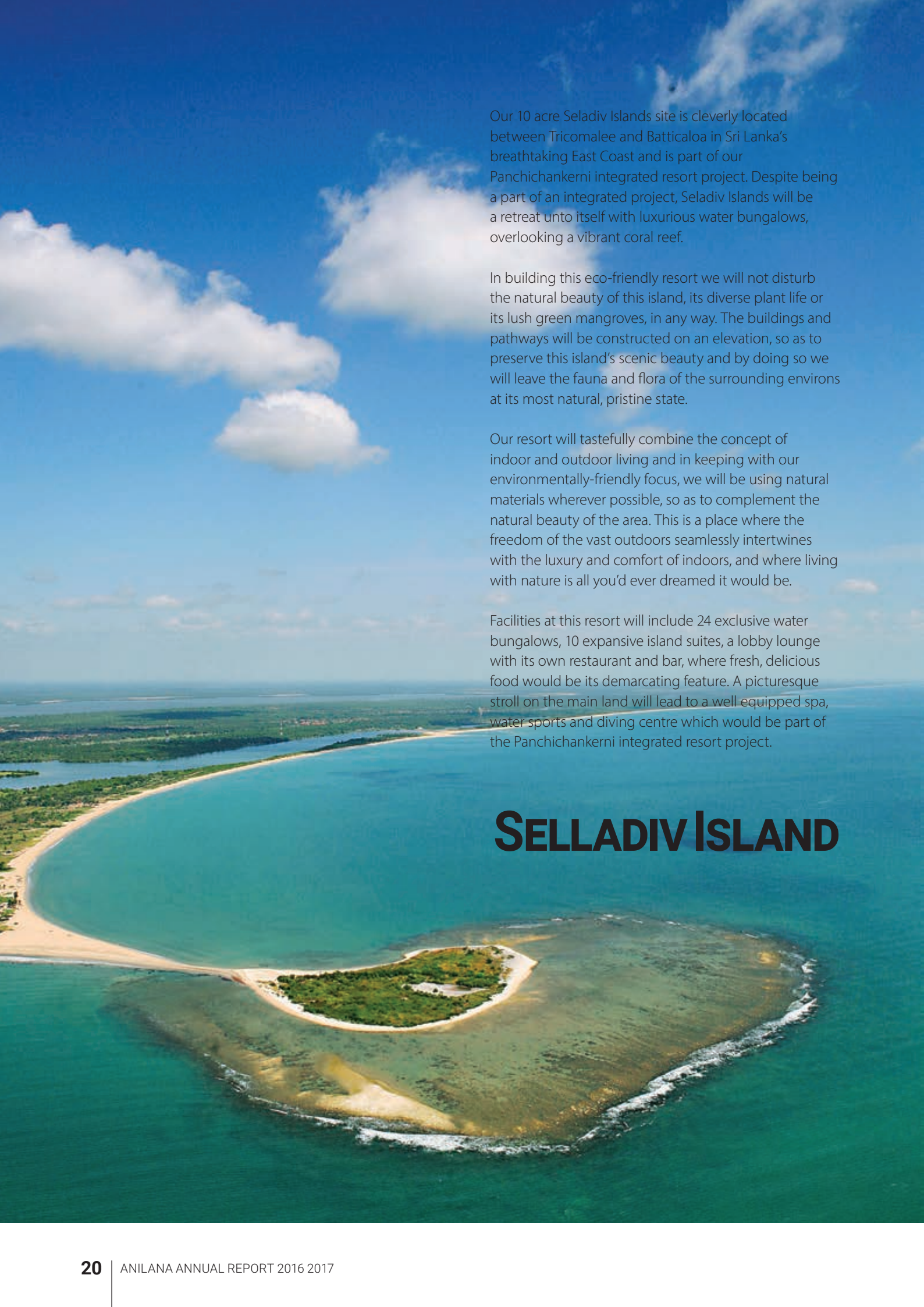
A small village nestled between Trincomalee and Batticaloa is Panichchankerni, a hidden jewel in our crown. We have bought several plots of magnificent beachfront property in Panichchankerni, totalling a little over 17 acres, all adjacent to each other, in our bid to build an eco-friendly resort village. Its relative anonymity makes it one of most peaceful places known to man, and it is a place where tranquillity abounds. Geographically this site acts as a bridge through which two separate beaches are connected and it incorporates our Selladiv Island site, and we plan to build a number of luxury villas and a unique boutique hotel with 70 spacious rooms.

The central village will be designed so as to incorporate an independent spa and water sports facility, which will be the focal point of our community, and surrounding it would be landscaped public areas and a main street where high quality restaurants, bars and little shopping kiosks which would be readily at hand, for the convenience of our guests. The adjoining area of the resort will be designed along the same lines, but it will have smaller, more exclusive units which will be open for

sales and other accommodation.

Facilities at this resort would include a main building consisting of 70 spacious rooms and suites, one-of-a-kind villas; and set in the midst of a utopian village with a spa, health centre, gymnasium, beach club, numerous restaurants, bars and various retail shopping outlets. For those who wish to engage in destination weddings, or others who wish to host a special celebration, or even those who wish to pamper their staff and host a memorable seminar, this is the go-to location, for we will offer a large meeting room and banqueting facilities to meet their every need. All this would be done in a tasteful, eco-friendly manner that complements the pristine surroundings of its environs.

PANICHCHANKERNI



Our 10 acre Seladiv Islands site is cleverly located between Tricomalee and Batticaloa in Sri Lanka's breathtaking East Coast and is part of our Panchichankerni integrated resort project. Despite being a part of an integrated project, Seladiv Islands will be a retreat unto itself with luxurious water bungalows, overlooking a vibrant coral reef.

In building this eco-friendly resort we will not disturb the natural beauty of this island, its diverse plant life or its lush green mangroves, in any way. The buildings and pathways will be constructed on an elevation, so as to preserve this island's scenic beauty and by doing so we will leave the fauna and flora of the surrounding environs at its most natural, pristine state.

Our resort will tastefully combine the concept of indoor and outdoor living and in keeping with our environmentally-friendly focus, we will be using natural materials wherever possible, so as to complement the natural beauty of the area. This is a place where the freedom of the vast outdoors seamlessly intertwines with the luxury and comfort of indoors, and where living with nature is all you'd ever dreamed it would be.

Facilities at this resort will include 24 exclusive water bungalows, 10 expansive island suites, a lobby lounge with its own restaurant and bar, where fresh, delicious food would be its demarcating feature. A picturesque stroll on the main land will lead to a well equipped spa, water sports and diving centre which would be part of the Panchichankerni integrated resort project.

SELLADIV ISLAND

VAKARAI



On the coastal belt of Sri Lanka's proverbial East coast, about 65 kilometres to the north of Batticaloa, will be Anilana Vakarai. With over 21 acres of prime, beachfront land, it is an ideal place for a weekend getaway with its pristine beaches, tropical climate and the inviting waters of a clear blue ocean lapping nearby.

Water sports enthusiasts would be kept fully engaged here, as there will be an array of water sports that guests can participate in without much ado. It is also an ideal place for those who wish to get away from the hustle and bustle of city life, for they can bask under the tropical sun by day and by the silvery moonlit sky, by night. It's overwhelming beauty is almost too much to take in, making it a gateway to paradise. We are confident that this would be of great appeal to our discerning, up-market clientele, who wish to enjoy exotic holidays and visit places where memories are made of.

Facilities would include several spacious, state-of-the-art villas, clusters of eco-friendly beach houses, and a magnificent hotel with 80 to 90 luxurious rooms. There would also be a well-designed spa, a fully equipped gymnasium and sophisticated restaurants and bars, making it a self contained and integrated resort that cleverly combines the comforts of modernity with the breathtaking landscape that nature has bestowed us with.



KALKUDAH

35 kilometres Northwest of Batticaloa, on the golden shores of Sri Lanka's East Coast lies Kalkudah, a 34 acre hideaway, with unspoilt beaches and pristine waters that must literally be seen to be believed. With unique white sand and balmy coconut fronds lazily swaying to the rhythm of the ocean breeze, this is a place of unrivalled beauty. Our site is centrally located on Kalkudah bay, and despite its proximity to other hotels and restaurants, it has a certain intimate, secluded vibe to it, which makes it even more special than it already is.

Anilana Kalkudah is designed to be an eco-friendly, integrated resort, with luxury, beauty and privacy being its hallmark. Plans are also underfoot to construct several spacious villas with stunning beach frontage, where the concept of indoor and outdoor living will blend together effortlessly.

During construction, every effort will be made to utilize natural building materials wherever possible, and each villa would hold a private swimming pool to make luxurious living, a tad more luxurious. Additionally, plans are underway to construct several beach houses, a hotel and a luxurious spa where our guests will be pampered and made to feel akin to royalty.



BLUE LAGOON

Situated on the North-East of Sri Lanka, on Trincomalee's golden shores, just a few kilometres away from both Anilana Nilaveli and Trincomalee's city centre, are 7 acres of valuable beachfront property, on which Anilana Blue Lagoon will be developed. It would be under the ownership of Blue Lagoon Resort (Pvt) Ltd, a subsidiary of South Asia Asset Management (Pvt) Ltd, which in turn is a fully owned subsidiary of Anilana Hotels & Properties PLC.

The appeal of this beautiful property is heightened by the fact that it is bordered by a tranquil river on one side and the expansive Indian Ocean on the other. It is an ideal location for those who wish to pursue an array of water sports, which Trincomalee is now renowned for, whilst those who prefer a quieter holiday would certainly not be disappointed either, as they can rest and relax in luxurious comfort at our resort and enjoy the panoramic views on offer here.

Facilities would include a four storied hotel comprising of over 70 bedrooms, all of which would have breathtaking views of coastal waters. For those who prefer a more intimate setting, we plan to construct a few exclusive villas with 4 to 8 bedrooms, again with spectacular views of the ocean. A spa would also be in operation here, as a range medicinal plants and tropical trees that form the base of Ayurvedic healing, surrounds this vicinity.

MANAGEMENT DISCUSSION & ANALYSIS

"Tourism in Sri Lanka is a story of untapped potential" states the Sri Lanka Tourism Development Authority (SLTDA). To this end, a Tourism Strategic Plan (TST) has been formulated by the government from 2017 upto 2020. This is said to be carried out in keeping with the government's objectives & the UN sustainable goals in mind, and with a view of meeting its long term Tourism Vision (TV) by 2025.

According to the SLTDA, in 2016, the tourism industry brought in US\$ 3.5 billion worth of earnings to Sri Lanka, making it the third highest foreign exchange earner for the country. If the Tourism Strategic Plan progresses as per expectations, foreign exchange garnered by tourism would reach US\$ 7 billion per annum by 2020.

In accordance to statistics released by Sri Lanka Tourism Development Authority in 2016 over 2 million tourists visited the island, which shows a 14% increase from 2015 whereby nearly 1.8 million tourist arrivals were recorded. Most of the tourist arrivals were from Western Europe with 643,333 tourists visiting in 2016 recording a 16.5 % increase over corresponding 2015 figures. Keeping this in mind, Ministry Secretary for Tourism, Janaka Sugathadasa told the Business Times that the tourism ministry will launch a digital marketing campaign of Sri Lanka Tourism in Western Europe within the next few months with special emphasis on Germany, France and the UK.

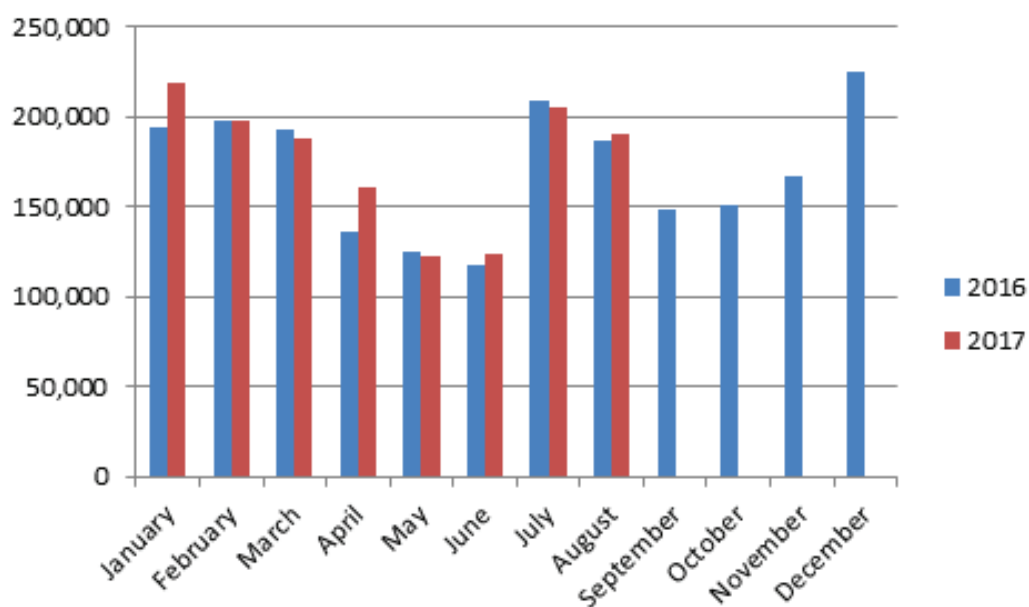
Similarly, arrivals from North America rose by 15.8 %, while tourist arrivals from Eastern Europe increased by 8.6% in 2016. Keeping with this trend, East Asian tourist arrivals had increased by 17.2%, while arrivals from South Asia had increased by 11.8% too. However a marginal decline of Russian tourist arrivals amounting to 5.9% was also duly recorded while the number of tourist arrivals from Australia rose to 17.2% in 2016 when compared against statistics derived from 2015. In 2017, from January to August the numbers of

tourist arrivals record an amount of a little over 1.4 million, which is a 3.5% increase in comparison to the same period of the preceding year. Despite Sri Lanka's forward march with regard to attracting visitors to our island nation in both 2016 and 2017, there is a whole world of possibility awaiting us, if our neighboring countries are anything to go by. For instance, tourist arrivals in Thailand amount to around 25 million while tourist arrivals in Cambodia amount to around five million per annum. Similarly, Malaysia, Indonesia, India and Maldives too, which are seen as our immediate competitors have recorded a high number of tourist arrivals in 2016. SLTDA chairman Paddy Withana stated that one of the main concerns around tourism in the North and East of the country is that opportunities arising from the tourism industry are not being given to regional youth, and as a solution to this that the Tourist Board is providing training to North-Eastern youth, enabling them to take up jobs that are emerging in the hotel trade in the region.

Also, another cause for concern with regard to the tourism industry is that the average expenditure of tourists in our country amounts to a mere US \$ 165 per day, which is matter that needs careful thought, for an optimal balance to be sought between attracting high-end tourists and back-packers, and the country should be prepared to welcome both. Sri Lanka Tourism showcased its capability of making Sri Lanka one of the most sought after travel destinations and bagged the 'Most Popular Destination' Award, at the Guangzhou International Travel Fair (GITF-2017) held in China in February 2017. In a similar vein, in September 2017, Sri Lanka was voted as a finalist by the UK travel trade under the Culture and Heritage Holiday Destination Category of the Travel Bulletin Star Awards.

It is apparent, that Sri Lanka tourism has come a long way. Yet there is much farther to go. The United Nations World Travel Organization (UNWTO) states that sustainable tourism where 'tourism that takes full account of its current and future economic, social and environmental impacts, addressing the needs of visitors, the industry, the environment and host communities, thus encompassing all important aspects connected to the industry that can benefit the macro and micro environment within which it operates,' is one of the main ways to go onwards and upwards.

Month	2016	2017	% change 2016/2017
January	194,280	219,360	12.9
February	197,697	197,517	-0.1
March	192,841	188,076	-2.5
April	136,367	160,249	17.5
May	125,044	121,891	-2.5
June	118,038	123,351	4.5
July	209,351	205,482	-1.8
August	186,288	190,928	2.5
September	148,499		
October	150,419		
November	167,217		
December	224,791		
Total	2,050,832		
Up to August	1,359,906	1,406,854	3.5



OPERATING STRATEGY & REVIEW

Our guests are our world, and we certainly show it!

For us at Anilana, customer satisfaction means everything, and our directives, both strategic and operational, ensure that the highest quality is achieved and maintained on a consistent basis, in all that we do. To this end, we have developed brand standards and a strong human resource development plan, so that the resorts presently in operation and the development projects currently underway, are geared to sustain future levels of profitability. Retaining our loyal clientele is our first priority and concurrently we have redoubled our efforts to attract new customers as well, who we are confident will grow to love Anilana as much as our long-standing clients do. The exemplary service we provide, the indisputable excellence in quality that greets everyone that comes within and under our mantle are our sure-fire keys to our success.

Corporate Structure.

We believe that our customers should not be burdened with undue expenses, and to this end we have centralized some of our key functions, so that the benefits garnered by convenience and economies of scale will trickle down to all our stakeholders. Thereby, at Anilana Centre, our Head Office, which is situated in Colombo; we handle a vast range of support services, such as project management, finance, legal & compliance based work, marketing & sales, reservations, information technology, human resource management, technical services and procurement, so as to minimize our on-site manning levels and to give them the freedom to do what they do best, which is providing unmatched service to our guests. At Anilana Centre, we are geared to achieve the four cornerstones of our strategy, which are sustaining profitability, developing our human resource

component, achieving brand clarity and maintaining the integrity and consistency of our brand.

Sustainability.

Sustainability is something we at Anilana fully endorse, be it our legal and moral obligations, or our ethical responsibility to society at large. We believe that we need to respect our natural environment in all circumstances, as either directly or indirectly it is the very cornerstone of our success. We believe that man and nature can co-exist peacefully, and we act in a manner that is beneficial to both, as is amply demonstrated by the decisions we take and in the way in which we fulfil our social, ethical and economic requirements. We are aware that man in his quest for development sometimes works in a manner that is detrimental to nature. However, we realize that this outlook is a very short-sighted one, and so we endeavour to protect our natural resources, be it water, energy or the natural environment, not only for its beauty and diversity, but for the well-being of us and our future generations.

Environment.

We respect all environmental regulations, ordinances and laws that are put in place to safeguard our health, our people and our natural resources. We believe in the 3 R's, namely, Reduce, Re-use & Re-cycle, and we try to incorporate this in all that we do. We have invested in the best equipment and a cutting-edge computerized monitoring system that facilitates the efficient use of resources.

At Anilana, we take eco-consciousness to the next level, by ensuring that each stage of operations, be it design, construction or implementation, is carried out in a sustainable and cost effective manner. For instance; We believe that water is a precious commodity and by incorporating an effective water management system and natural filtration programme, we ensure that we have access to clean water supplies at all times, which is adequate to fulfil all our operational requirements. However, we minimize the wastage of water by carrying out our functions carefully, in a well-thought-out manner, by gaining an in-depth understanding

of local water conditions, treatment methods and optimal storage conditions. We also believe in energy conservation, and with this in mind nearly 80% of our light fittings use LED or solar powered lighting. Our air-conditioning units are solar powered for the most part, and hot water is dispersed as a by-product, which in turn helps us minimize the utilization of boilers. Despite such methods yielding a higher initial investment cost, it has found to be cost effective in the long run, whilst being environmentally beneficial too.

We are indeed committed to recycling concepts, and we ensure that proper transportation, treatment and disposal methods are used when it comes to dealing with toxic substances. Going forward, we plan to tastefully incorporate the concept of indoor cum outdoor living which lessens our dependence on artificial lighting and cooling systems, which in turn reduces energy consumption. High ceilings and vast spaces provide natural cooling, and lessens our reliance on air-conditioning units. To this same end, we will be using water features and fountains, which in turn will provide cooling, whilst being aesthetically appealing, too. We will also be using natural materials in our design and construction, wherever possible. For instance, we use natural thatching for roofs, indigenous wood for floors and stairways, to name but a few examples.

Branding and customers.

To us, branding means the entire customer experience at Anilana. With this end in mind, we develop relationships with our long-standing clientele and try to make a positive difference in their lives, by providing outstanding products and unsurpassed service; whereby at our resorts, moments become memories.

We are renowned for our luxurious resorts which have an inbuilt exclusivity that is hard to define. We are known to be stylish, unique and contemporary. We have garnered numerous awards and accolades over the years, of which the most recent being the Traveller's Choice Award 2017 which was awarded to both Anilana Nilaveli and Anilana Pasikudah; whilst Anilana Nilaveli also captured the prestigious World Luxury Hotel Awards in 2016

and won under the category of Best luxury beach resort, which is indeed a feather in our cap. The fact that our world revolves around our customers is undeniable; and so, we take it upon ourselves to provide and maintain optimal standards of comfort and hygiene, safety and consistency, in all that we do across the board, in all our resorts.

Anilana has the unique ability to mix traditional Sri Lankan hospitality with innovative marketing. Together with the time-honoured advertising avenues we have utilized social media, be it Twitter, Facebook or Instagram with aplomb, to highlight our achievements and to foster new, exciting customer relationships, whilst keeping our existing customer base ever close to our heart.



HUMAN RESOURCE & DEVELOPMENT

We believe that the foundation of our operations is our people, and with this in mind we have centralized all strategic human resource development activities at Anilana Centre, including recruitment and selection, development of training material, manpower planning and compensation planning, to name but a few. We have invested in recruiting highly trained professionals who are extremely competent in their own sphere of service and we have potential candidates of a similar calibre lined up for projects that are currently at the development stage.

Anilana Team

Our employees make Anilana what it is. We are indeed aware of this and we believe that part of Anilana's charm is the attentive, personalized and professional service that all our employees are geared to provide. To this end, we maintain exceptional personal grooming standards, we respect ourselves and show respect towards others, we care warmly for our guests and our colleagues we proudly display our creativity and innovation, we practice professional etiquette at all times, we demonstrate honesty and personal integrity, we remain humble, respectful and sensitive to the feelings and need of others and we show our enthusiasm and positive attitude in both thought, word and deed.

Training & Development

We know that each and every one of our employees strives for excellence in their field of operation. Sometimes to better themselves they need our support, too and we recognize this fact and provide well thought-out training and development facilities for our staff for instance, we carry out Induction and orientation programs for new-comers, soft skill training programs, department trainings, train the

trainer programs, supervisory development training programs, associate vs supervisors development programs, executive development programs, grooming and hygiene training for all staff, best practices for all staff - ex: best accommodation practice, cross exposures for all those who keen to undergo department practices, HACCP training, and chemical awareness program for all the staff who are employed at the food and beverage department.

Policies & Procedures

We don't mean to boast, but our processes are of the highest quality and this is readily apparent in all that we do, including delving into the well-being of our employees. We provide detailed job descriptions, so that any ambiguity and confusion is avoided, we conduct salary surveys for compensation planning for all levels of employees and we ensure that the compensation and benefit grids are updated from time to time in keeping with current market trends and labour regulations.

At Anilana, we follow EEO (Equal Employment Opportunity) practices faithfully, where all people regardless of gender, race, colour, age, marital or parental status, sexual preference, disability or religious belief are given fair consideration for a job and other job related benefits such as staff training and development. We believe in gender equity and the empowerment of women. We know that gender equality is intrinsically linked to sustainable development and we strive to provide women with equal opportunities to develop themselves and to enhance their talents, position and financial well-being, whilst providing an invaluable service to our company. We provide excellent training and development opportunities, and find best practices for safety and accident prevention to all those who come under our mantle.



Teamwork

Another key ingredient in our recipe for success is the importance we place on teamwork. We know that if we work as a cohesive unit, there is no limit to what we can achieve. We recognise the fact that we are only as strong as our weakest link, and so, we pull together, to make each and every member of our company an invaluable asset to us and to society at large; a fact that is recognized and appreciated by our employees and customers alike, for we know that employees who are content will give their utmost to keeping the customer happy and this is a strategy that has indeed, worked and continues to work its magic at Anilana. In brief, we work together across boundaries to meet the need of our customers and thereby gain a win for Team Anilana.

Tactical human resource requirements are also placed on a level of utmost priority, with performance management, provision of employee services, training, counselling, evaluation and motivation, taking pride of place, for we believe that satisfied employees pave the way to obtaining and retaining even more satisfied customers.

Health & Safety

Health and safety of our employees and guests take pride of place at Anilana. With this in mind, we conduct First Aid training, fire drills & evacuation programmes and fire fighting exercises, at regular intervals. We also have a very effective grooming and hygiene programme in place for our valued employees for at Anilana, cleanliness and tidiness are simply a way of life.

Staff Welfare

We appreciate all that our employees do for Anilana, and we in turn, look after our staff the way we would our family. We have numerous staff related engagement activities which we faithfully practice; for instance, we host birthday parties on a monthly basis, bi-annual cricket & volleyball tournaments together with the East Coast Hoteliers Association, Celebrating of the Sinhala & Tamil New Year festival, a Vesak lantern competition, a staff party and staff trip, Christmas celebrations, 31st Night festivities as the year dawns to a close and Halloween Night, to name but a few. We also do not let excellence go unrecognized and unrewarded, and to this end, we carry out an employee of the month reward and recognition program on a monthly basis and on an annual basis we carry out Employee of the Year reward and recognition program, which propels our staff to further heights.

Future Plans

As Anilana has several ambitious yet attainable plans for expansion, the need to develop future leaders in keeping with our pace of growth, is a matter that has gained our attention. To do so, we will be focusing on the specific competencies such leaders need to possess, both at strategic and tactical levels, and we aim to foster such competencies, first by choosing the correct person for the correct job, providing feedback via probation assessments, and then by designing development programmes that will help them master the required traits and skills that would be essential to carry themselves and the company forward.



COPORATE SOCIAL RESPONSIBILITY

We at Anilana, believe an entity does not exist in isolation and that the good we do will always make a positive difference in ourselves, our stakeholders and in the community at large. We believe in conserving our natural resources for the benefit of our future generations, promoting health and well-being in our customers by opting for organic produce wherever possible, encouraging the implementation of sustainable farming practices amongst our suppliers, and fostering a better quality of life in the local community.

We believe in giving back to the local community, and making a lasting impression on the people whose lives we touch. For instance, we give priority to recruiting locals and encourage them to be a part of our growing team. We do this, by working closely with local hotel schools and the Vocational Training Authority (VTA) of Sri Lanka. To elaborate further, we promote the recruitment of trainees for our kitchens from the Vocational Training Authority in Trincomalee, and we prefer to hire kitchen, food and beverage and house keeping trainees from the National Apprentice and Industrial Training Authority in Trincomalee and Kantale.

We purchase most of our produce, be it seafood, meat, vegetables or dairy, from local farmers, who are encouraged to grow organic produce and fish in a sustainable manner for we chose to opt for practices that are good for the environment, good for well being of guests & staff, and also, good for the company, over the long run.

At Anilana, we also take a keen interest in the development of sports, be it cricket, rugby or tennis. we believe that sports foster health, hard work, unity and teamwork; all of which are our guiding principles, which we attain to live by.



CORPORATE GOVERNANCE

Corporate Governance is the system by which companies are directed, managed and controlled by the management in the best interest of the shareholder.

The Board of Directors is responsible for the Governance of the Company whilst the Shareholders role in Governance is to appoint the Directors and the Auditors and to satisfy themselves that an appropriate governance structure is in place.

Compliance with the Code of Best Practice and Listing Rules.

The Company currently complies with key areas of the Code of Best Practice for Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and the Rules on Corporate Governance contained in the Listing Rules of the Colombo Stock Exchange.

Board of Directors

The Board of Directors takes responsibility for good governance of the Company. The Company's Board consists of 4 Directors. The names of the members of the Board appear under Corporate Information on pageof this Report. One Third of the Directors retire by rotation at each Annual General Meeting and those eligible are recommended for re-election.

The Directors collectively possess a wide range of aptitude, skill, knowledge and experience in managing companies.

The Board meets regularly to review matters of importance and also the performance of the Company. The Directors retain full and effective

control of the Company and provide strategic direction to the Company, monitors operational and management performance, periodically reviews the effectiveness of the Company's risk management and internal control systems and ensures that there is compliance with all relevant laws, regulations and codes of business practice. The Board had met four (5) times during the year under review.

The Directors are responsible for preparing and presenting the financial statements which are prepared in accordance with the Sri Lanka Accounting Standards and in accordance with the requirements of the Colombo Stock Exchange. A Statement of Directors' Responsibilities for the preparation of Financial Statements is set out on page of this Report.

Board Sub- Committees

The Board sub-committees scrutinize and analyze the areas under their purview and ensure application of strict control over the affairs of the Company. The Sub committees make recommendations to the Board on necessary adjustments and modifications to the internal systems of the Company. The Board has constituted an Audit Sub-Committee and Remuneration Sub-Committee, each of which consists of two Non-Executive Directors. Reports of the Remuneration Committee and the Audit Committee are set out in the pages and of the Annual Report.

Company Secretaries

Corporate Advisory Services (Private) PLC, who were appointed with effect from 19th May 2010, provides Corporate Secretarial Services to the Company. The Company Secretaries advise the Board on matters relating to the Companies Act, the Colombo Stock Exchange regulations and other applicable rules and regulations in order to ensure that the Best Governance practices are adopted by the Board and its Committees.

Compliance with Legal Requirements

All Directors have access to the Financial and Management Information of the Company. The

Directors makes every endeavor to ensure that the Company complies with Laws and Regulations and to exercise due diligence in managing the affairs of the Company. Additionally, checks and controls are in place to ensure that the policies of the Board are complied with.

The manner and the extent to which the Company has applied the principles of good Corporate Governance practices during the period under review is set out in the table below.

Rule No.	Subject	Applicable requirement	Compliance Status	Details
7.10.1	Non Executive Directors	At least 1/3 of the total number of Directors should be Non-Executive Directors	Complied	3.Out of 4 directors are Non-executive Directors
7.10.2	Independent Directors	2 or 1/3 of Non-Executive Directors, which is higher should be independent	Complied	2of 3 Non-Executive Directors are independent.
		Each Non Executive Director should submit a declaration of independence/ Non independence in the prescribed format.	Complied	Non-Executive Directors have submitted the Declarations.
7.10.3	Disclosure relating to Directors	(a) Names of Independent Directors should be disclosed in the Annual Report	Complied	Please refer information pertaining to the Directors and Board Sub Committees on page of the Annual Report
7.10.5	Remuneration Committee	A listed Company shall have a Remuneration Committee	Complied	Board had established a Remuneration Committee
	(a) Composition of the Remuneration Committee	The Remuneration Committee shall comprise of Non-Executive Directors and majority of which can be independent	Complied	The Remuneration Committee has 3 members 2 of whom are independent.
	(b) Factions of the Remuneration Committee	The Remuneration Committee shall recommend the remuneration of the Key Management Personnel and Executive Directors	Complied	Please refer to the Remuneration Committee Report on page of the Annual Report.
		The Annual Report should set		
	(c) Disclosure in the Annual Report relating to Remuneration Committee	a) Names of Directors comprising the Remuneration Committee	Complied	Please refer Directors information on page.... Of the Annual Report
		b) Statement of Remuneration Policy	Complied	Please refer the Remuneration Committee Report on page ... for a brief statement of policy
7.10.6	Audit Committee	c) Aggregate Remuneration paid to Executive and Non -Executive and Non- Executive Directors	Complied	Please refer Notes to the Accounts on page
		The Company shall have an Audit Committee	Complied	The Board has constituted an Audit Committee
		a) Shall Comprise of non-executive Directors a majority of whom shall be independent	Complied	Audit Committee consists of 3 Directors of which 2 are independent.
		b) The Chairman of the Audit Committee or one member should be a member of a professional accounting body	Complied	Chairman of the Audit Committee is a member of a Professional Accounting Body

7.10.6	(b) Audit Committee Functions	Should be as outlined in the Section 6 of the Listing Rules	Complied	Please refer page
	(c) Disclosure in the Annual Report relating to the Audit Committee	a) Names of the Directors comprising the Audit Committee	Complied	Please refer Information of the Board of Directors and the Board-Sub Committees on page ... of the Annual Report
		b) The Audit Committee shall make a determination of the independence of the Auditors and disclose such determination	Complied	Please refer to Audit Committee Report on page ... of the Annual Report
		c) The Annual Report shall contain a Report of the Audit Committee setting out the manner of compliance of the functions	Complied	Please refer to Audit Committee Report on page of the Annual Report
7.6 (v)	Statement of the Directors and Chief Executive Officer's shareholding	A Statement of each Director's holding and Chief Executive Officer's holding in shares of the Company at the beginning and end of the financial year	Complied	Please refer page
9	Related Party Transactions Review Committee	The Company shall have a Related Party Transactions Review(RPTR) Committee	Complied	The Board has constituted a Related Party Transactions Review(RPTR) committee
	(a)Composition of the Committee	The RPTR Committee shall comprise of Non-Executive Directors the majority of which can be independent	Complied	The RPTR Committee has 3 members 2 of whom are independent.
	(b) Related Party Transactions Review Committee Functions	Should be as outlined in Section 9 of the Listing Rules	Complied	Please refer to the Committee report on page..... of the Annual Report
		Names of the Directors comprising the RPTR Committee	Complied	Please refer to the Committee report on page..... of the Annual Report
	(c) Disclosure in the Annual Report relating to the Related Party Transactions Review Committee	The Annual Report shall contain a Report of the RPTR Committee setting out the manner of compliance of the functions	Complied	Please refer to the Committee report on page..... of the Annual Report

Other Policies and Practices Obtaining Independent Professional Advice

The Board in discharging its duties seeks independent professional advice from external parties when necessary, at the company's expense.

Internal Controls and Risk Management

The Board has introduced adequate internal controls and risk management systems to safeguard the shareholders' investments and the Company's assets. The Board is fully aware that internal controls have inherent limitations and do not provide absolute assurance against fraud and error.

Dedication to Matters of the Board and the Company

The Board of Directors devote adequate time to the fulfillment of their duties and Directors of the Company. The Board has delegated the day to day operations of the Company and of the group to the Management Committee. The Management Committee comprises the Managing Director and a professional team of senior managers of the Company.

Division of Responsibilities between the Chairman and the Managing Director

The functions of the Chairman and the Managing Director are clearly segregated. The Chairman is responsible for leading and ensuring the effective functioning of the Board.

The Managing Director is responsible for the Management of the business, monitoring its progress and implementing the strategies of the Company within the framework of the policies formulated by the Board.

The role of the Chairman

The Chairman ensures that Board Meetings are conducted efficiently by encouraging and ensuring the effective contribution to the deliberations by all directors. Their individual contributions and concerns are objectively assessed before major decisions are made. The Chairman also satisfies himself that the Directors are provided with sufficient information so as to facilitate their effective contribution at Board Meetings.

Directors Remuneration

The total remuneration of Directors is disclosed in Note ... in the Financial Statements. The Board has delegated powers to the Remuneration Committee to oversee implementation of policies with regard to the Remuneration of Executive Directors and Executive Employees.

The Names of the Remuneration Committee are disclosed in page

Relationship with shareholders

The Annual Report and the Annual General Meeting form the principal means of communication with the shareholders quarterly financial statements of the company and that of the Group have been uploaded to the CSE website within the stipulated time frame.

AUDIT COMMITTEE REPORT

Role of the Audit Committee

The Audit Committee is a sub-committee of the main Board to which it is accountable. The primary function of the Audit Committee is to assist the Board in its oversight of the integrity of the financial statements of the Company, to assess the qualifications, the independence and the performance of the Company's external auditor and review compliance of the Company with legal and regulatory requirements.

Composition of the Audit Committee

The Audit Committee comprises of the following three Non-Executive Directors of Anilana Hotels & Properties PLC of which two are independent.

Mr. Ajahn Gardiye Punchihewa -
Chairman of the Audit Committee

Mrs. Manjula Cleone Seneviratne -
Committee Member

Mr. Peter Lucien Amerasinghe -
Committee Member

The Managing Director and the Head of Finance attend meetings at the invitation of the Audit Committee. The Board Secretary functions as the Secretary to the Audit Committee. Representatives of external auditors and internal auditors also attend Audit Committee meetings by invitation.

The Audit Committee Chairman has the required expertise in Finance and Business Management to deliberate Audit Committee matters and recommend necessary action to be taken.

Meetings

The Audit Committee met 03 times during the year. The attendance of the members at the meeting was follows.

Mr. Ajahn Gardiye Punchihewa 3/3
Mrs. Manjula Cleone Seneviratne 3/3
Mr. Peter Lucien Amerasinghe 3/3

Functions Performed by the Audit Committee

a. The Committee reviewed the provisional financial statements for the three quarters that were published for financial year 2016/17 and the Annual Report of 2016/17. It appraised the preparation, presentation and adequacy of disclosures in the financial statements of the Company, in accordance with Sri Lanka Accounting Standards and SLFRS. It also reviewed the Company's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.

b. The Committee reviewed the periodic internal audit reports. The internal audits are done to improve process performance and control.

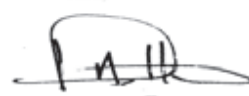
c. The Committee reviewed the external auditors' report and management letter for the last year. All recommendations proposed by the external auditors were discussed and recommendations proposed were duly carried out by the management. In addition, the Audit Committee reviewed the engagement partner's relationships with the Company, and assessed that the external auditors are independent.

d. The Audit Committee in conjunction with the Managing Director and Head of Finance of the Company reviewed the Company's disclosure controls and procedures and internal control over financial reporting.

e. The Audit Committee reviewed the Company's policies and practices with respect to risk assessment and risk management, including discussing with management the Company's major financial risk exposures and the steps that have been taken to monitor and control such exposures.

Conclusion

The Audit Committee is satisfied that the Company's accounting policies, independence of the auditors and risk management are adequate for the Company. The Audit Committee has also accomplished responsibilities and functions that are delegated to it by the Board.



Signature
Mr Ajahn Gardiye Punchihewa
Chairman- Audit Committee
15th September 2017

REMUNERATION COMMITTEE REPORT

Role of the Remuneration Committee

The Committee reviews the performance of the executive staff against the set objectives and goals, and determines the compensation policy of the Company for all levels of employees. The Committee supports and advises the Board on remuneration and remuneration related matters and makes decisions under delegated authority with a view to aligning the interests of employees and shareholders.

Composition of the Remuneration Committee

The Remuneration Committee is a sub-committee of the Main Board, to which it is accountable. The Remuneration Committee comprises of the following three Non-Executive Directors of Anilana Hotels & Properties PLC of which two are independent.

Mr. Ajahn Gardiye Punchihewa -
Chairman of the Remuneration Committee

Mrs. Manjula Cleone Seneviratne -
Committee Member

Mr. Peter Lucien Amerasinghe -
Committee Member

The Managing Director attends the Committee meeting by invitation and serves as the Secretary of the Committee.

The Committee members possess vast experience in the fields of Business Management, Human Resources Management, Labour Relations and Labour Law. Hence, the Committee has adequate expertise in remuneration policy and management to deliberate and propose necessary changes, improvements to meet the roles and responsibility of the Committee.

Meetings

The Remuneration Committee met once for the year where all members participated.

Functions Performed by the Remuneration Committee

a. Ensuring that the Board complies with the Companies Act in relation to Directors' remunerations, especially the requirements of Section 216. And it also ensures that employees are adequately compensated based on their performance and contribution for the period under review and future potential.

b. Constructing a specific cost of employment structure that enables Company to attract and retain a quality and representative staff in its operations and do this inter alia with reference to appropriate market rates where these are relevant and benchmarking specific categories where required.

c. Ensuring internal equity and fairness in and between the various pay categories and building incentives in the cost of employment structure to encourage and reward excellent performance, on objectively defined criteria.

d. Ensuring that staff costs are within the budget set by the Board, and are sustainable over time.

Conclusion

The Committee is satisfied that it has completed the responsibilities that were delegated to it by the Board for the year under review and the necessary objectives were achieved for the year under review.



Signature
Ajahn Gardiye Punchihewa
Chairman- Remuneration Committee
15th September 2017

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

The Directors take pleasure in presenting their report together with the Audited Financial Statements for the year ended 31st March, 2017

Principal activities

The Company's principal activity is constructing and managing hotels. The company also maintains a separate property portfolio as investment.

Directorate

The Directors of the Company during the year under review are as follows:

Asanga Chandana Seneviratne
Manjula Cleone Seneviratne
Peter Lucien Amerasinghe
Ajahn Gardiye Punchihewa

Directors Meetings

At each Board meeting, performance to date is reviewed and compared with targets. Presentations are made covering all aspects of operations, including productivity. The Board is constantly seeking to optimize resources and manage costs.

The financial positions monitored against budgets. Comprehensive papers are presented on the financial position of the Company for the month under review and the year to date. Comparisons are also made with the previous years' figures and with the macro environment, to detect trends and the impact of outside influences.

Where necessary, decisions are taken by circular resolutions, to expedite action.

Re-election of Directors

To re-elect Mr Ajahn Gardiye Punchihewa who retires by rotation at the Annual General Meeting in terms of Article 81 of the Company's Articles of Association.

To re-appoint as a Director, Mr. Peter Lucien Amerasinghe who is 72 years of age and who vacates his office in terms of Section 210 of the Companies Act 7 of 2007.

Notice is hereby given of the undernoted Ordinary Resolution in relation to Mr. Peter Lucien Amerasinghe's re-appointment to be passed in compliance with Section 211 of the Companies Act No. 7 of 2007.

"RESOLVED THAT Mr. Peter Lucien Amerasinghe who is 72 years of age be and is hereby re-appointed a Director of the Company and it is hereby declared as provided for in Section 211 of the Companies Act No. 07 of 2007, that the age limit of 70 years referred to in Section 210 of the said Companies Act shall not apply to the said Mr. Peter Lucien Amerasinghe."

Directors' Interest in shares

The Directors' interests in shares as at 31st March, 2017 were as follows:

	As at 31.03.2017	As at 31.03.2016
Asanga Chandana Seneviratne		133,846,350
Manjula Cleone Seneviratne		20,000,001
Peter Lucien Amerasinghe		966,667
Ajahn Gardiye Punchihewa		40,000

Directors' interests in contracts

In accordance with the provisions of the Companies Act No. 7 of 2007, the Directors have made declarations relating to their interests. These have been entered into the Interest Register which is maintained by the Company.

Directors' Remuneration

The Directors remuneration is disclosed on page

Board Sub Committees

During the year under review, an Audit Committee was appointed by the Board. The Audit Committee approved an Audit Charter which describes the role and the functions of the Committee.

Review of Business

Cessation of the civil conflict has opened up high potential tourist destinations for development within Sri Lanka. Developing infra structure is assisting fast access to previously inaccessible locations on the east coast enhancing the value of land over the long term.

Details on the Company's performance for the year under review can be found in the statements of the Chairperson, Deputy Chairman and the Chief Executive Officer (found on pages ... to ...)

Directors' responsibility for financial reporting

The Directors are responsible for the preparing of Financial Statements of the Company. The Directors believe that the Financial Statements (appearing on page ...) have been prepared in accordance with the requirements of the Sri Lanka Accounting Standards, the Companies Act No. 7 of 2007, and that they reflect a true and fair view of the state of the company's affairs for the year under review.

Responsibility statements

The Directors responsibility statement appears on page

Going concern

The Directors are of the view that the Company is in a position to continue its operations in the foreseeable future. Accordingly, the financial statements are prepared on the basis that the Company is a going concern.

Financial Statements

The Financial Statements are given on pages to

Financial Results

The financial results for the year ended 31st March 2017.

	2017 Rs.'000 s	2016 Rs.'000 s
Revenue		218,612
Net Loss Before Taxation		456,743
Less: Taxation		111
Net Loss After Taxation		456,854

Auditors

To re-appoint the retiring Auditors M/s Amarasekera & Co, Chartered Accountants to hold office until the conclusion of the next Annual General Meeting and to authorize the Directors to determine their remuneration.

The Auditors have confirmed that they have had no interest in or relationship with the Company other than that of Auditors. They have also confirmed that they are independent in accordance with the code of ethics of the Institute of Chartered Accountants of Sri Lanka.

During the year under review, the Auditors were paid Rs. as audit fees.

Auditors Report

The Auditors report appears on page

Significant accounting policies

The significant accounting policies adopted when preparing the Financial Statements and any changes thereto (if applicable) are given on pages to

Statutory Payments

For the year under review, all known statutory payments have been made and all retirement gratuities have been provided for. Further, all management fees and payments to related parties for the year under review have been reflected in the accounts. Details are given in Note no Page

Number of Employees

The number of employees as at 31st March 2016 was 153

Stated Capital

The stated capital of the Company is Rs. 3,863,261,648 made up of 493,308,514 Ordinary Shares.

The shareholding structure is given on pages 88 to 89 together with the 20 largest shareholders.

During the year, the share price ranged from Rs. 1.10 to Rs. 3.70 As at the end of trading on 31st March 2016 the share price was Rs. 1.30

Equitable treatment of shareholders

The Directors have made every endeavour to ensure the equitable treatment of all shareholders, and are committed to maximizing shareholder wealth.

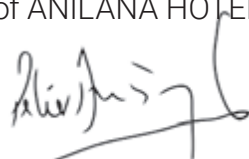
All Notices of shareholders' Meetings are sent out in accordance with the provision of the Company's Articles of Association. Any shareholder unable to attend is still able to indicate his/her consent

or dissent on any decision, by completing and returning the two way proxy provided with the Notice.

Notice of Meeting

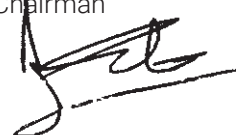
The Notice of Meeting is found on page 90 If you are unable to be present, please complete and return the Form of Proxy (page enclosed).

BY ORDER OF the Board of Directors
of ANILANA HOTELS & PROPERTIES PLC



Peter Lucien Amerasinghe

Chairman



Asanga Seneviratne

Managing Director



Corporate Advisory Services (Pvt) Ltd

Secretaries

15th September 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible under the Companies Act No.07 of 2007, to ensure compliance of the requirements set out therein to prepare financial statements for each financial year giving true and fair view of the state of the affairs of the Company as at the Balance sheet date and the profit of the company for the financial year.

The Directors accept the responsibility for the integrity and objectivity of the financial statements presented.

The Directors confirm that the financial statements have been prepared;

- using appropriate accounting policies which have been selected and applied in a consistent manner, and material departures, if any have been disclosed and explained: and
 - presented in accordance with the Sri Lanka Accounting Standards; and that
 - Reasonable and prudent judgments and estimates have been made so that the form and substance of transactions are properly reflected. And
 - provides the information required by and otherwise comply with the Companies Act.
- The directors confirm that the financial statements have been prepared on a going concern basis and are of the view that sufficient funds and other resources are available within the Company and its subsidiaries to continue its operations and to facilitate planned future expansions and capital commitments.
- Further, the Directors ensure that the Company maintains sufficient accounting records to disclose, with reasonable accuracy the financial position of the Company.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and in this regard to give proper consideration to the establishment of appropriate internal control systems with a view to preventing and detecting fraud and other irregularities. The Directors are required to prepare the financial statements and to provide the Auditors with every opportunity to take whatever steps and undertake

whatever inspections that maybe considered being appropriate to enable them to give their audit opinion. The Directors are of the view that they have duly discharged their responsibilities as set out in this statement.

Compliance Report

The Directors confirm that to the best of their knowledge and belief that all statutory payments in relation to regulatory and statutory authorities that were due in respect of the Company and its subsidiaries as at the Balance Sheet date have been duly paid where relevant provided for.

By order of the Board
Anilana Hotels & Properties PLC.

Corporate Advisory Services (Pvt) Ltd.
Secretaries to the Company

15th September 2017

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

Role of the Related Party Transactions Review Committee

The role of the Related Party Transactions Committee is to ensure that the interests of shareholders as a whole are taken into account by the Company when entering into Related Party Transactions. The Rules set out in Section 9 of the CSE Listing Rules provide certain measures to prevent Directors, Chief Executive Officers or Substantial Shareholders taking advantage of their positions.

Composition of the Related Party Transactions Review Committee

The Related Party Transactions Committee comprises of the following three Non - Executive Directors of Anilana Hotels & Properties PLC of which two are independent.

Mr. Ajahn Gardiye Punchihewa
Chairman of the Committee

Mrs. Manjula Cleon Seneviratne
Committee Member

Mr. Peter Lucien Amerasinghe
Committee Member

The committee members possess vast experience in Business Management and the regulations governing the related Party transaction of a listed entity. The committee has adequate expertise to restrict or prevent Related Party transactions which might impinge on the interests of the shareholders in general.

Meetings

Four Meetings, one in each quarter of the year were held where all the members of the committee participated.

Functions Performed by the Related Party Transactions Committee

a. Ensure that the transactions which are not in the ordinary course of business and in the opinion of the Related Party Transactions Review Committee, are not on terms favorable to the Related Party than those generally available to the public.

b. Ensure that the Company shall obtain shareholder approval by way of a Special Resolution in the event of the following Related Party Transactions:
non-recurrent transactions;

(a) Any Related Party Transaction of a value equal to, or more than: (i) 1/3 of the Total Assets of the Entity as per the latest Audited Financial Statements of the Entity; OR (ii) 1/3 of the Total Assets of the Entity as per the latest Audited Financial Statements of the Entity, when aggregated with other non-recurrent transactions entered into with the same Related Party during the same financial year.

(b) Ensure that the Share Holder approval is obtained If the company acquires a substantial asset from, or disposes of a substantial asset to, any Related Party of the Entity or its associates.

Recurrent Transactions

Ensure that the Share Holder approval is obtained for any recurrent Related Party Transaction of a value equal to, or more than: (i) 1/3 of the gross revenue (or equivalent term for revenue in the Income Statement) of the Company.

Conclusion

The committee is satisfied that it has performed its responsibilities in ensuring that related Party Transactions have not impinged on the rights of the shareholders in any manner and that the related parties have not acquired any benefit or advantage which have not been available to the ordinary shareholders.



Signature
Ajahn Gardiye Punchihewa
Chairman of the Related Party Transactions Review Committee

Anilana Finance

INDEPENDENT AUDITORS' REPORT

To The Shareholders of Anilana Hotels and Properties PLC

Report on the Financial Statements

1. We have audited the accompanying financial statements of Anilana Hotels and Properties PLC ("the Company"), and the consolidated financial statements of the Company and its subsidiary ('Group') which comprise the statement of financial position as at 31 March 2017, statements of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and summary of significant accounting policies and other explanatory information set on Pages 03-32.

Board Responsibility for the Financial Statements

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

Auditors' Responsibility

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

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

Revaluation of Lands

6. Revaluation of Lands of Anilana Hotels and Properties PLC and lands of Dambulla Hotel Resort and Country Club (Pvt) Ltd., have not been carried out periodically in contravene with the recommendation of the Sri Lanka Accounting Standards, as a result, the carrying value shown in the statement of financial position do not reflect the fair value of these respective lands.

Continued

Borrowings

7. The group borrowing include borrowings obtained from National Development Bank PLC and Millennium Housing Developers PLC amounting to LKR 180,083,492/- in the statement of financial position as at 31 March 2017. We were unable to obtain sufficient audit evidence of the carrying amounts of borrowings as we have not received balance confirmations from the respective financial institutions. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Opinion

8. In our opinion, except for the effects of the matters described in the basis for qualified opinion paragraphs six and seven (6 & 7), the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Emphasis of Matter

Going Concern

9. We draw attention to note 31.1 to these financial statements which indicates that the subsidiaries incurred a net loss of LKR 46,344,216/- during the year ended 31 March 2017 and, as of that date, the respective subsidiary's net current liabilities recorded a balance of LKR 374,197,949/- . These conditions, along with other matters as set forth in note 31.1 indicate the existence of a material uncertainty that may cast significant doubt about the subsidiary's ability to continue as a going concern.

Pending Litigations

10. We draw attention to note 29 to the financial statements which describes the uncertainty relating to the outcome of the lawsuit filed against the company by the lenders. Our opinion is not qualified in respect of this matter due to ongoing legal proceedings.

Report on Other Legal and Regulatory Requirements

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

- (a) The basis of opinion and scope and limitations of the audit are as stated above
- (b) In our opinion:
 - We have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the company.
 - The financial statements of the Company give a true and fair view of its financial position as at 31 March 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards
 - The financial statements of the Company and the Group comply with the requirements of section 151 and 153 of the companies Act No. 07 of 2007, except for the matter referred to in paragraphs six(06) & seven (07) above.



CHARTERED ACCOUNTANTS
COLOMBO, 19 OCTOBER 2017.

ANILANA HOTELS AND PROPERTIES PLC
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 MARCH	Note	Group		Company		2015
		2017	2016	2017	2016	
Revenue	3	321,657,228	343,980,864	195,491,498	206,349,160	112,641,079
Cost of Sales		(56,612,773)	(68,571,538)	(35,712,793)	(40,982,040)	(31,779,151)
Gross Profit		265,044,455	275,409,326	159,778,705	165,367,119	80,861,928
Other Income	4	3,154,489	49,993	3,044,485	49,993	2,772,698
Administrative Expenses		(348,402,448)	(415,519,407)	(194,893,694)	(242,480,769)	(246,033,927)
Business Promotion Expenses		(9,491,750)	(12,865,860)	(5,535,914)	(10,018,369)	(9,031,428)
Profit / (Loss) from Operation		(89,695,252)	(152,925,948)	(37,606,417)	(87,082,025)	(171,430,729)
Net Gain / (Loss) from Financial Assets at Fair Value through Profit or Loss		(213,333)	(1,446,208)	-	(1,086,209)	(1,086,209)
Revaluation Surplus Recognized to the Extent that Reverses the Revaluation Deficit Recognized Previously		-	55,199,000	-	-	-
Finance Income	5	1,149,777	109,302	1,149,777	100,498	678,267
Finance Cost	5	(186,793,652)	(144,048,473)	(119,005,771)	(102,557,480)	(162,137,973)
Profit / (Loss) Before Taxation	6	(275,552,460)	(243,112,328)	(155,462,410)	(190,625,215)	(333,976,643)
Income Tax Expense	7	(500,000)	(100,764)	(300,000)	(18,291)	(123,445)
Profit / (Loss) for the Year		(276,052,460)	(243,213,092)	(155,762,410)	(190,643,506)	(334,100,088)
Attributable to - Equity holders of the Parent		(276,052,504)	(243,213,102)	(155,762,410)	(190,643,506)	(334,100,088)
- Non-Controlling Interest		44	11	-	-	-
		(276,052,460)	(243,213,091)	(311,524,820)	(190,643,506)	(334,100,088)
Basic Earnings / (Loss) Per Share (Rs.)	8	(0.56)	(0.49)	(0.32)	(0.32)	(0.39)
Profit / (Loss) for the Year		(276,052,460)	(243,213,091)	(311,524,820)	(190,643,506)	(334,100,088)
Other Comprehensive Income / (Expense)						
(Other Comprehensive Income not to be Reclassified to Profit or Loss in Subsequent Periods)						
Actuarial Gain / (Loss) on Retirement Benefits Obligation	22	1,401,424	768,759	1,247,837	659,069	(101,825)
Surplus on Revaluation of Property, Plant and Equipment	9.3	-	73,259,700	-	-	-
Total Comprehensive Income / (Expense) for the Year		(274,651,036)	(169,184,632)	(310,276,983)	(189,984,437)	(334,201,913)
Attributable to - Equity holders of the Parent		(274,651,080)	(169,185,131)	(310,276,983)	(189,984,437)	(334,201,913)

- Non-Controlling Interest

44	499	-	-	-
(274,651,036)	(169,184,632)	(310,276,983)	(189,984,437)	(334,201,913)

Audit Report on Page 1 & 2

Figures in brackets indicate deductions

Notes to the Financial Statements on Pages 6 to 30 form an integral part of these Financial Statements.

ANILANA HOTELS AND PROPERTIES PLC
STATEMENT OF FINANCIAL POSITION

(Expressed in Sri Lankan Rupees)

STATEMENT OF FINANCIAL POSITION					
		Group		Company	
AS AT 31 MARCH		2017	2016	2017	2016
	Note				
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	9	4,071,457,277	4,228,425,264	1,909,432,665	1,991,852,028
Investment Properties	10	939,400,000	939,400,000	-	-
Intangible Assets	11	613,779	2,001,398	613,779	2,001,399
Leasehold Land	12	29,563,556	30,895,556	-	-
Investment in Subsidiaries	13	-	-	2,063,373,960	2,063,373,960
Available-for-Sale (AFS) Financial Assets	14	12,000,000	12,000,000	12,000,000	12,000,000
Total Non-Current Assets		5,053,034,613	5,212,722,218	3,985,420,404	4,069,227,387
Current Assets					
Inventories	15	36,697,519	40,009,006	19,628,704	22,537,818
Financial Assets at Fair Value through Profit or Loss (FVTPL)	16	173,333	2,873,038	-	2,486,373
Trade and Other Receivables	17	136,262,471	130,167,199	511,977,031	515,577,372
Other Non-Financial Assets	18	24,633,627	7,183,982	10,638,621	4,627,639
Cash and Cash Equivalents	19	3,426,542	4,527,040	1,943,626	2,473,152
Total Current Assets		201,193,492	184,760,265	544,187,982	547,702,354
Total Assets		5,254,228,105	5,397,482,483	4,529,608,386	4,616,929,740
EQUITY AND LIABILITIES					
Equity					
Stated Capital	20	3,863,261,648	3,863,261,648	3,863,261,648	3,863,261,648
Revaluation Reserve		790,374,525	790,374,525	231,490,273	231,490,273
Retained Earnings (at debit)		(1,684,380,938)	(1,409,729,858)	(1,111,283,040)	(956,768,467)
Equity Attributable to Equityholders of the Parent		2,969,255,235	3,243,906,315	2,983,468,882	3,137,983,454
Non - Controlling Interest		(548)	(592)	-	-
Total Equity		2,969,254,687	3,243,905,723	2,983,468,882	3,137,983,454
Non - Current Liabilities					
Borrowings - (Non-Current Portion)	21	1,242,936,576	1,171,027,548	679,150,000	689,500,000
Retirement Benefits Obligation	22	2,007,601	3,418,885	1,039,656	2,699,911
Total Non - Current Liabilities		1,244,944,177	1,174,446,433	680,189,656	692,199,911
Current Liabilities					
Trade and Other Payables	23	301,943,610	300,425,726	225,823,050	239,466,365
Borrowings - (Current Portion)	21	537,392,442	514,964,011	488,402,522	407,315,699
Other Non-Financial Liabilities	24	99,430,592	49,373,831	59,646,456	29,285,505
Bank Overdrafts	19	101,262,597	114,366,759	92,077,818	110,678,806
Total Current Liabilities		1,040,029,241	979,130,328	865,949,846	786,746,375
Total Equity and Liabilities		5,254,228,105	5,397,482,483	4,529,608,386	4,616,929,740
Net Assets Value Per Share					
		6.02	6.58	6.05	6.36

I Certify that these Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

.....

Finance Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Approved and signed for and on behalf of the Board,

.....

Director

Date : 19 October 2017

Colombo.

.....

Director

Audit Report on Page 1 & 2

Figures in brackets indicate deductions

Notes to the Financial Statements on Pages 6 to 30 form an integral part of these Financial Statements.

ANILANA HOTELS AND PROPERTIES PLC
STATEMENT OF CHANGES IN EQUITY

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 MARCH 2017

Group	Attributable to Equityholders of the Parent			Non-Controlling Interest	Total Equity
	Stated Capital	Revaluation Reserve	Retained Earnings (at debit)		
Balance as at 01 April 2015	3,863,261,648	717,115,313	(1,167,285,515)	(1,091)	3,413,090,355
Profit / (Loss) for the Year	-	-	(243,213,102)	11	(243,213,091)
Acturial Gain on Retirement Benefits Obligation	-	-	768,759	-	768,759
Surplus on Revaluation of Property, Plant and Equipment	-	73,259,212	-	488	73,259,700
Balance as at 31 March 2016	3,863,261,648	790,374,525	(1,409,729,858)	(592)	3,243,905,723
Profit / (Loss) for the Year	-	-	(276,052,504)	44	(276,052,460)
Acturial Gain on Retirement Benefits Obligation	-	-	1,401,424	-	1,401,424
Balance as at 31 March 2017	3,863,261,648	790,374,525	(1,684,380,938)	(548)	2,969,254,687

Company

	Stated Capital	Revaluation Reserve	Retained Earnings (at debit)	Total Equity Attributable to Equityholders of Parent
Balance as at 01 April 2015	3,863,261,648	231,490,273	(766,784,030)	3,327,967,891
Loss for the Year	-	-	(190,643,506)	(190,643,506)
Acturial Gain on Retirement Benefits Obligation	-	-	659,069	659,069
Balance as at 31 March 2016	3,863,261,648	231,490,273	(956,768,467)	3,137,983,454
Loss for the Year	-	-	(155,762,410)	(155,762,410)
Acturial Gain on Retirement Benefits Obligation	-	-	1,247,837	1,247,837
Balance as at 31 March 2017	3,863,261,648	231,490,273	(1,111,283,040)	2,983,468,881

Audit Report on Page 1 & 2

Figures in brackets indicate deductions

Notes to the Financial Statements on Pages 6 to 30 form an integral part of these Financial Statements.

ANILANA HOTELS AND PROPERTIES PLC
STATEMENT OF CASH FLOWS

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 MARCH	2017	Group 2016	2017	Company 2016
Cash Flows from Operating Activities				
Profit / (Loss) Before Taxation	(275,552,460)	(243,112,328)	(155,462,410)	(190,625,215)
Adjustments for;				
Depreciation	156,365,443	158,671,048	80,798,530	83,248,457
Amortization of Intangible Assets	1,387,620	1,387,620	1,387,620	1,387,620
Amortization of Leasehold Land	1,332,000	1,332,000	-	-
Gratuity Charge for the Year	1,006,515	1,463,596	603,957	1,073,020
Surplus on Revaluation Recognized to the Extent that Reverses the Revaluation Deficit Recognized Previously	-	(55,199,000)	-	-
Net (Gain) / Loss from Financial Assets at Fair Value through Profit or Loss	213,333	1,446,208	-	1,086,209
Loss on Disposals of Shares	(1,077,069)	1,248,906	(1,077,069)	1,248,906
Profit on Disposal of Motor Vehicles	(1,857,292)		(1,857,292)	-
Interest Expenses	186,793,652	144,048,473	119,005,771	102,557,480
Interest Income	(1,149,777)	(109,302)	(1,149,777)	(100,498)
Operating Profit / (Loss) Before Working Capital Changes	67,461,965	11,177,221	42,249,330	(124,022)
Changes in Working Capital				
Inventories	3,311,486	711,801	2,909,114	(26,949)
Trade and Other Receivables	(6,095,272)	61,922,851	3,600,340	(37,641,294)
Other Non-Financial Assets	(17,449,646)	(454,170)	(6,010,982)	(323,765)
Other Non-Financial Liabilities	49,636,742	43,731,191	30,060,952	28,326,171
Trade and Other Payables	1,517,883	18,434,609	(13,643,315)	2,667,588
Cash Generated from / (used in) Operations	98,383,159	135,523,504	59,465,439	(7,122,272)
Gratuity Paid	(1,016,375)	-	(1,016,375)	-
Taxes Paid	(79,980)	-	-	-
Interest Paid	(62,459,325)	(107,567,093)	(30,657,071)	(74,815,602)
Net Cash Flow from / (used in) Operating Activities	34,827,479	27,956,411	27,791,993	(81,937,874)
Cash Flows from Investing Activities				
Acquisition of Property, Plant and Equipment / Incurred on WIP	(1,018,290)	(83,933,795)	-	(277,890)
Investments In Shares	-	-	-	-
Proceeds from Disposal of Shares	3,563,442	6,992,865	3,563,442	6,992,865
Proceeds from Disposal of Motor Vehicles	3,478,125	-	3,478,125	-
Interest Received	1,149,777	109,302	1,149,777	100,498
Net Cash Flow from / (used in) Investing Activities	7,173,055	(76,831,629)	8,191,344	6,815,473
Cash Flows from Financing Activities				
Term Loans Obtained	-	125,000,000	-	125,000,000
Settlements of Term Loan	(29,996,867)	(93,793,316)	(17,611,877)	(63,211,622)
Lease Rentals Paid	-	(189,736)	-	(189,736)
Net Cash Flow from / (used in) Financing Activities	(29,996,867)	31,016,948	(17,611,877)	61,598,642
Net Changes in Cash and Cash Equivalents During the Year	12,003,666	(17,858,270)	18,371,461	(13,523,758)
Cash and Cash Equivalents at Beginning of the Year	(109,839,719)	(91,981,449)	(108,205,654)	(94,681,896)
Cash and Cash Equivalents at End of the Year (Note 19)	(97,836,054)	(109,839,719)	(90,134,193)	(108,205,654)

Audit Report on Page 1 & 2

Figures in brackets indicate deductions

Notes to the Financial Statements on Pages 6 to 30 form an integral part of these Financial Statements.

1 CORPORATE INFORMATION

1.1 Reporting Entity

Anilana Hotels & Properties PLC is a Company incorporated and domiciled in Sri Lanka. The Registered office of the Company was located at 14, Reid Avenue, Colombo 07.

The consolidated financial statements of the company as at and for the year ended 31 March 2017 comprise the Company and its Subsidiaries. The group has eight (8) subsidiaries and sub-subsidiaries.

1.2 Nature of Operations and Principal Business Activities

The Company's and subsidiaries of the Group Principal Activities are Developing and Managing Hotels and Properties.

There were no significant changes in the nature of the principal activities of the company and group during the financial year under review.

1.3 Date of Authorization for Issue

The Financial Statements of Anilana Hotels & Properties PLC for the year ended 31 March 2017 was authorized for issue in accordance with a resolution of the Board of directors on 19 October 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The consolidated financial statements of Anilana Hotels and Properties Limited have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs). The preparation of financial statements in conformity with Sri Lanka Accounting Standards (SLFRSs) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group accounting policies. The areas involving a higher degree of judgments or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.23.

The consolidated financial statements have been prepared on the historical cost basis and apply consistently with no adjustments been made for inflationary factors affecting the financial statements, except for the following material items in the statement of financial position:

- I. Lands are measured at revalued amounts.
- II. Fair Value through Profit & Loss – Financial Assets measured at fair value
- III. Defined benefit obligation are measured at its present values, based on the projected unit credit method.

These financial statements have been prepared on the basis that the company and the Group would continue as a going concern for the foreseeable future.

2.1.1 New Accounting Standards, Amendments and Interpretations Issued and Adopted in 2016.

The following standards have been adopted by the Group for the first time with effect from financial year beginning on 1 January 2014.

- I. SLFRS 10 'Consolidated Financial Statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.
- II. SLFRS 12 'Disclosure of Interests in Other Entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

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- II. SLFRS 13 'Fair Value Measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Sri Lanka Accounting Standards.

Other than the above changes, the amendments made to the other standards do not have a significant effect to the group financial statements.

2.1.2 Sri Lanka Accounting Standards (SLFRS/LKAS) Issued but not yet Effective

Standards issued but not yet effective up to the date of issuance of the financial statements are listed below. The group intends to adopt those standards when they become effective.

- I. **SLFRS 9-Financial Instruments:** SLFRS 9, issued in 2014, replaces the existing guidance in LKAS 39 Financial instruments; Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instrument, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forwards the guidance on recognition of financial instrument from LKAS 39. Effective date of IFRS 9 is 1 January 2018.
- II. **SLFRS 15 – Revenue from Contracts with Customers:** SLFRS 15 establish a comprehensive framework for determining whether, how much and when revenue is recognized. It replace existing revenue recognition guidance, including LKAS 18 Revenue and LKAS 11 construction Contracts. SLFRS 15 is effective for annual reporting period beginning on or after 1 January 2017.
- III. **IFRS 16 – leases:** IFRS 16 eliminates the classification of leases as either operating or finance for lessees and instead, introduce a single lessee accounting model. This model reflects that leases result in a company obtaining the right to use an asset at the start of the lease and, because most lease payments are made over time, also obtaining financing. As a result, the new standard requires lessees to account for all of their leases in a manner similar to how finance leases were treated applying IAS 17. The new standard IFRS 16, supersedes the requirement in IAS 17 leases and will become effective on 01st January, 2019.

The Company is assessing the potential impacts on its financial statements resulting from the application of SLFRS 15 / SLFRS 9/SLFRS16.

2.2 Changes in Accounting Policies

The changes in accounting policies set out below have been applied consistently to the periods presented in the condensed financial statements, unless otherwise indicated.

The presentation and classification of the consolidated financial statements of the previous year have been amended, where relevant, for better presentation and to be comparable with those of the current year.

2.3 Foreign Currency Translation

2.3.1 Functional and Presentation Currency

Transaction and balances included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates. The financial statements are presented in Sri Lanka Rupees (LKR), which is the company's presentation currency.

2.3.2 Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary

ANILANA HOTELS AND PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

~~assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.~~

Translation differences related to changes in amortized cost are recognized in the statement of comprehensive income.

2.4 Basis of Consolidation

2.4.1 Consolidation / Subsidiaries

Subsidiaries are investees that are controlled by the Company. The Company 'controls' an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect

those returns through its power over the investee. The Company reassess whether it has control if there are changes to one or more of the elements of control.

There are no significant restrictions on the ability of subsidiaries to transfer funds to the Company (The Parent) in the form of cash dividend or repayment of loans and advances.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in the income statement. Any investment retained is recognized at fair value.

Inter-entity transactions, balances, income and expenses on transactions between group entities are eliminated. Profits and losses resulting from Inter-entity transactions that are recognized in assets are also eliminated.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognized in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units.

Non-controlling Interest

Non-controlling interest which represents the portion of profit or loss and net assets not held by the Group, are shown as a component of profit for the year in the consolidated income statement and statement of comprehensive income and as a component of equity in the consolidated statement of financial position, separately from equity attributable to the shareholders of the parent.

The Group elects the proportionate share of the recognized amount of the identifiable net assets, at the acquisition date to measure non-controlling interest.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary

2.4.2 General

Adjustments required to the accounting policies of subsidiaries have been changed where ever necessary to align them with the policies adopted by the group.

The Financial Statements of all subsidiaries in the Group have a common financial year which ends on March 31.

2.5 Property, Plant and Equipment

2.5.1 Recognition and Measurement

All the item of property, plant and equipment are initially recorded at cost. Where items of property, plant and equipment are subsequently revalued, the entire class of such assets is revalued. Revaluations are made with sufficient regularity to ensure that their carrying amounts do not differ materially from their fair values at the reporting date.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following.

- The cost of materials and direct labour
- Any other costs directly attributable to bringing the assets to a working condition for their intended use;
- When the group has an obligation to remove the asset or restore the site, an estimate of the cost of dismantling and removing the items and restoring the site on which they are located; and
- Capitalized borrowing costs

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent to the initial recognition of the assets at cost, the revalued property, plant and equipment are carried at revalued amounts less accumulated depreciation thereon and accumulated impairment losses. The Group applies revaluation model to freehold Lands and cost model to the remaining assets under property, plant and equipment which are stated at historical cost less accumulated depreciation less accumulated impairment losses, if any.

2.5.2 Investment Properties

Investment property is property held either to earn rental income or capital appreciation or for both, but not for sale on the ordinary course of business, use in production or supply of goods and services or for administrative purposes.

Investment properties are measured initially at cost. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions as at the reporting date. Formal valuations are carried out every 3 years by qualified valuers. Gains or losses arising from changes in the fair values of investment properties are recognized in profit or loss in the year in which they arise.

Investment properties are derecognized when either they have been disposed of or when the Investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the Statement of Income in the year of retirement or disposal.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

~~Transfers are made to investment property when, and only when, there is a change in use, evidenced by commencement / end of owner occupation, commencement of development with a view to sale, commencement of an operating lease to another party or completion of construction or development.~~

3.5.3 Fair value measurement

The Group measures financial instruments and certain non-financial assets at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in the following notes:

- Land under revaluation model notes 9
- Quantitative disclosures of fair value measurement hierarchy note 30.1.

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

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

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

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

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

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted AFS financial assets, and for non-recurring measurement, such as assets held for sale in discontinued operations.

External valuers are involved for valuation of significant assets, such as investment properties.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.5.4 Revaluation of Freehold Properties

ANILANA HOTELS AND PROPERTIES PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017**

The freehold lands of the Group are carried at revalued amounts. Revaluation of these assets are carried out at least once in five (5) years in order to ensure the book value every year reflect the realizable value of such assets.

When an asset is revalued, any increase in the carrying amount is credited directly to a revaluation surplus unless it reverses a previous revaluation decrease relating to the same asset, which was previously recognized as an expense. In these circumstances the increase is recognized as income to the extent of the previous write down. When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognized as an expense unless it reverses a previous increment relating to the asset, in which case it is charged against any related revaluation surplus, to the extent that the decrease does not exceed the amount held in the evaluation surplus in respect of that same asset. Any balance remaining in the revaluation surplus in respect of an asset, is transferred directly to accumulated profits on retirement or disposal of the asset.

2.5.5 Subsequent Costs

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 Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

2.5.6 Depreciation

Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is recognized in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current year of property, plant and equipment are as follows.

Assets	Number of Years	Rates (%)
Buildings	5- 50	2 - 20
Land Development Cost (in Leasehold Land)	30	3.33
Road Ways	10	10
Plant and Machinery	5- 20	5 - 20
Computer & IT Equipment	4 - 20	5 - 25
Pool Complex	10 - 25	4 - 10
Curtains and Fabrics	5	20
Kitchen Equipment	5	20
Office / Electric Equipment	4 - 10	10 - 25
Furniture & Fittings	4 - 5	20 - 25
Motor Vehicles	5	20

Depreciation of an asset begins when it is available for use whereas depreciation of an asset ceases at the earlier of the date that the asset 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 and adjusted if appropriate.

2.5.5 Disposal

The gains or losses arising on disposal or retirement of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment. Gains or losses are recognized within other income in the statement of comprehensive income. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

2.5.6 Capital Work-in-Progress

Capital work-in-progress represents the accumulated cost of materials and other costs directly related to the construction of an asset. Capital in progress is transferred to the respective asset accounts at the time it is substantially completed and ready for its intended use.

2.6 Intangible Assets

Acquired computer software is capitalized on the basis of the costs incurred to acquire and bring to use the specific software and systems. Intangible assets acquired are stated at cost less accumulated amortization and accumulated impairment losses. These costs are amortized over their estimated useful lives, as follows:

Computer Software	05 Years
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Costs associated with maintaining computer software are recognized as an expense as incurred.

2.7 Leasehold Land

Land held under leases is initially measured at the total amount paid on lease term plus any initial direct cost incurred at the inception and subsequently the leasehold land is measured at amortized cost. The value of leasehold land is amortized over the lease period.

		Rate
Leasehold land	30 Years	3.33%

2.8 Impairment on Non-Financial Assets

At each end of reporting period, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group determines the cash-generating unit and estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income.

2.9 Financial Assets

(a) Classification

The group determines the classification of its financial assets at initial recognition and classifies its financial assets as follows:

- I. Financial assets at fair value through profit or loss (FVTPL)
- II. Loans and Receivables
- III. Available for sale (AFS) Financial Assets

I. Financial assets at Fair Value through Profit or Loss (FVTPL)

Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. Investments bought with the intention to sell in the near future are classified as held for trading.

II. Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

III. Available for Sale (AFS) Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

The classification of the financial assets under above categories is given in Note 29 to the financial statements.

(b) Recognition and Initial Measurement

Financial assets classified as loans and receivables are recognized on the date on which the group originates the transaction. Other financial assets are recognized on the trade-date on which the group becomes a party to the contractual provisions of the financial instrument.

A financial asset is measured initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs. In case of financial assets at fair value through profit or loss, transaction costs attributable are recognized in profit or loss as incurred.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership of the financial assets.

(c) Subsequent Measurement

I. Financial Assets at Fair Value through Profit or Loss (FVTPL)

Subsequent to initial recognition, the financial assets are re-measured at fair value. Changes in fair value are recorded in gain or losses from financial asset at FVTPL in the Statement of Comprehensive Income.

II. Loans and Receivables

Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less provision for impairment.

III. Available for Sale (AFS) Financial Assets

After initial recognition, quoted equity investment classified as AFS financial asset is measured at fair value. Changes in the fair value of AFS financial asset are recognized in other comprehensive income and presented as available for sale reserve in the statement of changes in equity. Unquoted equity investments, which are group's strategic investments are measured at cost less any Impairment losses, as currently its fair value cannot be estimated reliably.

2.10 Impairment of Financial Assets

Assets Carried at Amortized Cost

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

For loans and receivables carried at amortized cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the financial assets is reduced and the amount of the loss is recognized in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the statement of comprehensive income.

Available-for-Sale (AFS) Financial Assets

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired. For quoted equity investments, a significant or prolonged decline in the fair value of the investments below its cost is also evidence that the assets are impaired. If any such evidence exists for the quoted investments, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognized in profit or loss is reclassified from equity to profit or loss as a reclassification adjustment. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available for sale are reversed through profit or loss. The amount of reversal is recognized in the other comprehensive income.

For unquoted equity investments, a significant or prolonged decline in the value of the investments below its cost is also evidence that the assets are impaired. If any such evidence exists for the unquoted investments, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

2.11 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using weighted average cost method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads computed based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

Consumables are stated at cost. Cost is determined on a weighted average basis. Consumables are comprised of linen, stationeries and other general items which are used for consumption for operation not for re-sale.

2.12 Cash and Cash Equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.13 Financial Liabilities

The group classifies financial liabilities into other financial liabilities. The other financial liabilities are 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 group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired. The items of the financial liabilities are given in Note 30 to the financial statements.

2.14 Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due in the normal operating cycle of the business (within one year or less). If not, they are classified as non-current liabilities.

Trade payables are recognized initially at fair value (transaction price) and subsequently measured at the transaction price as they are expected to pay in the normal operating cycle of the business.

2.15 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost using the effective interest method.

Borrowing Cost

Borrowing costs directly attributable to acquisition, construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

All other borrowing costs are recognized in the statement of comprehensive income in the period in which they are incurred.

2.16 Current and Deferred Tax

Current Tax in respect of the profits and Income of the Company is exempted for a period of fifteen (15) years reckoned from the year in which the Company commences to make profits or any year of assessment not later than two (02) year reckoned from the date of commencement of commercial activities or whichever year is earlier, as specified in BOI agreements dated 12 January 2012.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

~~As per the BOI agreements subsidiaries namely Eastern Development Enterprises (Pvt) Ltd and Dambulla Hotel Resort and Country Club (Pvt) Ltd are exempted from income tax for the period of fifteen (15) years and nine (9) years respectively. All other subsidiaries are liable for income tax as per the Inland Revenue Act, No. 10 of 2006 and subsequent amendments thereto.~~

Deferred tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is 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 nor taxable profit nor loss. Deferred tax is determined using tax rates that have been enacted at the reporting period end date and are expected to apply when the related deferred tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority.

Deferred taxation has not been recognized due to realization of the related future tax benefits / liabilities are insignificant and also not in near future.

2.17 Employee Benefits

The group has both defined benefit and defined contribution plans.

a) Defined Contribution Plan

A defined contribution plan is a post employment benefit plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions. The contributions are recognized as employee benefit expense when they are due.

The group contributes 12% on gross emoluments of employee to Employee Provident Fund (EPF) and 3% on gross emoluments of employee to Employee Trust Fund (ETF).

b) Defined Benefit Plan

The group obligation in respect of defined benefit plan is the present value of the defined benefits obligation at the end of the reporting period. The defined benefits obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefits obligation is determined by discounting the estimated future benefit that employee have earned in return for their services in the current and prior period.

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.

The group will remeasure the define benefit obligation when the amounts recognized in the financial statements will differ materially from the amount that would be determine at the end of the reporting period.

Past service costs are recognized immediately in the statement of comprehensive income.

The retirement benefits obligation is not externally funded.

c) Short-Term Employee Benefit

Short-term employee benefit obligations are measured on an undiscounted amount expected to be paid for related services provided by the employee.

2.18 Contingent Liability and Contingent Assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation.

A contingent liability also arises in extremely rare cases where there is a liability that cannot be measured reliably. The Group does not recognize a contingent liability but discloses its existence in the Financial Statements.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company. The company does not recognize contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

2.19 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services rendered, stated net of Value Added Taxes (VAT), Nation Building Tax (NBT) and Tourist Board Levy (TDL) (if liable for revenue taxes). The company recognizes revenue when the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the company.

The group applies the revenue recognition criteria set out below to each identifiable major types of revenue.

(a) Accommodation, Food & Beverage Sales

Accommodation revenue is recognized on the rooms occupied on a daily basis, and food and beverage are accounted for at the time of sales.

(b) Rendering Services

Revenue arises from services rendered is recognized in the period in which the services are rendered based on completion of services and assessed on the basis of the actual services rendered.

(c) Interest income

Interest income is recognized using effective interest method for all interest bearing financial assets.

(d) Gain and Losses on Disposal of Property, Plant and Equipment

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statement of comprehensive income.

(e) Other income

Other income is recognized on accrual basis.

2.20 Expenses

All expenditure incurred in the running of the operation has been charged to income in arriving at the profit for the reporting period.

2.21 Events after the Reporting Period

All material events after the reporting period have been considered and where appropriate adjustments or disclosures have been made in the respective notes to the financial statements.

2.22 Commitments

All material commitments at the reporting period end have been identified and disclosed in the notes to the financial statements.

2.23 Significant Accounting Estimates and Judgments

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

2.23.1 The following are significant judgments in applying the accounting policies that have most significant effect on the financial statements.

(a) Recognition of Deferred Tax Assets

The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the future taxable income against which the deferred tax assets can be utilized.

2.23.2 Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below:

(a) Useful Life Time of Depreciable Assets

Management reviews its estimate of the useful life time of depreciable assets at each reporting date, based on the expected economic utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

(b) Defined Benefit Plan

The present value of the defined benefit plan obligations depends on a number of factors that are determined on actuarial valuation method using a number of assumptions. The assumptions are used in determining the net cost and obligation for defined benefit plan including the discount rate disclosed in the note 22. Any changes in these assumptions will impact the carrying amount of defined benefit obligation.

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NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 MARCH		Group		Company	
		2017	2016	2017	2016
3	Revenue				
	Accommodation	209,615,892	213,215,514	154,874,340	152,031,245
	Food	79,281,795	87,929,326	20,345,497	26,034,121
	Beverage	16,745,962	19,627,280	13,636,005	16,296,052
	Other	16,013,579	23,208,745	6,635,655	11,987,742
		321,657,228	343,980,864	195,491,498	206,349,160
4	Other Income				
	Dividend Income	-	49,993	-	49,993
	Exchange Gain	220,129	-	110,125	-
	Profit /(Loss) on Disposal of Motor Vehicles	1,857,292	-	1,857,292	-
	Profit /(Loss) on Share Disposal	1,077,069	-	1,077,069	-
		3,154,489	49,993	3,044,485	49,993
5	Finance Cost				
	Interest Income				
	From Call Deposits and Repo's	1,149,777	109,302	1,149,777	100,498
		1,149,777	109,302	1,149,777	100,498
	Interest Expenses				
	On Loan	175,551,936	137,564,213	107,773,585	96,264,213
	On Overdraft	11,241,716	6,484,260	11,232,185	6,293,266
		186,793,652	144,048,473	119,005,771	102,557,480
		185,643,874	143,939,172	117,855,993	102,456,981
6	Profit Before Taxation				
	Profit Before Taxation is arrived at after charging all expenses including the following.				
	Auditors' Remuneration	760,888	659,100	400,000	382,600
	Staff Costs	85,434,352	118,207,623	57,336,035	76,658,253
	Defined Contribution Plan Costs - EPF / ETF	9,126,488	10,989,407	5,723,914	7,123,233
	Defined Benefit Plan Cost - Retiring Gratuity	1,006,515	1,463,596	603,957	1,073,020
	Depreciation	156,365,443	158,671,048	80,798,530	83,248,457
	Amortization of Leasehold Lands	1,332,000	1,332,000	-	-
	Amortization of Intangible Assets	1,387,620	1,387,620	1,387,620	1,387,620
7	Income Tax Expense				
	Provision for Current Tax Expense	500,000	100,764	300,000	18,291
		500,000	100,764	300,000	18,291
7.2	Deferred Taxation				
	The unidentified deferred tax assets (Approximately) at the reporting dates are;				
	The Category of the Temporary Differences	Group	Company		
		2017	2016	2017	2016
	Arising from Carried Forward Tax Losses (from Tax Charged Companies)	617,053,789	486,568,268	369,644,374	326,030,900
	Arising from Retirement Benefits Obligation	562,128	957,288	291,104	755,975
		617,615,917	487,525,556	369,935,478	326,786,875

Figures in brackets indicate deductions
Notes to the Financial Statements continued

ANILANA HOTELS AND PROPERTIES PLC
NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 MARCH 2017

8	Basic Earnings / (Loss) Per Share (Rs.)													
	Group						Company							
	2017						2016		2017		2016			
	Amount used as the Numerator													
	Profit / (Loss) Attributable to Ordinary Shareholders (Rs.)						(276,052,504)		(243,213,102)		(155,762,410)		(190,643,506)	
9	Number of Ordinary Shares used as the Denominator													
	Weighted Average Number of Ordinary Shares						493,308,514		493,308,514		493,308,514		493,308,514	
	Basic Earnings / (Loss) Per Share (Rs.)													
							(0.56)		(0.49)		(0.32)		(0.39)	
	The calculation of Basic Earnings / (Loss) per share has been done based on profit / (Loss) after tax attributable to the equity shareholders of the parent company for the year divided by the weighted average number of ordinary shares in issues as at 31 March 2017.													
9	Property, Plant and Equipment													
	Group													
	Cost / Valuation													
	Land													
	Building													
	Land Development and Roadways													
	Plant and Machinery													
	Computers and IT Equipment													
	Pool Complex / Curtains and Fabrics / Kitchen Equipment													
	Motor Vehicles													
	Furniture and Fittings / Office / Electric Equipment													
	Total													
	Balance as at 01 April 2016													
	1,523,042,253													
	1,980,333,849													
	58,610,246													
	83,540,469													
	49,244,663													
	241,037,892													
	10,022,860													
212,114,929														
4,157,947,162														
Additions														
117,389														
-														
-														
-														
-														
-														
(9,450,000)														
-														
(9,450,000)														
Balance as at 31 March 2017														
1,523,042,253														
1,980,451,238														
58,610,246														
83,540,469														
49,244,663														
241,037,892														
572,860														
212,114,929														
4,148,614,551														
Depreciation														
Balance as at 01 April 2016														
171,284,061														
8,633,242														
14,991,579														
10,533,950														
74,265,969														
8,041,720														
95,519,566														
383,270,086														
Charge for the Year														
72,522,462														
2,278,009														
6,324,378														
3,799,493														
33,278,655														
360,307														
37,802,140														
156,365,443														
Disposals														
-														
-														
-														
-														
-														
(7,829,167)														
-														
(7,829,167)														
Balance as at 31 March 2017														
243,806,522														
10,911,250														
21,315,957														
14,333,443														
107,544,623														
572,860														
133,321,706														
531,806,362														
Net Carrying Values														
2017														
2016														
Land														
1,523,042,253														
1,523,042,253														
Building														
1,736,644,716														
1,809,049,789														
Land Development and Roadways														
47,698,996														
49,977,004														
Plant and Machinery														
62,224,512														
68,548,890														
Computers and IT Equipment														
34,911,220														
38,710,713														
Pool Complex / Curtains and Fabrics /Kitchen Equipment														
133,493,269														
166,771,924														
Motor Vehicles														
-														
1,981,140														
Furniture and Fittings / Office / Electric Equipment														
78,793,223														
116,595,363														
3,616,808,189														
3,774,677,076														
Capital Work-in-Progress														
(Note 9.1)														
454,649,088														
453,748,188														
(Note 9.2)														
4,071,457,277														
4,228,425,264														

Figures in brackets indicates deductions.

Notes to the Financial Statements Continued

ANILANA HOTELS AND PROPERTIES PLC
NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 MARCH 2017

9 Property, Plant and Equipment Cont....
Company

Cost / Valuation	Land	Building	Land Development and Roadways	Plant and Machinery	Computers and IT Equipment	Pool Complex / Curtains and Fabrics / Kitchen Equipment	Motor Vehicles	Furniture and Fittings/Office/ Electric Equipment	Total
Balance as at 01 April 2016	563,042,253	1,237,304,874	15,449,940	40,381,325	19,836,052	163,314,739	10,022,860	99,566,264	2,148,918,308
Disposal	-	-	-	-	-	-	(9,450,000)	-	(9,450,000)
Balance as at 31 March 2017	563,042,253	1,237,304,874	15,449,940	40,381,325	19,836,052	163,314,739	572,860	99,566,264	2,139,468,308

Depreciation

Balance as at 01 April 2016	71,743,379	1,235,995	6,708,695	4,009,098	39,762,557	8,041,720	34,053,499	165,554,943
Charge for the Year	37,432,314	617,998	3,460,823	2,091,703	20,748,293	360,307	16,087,093	80,798,530
Disposal	-	-	-	-	-	(7,829,167)	-	(7,829,167)
Balance as at 31 March 2017	109,175,693	1,853,993	10,169,518	6,100,801	60,510,850	572,860	50,140,591	238,524,306

Net Carrying Values

Net Carrying Values	2017	2016
Land	563,042,253	563,042,253
Buildings	1,128,129,182	1,165,561,495
Land Development and Roadways	13,595,948	14,213,945
Plant and Machinery	30,211,807	33,672,630
Computer and IT Equipment	13,735,251	15,826,954
Pool Complex / Curtains and Fabric / Kitchen Equipment	102,803,889	123,552,182
Motor Vehicles	-	1,981,140
Furniture and Fittings / Office / Electric Equipment	49,425,672	65,512,765
	1,900,944,001	1,983,363,365
Capital Work-in-Progress	(Note 9.1) 8,488,663	8,488,663
	(Note 9.2) 1,909,432,665	1,991,852,028

9.1 Capital Work-in-Progress-Buildings

	Group	Company
Balance as at 01 April 2016	453,748,188	8,488,663
Additions	900,901	-
Transferred from / (to)	-	-
Balance as at 31 March 2017	454,649,088	8,488,663

9.2 Carrying Value of Property, Plant and Equipment

	Group		Company	
	2017	2016	2017	2016
At Cost	2,108,208,189	2,266,077,076	1,619,453,728	1,701,873,092
At Valuation	1,508,600,000	1,508,600,000	281,490,273	281,490,273
Work-in-Progress	454,649,088	453,748,188	8,488,663	8,488,663
	4,071,457,277	4,228,425,264	1,909,432,665	1,991,852,028

Figures in brackets indicates deductions.

Notes to the Financial Statements Continued

ANILANA HOTELS AND PROPERTIES PLC
NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 MARCH 2017

										939,400,000	128,458,700	55,199,000	73,259,700	
9.3	Details of Group's / Company's Freehold Lands Stated at Valuation are Indicated below:													
	Property	Method of Valuation	Effective Date of Last Valuation	Valuer	Land Extent			Carrying Value of Assets, If carried at Historical Cost	Value of Revalued Assets	Carrying Value of Assets	Value of Revalued Assets			
	Group / Company				(Acres)	(Road)	(Perches)	31 March 2017	31 March 2016	31 March 2017	31 March 2016			
	Company													
	Lands of Anilana Hotels and Properties PLC	Market Approach	20 March 2012	Ariyathilake & Co. (Pvt) Ltd	53	0	49	281,551,980	281,551,980	563,042,253	563,042,253			
	Subsidiaries													
	Lands of East Wind Resorts (Pvt) Ltd.	Market Approach	20 March 2016	Ariyathilake & Co. (Pvt) Ltd	7	1	20	1,000,000	1,000,000	94,400,000	76,700,000			
	Lands of Dambulla Hotel Resort And Country Club (Pvt) Ltd	Market Approach	12 August 2011	Ariyathilake & Co. (Pvt) Ltd	39	2	5	7,900,000	7,900,000	960,000,000	960,000,000			
	Lands of Blue Lagoon Hotels Resort (Pvt) Ltd	Market Approach	20 March 2016	Ariyathilake & Co. (Pvt) Ltd	7	1	38	7,900,000	7,900,000	471,000,000	420,000,000			
	Lands of Vakarei Hotels (Pvt) Ltd	Market Approach	20 March 2016	Ariyathilake & Co. (Pvt) Ltd	21	2	35.8	650,000	650,000	374,000,000	314,241,300			
								299,001,980	299,001,980	2,462,442,253	2,333,983,553			
9.4	Valuation Techniques and Significant unobservable Inputs;													
	Property	Method of Valuation	Effective Date of Valuation	Significant Unobservable Inputs			Interrelationship between Key Unobservable Inputs 'and Fair Value Measurements							
	Group / Company													
	Lands	Market Approach	12 August 2011 20 March 2012 20 March 2016	Estimated cost per Perch			Positive correlated sensitivity							
9.5	Title restriction on and Property, plant and Equipment pledged as securities													
	There were no restrictions existed on the title of the Property, Plant & Equipment of the Group/company as at the Reporting date. Refer Note No. 21.2 for Property, Plant & Equipment pledged as securities for liabilities as at the Reporting date.													

ANILANA HOTELS AND PROPERTIES PLC
NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Sri Lankan Rupees)

		Group	
FOR THE YEAR ENDED 31 MARCH		2017	2016
10	Investment Properties		
	Land (Transferred from Property, Plant and Equipment)	939,400,000	939,400,000
11	Intangible Assets		
	Computer Software Hotel Property Management System Accounting System Total		
	Group / Company		
	Cost		
	Balance as at 01 April 2016	1,364,677	2,439,501
	Additions	-	-
	Balance as at 31 March 2017	1,364,677	2,439,501
	Amortization		
	Balance as at 01 April 2016	1,040,834	1,943,980
	Charge for the Year	272,936	487,900
	Balance as at 31 March 2017	1,313,770	2,431,880
	Net Carrying Values		
		2017	2016
	Computer Software	50,907	323,843
	Hotel Property Management System	7,621	495,521
	Accounting System	555,251	1,182,035
		613,779	2,001,399
12	Prepaid Leasehold Land		
	Group		
	Cost		
	Balance as at 01 April 2016	40,000,000	40,000,000
	Additions	-	-
	Balance as at 31 March 2017	40,000,000	40,000,000
	Amortization		
	Balance as at 01 April 2016	9,104,444	7,772,444
	Amortization	1,332,000	1,332,000
	Balance as at 31 March 2017	10,436,444	9,104,444
	Net Carrying Value	29,563,556	30,895,556
The Subsidiary Company (Eastern Development Enterprises (Pvt) Ltd) entered into an Agreement (No. 47 dated 25/06/2009) with Tourism Development Authority of Sri Lanka to acquire a Land on lease terms. The land was allocated to the Company for a lease period of 30 years commencing from 01 June 2009 and ending on 31 May 2039. Therefore, the initial cost (Rs. 40,000,000/-) of the land is amortized over the lease period of 30 years at the rate of 3.33% per annum.			
12.1	Analysis of prepaid lease rights	Group	
		2017	2016
	Prepaid lease rights are to be amortised;		
	Not Later than One Year	1,332,000	1,332,000
	Later than One Year but Not Later than 5 Years	3,996,000	3,996,000
	Later than Five Years	24,235,556	25,567,556
		29,563,556	30,895,556

Figures in brackets indicates deductions.

Notes to the Financial Statements Continued

ANILANA HOTELS AND PROPERTIES PLC
NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 MARCH

Company
2017 **2016**

13 Investment in Subsidiaries

Unquoted Investments

2,063,373,960 **2,063,373,960**

13.1 Direct Holding Investment by the Company	Principle Activities	Effective Equity Interest Held by the Group		Company	
		2017	2016	Cost	Cost
South Asia Asset Management (Pvt) Ltd	Intermediate Holding	99.99	99.99	661,930,120	661,930,120
Vakarei Hotel (Pvt) Ltd	Developing and Manging	100	100	368,000,000	368,000,000
Dambulla Hotel & Country Club (Pvt) Ltd	Developing and Manging	49	49	232,443,820	232,443,820
Eastern Development Enterprises (Pvt) Ltd	Developing and Manging	100	100	800,000,010	800,000,010
Anilana Resorts (Pvt) Ltd	Developing and Manging	99.99	99.99	1,000,000	1,000,000
Panichchankerni Hotels Ltd	Developing and Manging	100	100	10	10
				2,063,373,960	2,063,373,960

13.2 Indirect Holding Investment through the Group	Principle Activities	Effective Equity Interest Held by the Group		Company	
		2017	2016	Cost	Cost
East wind Resorts (Pvt) Ltd	Developing and Manging	99.99	99.99	76,700,000	76,700,000
Dambulla Hotel & Country Club (Pvt) Ltd	Developing and Manging	51	51	241,931,180	241,931,180
Blue Lagoon Hotel Resorts (Pvt) Ltd	Developing and Manging	99.99	99.99	419,998,940	419,998,940
				738,630,120	738,630,120

13.3 During the year there were no any changes in the group structure, new acquisition, disposals or transactions between the non-controlling interests, Other than where the Eastern Development Enterprises (Pvt) Ltd has issued shares against its Amount due Anilana Hotels and Properties PLC amounting to Rs. 800,000,000/-.

14 Available-for-Sale (AFS) Financial Assets

Group / Company
2017 **2016**

Unquoted Shares (Note 14.1) **12,000,000** **12,000,000**

14.1 Investments Made in Unquoted Shares

1 Nation Lanka Promotions Ltd

12,000,000 12,000,000
12,000,000 **12,000,000**

AFS unquoted investments comprise group's strategic investments which are measured at cost less impairment since, its fair value cannot be reliably measured.

15 Inventories

Group **Company**
2017 **2016** **2017** **2016**

Food and Beverage	4,251,145	9,902,093	1,669,986	9,466,397
House Keeping	32,156,470	15,680,675	17,668,813	9,814,405
Others	289,905	14,426,238	289,905	3,257,016
	36,697,519	40,009,006	19,628,704	22,537,818

16 Financial Assets at Fair Value through Profit or Loss (FVTPL)

Group **Company**
2017 **2016** **2017** **2016**

Investments in Quoted Shares (Note 16.1) **173,333** **2,873,038** - **2,486,373**

16.1 Analysis of the Investments

Balance as at 01 April	2,873,038	12,561,016	2,486,373	11,814,352
Disposals	(2,486,372)	(8,241,771)	(2,486,373)	(8,241,771)
Fair Value Adjustment	(213,333)	(1,446,208)	-	(1,086,209)
Balance as at 31 March	173,333	2,873,038	-	2,486,373

Figures in brackets indicate deductions

Notes to the Financial Statements continued

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ANILANA HOTELS AND PROPERTIES PLC
NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 MARCH		Group		Company	
		2017	2016	2017	2016
17	Trade and Other Receivables				
	Trade Receivables (Note 17.1)	13,866,709	10,971,405	3,734,889	7,030,594
	Deposits and Advances (Note 17.2)	6,921,604	3,841,842	6,596,854	3,507,092
	Amounts Due from Related Parties (Note 17.3)	100,972,307	100,822,307	487,317,044	490,528,041
	Others	14,501,851	14,531,645	14,328,244	14,511,645
		136,262,471	130,167,199	511,977,031	515,577,372
17.1	Trade Receivable That are Past Due but not Impaired				
	The Group has trade receivables amounting to approximately Rs 10.97 Mn (2015: Rs 2.61 Mn) that are past due at the reporting date but not impaired. These receivables are unsecured and the analysis of their aging for major segment as at the reporting date is as follows:				
	30 - 60 days	11,982,988	8,885,289	3,672,723	6,318,705
	61 - 90 days	1,821,555	2,023,950	-	649,722
	180 - 365 days	62,166	62,166	62,166	62,166
		13,866,709	10,971,405	3,734,889	7,030,594
17.2	Deposits and Advances				
	Refundable Deposits	2,273,750	2,273,750	1,961,250	1,961,250
	Others Advances	4,647,854	1,568,092	4,635,604	1,545,842
		6,921,604	3,841,842	6,596,854	3,507,092
17.3	Amounts Due from Related Parties				
	Subsidiaries	2017	2016	2017	2016
	Anilana Resort (Pvt) Ltd	-	-	126,186,519	128,095,274
	Eastern Development Enterprises (Pvt) Ltd	-	-	33,562,979	41,865,669
	Blue Lagoon Hotel (Pvt) Ltd	-	-	1,230,719	1,211,593
	East Wind Resort (Pvt) Ltd	-	-	419,850	396,547
	Dambulla Hotels & Country Club (Pvt) Ltd	-	-	117,095,214	110,905,088
	Vakarei Hotel (Pvt) Ltd	-	-	2,397,774	2,378,647
	South Asia Asset Management (Pvt) Ltd	-	-	238,897	219,771
	Panichchankerni Hotels Ltd	-	-	109,884,405	109,304,766
		-	-	391,016,358	394,377,355
	Other Related Parties				
	Asia Fort Asset Management (Pvt) Ltd	40,688,665	40,688,665	40,236,665	40,236,665
	Leader Holdings (Pvt) Ltd.	26,186,406	26,186,406	21,986,406	21,986,406
	Nation lanka Promotion Ltd	1,938,747	1,938,747	1,938,747	1,938,747
	Anilana Security Ltd	229,680	79,680	229,680	79,680
	Keraton International Ltd	65,173	65,173	54,251	54,251
	Luma Plus Ltd	64,071	64,071	55,371	55,371
	Tropical Foliage Ltd	150,000	150,000	150,000	150,000
	Anilana Tropical Foliage Ltd	91,200	91,200	91,200	91,200
	Moghul Fund (Pvt) Ltd	10,508,879	10,508,879	10,508,879	10,508,879
	AIO Investment (Pvt) Ltd	21,049,486	21,049,486	21,049,486	21,049,486
		100,972,307	100,822,308	96,300,686	96,150,686
		100,972,307	100,822,308	487,317,044	490,528,041
18	Other Non-Financial Assets				
	Prepaid Expenses	23,991,804	6,463,780	9,996,797	3,985,815
	Withholding Tax (WHT)	641,824	720,202	641,824	641,824
		24,633,627	7,183,982	10,638,621	4,627,639
19	Cash and Cash Equivalents				
	Favorable Balances				
	Cash at Bank	3,112,733	3,682,088	1,940,984	1,883,600
	Cash in Hand	313,810	844,952	2,641	589,552
		3,426,542	4,527,040	1,943,626	2,473,152
	Unfavorable Balances				
	Bank Overdrafts	(101,262,597)	(114,366,759)	(92,077,818)	(110,678,806)
	Total for the Purposes of Cash Flow Statement	(97,836,054)	(109,839,719)	(90,134,193)	(108,205,654)

Figures in brackets indicate deductions

Notes to the Financial Statements continued

ANILANA HOTELS AND PROPERTIES PLC
NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 MARCH 2017

20	Stated Capital				
	Issued and Fully Paid,				
	Group / Company	No. of Shares		Value	
		2017	2016	2017	2016
	Balance as at 01 April	493,308,514	493,308,514	3,863,261,648	3,863,261,648
	Issuance of Ordinary Shares	-	-	-	-
	Balance as at 31 March	493,308,514	493,308,514	3,863,261,648	3,863,261,648
21	Borrowings	Group			Com
		2017	2016	2017	2016
	Borrowings - Non-Current Potion				
	Bank Borrowings (Note 21.1)	1,242,936,576	1,171,027,548	679,150,000	689,500,000
		1,242,936,576	1,171,027,548	679,150,000	689,500,000
	Borrowings - Current Potion				
	Bank Borrowings (Note 21.1)	537,392,442	514,964,011	488,402,522	407,315,699
		537,392,442	514,964,011	488,402,522	407,315,699
		1,780,329,018	1,685,991,559	1,167,552,522	1,096,815,699
21.1	Bank Borrowings				
	Movement of Borrowings				
	Balance as at 01 April	1,685,991,558	1,618,303,493	1,096,815,699	1,007,285,443
	Obtained During The Year	-	125,000,000	-	125,000,000
	Settlements Made	(29,996,867)	(93,793,316)	(17,611,877)	(63,211,622)
	Accrued Interest	124,334,327	36,481,381	88,348,700	27,741,878
	Balance as at 31 March	1,780,329,018	1,685,991,558	1,167,552,522	1,096,815,699
	Non-Current Potion	1,242,936,576	1,171,027,548	679,150,000	689,500,000
	Current Potion	537,392,442	514,964,011	488,402,522	407,315,699
		1,780,329,018	1,685,991,559	1,167,552,522	1,096,815,699
21.2	Assets Pledged as Securities				
	Assets pledged as securities by the company and the subsidiary companies are as follows;				
	Lending Institution	Type of Loan Facility / Interest and Repayments	Facility Limit / Utilised	Outstanding as at 31 March 2017	Securities
	Company				
	Sampath Bank PLC	Term Loan / AWPLR + 2%	Rs 750 Mn	729,237,960	Primary, Secondary and Tertiary mortgage bond for Rs 680 Mn over freehold land owned by Anilana Hotels & Properties PLC together with buildings thereon with the extent of 7A:2R:31P at Nilaveli.
	People’s Bank	Term Loan	Rs 200 Mn	135,058,206	Primary mortgage over 02 properties situated in Panichankerni. Corporate guarantee of Eastern Development Enterprises (Pvt) Ltd.
	Peaple's Leasing & Finance PLC	Term Loan / 14.50% p.a Term Loan / 14.50% p.a Settled within one year	Rs. 100 Mn Rs. 25 Mn	108,729,430 25,302,084	Mortgage over 36,081,857 shares of Anilana Hotels & Properties PLC. Personnel guarantee by company director.
	Sampath Bank PLC	Term Loan / AWPLR + 2.5% Settled within one year	Rs 125 Mn	131,594,623	Primary mortgage for Rs 312Mn over free hold land owned by Vakarei Hotel (Pvt) Ltd thereon with extent 21A:2R:35.8P at Panichchankerni.

FOR THE YEAR ENDED 31 MARCH 2017

Assets Pledged as Securities Contd...					
Lending Institution	Type of Facility	Loan Facility Limit	Utilized / Outstanding	Securities	
Subsidiaries					
Sampath PLC	Bank	Term Loan	Rs 491 Mn	453,658,249	Primary mortgage bond for Rs 216 Mn and Secondary and Tertiary mortgage bond for Rs 225 Mn over lands in extent of 6 Acres depicted in Plan No. 3380 and 7 Acres depicted in Plan No. 3371 situated at Passikudah Estate, Batticaloa together with buildings thereon.
National Development Bank PLC		Term Loan	Rs 350 Mn	159,118,246	Primary mortgage for Rs 350 Mn over free hold land owned by Dambulla Hotel Resorts & Country Club (Pvt) Ltd together with buildings thereon with extent 39A:2R:5.25P at Dambulla.

22

Retirement Benefits Obligation		Group		Company	
		2017	2016	2017	2016
Balance as at 01 April		3,418,885	2,724,048	2,699,911	2,285,960
Expenses Recognized in Comprehensive Actuarial (Gain) / Losses Recognized in Other Comprehensive Income		1,006,515	1,463,596	603,957	1,073,020
Payment Made During the year		(1,401,424)	(768,759)	(1,247,837)	(659,069)
Balance as at 31 March		(1,016,375)	-	(1,016,375)	-
		2,007,601	3,418,885	1,039,656	2,699,911

22.1

Recognized in Comprehensive Income					
Current Service Cost		664,627	897,472	333,966	855,854
Interest Cost for the Year		341,888	566,124	269,991	217,166
		1,006,515	1,463,596	603,957	1,073,020

22.2

The Principal Actuarial Valuation Assumptions used are as follows;		Group / Company	
		2017	2016
Discount Rate [%]		10	10
Salary Escalation Rate [%]		7.5	7.5
Retirement Age [Yrs]		55	55
Staff Turnover Factor [%] - up to 50 Years		8 and thereafter	8 and thereafter

In addition to the above, demographic assumptions such as mortality, withdrawal and disability are considered for the actuarial valuation. The 2007 mortality table issued by the London Institute of Actuaries (A 67/70 mortality table) has also been used in the

22.3

The sensitivity of the present value of retirement benefits obligation to changes in the weighted principal assumptions by 1% are:					
		Discount Rate [%]		Salary Escalation Rate [%]	
Sensitivity of the Present Value of the Obligation		Increase in 1%	Decrease 1%	Increase in 1%	Decrease 1%
Company	As a Percentage [%]	(6.43)	7.32	7.98	(7.11)
	Value	972,768	1,115,748	1,122,624	965,764
Group	As a Percentage [%]	(6.75)	7.62	8.26	(7.41)
	Value	1,872,115	2,160,653	2,173,459	1,858,831

23

Trade and Other Payables					
Trade Payable		35,636,796	44,025,806	19,773,848	22,941,824
Other Payables					
Advance Received		26,248,724	27,481,839	21,123,724	18,926,686
Retention		19,617,893	20,065,071	15,899,869	16,125,936
Construction Payable		142,996,985	174,034,079	116,099,689	147,136,783
Amounts Due to Related Parties	(Note 23.1)	52,903,223	17,828,223	46,089,830	18,614,830
Others		24,539,988	16,990,708	6,836,090	15,720,306
		266,306,814	256,399,921	206,049,202	216,524,541
		301,943,610	300,425,726	225,823,050	239,466,365

ANILANA HOTELS AND PROPERTIES PLC
NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 MARCH		Group		Company	
		2017	2016	2017	2016
23.1	Amounts Due to Related Parties				
	Nation Lanka Finance PLC	10,941,820	10,941,820	10,941,820	10,941,820
	Asia Financial Management Ltd	4,813,739	2,813,739	4,813,739	2,813,739
	Investor Access Equities (Pvt) Ltd	20,243,424	(1,356,577)	14,900,000	-
	Ceyquartz MBI Ltd	425,160	425,160	-	-
	Ceylinco Investments Corporation Ltd	59,271	59,271	59,271	59,271
	Directors' Current Accounts	15,519,810	4,944,810	15,375,000	4,800,000
	Nation Lanka Promotions (Pvt) Ltd	900,000	-	-	-
		52,903,223	17,828,223	46,089,830	18,614,830
24	Other Non-Financial Liabilities				
	Accrued Expenses / Other Taxes	25,654,540	24,612,198	14,959,656	15,621,788
	Value Added Tax (VAT)	68,983,483	24,760,031	40,015,851	13,663,717
	Current Tax Payable	421,622	1,602	300,000	-
	Nation Building Tax (NBT)	4,370,948	-	4,370,948	-
		99,430,592	49,373,831	59,646,456	29,285,505
25	Commitments				
	Details of capital commitments as at 31 March 2017 are as follows;				
	Description	Estimated Cost	Cost incurred in Prior Periods	Cost incurred	Cost to be Incurred
	Group				
	Hotel Construction at Dambulla	831,000,000	26,002,451	-	804,997,549
	Villa Construction at Panichchnkerni	140,000,000	1,985,472	-	138,014,528
	Hotel Construction at Passikuda - (Spa and Gym)	65,000,000	2,622,990	-	62,377,010
		1,036,000,000	30,610,914	-	1,005,389,086
	Description	Estimated Cost	Cost incurred in Prior Periods	Cost incurred	Cost to be Incurred
	Company				
	Hotel Construction at Nilaweli	20,000,000	8,488,663	-	11,511,337
	Other Commitments				
	There were no material commitments, financial or otherwise contracted or consented by the Board of Directors as at 31 March 2017 other than disclosed above.				
26	Events after Reporting Period				
	There are no material events after the reporting period that require adjustments to or disclosure in financial statements, except that the, Private replacement has been made based on the resolution dated 25 September 2017, to raise funds from Somap International Pte Ltd, of Singapore, in a sum of LKR 667,476,622/- subject to obtaining a waiver from the securities and Exchange Commission of Sri Lanka and relevant approvals from the Colombo Stock Exchange, and the shareholders of the company at an extraordinary general meeting. Number of shares amounting to 513,443,555 has been issued at LKR 1.30 per share. This issue of shares will exceed 50% of the shares in issue, immediately subsequent to this issue, which requires a waiver by the Security Exchange Commission under exceptional circumstances, in terms of Colombo Stock Exchange Rule 5.4 b.				
27	Contingent liabilities				
	There were no material Contingent Liabilities as at the Reporting period end.				
28	Related Party Disclosure				
	Related Party Disclosures are as follows;				
	Transaction with Key Management Personnel				
	The key Management Personnel of the group are the members of its Board of Directors.				
	Key Management Personnel Compensation	Group		Company	
		2017	2016	2017	2016
	Short-Term Employee Benefits - Directors' Remuneration	Nil	Nil	Nil	Nil
	Director's Current Accounts	15,519,810	4,944,810	15,375,000	4,800,000
	Transaction with Related Parties				
	Transactions with related parties are carried out in the ordinary course of the business. Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash.				

Figures in brackets indicate deductions

Notes to the Financial Statements continued

FOR THE YEAR ENDED 31 MARCH 2017

28 Related Party Disclosure Contd...

Recurrent Related Party Transactions

There were no other recurrent related party transactions, except the following which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31 March 2017 audited financial Statements, which required additional disclosures in the financial statements of the year 2016/17 under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13(c) of the Security Exchange Commission Act.

Significant Recurrent Related Party Transactions

Recurrent Related Party Transactions

Name of the Company	Relationship	Nature of Transactions	Value (Rs.)	Terms and Conditions of the Transactions.
Eastern Development Enterprises (Pvt) Ltd	Subsidiary	Fund Transfers Fund Received Expenses Incurred	23,380,000 (91,259,107) 59,576,416	Short-term Working capital requirements

Other Recurrent Related Party Transactions (Aggregated)

Transaction Category	Nature of Transactions	Value (Rs.)	Amount Due from / (to)
Transaction with Subsidiaries	Expenses Incurred Fund Transfers Fund Received Settlements of Loan Expenses Incurred by	9,621,930 1,100,000 1,400,000 1,500,000 2,880,238	357,453,379
Transaction with Other Related Entities	Expenses Incurred Fund Transfers Fund Received	150,000 300,000 17,200,000	65,585,856

29 Litigations and Claims

Company

Based on the available information, the management is of the view that there are no material litigation or claims that could have a material impact on the financial position of the company or lead to disclosures in the financial statements for the year ended 31st March, 2017 other than below mentioned litigations;

Default of loan obtained from counter party

Case Number	Counter Party	Carrying Value As At 31 March 2017
HC (Civil) Colombo 172/2017/MR	People's Leasing & Finance PLC	25,302,084
HC (Civil) Colombo 173/2017/MR	People's Leasing & Finance PLC	108,729,430
HC (Civil) Colombo 17/2017/MR	Millennium Housing Developers PLC	20,965,246
		154,996,760

Group

Default of loan obtained from counter party

Case Number	Counter Party	Carrying Value As At 31 March 2017
HC (Civil) Colombo 172/2017/MR	People's Leasing & Finance PLC	25,302,084
HC (Civil) Colombo 173/2017/MR	People's Leasing & Finance PLC	108,729,430
HC (Civil) Colombo 17/2017/MR	Millennium Housing Developers PLC	20,965,246
HC (Civil) Colombo 418/2017/MR	National Development Bank PLC	159,118,246
		314,115,006

Figures in brackets indicate deductions

ANILANA HOTELS AND PROPERTIES PLC
NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 MARCH 2017**30 Financial Instruments and Risk Management**

The accounting classification of each category of financial instruments and their carrying amounts reported in the statement of financial position are stated below.

30.1 Fair Value Hierarchy**Financial assets and liabilities by fair value hierarchy**

FINANCIAL ASSETS		Level 1		Level 2		Level 3	
Group		2017	2016	2017	2016	2017	2016
Available-for-Sale (AFS)							
Financial Assets		12,000,000	12,000,000	-	-	-	-
Financial Assets at Fair Value through Profit or Loss (FVTPL)		173,333	2,873,038	-	-	-	-
FINANCIAL ASSETS		Level 1		Level 2		Level 3	
Company		2017	2016	2017	2016	2017	2016
Available-for-Sale (AFS)							
Financial Assets		12,000,000	12,000,000	-	-	-	-
Financial Assets at Fair Value through Profit or Loss (FVTPL)		-	2,486,373	-	-	-	-
NON - FINANCIAL ASSETS		Level 1		Level 2		Level 3	
Group		2017	2016	2017	2016	2017	2016
Investment Properties		-	-	-	-	939,400,000	939,400,000

30.2 The Carrying Values of Financial Assets and Liabilities.

		Group		Company	
	Note	2017	2016	2017	2016
Available-for-Sale (AFS) Financial Assets					
Unquoted Shares	14	12,000,000	12,000,000	12,000,000	12,000,000
The Available-for-Sale (AFS) investment is stated at cost as there is no active market for investments.					
Financial Assets at Fair Value through Profit or Loss (FVTPL)					
Quoted Shares	16	173,333	2,873,038	-	2,486,373
FVTPL investments are stated at fair value based on active market quoted price.					
Loans and Receivables					
Trade and Other Receivables	17	136,262,471	130,167,199	511,977,031	515,577,372
Cash and Cash Equivalents	19	3,426,542	4,527,040	1,943,626	2,473,152
		139,689,014	134,694,239	513,920,657	518,050,524
The loans and receivables are stated at carrying values as their carrying value approximates the fair value.					
TOTAL FINANCIAL ASSETS		151,862,347	149,567,277	525,920,657	532,536,897
FINANCIAL LIABILITIES					
Other Financial Liabilities					
Borrowings	21.1	1,780,329,018	1,685,991,559	1,167,552,522	1,096,815,699
Trade and Other Payables	23	301,943,610	300,425,726	225,823,050	239,466,365
Bank Overdrafts	19	101,262,597	114,366,759	(18,600,988)	110,678,806
The financial liabilities are stated at amortized cost using the effective interest method.					
TOTAL FINANCIAL LIABILITIES		2,183,535,224	2,100,784,045	1,374,774,584	1,446,960,870

Figures in brackets indicate deductions

Notes to the Financial Statements continued

Risk Management

30.1 Industry Risk

The group has an established risk management process and framework embedded in owned managed hotels in all locations. The long-term strategic goals are aligned with the group's core purpose identified as follows:

- a Safety and security of guests, employees and other third parties
- b The conceptual strengths supported by operational excellence in risk management at all hotels and corporate locations; and
- c Maintenance and promotion of the brand strength and operation of the company

The group's risk management strategy has been set to enable and support the decision makers, staff and corporate functions to manage risk effectively. The risks are identified at hotel level through various means including quality audits, risk management assessments and internal audits. Hotel management discusses issues at monthly safety meetings and action plans are developed. Risks are prioritized, assigned and improvement actions are identified, progressed and monitored.

30.3 Financial Risk Factors

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

- 01 Credit Risk
- 02 Liquidity Risk
- 03 Market Risk

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing these risks. The Group's overall risk management strategy seeks to minimize adverse effects from the unpredictability of financial markets on the Group's financial performance. Mechanisms adopted by group in managing eventual impact of such risks are given below.

The financial instruments of the group comprise of listed / unlisted equity investments, investments in term deposits, cash and bank borrowings (term loans and overdrafts). Certain companies in the group have trade receivables and payables from its core business activities which are not significant in values at end of the reporting period. However, the major / most of the companies of the group has not been commenced its operational activities during the year. The main purpose of investment in short-term deposits and borrowings is to raise and maintain liquidity for construction and acquisition of capital assets. Investments in listed equity are held for trading purpose and investments in unlisted equity are strategic investments.

01 Credit Risk

Credit risk is the risk of financial loss to the group if counterparty fails to meet its contractual obligations. Credit risk arises principally from deposits held with banks and financial institutions, cash and cash equivalents (excluding cash in hand) and receivables from customers and related parties. The maximum risk exposures of financial assets that are subject to credit risk are equal to their carrying amounts.

Following table depicts the maximum risk exposure of financial assets reported as at 31 March 2017.

Risk Exposure to Financial Assets	Group		Company	
	2017	2016	2017	2016
Cash and Cash Equivalents	3,112,733	3,682,088	1,940,984	1,883,600
Trade and Other Receivables	136,262,471	130,167,199	511,977,031	515,577,372

The group has designed its credit policies and procedures in order to monitor and evaluate the counterparty risks arising on both international and domestic customers. The group seeks to diminish the credit risk by entering credit agreement in writing with the major customers and provide credit sales to the reputed customers with no history of default with the approval of the Management. The age analysis of the group's trade receivables is given in the Note No. 18.1.

Credit risk arising from other financial assets of the group comprises deposits held with banks, cash and cash equivalents. The group's exposure to credit risk arises from default in meeting contractual obligations of contractual parties, with a maximum exposure equal to the carrying amount of these financial instruments. The group manages its credit risks with regard to these financial instruments by mainly placing its funds with reputable financial institutions with high credit ratings and no history of default.

02 Liquidity Risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash to meet its liabilities when due under both normal and unexpected conditions without incurring unacceptable losses.

Groups actively managed its financing cash flows to ensure all refinancing, repayment and investment needs with regard to the construction and acquisition of capital assets are satisfied.

The following table depicts the group's financial assets and liabilities maturity analysis as at 31 March 2017 based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

FOR THE YEAR ENDED 31 MARCH 2017

Liquidity Risk Contd...

Company

Financial Assets and Liabilities	Carrying Amount (Rs.)	6 Month or Less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
Financial Assets						
Available-for-Sale (AFS) Financial	12,000,000	-	-	-	-	12,000,000
Financial Assets FVTPL	-	-	-	-	-	-
Trade and Other Receivables	511,977,031	511,977,031	-	-	-	-
Cash and Cash Equivalents	1,943,626	1,943,626	-	-	-	-
Total Undiscounted Financial Assets	525,920,657	513,920,657	-	-	-	12,000,000
Financial Liabilities						
Trade and Other Payables	225,823,050	225,823,050	-	-	-	-
Borrowings	1,167,552,522	482,402,522	3,000,000	22,500,000	68,250,000	588,400,000
Bank Overdrafts	92,077,818	92,077,818	-	-	-	-
Total Undiscounted Financial Liabilities	1,485,453,389	800,303,389	6,000,000	22,500,000	68,250,000	588,400,000
Net Undiscounted Financial Assets / (Liabilities)	(959,532,733)	(286,382,733)	(6,000,000)	(22,500,000)	(68,250,000)	(576,400,000)

Group

Financial Assets and Liabilities	Carrying Amount (Rs.)	6 Month or Less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
Financial Assets						
Available-for-Sale (AFS) Financial	12,000,000	-	-	-	-	12,000,000
Financial Assets FVTPL	173,333	173,333	-	-	-	-
Trade and Other Receivables	136,262,471	136,262,471	-	-	-	-
Cash and Cash Equivalents	3,426,542	3,426,542	-	-	-	-
Total Undiscounted Financial Assets	151,862,347	139,862,347	-	-	-	12,000,000
Financial Liabilities						
Trade and Other Payables	301,943,610	301,943,610	-	-	-	-
Borrowings	1,780,329,018	527,042,442	10,350,000	102,028,576	151,575,000	989,333,000
Bank Overdrafts	101,262,597	101,262,597	-	-	-	-
Total Undiscounted Financial Liabilities	2,183,535,224	921,594,355	6,000,000	22,500,000	253,603,576	989,333,000
Net Undiscounted Financial Assets / (Liabilities)	(2,031,672,877)	(781,732,009)	(6,000,000)	(22,500,000)	(253,603,576)	(977,333,000)

03 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates which will affect the group's income or the carrying value of holdings of financial instruments.

3.1 Currency Risk

The group has currency exposures arising from letter of credits (LC) and telegraphic transfer's (TT) of US Dollar (USD) relating to construction and acquisition of capital assets. A significant portion of costs incurred on capital work-in-progress are using LC's and TT's denominated in USD.

As at end of the reporting date there are no outstanding balances of LC's or TT's.

3.2 Equity Price Risk

Please refer note 17 to the financial statements relating to the total assets base which is exposed to equity price risk.

Listed Equity

Management of the group monitors the mix of equity securities in its investment portfolio based on market indices, where concerned with the timing of buy / sell decisions are well supported with structures in-house research recommendations. Major transactions within the portfolio are subject to review and approval by the Board.

20 MAJOR SHAREHOLDERS OF THE COMPANY

	Name	2017		2016		As at 31/03/2017		As at 31/03/2016	
		No. of Shares (%)		No. of Shares (%)		No. of Shares (%)		No. of Shares (%)	
1	MR. A C SENEVIRATNE	68,170,492	76,550,093	121,955,691	24.722 }	133,846,350	27.132		
	FIRST CAPITAL MARKETS LIMITED/MR. A C SENEVIRATNE	17,703,342	21,214,400						
	PEOPLE'S LEASING & FINANCE PLC/MR. A C SENEVIRATNE	36,081,857	36,081,857						
2	HSBC INTL NOMINEES LTD-BBH-GMOEMERGING MARKETS FUND			103,983,101	21.079	103,983,101	21.079		
3	FIRST CAPITAL MARKETS LIMITED/ASIA FORT ASSET MANAGEMENT (PVT) LTD	15,263,620	17,748,600	33,234,705	6.737 }	35,719,685	7.241		
	ASIA FORT ASSET MANAGEMENT (PVT) LTD	17,971,085	17,971,085						
4	NATION LANKA CAPITAL LTD/INVESTOR ACCESS EQUITIES (PVT) LTD	-	200,000						
	HATTON NATIONAL BANK/INVESTOR ACCESS EQUITIES (PVT) LTD	-	19,159,862						
	INVESTOR ACCESS EQUITIES (PVT) LTD	19,820,000	22,979,566	30,630,000	6.209	54,399,428	11.027		
	SEYLAN BANK PLC/INVESTOR ACCESS EQUITIES (PVT) LTD	10,810,000	12,060,000						
5	MRS. M C AMERASINGHE			20,000,001	4.054	20,000,001	4.054		
6	GRAVITY RESORT GROUP KATHIRAVELI LIMITED			15,316,645	3.105	-	-		
7	NATION LANKA FINANCE PLC			13,907,348	2.819	13,907,348	2.819		
8	PAN ASIA BANKING CORPOARTION PLC/MR.HIYARE HEWAGE ARUNA CHANDRASIRI			10,352,006	2.098	10,352,006	2.098		
9	MR. O E H KALVO			9,857,109	1.998	9,857,109	1.998		
10	SEYLAN BANK PLC/JANASHAKTHI PLC			9,278,007	1.881	9,278,007	1.881		
11	NATION LANKA CAPITAL LTD/JEROME RADLEY JUDE EPHRAUMS			8,369,784	1.697	8,469,784	1.717		
12	FIRST CAPITAL MARKETS LIMITED/ANILANA COLLECTION (PVT) LTD			8,127,877	1.648	9,000,000	1.824		
13	SANDWAVE LIMITED			7,894,196	1.600	7,894,196	1.600		
14	JANASHAKTHI PLC ACCOUNT NO.1			6,000,000	1.216	6,000,000	1.216		
15	HINL-BBH-GMO FUNDS PLC			5,306,465	1.076	7,259,665	1.472		
16	HSBC INTL NOM LTD-SSBT-MDPIM EMERGING MARKETS EQUITY POOL			4,200,000	0.851	4,200,000	0.851		
17	PAN ASIA BANKING CORPORATION PLC/MR.MOHOTTALLAGE NIHAL RANASINGHE			4,000,000	0.811	4,000,000	0.811		
18	BNYM-STATE OF CONNECTICUT FUND			3,661,392	0.742	1,927,006	0.390		
19	MR. A I LOVELL			3,637,000	0.737	-	-		
20	CEYQUARTZ MB! (PVT) LTD			3,333,400	0.676	3,333,400	0.676		
				423,044,727	85.757	443,427,086	89.888		
				70,263,787	14.243	49,881,428	10.112		
	TOTAL			493,308,514	100.00	493,308,514	100.00		

DISTRIBUTION OF SHAREHOLDINGS AS AT 31ST MARCH 2017

From	To	No. of Holders	No. of Shares	%
1	1,000	569	190,221	0.04
1,001	10,000	433	2,081,706	0.42
10,001	100,000	342	12,996,971	2.63
100,001	1,000,000	132	37,625,968	7.63
Over 1,000,000	32	440,413,648	31	462,078,129
	89.28		1173	493,308,514
				100.00

Analysis of shareholders as at 31st March 2016

Category	No. of Shareholders	No. of Shares	%
Local Individuals	1,384	138,855,477	28.15
Local Institutions	106	214,753,745	43.53
Foreign Individuals	13	14,654,138	2.97
Foreign Institutions	5	125,045,154	25.35
	1508	493,308,514	100.00

Directors' holding in shares as at 31st March 2017

	No. of Shares	%
Mr. P L Amerasinohe	966,667	0.196
Mr. A C Seneviratne	68,170,492	
First Capital Markets Ltd/Mr A C Seneviratne	17,703,342	
People's Leasing & Finance PLC/ Mr A C Seneviratne	36,081,857	
	121,955,691	24.722
Mrs. M C Seneviratne	20,000,001	4.054
Mr. A G Punchihewa	40,000	0.008

Market price per share

Highest during the period	Rs. 3.70 (05-05-2016)	Rs.6.30 (25-06-2015)
Lowest during the period	Rs. 1.10 (27-03-2017)	Rs.2.60 (28-03-2016)
As at end of the period	Rs. 1.30	Rs.2.90

Public Holding

The percentage of shares held by the public as at 31st March 2017 was 34.53% which comprised of 1,491 Shareholders.

Notice of Meeting

ANILANA HOTELS AND PROPERTIES PLC

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of ANILANA HOTELS AND PROPERTIES PLC will be held on 24th November 2017 The College of Surgeons of Sri Lanka No.6, Independence Avenue, Colombo 07. at 9.00 AM for the following purposes:

1. To receive and consider the Report of the Directors and the Statement of Accounts for the year ended 31st March 2017 with the report of the Auditors thereon.

2. Directors

(i) To re-elect Mr Ajahn Gardiye Punchihewa who retires by rotation at the Annual General Meeting in terms of Article 81 of the Company's Articles of Association.

(ii) To re-appoint as a Director, Mr. Peter Lucien Amerasinghe who is 73 years of age and who vacates his office in terms of Section 210 of the Companies Act No. 7 of 2007.

Notice is hereby given of the undernoted Ordinary Resolution in relation to Mr. Peter Lucien Amerasinghe's re-appointment to be passed in compliance with Section 211 of the Companies Act No. 7 of 2007.

"RESOLVED THAT Mr. Peter Lucien Amerasinghe who is 73 years of age be and is hereby re-appointed a Director of the Company and it is hereby declared as provided for in section 211 of the Companies Act No. 07 of 2007, that the age limit of 70 years referred to in Section 210 of the said Companies Act shall not apply to the said Mr. Peter Lucien Amerasinghe."

3. To re-appoint the retiring Auditors M/s Amarasekera & Co, Chartered Accountants to hold office until the conclusion of the next Annual General Meeting and to authorize the Directors to determine their remuneration.

BY THE ORDER OF THE BOARD
ANILANA HOTELS AND PROPERTIES PLC

Sgd. Illegibly

CORPORATE ADVISORY SERVICES (PRIVATE) PLC
SECRETARIES
Colombo

....., 2017

Form of Proxy

I/We* the undersigned
of.....
being a member/members of **ANILANA HOTELS AND PROPERTIES PLC** hereby
..... or failing him/her

Mr. P L Amerasinghe (Chairman of the Company)	of Colombo or failing him
Mr. A C Seneviratne (Managing Director)	of Colombo or failing him
Mrs. M C Seneviratne (Director)	of Colombo or failing her
Mr. A G Punchihewa (Director)	of Colombo

as my/our* proxy to vote as indicated hereunder for me/us* and on my/our* behalf at the Annual General Meeting of the Company to be held on 24th November 2017 The College of Surgeons of Sri Lanka No.6, Independence Avenue, Colombo 07. at 9.00 AM and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

Please indicate your preference by placing an 'X' against the Resolution No.

	FOR	AGAINST
1. To receive and consider the Report of the Directors and the Statement of Accounts for the year ended 31st March 2016 with the Report of the Directors and Auditors thereon.	☐	☐
2. Directors		
(i) To re-elect Mr Ajahn Gardiye Punchihewa Director who retires by rotation in terms of Article 81 of the Articles of Association of the Company.	☐	☐
(ii) To pass the Ordinary Resolution set out in the Notice of Meeting pertaining to re-appointment of Mr. P L Amerasinghe who is 73 Years of age, as a Director of the Company,	☐	☐
3. Re-appoint the retiring Auditors M/s Amarasekera & Company, Chartered Accountants to hold office until the conclusion of the next Annual General Meeting and to authorize the Directors to determine their remuneration.	☐	☐

Signed this day of2017
.....
Signature

* Please delete the inappropriate words
Notes:

1. If you wish your Proxy to speak at the Meeting you should insert the words "to speak and" in the place indicated with an asterisk and initial such insertion.
2. Please indicate with an "x" in the space provided how your Proxy is to vote. If there is in the view of the Proxy holder doubt (by reason of the way in which the instructions contained in the Proxy have been completed) as to the way in which the Proxy holder should vote, the Proxy holder shall vote as he thinks fit.
3. A Proxy holder need not be a member of the Company.
4. Instructions as to completion appear on the reverse hereof.

Instruction for Completion of Form of Proxy

1. Kindly complete the Form of Proxy by filling in legibly your full name and address, and your instructions as to voting, by signing in the space provided and filling in the date of signature.
2. Please indicate with an "X" in the cages provided how your proxy is to vote on the Resolution If no indication is given or if there is any doubt as to how the Proxy should vote by reason of the manner in which the instructions are carried out, the proxy in his/her discretion may vote as he/she thinks fit
3. The completed Form of Proxy should be deposited at the Registered Office of the Company at No 14, Reid Avenue, Colombo 7, not less than 48 hours before the time appointed for holding the meeting.
4. If the Form of Proxy is signed by an attorney, the relative power of attorney should accompany the completed form of proxy for registration, if such power of attorney has not already been registered with the Company.

Note: If the shareholder is a Company or body Corporate, Section 138 of the Companies Act No. 7 of 2007 applies to corporate shareholders of Anilana Hotels and Properties Plc

Please furnish the following information:

	Shareholder	OR	Proxy holder
NIC No./ Passport No.			
Nationality			
Share Certificate No.			
No. of Shares:			

Corporate Information

Name of the Company
Anilana Hotels & Properties PLC

Legal Form
Public Limited Company listed in July 2013 on the Colombo Stock Exchange. (Incorporate as a Private Limited Liability Company on 19th May 2010 under the Companies Act No. 17 of 1982 and converted to a Public Limited Liability Company on 13th November 2010)

Directors
Peter L. Amerasinghe (Chairman)
Asanga C. Seneviratne (Managing Director)
Manjula C. Seneviratne (Director)
Ajahn Gardiye Punchihewa (Director)
Manjula Viraj Perera (Director)

Secretaries
Corporate Advisory Services (Pvt) Ltd
No.47, Alexandra Place, Colombo 07.
Tel: 94 11 2695782
Fax: 94 11 2695410
Email: desaram@desaram.com

Registered Office
No. 14, Reid Avenue, Colombo 07.
Tel: 94 11 2030900
Fax: 94 11 2673355
Email: info@anilana.com
Web: www.anilana.com

Hotels
- Pasikuda
- Craig Bank Nuwara Eliya
- Nilaveli

Bankers
Nations Trust Bank
Sampath Bank PLC
Hatton National Bank
People's Bank
Pan Asia Bank
NDB Bank

Auditors
Amerasekera & Co.
Chartered Accountants
No. 12, Rotunda Gardens. Colombo 03.