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BANSEI ROYAL RESORTS HIKKADUWA PLC



ANNUAL REPORT 2016/2017



FINANCIALS AT A GLANCE

FOR THE YEAR	2016/17	2015/16
Turnover	55,717,969	61,808,355
Profit/(Loss) Before Tax	3,082,453	8,825,062
Profit/(Loss) After Tax	2,092,266	6,884,310
AT THE YEAR END		
Shareholders' Funds	-	-
Total Assets	306,202,386	314,596,008
Company Employment (No of Persons)	40	29
PER SHARE		
Earnings (Rs)	0.04	0.13
Dividend (Rs)	0.10	0.10
Net Assets (Rs)	5.50	5.56
Market Value (Closing Price) (Rs)	8.50	8.50
Highest Price (Rs.)	11.90	14.00
Lowest Price (Rs.)	7.10	6.60
RATIO		
Gross Profit (%)	89%	93%
Current Ratio (Times)	11.58	8.40
PUBLIC HOLDING		
Percentage of Public Holding As at 31st March	10%	10%

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CHAIRMAN'S REVIEW

I am pleased to present my Review this year, serving in my third term as Chairman of Bansei Royal Resorts, Hikkaduwa PLC.

Last year was one of many changes to our Corporate Structure as well as the Hotel itself. The most notable change to the Hotel was the cordial termination of the management agreement with Jet Wing. The main purpose was to transform the hotel from a budget to a full-service provider. In line with our strategy, we strive to be a lean operation and have reduced administration costs and sales and marketing expenses. On the other hand, we have increased the staff strength to 40 from 29 to provide a better service.

As you can see from the financial highlights, the performance of the hotel has been moderate in 2016. Our new operational team is planning to improve the results through better marketing, improved services and sound financial management.

The profit after tax (PAT) has reduced to LKR 2.09Mn from LKR 6.88Mn compared to the previous financial year. The main reason for this drop in PAT is the increase in VAT and Budgetary Relief Allowance by LKR 4.9Mn and LKR 1Mn respectively.

GLOBAL TOURISM

The year under review has seen turmoil internationally with more conflicts, terror attacks in Europe and overall slow growth in the Global Economy.

However, global tourism recorded a 4.5% increase in 2015 to reach 1.2 billion travellers with a further 4.3% increase in 2016.

SRI LANKA TOURISM

Tourist arrivals into the Country recorded an appreciable growth during the year under review.

The Sri Lanka Tourism Development Authority is continuing its efforts, to increase more tourists, by organising regular promotional campaigns Globally. China and India are the largest contributors to the tourism arrivals in Sri Lanka closely followed by Europe/UK.

CONCLUSION

On behalf of the Board of Directors, I take this opportunity to place on record our deep gratitude to Jetwing for the unstinted support and co-operation extended during their tenure of management.

We also thank our Business Partners, other Stakeholders and our Employees for their contribution and the commitment to grow with the Company.

It is also my pleasant duty to recognize our valued Shareholders, for their cooperation and the confidence placed in the Company.

We look forward to the future, with optimism and reiterate our commitment to achieve the goals and objectives of your Company.

TILAK DE ZOYSA
Chairman



PROFILE OF THE BOARD OF DIRECTORS

Seated from Left to Right

Mr. T. Murakami
Deputy Chairman

Mr. T. De Zoysa
Chairman

Mr. H. Ota
Director/ Chief Executive Officer

Standing from Left to Right

Mr. J. V. W. Malawana
Director

Mr. G. C. A De Silva
Director

Mr. H Premaratne
Director

Mr. C. S. J. Perera
Director



Mr. T. De Zoysa
Chairman

A well-known figure in the Sri Lankan business community, Tilak de Zoysa, FCMI (UK) FPRI (SL), Honorary Consul for Croatia and Global Ambassador for HelpAge International was conferred the title of “Deshabandu” by His Excellency the President of Sri Lanka in recognition of his services to the country and was the recipient of “The Order of the Rising Sun. Gold Rays with Neck Ribbon” conferred by His Majesty the Emperor of Japan.

In addition to being the Chairman of the Supervisory Board and Advisor to the Al-Futtaim Group of Companies in Sri Lanka, he Chairs Carsons Cumberbatch PLC, Associated CEAT (Pvt) Ltd., Amaya Hotels and Resorts USA (Radisson), Jetwing Zinc Journey Lanka (Pvt) Ltd. and HelpAge Sri Lanka, Trinity Steel (Pvt) Ltd. CG Corp Global Sri Lanka and Dutch Lanka Trailer Manufacturers (TATA Group). He is also the Vice Chairman of Ceat Kelani Holdings (Pvt) Ltd., Orient Insurance Ltd. and serves on the boards of several listed and private companies which include TAL Lanka Hotels PLC (Taj), TAL Hotels and Resorts Ltd, Lanka Walltiles PLC, Nawaloka Hospitals PLC, Associated Electrical Corporation Ltd., Inoac Polymer Lanka (Pvt) Ltd., Cinnovation INC., GVR Lanka (Pvt) Ltd and Varun Beverages Lanka (Pvt) Ltd (Pepsi).

Mr. Tilak de Zoysa is a past Chairman of the Ceylon Chamber of Commerce, the National Chamber of Commerce of Sri Lanka, HelpAge International (UK) and served as a Member of the Monetary Board of Sri Lanka (2003-2009).

Mr. de Zoysa, was appointed to the Board on 20th June 2014.



Mr. T. Murakami
Deputy Chairman

Mr. Toyohiko Murakami is the Chief Executive of Bansei Group Japan. Mr. Murakami has over 33 years of experience in managing various business fields consisting of Securities, Finance, Insurance, and Real Estate. Mr. Murakami has a degree in Bachelor of Law from Kyoto University, Japan.

Mr. Murakami joined Bansei Securities Co., Ltd. in November 2005. He was appointed to Executive Vice President in February 2006 and to President and C.E.O of the company in June 2009.

He is also Chairman of Bansei Hoken (Insurance) Community Co., Ltd. which is one of the sister companies of Bansei Securities Co., Ltd.

Formerly Mr. Murakami was Advisor with Zenkoku Hosho Co., Ltd from November 2005 to February 2006 and Director of H.S. Securities Co., Ltd. from June 2002 to August 2005.

In Sri Lanka, Mr. Murakami serves as a Director of Pan Asia Banking Corporation, Vallibel Finance PLC, Bansei Holdings LK Pvt. Ltd, Bansei Securities Capital Pvt. Ltd, Bentota Club Villa Pvt. Ltd.

Mr. Murakami was appointed to the Board on 30th June 2013.



Mr. H. Ota
Director/ Chief Executive Officer

Mr. Ota is the Managing Director of Bansei Securities Co. Ltd and counts over 30 years of experience in finance business (Commercial banking, Trust banking, Lease finance, Securities business). Mr. Ota has a Bachelor of Law from Kyoto University, Japan.

He joined Bansei Securities Co. as a Managing Director in November 2014. He has supported Mr. Toyohiko Murakami who is the Chief Executive of Bansei Group to transfer the company to be strong and profitable. He is known as the man who has bridged Sri Lanka and Japan in Financial Business.

Formerly he worked for The Long-Term Credit Bank of Japan (April 1982- September 2000) and Sumitomo Trust & Banking Co, Ltd (October 2000- September 2011) and Ricoh Co. Ltd (October 2011- October 2014).

Mr. Ota was appointed to the Board on 12th March 2015.



Mr. J. V. W. Malawana
Director

Possessing first-hand experience garnered on the trading floors at both the Colombo and Brunei Stock Exchanges, Mr. Malawana's hands-on know how and participation in the Bourses' activities include that of Trading Floor Manager at the CSE and Manager Trade Processing of the Brunei Stock Exchange.

He also expanded his knowledge holding senior positions at HSBC Premier and Standard Chartered Bank.

Mr. Malawana is credited for structuring and creating novel investment instruments tailored specifically for foreign investors into Sri Lanka.

Mr. Malawana is currently the Chairman and Director of Bansei Securities Capital Pvt. Ltd, a Japanese owned Margin Provider operating in Sri Lanka as well as serving as Managing Director of the NWS Holdings Group of Companies.

He has previously functioned as the Chief Executive Officer of New World Securities (Pvt) Limited and currently sits on the Board of Directors of Ideal Finance Limited, Bansei Royal Resorts Hikkaduwa PLC, Veritas Holdings Pvt. Ltd, Sushi Bar Samurai Pvt. Ltd and SB Pvt. Ltd, a partner company of Jetwing Hotels Ltd.

His most recent appointment is Advisor to the Ministry of Tourism serving on their Advisory Committee and specializing in the Japanese tourist segment. Moreover, he has been appointed as a Consultant - International Markets by Wealth Trust Securities Ltd. which is a Central Bank appointed primary dealer.

Mr. Malawana was appointed to the Board on 24th February 2014.



Mr. G. C. A. De Silva
Director

Channa is a professional holding a Bachelors Degree from the University of Colombo, and two Masters Degrees from Harvard University as well as University of Melbourne (MBA).

He is also a Fellow of the Chartered Institute of Management Accountant(FCMA - London) and Fellow of the Chartered Certified Accountant (FCCA- London) . He is also member of the Chartered Institute for Securities & Investments (MCSI- London) .He currently serves in the Sri Lankan advisory boards of ACCA, CISI, and Colombo University Alumni Association, Neelan Tiruchelvam Trust.

He is the Chairman of Sarvodaya Development Finance . He also serves as founder Chairman of Capital Media (Pvt) Ltd publishers Echelon Magazine, Cosmopolitan Sri Lanka , BBC Top Gear Sri Lanka magazines and EconomyNext.com business news Portal.

He currently works as a Social Entrupruner.

Mr. De Silva was appointed to the Board on 23rd February 2011.



Mr. H. Premaratne
Director

Mr. Premaratne is a Fellow of the Chartered Institute of Management Accountants (CIMA - UK), the Association of Chartered Certified Accountants (ACCA - UK), Certified Management Accountants (CMA - SL).

He is also a Chartered Global Management Accountant (CGMA). He holds a MBA in International Finance and a B.Sc in Computer Science..

Hasitha is currently the Chief Financial Officer Brandix Lanka Ltd, one of the largest apparel exporters with a consolidated Turnover of \$800 million. He is a member of Brandix Leadership Team and also leads the Strategic Planing process of the Brandix group. He is a Director of many subsidiaries of the Brandix Group, including listed company Textured Jersey Lanka Plc. Mr. Premaratne was a Visiting Lecturer at the University of Kelaniya MBA programme. He was a Board Member of CIMA Sri Lanka and was a Senior Lecturer for CIMA UK, attached to Wisdom Business Academy from 2000 to 2011.

Hasitha was the winner of the “Tutor of The Year Award” at CIMA Global Financial Management Awards 2009 held in London during November 2009. He was the Winner and Gold Medalist of prestigious “CIMA Star of the year” award in 2012 and the Winner of “Young CIMA Star of the year” award, in 2006. He has “Presented Sri Lanka”, at investor forums organized by The Securities and Exchange Commission (SEC) and Colombo Stock Exchange (CSE) in Dubai, Abu Dhabi, Singapore, Australia, and New Zealand. He was the winner of the “Most Outstanding Royalist of the year” award in 1997.

Mr. Premaratne was appointed to the Board on 11th March 2014



Mr. C. S. J. Perera
Director

Surith is the Chief Executive Officer at Watawala Tea Ceylon Ltd, the market leader in branded tea in Sri Lanka. He possesses broad experience in marketing FMCG brands, across Home care, Personal care and Foods categories with Unilever Sri Lanka, with further experience gained at Hindustan Unilever. He has as a proven track record of providing situational and forward thinking leadership and has been responsible for developing some of Unilever Sri Lanka’s leading brands and taking Watawala Tea Ceylon to a leadership position. Prior to joining Watawala Tea Ceylon he was a Board member at Unilever Sri Lanka.

He possesses an MBA from the Post Graduate Institute of Management, University of Sri Jayawardenapura, Sri Lanka, and is a Fellow member of the Institute of Chartered Institute of Management Accountants, UK.

Mr. Perera was appointed to the Board on 12th Mach 2014.

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

The Directors of Bansei Royal Resorts Hikkaduwa PLC present their report together with the Audited Financial Statements for the year ended 31st March 2017.

The Report contains pertinent information and disclosures required under the Companies Act No.07 of 2007, the Listing Rules of the Colombo Stock Exchange, recommended Best Practices of Corporate Governance and the requirements of the Sri Lanka Accounting Standards.

REVIEW OF OPERATIONS & PERFORMANCE

The Chairman's Review provides an overall assessment of the Company's Operations and Performance during the financial year, under review on Pages 3 & 4.

PRINCIPAL ACTIVITIES

The Company is engaged in the Hotel Industry.

FINANCIAL STATEMENTS

The Financial Statements of the Company are given on pages 20 - 23 in the Annual Report

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors' Responsibilities in compliance with the requirements in preparation of Financial Statements are set out in Page 17.

AUDITOR'S REPORT

The Auditor's Report on the Financial Statements is given on page 18 & 19

ACCOUNTING POLICIES

There has been no change in the Accounting Policies adopted by the Company in preparation of Financial Statements during the Financial Year under review.

INTERESTS REGISTER

An Interests Register is maintained, in compliance with the Companies Act No.07 of 2007. The particulars of the entries made in connection with the General Disclosure in terms of Section 192(2) of the Companies Act No.07 of 2007 are given in Note 21 under Related Party transactions.

DIRECTORS' REMUNERATION

The remuneration paid to the Executive and Non-Executive Directors during the financial year under review is given in Note 21.2 to the Financial Statements.

DIRECTORS & CEO'S SHAREHOLDING

The Directors and the CEO of the Company did not hold any Shares at the beginning and or at the end of the financial year.

AUDITORS

The accounts for the year have been audited by M/s Ernst & Young, Chartered Accountants, who retire and are eligible for re-appointment. The Directors recommend their re-appointment. The Auditors were paid a sum of Rs. 410,000/- as Audit Fees and Rs. 94,000/- as Non Audit Fees by the Company for the financial year under review. As far as the Board is aware the Auditors do not have any relationship with the Company other than carrying out the External Audit.

PROPERTY, PLANT AND EQUIPMENT

An analysis of the property, plant and equipment of the Company, additions and disposals made during the year and depreciation charged during the year are set out in Note 3 of the Financial Statements.

Extent, Locations, number of buildings and Valuations of the properties are given in the Statement of Value of Real Estate on page 48.

MARKET VALUE OF LAND AND BUILDINGS

The market values of the Land and Buildings owned by the Company are included on the basis of valuation carried out by a professionally qualified valuer. Detailed description is given in page 48.

STATED CAPITAL

The Stated Capital of the Company as at 31st March 2017 was Rs.272,280,000/- representing 53,728,000 Ordinary Shares. The structure of the Stated Capital is given in Note 8 of the Financial Statements.

CONTRIBUTIONS TO CHARITIES

Charities & Donations by the Company amounted to Rs. 89,050 which includes a sum of Rs.8,500 made to Government approved charities.

DIRECTORATE

The Members of the Board during the financial year under review and as at the date of Report were as follows :-

Mr. T. de Zoysa - Independent / Non-Executive

Mr. T. Murakami - Non-Executive

Mr. H. Ota - Executive

Mr. J. V. W. Malawana - Non-Executive

Mr. G. C. A. de Silva - Non-Executive

Mr. H. Premaratne - Independent / Non-Executive

Mr. C. S. J. Perera - Independent / Non-Executive

The Profiles of the Board of Directors of the Company are given in Page 5 - 8.

RETIREMENT OF DIRECTORS AND THEIR REELECTION

Mr. J V W Malawana, retires by rotation, in accordance with Article 24(6) of the Articles of Association of the Company, and he is eligible for re-election.

RE-APPOINTMENT OF DIRECTOR WHO IS OVER 70 YEARS OF AGE

Upon the recommendation of the Board, it is recommended that Mr. Tilak De Zoysa, who is 70 years of age be re-appointed as a Director in terms of Section 211 of the Companies Act, declaring that the age limit stipulated in Section 210 of the Companies Act 2007, shall not apply to the said Director.

TURNOVER

The gross income of the Company after deducting Turnover Tax and Defence levy was Rs. 55.7 Million.

TAXATION

The tax position of the Company is given in Note 2.4.3 to the Financial Statements.

DIVIDENDS

The Board of Directors recommends a First & Final dividend of Cents 0.10 per share payable for 2016/17. The Directors are confident that the Company would meet the solvency test requirement under Section 56 (2) of the Companies Act of No 7 of 2007 immediately after the proposed dividend distribution.

SHAREHOLDING

As at 31.03.2017 there were 594 Registered Shareholders. The distribution, categories and location of shareholders are indicated on Page 52 Under "Shareholders and Investors Information".

MAJOR SHAREHOLDINGS

The 20 major Shareholders of the Company as at 31st March 2016 and 2017 are listed on Page 51 under the title "Shareholders and Investors Information".

PUBLIC HOLDING

There were 590 registered shareholders as at 31st March 2017, with the percentage of shares held by the public, as per the Colombo Stock Exchange Rules, being 10.00%

MATERIAL ISSUES PERTAINING TO EMPLOYEES AND INDUSTRIAL RELATIONS

There were no material issues relating to employees and industrial relations during the year ended 31st March 2017.

STATUTORY PAYMENTS

The Directors, to the best of their knowledge and belief are satisfied that all statutory payments have been made up to date or provided for same.

ENVIRONMENTAL PROTECTION

The Board of Directors has taken adequate precautions to ensure that the Company does not engage in any activities which could be detrimental to the environment and contravenes laws and regulations

CORPORATE GOVERNANCE

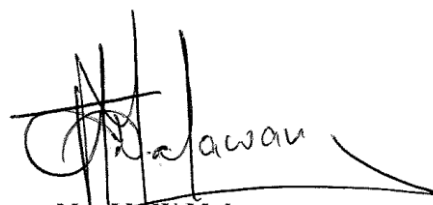
The Board of Directors place great emphasis on good Corporate Governance practices and principles and ensures that the Company adheres with the Codes of Best Practice on Corporate Governance. The compliance of Corporate Governance by the Company is set out on Page 13 & 14.

RISK MANAGEMENT

The Board of Directors has structured proper systems and controls to identify probable risk. These systems are periodically evaluated and reviewed by the Board to ensure smooth functioning. Remedial measures also have been implemented to mitigate risk

BY ORDER OF THE BOARD


Mr. H. Ota
Director/CEO



Mr. J.V.W. Malawana
Director



Corporate Arcade Ltd

Company Secretaries
14th July 2017

GOING CONCERN

The Board of Directors of the Company are satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Therefore, the Company continues to adopt a going concern concept in preparing the accounts of the Company.

EQUITABLE TREATMENT TO SHAREHOLDERS

The Company has at all times ensured that all Shareholders are treated equitably.

INTERNAL CONTROL SYSTEMS

The Board has overall responsibility for the Company's Systems of Internal Control. The Company's internal control and check systems have been designed to provide the Directors with reasonable assurance that the Assets are protected, safeguarded and transactions are authorized thereby ensuring that errors and irregularities are either prevented or detected within a timely period, whilst ensuring that Corporate Governance is properly practised and adhered to.

POST-BALANCE SHEET EVENTS

Subsequent to the date of the Balance Sheet no circumstance has arisen which require adjustments to the accounts.

CORPORATE GOVERNANCE

Bansei Royal Resorts Hikkaduwa PLC (BRRH) continues to be committed to conducting the Company's business ethically and in accordance with high standards of good Corporate Governance.

We set out below the Corporate Governance practices adopted and practised by BRRH PLC, against the background of the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and the Rules set out in Section 7 of the Colombo Stock Exchange's Listing Rules.

BOARD OF DIRECTORS

Executive Directors

Mr. H. Ota

Non-Executive directors

Mr. T. de Zoysa

Mr. T. Murakami

Mr. G. C. A. de Silva

Mr. J. V. W. Malawana

Mr. H. Premaratne

Mr. C. S. J. Perera

RESPONSIBILITIES

The Directors of the Company are responsible for formulation of Company policy and overall business strategy. The implementation of policy and strategy is done in a framework that requires compliance with applicable laws and regulations as well as establishing best practices in dealing with employees, customers, suppliers and the community at large.

The annual capital expenditure budgets, non-budgeted capital expenditure, the annual budgeted operating statements require Board approval.

The Board meets regularly to review performance and forecasts against budgets so as to take decisions in the best interest of the Company.

BOARD BALANCE

The Board comprises seven Directors out of which six Directors are Non- Executives and three of them are independent. Non-Executive Directors' profiles reflect their calibre and the weight, and their views carry in Board deliberations.

The Independent / Non-Executive Directors have submitted their Declarations keeping in line with the Listing Rules of the Colombo Stock Exchange.

COMPANY SECRETARIES

Corporate Arcade Limited functions as secretaries to the Board.

They ensure that appropriate Board processes are adopted, board procedures and applicable rules and regulations adhered to and a proper record of all proceedings of Board meetings is maintained.

FINANCIAL REPORTING

The Board of Directors confirm the Financial Statements for the year ended 31st March 2017, of Bansei Royal Resorts Hikkaduwa PLC have been prepared in accordance with the Sri Lanka Financial Reporting Standards and the Companies Act No. 07 of 2007. The Company has duly complied with all the reporting requirements prescribed by the regulatory authorities including the Colombo Stock Exchange and the Registrar of Companies. Financial Statements of the Company were audited by Ernst & Young, Chartered Accountants. The Independent Auditors' Report on the Financial Statements for the year ended 31st March 2017 is presented on Page No 20 of this Annual Report.

SUPPLY OF INFORMATION

Directors are provided with quarterly reports on performance and such other reports and documents as are necessary.

REMUNERATION COMMITTEE

The Remuneration Committee comprises of Mr. Toyohiko Murakami, Mr. Surith Perera and Mr. Hasitha Premaratne of whom Mr. Toyohiko Murakami functions as the Chairman of the Committee.

The Committee is responsible for evaluating and recommending to the Board the Remuneration Policy and Practices that supports the strategic direction and the objectives of the company. The remuneration policy of the Company is to attract, motivate and retain high quality executive talent by reference to the corporate goals and objectives resolved by the Board of Directors from time to time.

During the period under review, the Committee continued its responsibility of formulating and recommending to the Board, Remuneration Policy which would help the organization to attract, retain and to motivate its staff taking into consideration Industrial norms.

The Committee is responsible for determining the Compensation of all the Management Staff.

AUDIT COMMITTEE

The Audit Committee comprises Mr. Channa de Silva, Mr. Hasitha Premaratne and Mr. Surith Perera of whom Mr. Channa de Silva, functions as the Chairman of the Committee.

The report of the Audit Committee is given on Page 15.

**RELATED PARTY TRANSACTIONS
REVIEW COMMITTEE**

The Related Party Transactions Review Committee comprises Mr. T. de Zoysa, Mr. Hasitha Premaratne and Mr. Surith Perera of whom Mr. T. de Zoysa, functions as the Chairman of the Committee.

The report of the Related Party Transactions Review Committee is given on Page 16.

GOING CONCERN

The Board of Directors of the Company are satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Therefore, the Company continues to adopt a going concern concept in preparing the accounts of the Company.

AUDIT COMMITTEE REPORT

MEMBERSHIP & APPOINTMENT

The audit committee comprises of three independent Non-Executive Directors. The members of the Board appointed Audit Committee are:

Mr. Channa De Silva – Chairman,
Mr. Hasitha Premaratne, and
Mr. Surith Perera.

The audit committee has a Term of Reference, dealing clearly with its authority and duties. This is established for the purpose of assisting the board in fulfilling their responsibilities regarding the integrity of the Financial Statements, risk management, internal control, and compliance with legal and regulatory requirements, review of External Auditors performances, Independence and the internal audit functions.

FINANCIAL REPORTING

The Committee considered reports from the Accountant, and annual financial statements. It also considered reports from the external auditors, Ernst & Young on the scope and outcome of the annual audit. The review is based on the compliance with the Sri Lanka Accounting Standards and the other related legislation.

RISK AND CONTROLS

During the year, the committee assessed the major business and control risks and the control environment prevalent in the company and advised the Board on actions to be taken in areas where weaknesses were observed. The committee analysed the effectiveness of the company's internal control system already in place and the processes for identification, evaluation and management of all significant risks including frauds and operational failures.

EXTERNAL AUDIT

The committee met with the External Auditor during the year to discuss their audit approach and procedures. It also reviewed and approved the Scope of Non-Audit services provided by Ernst & Young, to ensure that there was no impairment of independence.

AUDIT COMMITTEE EFFECTIVENESS

The Audit Committee conducts a review of its effectiveness annually and concluded this year that it was effective and able to fulfil its objectives.

(sgd)
Mr. Channa De Silva
Chairman
Audit Committee

7 June 2017

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

COMPOSITION OF THE COMMITTEE

The Related Party Transactions Review Committee is appointed by the Board of Directors of the Company on 10th March 2016. As at 31st March 2017 it comprised the following Directors,

Mr. T. de Zoysa – Chairman (Independent / Non-Executive)
Mr. Hasitha Premaratne (Independent / Non-Executive)
Mr. Surith Perera (Independent / Non-Executive)

MEETINGS OF COMMITTEE

The Committee had two meetings in the year 2016/2017 (28th October, 2016 and 26th January, 2017). The committee discussed, reviewed and ratified all related party transactions which were entered into before 28th October, 2016. The minutes were circulated to the Board of Directors for their information and review. The Company hereby under takes to strictly comply with the Listing Rules in this regard in the future.

PURPOSE OF THE COMMITTEE

The purpose of the Committee as set out in its written Terms of Reference (TOR), is to review in advance all proposed Related Party Transactions other than those transactions explicitly exempted in the TOR which are in conformity with the Listing Rules. Accordingly, except for transactions mentioned therein, all other Related Party Transactions are required to be reviewed by the Committee either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.

SCOPE OF THE COMMITTEE INCLUDES:

Reviewing in advance all proposed Related Party Transactions of the Company except those explicitly exempted by the TOR;

Adopting policies and procedures to review Related Party Transactions of the Company and reviewing and overseeing existing policies and procedures;

Determining whether Related Party Transactions that are to be entered into by the Company require the approval of the Board or Shareholders of the Company;

If Related Party Transactions are ongoing (Recurrent Related Party Transactions) the Committee establishes guidelines for senior management to follow in its ongoing dealings with the relevant related party.

Ensuring that no Director of the Company shall participate in any discussion of a proposed Related Party Transaction for which he or she is a related party, unless such Director is

requested to do so by the Committee for the express purpose of providing information concerning the Related Party Transaction to the Committee.

If there is any potential conflict in any Related Party Transaction, the Committee may recommend the creation of a special committee to review and approve the proposed Related Party Transaction.

Ensuring that immediate market disclosures and disclosures in the Annual Report as required by the applicable rules/regulations are made in a timely and detailed manner.

POLICIES AND PROCEDURES

Sri Lanka Accounting standards define Related Party Transactions. This definition is consistent with Section 9 of the listing rules of CSE. Under these the members of the Board of Directors of the Company have been identified as Key Management Personnel. In accordance with the Related Party Transaction Policy, declarations are obtained from each Key Management Personnel of the Company for the purpose of identifying parties related to them. Based on the information furnished in these declarations, the Company retrieves data on related party transactions from the data base of the Company.

RELATED PARTY TRANSACTIONS DURING 2016/17

During the year 2016/17, there were recurrent related party transactions that exceeded the respective thresholds mentioned in the Listing Rules of the Colombo Stock Exchange.

Detail is disclosed on page 49

During the year 2016/17, there were no non- recurrent related party transactions that exceeded the respective thresholds mentioned in the Listing Rules of the Colombo Stock Exchange.

Repayment of miscellaneous operational costs advanced by the Company's affiliate, Bansei Holdings LK (Pvt) Ltd.

Details of other related party transactions entered into by the Company during the above period is disclosed in note 20 to the financial statements.

DECLARATION

A declaration by the Board of Directors in the Annual Report as a statement that every related party transaction falling within the ambit of the Listing Rules and entered into by the Company during 2016/17 were reviewed is given on the Annual Report.

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The Directors are responsible, under Section 150 (1), 151, of the Companies Act No. 07 of 2007, to ensure compliance with the requirements set out therein to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company and the Income Statement for the financial year end. The Directors are also responsible, under section 148 for ensuring that proper accounting records are kept to disclose, with reasonable accuracy, the financial position and enable preparation of the Financial Statements.

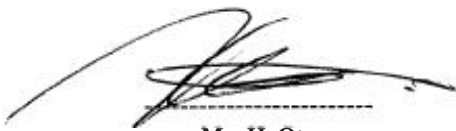
The Board accepts responsibility for the integrity and objectivity of the Financial Statements presented. The Directors confirm that in preparing the Financial Statements, appropriate Accounting Policies have been selected and applied consistently while reasonable and prudent judgments have been made so that the form and substance of transactions are properly reflected.

They also confirm that the Financial Statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards. The Financial Statements provide the information required by the Companies Act and the Listing Rules of the Colombo Stock Exchange.

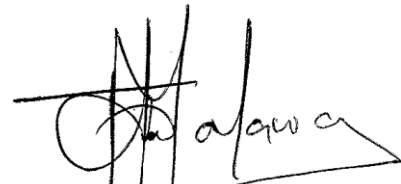
The Directors have taken reasonable measures to safeguard the assets of the Company and, in that context, have instituted appropriate systems of internal control with a view to preventing and detecting fraud and other irregularities.

The Directors are confident that they have discharged their responsibility as set out in this statement. They also confirm that to the best of their knowledge, all statutory payments payable by the Company as at the balance sheet date have been paid or where relevant, provided for.

For and on behalf of the Board of Directors of Bansei Royal Resorts Hikkaduwa PLC.



Mr. H. Ota
Director/CEO



Mr. J.V.W. Malawana
Director

13th July 2017

BANSEI ROYAL RESORTS HIKKADUWA PLC - (Previously known as Coral Rock Hotels (Private) Limited)**FINANCIAL STATEMENTS**

As at 31 March 2017



Ernst & Young
Chartered Accountants
201 De Saram Place
P.O. Box 101 Colombo 10
Sri Lanka

Tel : +94 11 2463500
Fax Gen : +94 11 2697369
Tax : +94 11 5578180
eysl@lk.ey.com
ey.com

MPDC/VJD/AD

INDEPENDENT AUDITOR'S REPORT**TO THE SHAREHOLDERS OF BANSEI ROYAL RESORTS HIKKADUWA PLC****Report on the Financial Statements**

We have audited the accompanying financial statements of Bansei Royal Resorts Hikkaduwa PLC, ("the Company"), which comprise the statement of financial position as at 31 March 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board's Responsibility for the Financial Statements

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.

Auditor's Responsibility

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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement 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.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company 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.

Partners: WRH Fernando FCA FCMA MPDCooray FCA FCMA RNdeSaram ACA FCMA Ms.NADeSilva FCA Ms.YADeSilva FCA WKBSP Fernando FCA FCMA
Ms.KRM Fernando FCA FCMA Ms.LKHL Fonseka FCA APA Gunasekera FCA FCMA A Herath FCA FCMA LLB(Lond) HMA Jayasinghe FCA FCMA
Ms.AA Ludowyke FCA FCMA Ms.GGS Manatunga FCA NM Sulaiman ACA FCMA BE Wijesuriya FCA FCMA
Principal: T P M Ruberu FCA FCCA

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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, 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, and
 - the financial statements of the Company comply with the requirements of Section 151 of the Companies Act No. 07 of 2007.

A handwritten signature in black ink, consisting of a stylized 'E' followed by a long horizontal stroke and a vertical line.

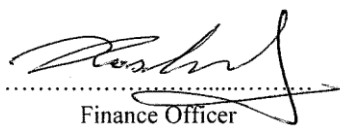
07 June 2017
Colombo

Bansei Royal Resorts Hikkaduwa PLC**STATEMENT OF FINANCIAL POSITION**

As at 31 March 2017

	Note	2017 Rs.	2016 Rs.
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	3	223,296,216	226,727,261
		<u>223,296,216</u>	<u>226,727,261</u>
Current Assets			
Inventories	4	1,207,964	573,143
Trade and Other Receivables	5	7,959,322	6,424,190
Advance, deposits and prepayments		1,704,942	1,033,592
Other Financial Assets	6	59,396,648	54,775,374
Cash and Bank Balances	7	12,637,294	25,062,450
		<u>82,906,170</u>	<u>87,868,747</u>
Total Assets		<u><u>306,202,386</u></u>	<u><u>314,596,008</u></u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated Capital	8	272,280,000	272,280,000
Retained Earnings		23,264,216	26,435,805
Total Equity		<u><u>295,544,216</u></u>	<u><u>298,715,805</u></u>
Non-Current Liabilities			
Interest Bearing Loans and Borrowings	9	-	2,184,052
Retirement Benefit Obligation	10	780,124	602,220
Deferred tax liability	17.2	2,716,783	2,635,713
		<u>3,496,907</u>	<u>5,421,986</u>
Current Liabilities			
Trade and Other Payables	11	6,645,117	9,004,165
Income Tax Payable		516,146	332,445
Interest Bearing Loans and Borrowings	9	-	1,121,608
		<u>7,161,262</u>	<u>10,458,217</u>
Total Equity and Liabilities		<u><u>306,202,386</u></u>	<u><u>314,596,008</u></u>

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


Finance Officer

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


Director


Director

The accounting policies and notes on pages 7 through 26 form an integral part of these Financial Statements.

07 June 2017
Colombo

Bansei Royal Resorts Hikkaduwa PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2017

	Note	2017 Rs.	2016 Rs.
Revenue	12	55,717,969	61,808,355
Cost of Sales		(5,640,248)	(4,276,247)
Gross Profit		50,077,721	57,532,108
Other Income	13	169,131	4,304,454
Administrative Expenses		(48,061,429)	(50,782,477)
Sales and Marketing Expenses		(3,765,435)	(5,463,652)
Operating Profit/(Loss)		(1,580,011)	5,590,433
Finance Cost	14	(414,313)	(593,174)
Finance Income	15	5,076,776	3,827,803
Profit/(Loss) before Tax	16	3,082,453	8,825,062
Tax Expenses (Charge)/Reversal	17	(990,186)	(1,940,752)
Profit/(Loss) for the year		2,092,266	6,884,310
Other comprehensive income			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Actuarial gains on defined benefit plans	10	123,801	152,316
Income tax effect	17.3	(14,856)	(18,278)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		108,945	134,038
Total Comprehensive Income for the year, net of tax		2,201,211	7,018,348
Basic Earnings per share	18.2	0.04	0.13

The accounting policies and notes on pages 7 through 26 form an integral part of these Financial Statements.

Bansei Royal Resorts Hikkaduwa PLC**STATEMENT OF CHANGES IN EQUITY**

Year ended 31 March 2017

	Stated Capital	Retained Earnings	Total
	Rs.	Rs.	Rs.
Balance as at 01 April 2015	272,280,000	19,417,457	291,697,457
Profit for the year	-	6,884,310	6,884,310
Other comprehensive income (Net of Tax)	-	134,038	134,038
Balance as at 31 March 2016	272,280,000	26,435,805	298,715,805
Profit for the year	-	2,092,266	2,092,266
Other comprehensive income (Net of Tax)	-	108,945	108,945
Dividend Paid	-	(5,372,800)	(5,372,800)
Balance as at 31 March 2017	272,280,000	23,264,216	295,544,216

The accounting policies and notes on pages 7 through 26 form an integral part of these Financial Statements.

Bansei Royal Resorts Hikkaduwa PLC

CASH FLOW STATEMENT

Year ended 31 March 2017

	Note	2017 Rs.	2016 Rs.
Cash Flows from/(used in) Operating Activities			
Profit/(Loss) before Tax		3,082,453	8,825,062
Adjustments for			
Depreciation	3.2	11,099,778	13,567,150
Provision for Defined Benefit Obligation	10	301,705	314,799
Finance Cost	14	414,313	593,174
Interest income	15	(5,076,776)	(3,827,803)
Creditors written back	13	-	(4,193,295)
Exchange Gain	13	(119,920)	(48,214)
Operating Profit before Working Capital Changes		9,701,552	15,230,873
(Increase)/Decrease in Inventories	4	(634,821)	344,912
(Increase)/Decrease in Trade and Other Receivables	5	(1,535,132)	2,084,903
(Increase)/Decrease in Advance, deposits & prepayments		(671,351)	(24,257)
Increase/(Decrease) in Trade and Other Payables	11	(2,359,048)	(4,661,374)
Cash Generated from/(used in) Operations		4,501,200	12,975,057
Finance Cost paid		(414,313)	(593,174)
Tax paid		(346,232)	(188,170)
Net Cash from Operating Activities		3,740,655	12,193,713
Cash Flows from/(used in) Investing Activities			
Acquisition of Short Term Investments		(4,621,274)	(3,365,100)
Acquisition of Property, Plant and Equipment	3.1	(7,668,734)	(343,342)
Interest Income		4,682,736	3,827,803
Proceeds on Disposal Of Fixed Assets		-	1,170,842
Net Cash from/(used in) Investing Activities		(7,607,272)	1,290,203
Cash Flows from/(used in) Financing Activities			
Finance Leases Paid	9.1	(3,305,660)	(956,782)
Dividend Paid		(5,372,800)	-
Net Cash from/(used in) Financing Activities		(8,678,460)	(956,782)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	13	119,920	48,214
Net Increase/(Decrease) in Cash and Cash Equivalents		(12,425,156)	12,575,348
Cash and Cash Equivalents at the beginning of the year		25,062,450	12,487,102
Cash and Cash Equivalents at the end of the year	7.1	12,637,294	25,062,450

The accounting policies and notes on pages 7 through 26 form an integral part of these Financial Statements.

Bansei Royal Resorts Hikkaduwa PLC**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 March 2017

1. CORPORATE INFORMATION**1.1 General**

Bansei Royal Resorts Hikkaduwa PLC (Previously known as “Coral Rock Hotels (Private) Limited”) (“the Company”) is a Public Limited Liability Company incorporated and domiciled in Sri Lanka. The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka. The registered office of the Company is located at 4th Floor, World Trade Centre, Colombo 01, and the principal place of business is located at No. 340, Galle Road, Hikkaduwa.

1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the Company were providing food, beverage, lodging and other hospitality industry related activities.

1.3 Parent Entity

In the opinion of the Directors, the Company’s parent and controlling party is Bansei Securities Company Limited which is incorporated Japan.

1.4 Date of Authorisation for Issue

The Financial Statements of Bansei Royal Resorts Hikkaduwa PLC for the year ended 31st March 2017 was authorized for issue in accordance with a resolution of the Board of Directors on 7 June 2017.

1.5 Responsibility for Financial Statements

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

2. GENERAL ACCOUNTING POLICIES**2.1 Statement of Compliance**

The Financial Statements of Bansei Royal Resorts Hikkaduwa PLC comprise the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows, together with the Accounting Policies and Notes to the Financial Statements.

These financial statements are prepared in accordance with the Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka and also in compliance with the requirements of the Companies Act No. 7 of 2007.

2.2 Basis of preparation

The Financial Statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards comprising SLFRS and LKAS (hereafter “SLFRS”), as issued by the Institute of Chartered Accountants of Sri Lanka.

Bansei Royal Resorts Hikkaduwa PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2017

2.2.1 Basis of measurement

The financial statements have been prepared on a historical cost basis.

The financial statements are presented in Sri Lankan Rupees.

2.3 Comparative Information

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLIED

2.4.1 Foreign Currencies

The Financial Statements are presented in Sri Lanka Rupees, which is also the Company's functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognised in the Statement of Comprehensive Income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

2.4.2 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognized.

a) Room Revenue

Revenue is recognized on the rooms occupied on daily basis.

b) Food & Beverage Revenue

Food & Beverage Revenue is accounted at the time of sale.

c) Other Hotel Related Revenue

Other Hotel Related Revenue is accounted when such service is rendered.

d) Interest

Interest Income is recognised on a time proportion basis that takes in to account the effective yield on the asset unless collectibles is in doubt.

Bansei Royal Resorts Hikkaduwa PLC**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 March 2017

e) Others

Other income is recognised on an accrual basis.

Net gains and losses of a revenue nature on the disposal of Property, Plant & Equipment has been accounted for in the Statement of Comprehensive Income, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses.

Gains and losses arising from incidental activities to main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

2.4.3 Taxation**(a) Current Income Taxes**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

The provision for income tax is based on the elements of income and expenditure as reported in the Financial Statements and computed in accordance with the provisions of the relevant tax legislations.

(b) Sales Tax

Revenues, expenses and assets are recognised net of the amount of sales tax except where the sales tax incurred on a purchase of assets or service is not recoverable from the taxation authorities in which case the sales tax is recognised as a part of the cost of the asset or part of the expense items as applicable and receivables and payables are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

(c) Deferred Tax

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Bansei Royal Resorts Hikkaduwa PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2017

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

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

2.4.4 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.4.5 Inventories

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

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

Food and Beverage	-At purchase cost on weighted average basis.
Other Inventories	-At purchase cost on weighted average basis.

2.4.6 Cash and Cash Equivalents

Cash and short-term deposits in the Statement of Financial Position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

2.4.7 Property, Plant and Equipment

Property, Plant and Equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the Property, Plant and Equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of Property, Plant and Equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major refurbishment is performed, its cost is recognised in the carrying amount of the Property, Plant and Equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit or loss as incurred.

Bansei Royal Resorts Hikkaduwa PLC**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 March 2017

An item of Property, Plant and Equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Comprehensive Income when the asset is derecognised.

The Company provides depreciation from the date the assets are available for use up to the date of disposal, on a straight line basis over the periods appropriate to the estimated useful lives based on the pattern in which the asset's future economic benefits are expected to be consumed by the Company of the different types of assets, except for which are disclosed separately. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognized. Depreciation does not cease when the assets become idle or is retired from active use unless the asset is fully depreciated.

The useful life and residual value of assets are reviewed, and adjusted if required, at the end of each financial year.

2.4.8 Leases

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

Company as a lessee:

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

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

Operating leases, where the lesser effectively retains substantially all of the risk and benefits of ownership over the term of the lease are classified as operating leases. Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

2.4.9 Financial Instruments**2.4.9.1 Financial Assets**

Financial assets are recognised on the Statement of Financial Position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are classified as fair value through profit or loss (FVTPL), loans and receivables, held to maturity investments or available for sale (AFS) as appropriate.

Company's financial instruments consist of Loans and receivables, of which policy on recognition, initial and subsequent measurement, impairment and de-recognition/ adopted accounting policies are set out below;

Bansei Royal Resorts Hikkaduwa PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2017

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using effective interest rate (EIR) method less impairment.

Loans and receivables are presented as “trade and other receivables and fixed deposits” on the Statement of Financial Position.

Derecognition

Financial assets are derecognised 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.

Impairment

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

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

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Comprehensive Income. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the Statement of Comprehensive Income.

2.4.9.2 Financial Liabilities

Initial recognition and measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. The Company's financial liabilities include trade and other payables, bank overdrafts and loans and borrowings.

Subsequent measurement

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

Bansei Royal Resorts Hikkaduwa PLC**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 March 2017

Loans and borrowings

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

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

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Comprehensive Income.

2.4.9.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

2.4.9.4 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models.

2.4.10 Provisions

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

Bansei Royal Resorts Hikkaduwa PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2017

2.4.11 Retirement Benefit Obligations

a) Defined Benefit Plan – Gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated by independent actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability.

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note 10. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

The gratuity liability is not externally funded.

b) Defined Contribution Plans – Employees' Provident Fund & Employees' Trust Fund

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

2.4.12 Impairment of Non-Financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Companies of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

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

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Bansei Royal Resorts Hikkaduwa PLC**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 March 2017

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty exists at the date of preparation, about these assumptions and estimates and hence, may result in outcomes that require a material adjustment to the recorded carrying amount of the asset or liability as at the reporting date or in future periods

Estimates and assumptions

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

Defined Benefit Plans

The cost of the retirement benefit plan of employees is determined using an actuarial valuation. The actuarial valuation is based on assumptions concerning the rate of interest, rate of salary increase, special premium, retirement age and going concern of the Company. Due to the long term nature of the plan, such estimates are subject to significant uncertainty. Details of the key assumptions used in the estimates are contained in Note 10.

Useful Life Time of the Property Plant and Equipment

The Company reviews the residual values, useful lives and methods of depreciation of assets at each reporting date. Judgment of the management is exercised in the estimation of these values, rates methods and hence they are subject to uncertainty.

2.6 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Company's Financial Statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

Pending the completion of detailed review, the financial impact is reasonably not estimatable at the date of the publication of these Financial Statements.

SLFRS 9 -Financial Instruments

SLFRS 9 replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39.

SLFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

Bansei Royal Resorts Hikkaduwa PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2017

SLFRS 15 -Revenue from Contracts with Customers

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

SLFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

SLFRS 16 -Leases

SLFRS 16 provides a single lessee accounting model, requiring leases to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value even though lessor accounting remains similar to current practice. This supersedes: LKAS 17 Leases-Incentive; and SIC 27 permitted for entities that apply SLFRS 15 Revenue from Contracts with customers.

SLFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019.

Bansei Royal Resorts Hikkaduwa PLC**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 March 2017

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Gross Carrying Amounts	Balance as at 01.04.2016 Rs.	Additions Rs.	Disposals/T ransfer Rs.	Balance as at 31.03.2017 Rs.
At Cost				
Freehold Land	63,574,071	-	-	63,574,071
Buildings on Freehold Land	158,529,270	-	-	158,529,270
Furniture and Fittings	17,515,693	1,532,650	-	19,048,343
Tools and Equipments	336,188	-	-	336,188
Electrical Equipments	12,209,267	723,979	-	12,933,246
Air Conditioners	5,892,547	1,583,890	-	7,476,437
Computer Equipments	1,069,779	98,130	-	1,167,909
Kitchen Equipments	5,103,912	102,615	-	5,206,527
Office Equipments	312,630	407,403	-	720,033
Crockery and Cutlery	681,908	1,066,714	-	1,748,622
Linen	2,038,032	1,366,423	(2,038,032)	1,366,423
House Keeping Equipment	156,422	348,330	-	504,752
Computer System	3,554,406	-	-	3,554,406
Electric Oven	-	-	581,486	581,486
Generator	-	-	6,071,099	6,071,099
	270,974,126	7,230,134	4,614,553	282,818,813
Assets on Finance Leases				
Electric Oven	581,486	-	(581,486)	-
Generator	5,632,499	438,600	(6,071,099)	-
	6,213,985	438,600	(6,652,585)	-
Total Cost	277,188,111	7,668,734	(2,038,032)	282,818,813
3.2 Depreciation	Balance as at 01.04.2016 Rs.	Charged for the Year Rs.	Disposals/T ransfer Rs.	Balance as at 31.03.2017 Rs.
At Cost				
Buildings on Freehold Land	18,694,091	3,963,232	-	22,657,322
Furniture and Fittings	7,872,197	2,239,856	-	10,112,052
Tools and Equipments	310,946	25,242	-	336,188
Electrical Equipments	8,017,640	1,046,917	-	9,064,558
Air Conditioners	4,671,428	701,000	-	5,372,428
Computer Equipments	1,048,265	37,621	-	1,085,886
Kitchen Equipments	4,004,684	599,293	-	4,603,976
Office Equipments	149,513	68,785	-	218,299
Crockery and Cutlery	641,046	262,202	-	903,248
Linen	2,038,032	481,690	(2,038,032)	481,690
House Keeping Equipment	107,378	83,862	-	191,240
Computer System	1,184,824	888,602	-	2,073,426
Electric Oven	-	-	522,853	522,853
Generator	-	-	1,899,430	1,899,430
Total Depreciation	48,740,045	10,398,301	384,251	59,522,597
Assets on Finance Leases				
Electric Oven	406,555	116,298	(522,853)	-
Generator	1,314,250	585,180	(1,899,430)	-
	1,720,805	701,477	(2,422,283)	-
Total Depreciation	50,460,850	11,099,778	(2,038,032)	59,522,597

Bansei Royal Resorts Hikkaduwa PLC**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 March 2017

3. PROPERTY, PLANT AND EQUIPMENT (Contd..)**2017
Rs.****2016
Rs.****3.3 Net Book Values****At Cost**

Freehold Land	63,574,071	63,574,071
Buildings on Freehold Land	135,871,948	139,835,179
Furniture and Fittings	8,936,291	9,643,497
Tools and Equipment	-	25,242
Electrical Equipment	3,868,689	4,191,627
Air Conditioners	2,104,009	1,221,119
Computer Equipment	82,023	21,514
Kitchen Equipment	602,550	1,099,228
Office Equipment	501,734	163,117
Crockery and Cutlery	845,374	40,862
Linen	884,733	-
House Keeping Equipment	313,512	49,044
Computer System	1,480,981	2,369,582
Electric Oven	58,633	-
Generator	4,171,669	-
	<u>223,296,216</u>	<u>222,234,081</u>

Assets on Finance Leases

Electric Oven	-	174,931
Generator	-	4,318,249
	<u>-</u>	<u>4,493,180</u>

Total Carrying Amount of Property, Plant and Equipment

<u>223,296,216</u>	<u>226,727,261</u>
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- 3.4** During the financial year, the Company acquired property, plant and equipment to the aggregate value of Rs. 7,668,734 (2015/16 - Rs.343,342) . Cash payments amounted to Rs. 7,668,734 (2015/16 - Rs.343,342) were made during the year for purchase of property, plant and equipment.

- 3.5** The useful lives of the assets are estimated as follows:

**2017
Years****2016
Years**

Buildings on Freehold Land	40	40
Furniture and Fittings	8	8
Tools and Equipment	2	2
Electrical Equipment	5	5
Air Conditioners	4	4
Computer Equipment	4	4
Kitchen Equipment	4	4
Office Equipment	8	8
Crockery and Cutlery	2	2
Linen	2	2
House Keeping Equipment	2-8	2-8
Electric Oven	5	5
Computer System	4	4
Generator	10	10

4. INVENTORIES**2017
Rs.****2016
Rs.**

Food and Beverages	826,341	362,526
Printing and Stationery	170,378	136,334
Shop stock	8,600	16,200
Maintenance Stock	-	4,380
Gas and Charcoal	13,944	4,326
Housekeeping and Maintenance	166,473	32,322
Kitchen Supplier Stock	22,227	17,054
	<u>1,207,964</u>	<u>573,143</u>

Bansei Royal Resorts Hikkaduwa PLC**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 March 2017

5. TRADE AND OTHER RECEIVABLES

	2017 Rs.	2016 Rs.
Trade Receivables	7,959,322	6,312,513
Other Receivables	-	111,677
	<u>7,959,322</u>	<u>6,424,190</u>

5.1 TRADE RECEIVABLES

	2017 Rs.	2016 Rs.
Trade Receivables	7,959,322	6,312,513
Less: Provision for bad debts	-	-
	<u>7,959,322</u>	<u>6,312,513</u>

As at 31 March, the ageing analysis of Trade Receivables is as follows;

	Total Rs	Neither past due nor impaired	Past due but not impaired		
			30-60 days	60-90 days	Over 90 days
2017	7,959,322	5,663,077	1,052,139	873,167	370,940
2016	6,312,513	3,766,932	1,695,197	677,191	173,194

- 5.2 Amount due from Jetwing Travels (Pvt) Limited Rs 1,116,502 (2016) has being reclassified from amounts due from related party to Trade and other receivables during the current period.

6. OTHER FINANCIAL ASSETS –LOANS AND RECEIVABLES

	2017 Rs.	2016 Rs.
Fixed Deposits	59,396,648	54,775,374

7. CASH AND CASH EQUIVALENTS

	2017 Rs.	2016 Rs.
Cash in Hand	215,722	201,650
Cash at Bank	12,421,572	24,860,800
	<u>12,637,294</u>	<u>25,062,450</u>

7.1 Cash and Cash Equivalents for the Purpose of Cash Flow Statement

Favourable Cash and Cash Equivalents	12,637,294	25,062,450
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	<u>12,637,294</u>	<u>25,062,450</u>

8. STATED CAPITAL

	2017		2016	
	Number	Rs.	Number	Rs.
Fully paid Ordinary Shares	53,728,000	272,280,000	53,728,000	272,280,000
	<u>53,728,000</u>	<u>272,280,000</u>	<u>53,728,000</u>	<u>272,280,000</u>

Bansei Royal Resorts Hikkaduwa PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2017

9 INTEREST BEARING LOANS AND BORROWINGS

	2017 Rs.	2016 Rs.
Non-Current - Interest bearing loans & borrowings		
Finance lease - HNB	-	2,184,052
Current - Interest bearing loans & borrowings		
Finance lease - HNB	-	1,121,608
Total	-	3,305,660

9.1 Finance Lease

	Balance As at 01.04.2016 Rs.	Repayment During the year Rs.	Balance As at 31.03.2017 Rs.
HNB			
Gross Liability	4,004,053	(4,004,053)	-
Finance Charge	(698,393)	698,393	-
	3,305,660	(3,305,660)	-

10 RETIREMENT BENEFIT OBLIGATION - GRATUITY

	2017 Rs.	2016 Rs.
Balance as at Beginning of the Year	602,220	439,737
Current Service Cost	241,483	270,825
Interest Cost	60,222	43,974
Actuarial (Gains)/Loss	(123,801)	(152,316)
Balance as at End of the Year	780,124	602,220

Amounts charged to profit or loss

	As at 01 April 2016 Rs.	Service cost Rs.	Net interest Rs.	Sub-total included in profit or loss Rs.	Actuarial (Gain)/Loss during the period Rs.	As at 31 March 2017 Rs.
Gratuity	602,220	241,483	60,222	301,705	(123,801)	780,124

The principal assumptions used in determining defined benefit obligation are shown below:

	2017	2016
Discount Rate	11%	10%
Salary Increment	10%	9%
Retirement Age	60 years	60 years
Average Future Service	13 years	14 years

Sensitivity of assumptions used

	Discount Rate Rs.	Salary Increment Rs.	Employee Turnover Rs.
Effect on the defined benefit obligation liability			
Increase by one percentage point +1%	(73,095)	87,067	949
Decrease by one percentage point -1%	87,067	(74,324)	(2,086)

Bansei Royal Resorts Hikkaduwa PLC**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 March 2017

11 TRADE AND OTHER PAYABLES

	2017 Rs.	2016 Rs.
Trade Payables	811,558	1,034,620
Amount due to related parties (11.1)	-	214,113
Amount due to Directors	168,328	168,328
Sundry Creditors including Accrued Expenses	5,665,231	7,587,104
	<u>6,645,117</u>	<u>9,004,165</u>

11.1 AMOUNTS DUE TO RELATED PARTIES

	Relationship	2017 Rs.	2016 Rs.
Bansei Holdings LK(Pvt) Ltd	Affiliate Company	-	14,113
NWS Management Services (Pvt) Ltd	Other Related Party	-	200,000
		<u>-</u>	<u>214,113</u>

12. REVENUE

	2017 Rs.	2016 Rs.
Gross Revenue (12.1)	56,269,958	62,430,521
Less: Tourism Development Levy	(551,989)	(622,166)
	<u>55,717,969</u>	<u>61,808,355</u>

12.1 Gross Revenue

Apartment Revenue	42,417,137	48,593,470
Restaurant Revenue	11,886,701	11,749,370
Beverage Revenue	1,772,856	1,896,914
Miscellaneous Income	193,264	190,768
	<u>56,269,958</u>	<u>62,430,521</u>

13. OTHER INCOME AND GAINS

	2017 Rs.	2016 Rs.
Foreign Exchange Gain	119,920	48,214
Profit/(loss) on disposal of assets	-	(293,894)
Creditors written back	-	4,193,295
Sundry Income	49,211	356,839
	<u>169,131</u>	<u>4,304,454</u>

14. FINANCE COSTS

	2017 Rs.	2016 Rs.
Interest on Finance Leases	414,313	593,174
	<u>414,313</u>	<u>593,174</u>

15. FINANCE INCOME

	2017 Rs.	2016 Rs.
Interest on Fixed Deposits	5,008,485	3,727,600
Interest on Saving Account	68,291	100,203
	<u>5,076,776</u>	<u>3,827,803</u>

Bansei Royal Resorts Hikkaduwa PLC**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 March 2017

16. PROFIT/(LOSS) BEFORE TAX

Stated after Charging

	2017 Rs.	2016 Rs.
<i>Included in Administrative Expenses</i>		
Employees Benefits including the following		
- Defined Benefit Plan Costs - Gratuity	301,705	314,799
- Defined Contribution Plan Costs - EPF and ETF	1,727,231	1,075,910
Depreciation	11,099,778	13,567,150
Auditors' Fee	445,200	445,784
Charity and Donation	89,050	16,121
<i>Included in Selling and Marketing Expenses</i>		
Advertisements	357,181	1,019,931

17. INCOME TAX EXPENSE

	2017 Rs.	2016 Rs.
Current Income Tax charge (17.1)	923,973	696,660
Deferred Taxation Charge/(Reversal) (17.3)	81,070	1,262,369
Income Tax Expense reported in the Income Statement	1,005,043	1,959,029

17.1 A reconciliation between income tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows;

Accounting Profit/(Loss) before Income Tax	3,082,453	8,825,062
Disallowed Items	12,180,056	15,875,213
Allowed Items	(27,407,368)	(25,114,041)
Taxable Profit/(Loss)	(12,144,859)	(413,766)
Interest income	5,076,776	3,827,803
Less: Deductions under Section 32 of Inland Revenue Act	(1,776,872)	(1,339,731)
	3,299,904	2,488,072
Income Tax @ 12%	-	-
Income Tax @ 28%	923,973	696,660
Current Income Tax Charge	923,973	696,660
Tax Losses		
Tax Losses Brought Forward	56,819,632	60,981,026
Tax Loss Write-off	-	(3,235,429)
Tax Losses Utilised during the year	(1,776,872)	(1,339,731)
Loss incurred during the year	12,144,859	413,766
Tax Losses Carried Forward	67,187,619	56,819,632

17.2 Deferred tax assets, liabilities and income tax relates to the followings.

	Statement of Financial Position		Statement of Comprehensive Income	
	2017	2016	2017	2016
Deferred Tax Liability				
Capital allowances for tax purpose	10,873,085	9,526,336	1,346,749	2,026,210
	10,873,085	9,526,336	1,346,749	2,026,210
Deferred Tax Assets				
Post employee benefit liability	93,615	72,266	21,348	28,293
Carried forward tax losses	8,062,687	6,818,356	1,244,331	735,548
	8,156,302	6,890,622	1,265,680	763,840
Deferred income tax (income)/expense			81,070	1,262,369
Net deferred tax liability	2,716,783	2,635,713		

17.3 Reconciliation of deferred tax charge/(reversal)

Deferred tax reported in the income statement	95,926	1,280,647
Deferred tax reported in the other comprehensive income	(14,856)	(18,278)
Deferred tax calculated at a rate of 12%(2016-12%)	81,070	1,262,369

Bansei Royal Resorts Hikkaduwa PLC**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 March 2017

18. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the basic earnings per share computations.

18.1 Amount Used as the Numerator:

	2017 Rs.	2016 Rs.
Profit/(Loss) attributable to Ordinary Shareholders for Basic Earnings/(Loss) per Share	2,092,266	6,884,310

18.2 Number of Ordinary Shares Used as Denominator:

	Number	Number
Weighted Average Number of Ordinary Shares in issue applicable to Basic Earnings/(Loss) Per Share	53,728,000	53,728,000
Basic Earnings per share	0.04	0.13

19. COMMITMENTS AND CONTINGENCIES**19.1 Capital Expenditure Commitments**

The Company does not have significant capital expenditure commitments as at reporting date.

19.2 Contingent Liabilities

The Company does not have significant contingent liabilities as at reporting date.

20. ASSETS PLEDGED

No assets have been pledged as securities as at reporting date.

21. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

21.1 Transaction with the Related Entities**a) Nature of Transaction**

	Affiliates & Other Related Parties	
	2017 Rs.	2016 Rs.
As at 01 April	214,114	3,013,708
Consultancy Fee*	600,000	2,400,000
Advances made during the year	(14,793,959)	(14,903,128)
Payments during the year	(3,096,239)	(5,199,594)
Received During the Year	(228,120)	-
Reimbursement of Expenses	2,282,125	-
Accommodation sales	228,120	-
Reimbursement of advances during the year	14,793,959	14,903,128
As at 31 March	-	214,114

Affiliates : Bansei Holdings LK(Pvt) Ltd

*Other Related Parties: NWS Management Services (Pvt) Ltd

Bansei Royal Resorts Hikkaduwa PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2017

21. RELATED PARTY DISCLOSURES (Contd...)

b) Reimbursement of expenses

The company's payroll cost and staff service charge has being advanced by Bansei Holdings LK (Pvt) Ltd. The Company has immediately reimbursed these advances made by Bansei Holdings LK (Pvt) Ltd.

Name of the Related Party	Relationship	Nature of the Transaction	Value of Related Party Transaction entered into during the financial year	Aggregate value of the Related Party Transaction as a % of Revenue	Terms and Condition of the Related Party Transaction
Bansei Holdings LK (Pvt) Ltd.	Affiliate	Reimbursement of Payroll and staff service charge Bansei Holdings LK (Pvt) Ltd.	14,793,959	27%	The Payroll and staff service advances made are immediately reimbursed

The Payroll and staff service charge advances by Bansei Holdings (Pvt) Ltd has ceased in January 2017.

21.2 Transactions with Key Management Personnel of the Company

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

a) Key Management Personnel Compensation

The following compensation have been paid during the year to the Key Management Personnel of the Company, which require disclosure in these Financial Statements.

Nature of Transaction	Directors	
	2017 Rs.	2016 Rs.
As at 01 April	168,328	-
Directors fee	475,000	700,000
Settlement	-	-
Payments during the year	(475,000)	(531,672)
As at 31 March	168,328	168,328

21.3 Other Related Parties Disclosures

No material transactions have taken place during the year with the parties/entities in which Key Management Personnel or their Close Family Members have control, joint control or significant influence, which require to disclosure in these Financial Statements other than those disclosed above.

21.4 Terms and conditions of transactions with related parties

All related party transactions have been conducted on agreed terms with respective parties

22. FAIR VALUE

Cash and short-term deposits, trade receivables, trade payables approximate their carrying amounts largely due to the short-term maturities of these instruments. Finance lease payable for which periodical interest is paid are also considered to be carried at fair value in the book since the original financing rate does not differ materially from the current market rate.

23. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have been no material events occurring after the Balance Sheet date that require adjustment to or disclosure in the Financial Statements.

Bansei Royal Resorts Hikkaduwa PLC**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 March 2017

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

The Company's senior management oversees the management of these risks. The Company's senior management is supported by a financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the Company.

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

Market risk

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

Foreign currency risk

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

Credit risk

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

Trade receivables

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment.

The Company does not hold collateral as security. The Company evaluates the concentration of risk with respect to trade receivables as low based on the terms with which the long standing business relationship with the customer base.

Bansei Royal Resorts Hikkaduwa PLC**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 March 2017

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd...)**Liquidity risk**

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

The table below summarises the maturity profile of the financial liabilities based on contractual undiscounted payments.

As at 31 March 2017	On Demand	Less than 3	3 to 12	1 to 5	Total
	Rs.	Months	Months	Years	Rs.
		Rs.		Rs.	
Trade and Other Payable	-	6,645,117	-	-	6,645,117

As at 31 March 2016	On Demand	Less than 3	3 to 12	1 to 5	Total
	Rs.	Months	Months	Years	Rs.
		Rs.		Rs.	
Trade and Other Payable	-	9,004,165	-	-	9,004,165

Capital management

Capital includes the equity attributable to the equity holders.

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximise shareholder value. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2017.

The Company's capital structure comprise of Stated Capital and Borrowings which are disclosed in Note 8 and Note 9 respectively.

DETAILED COST AND EXPENDITURE STATEMENT

Bansei Royal Resorts Hikkaduwa PLC

DETAILED COST AND EXPENDITURE STATEMENT

Year ended 31 March 2017

STATEMENT - I

COST OF SALES

Apartment

	2017 Rs.	2016 Rs.
Cleaning Supplies	37,873	20,891
Guest Supplies	76,213	26,066
Operating Supplies	369,825	247,215
	<u>483,911</u>	<u>294,172</u>

Foods & Beverage

Cost of Food and Beverages	4,710,037	3,577,107
Kitchen Fuel	236,484	209,562
Kitchen supplies	113,812	100,247
Other Operating Expenses	96,003	95,161
	<u>5,156,337</u>	<u>3,982,075</u>
	<u>5,640,248</u>	<u>4,276,247</u>

Bansei Royal Resorts Hikkaduwa PLC**DETAILED COST AND EXPEDITURE STATEMENT**

Year ended 31 March 2017

STATEMENT - II**ADMINISTRATIVE**

	2017 Rs.	2016 Rs.
Directors' Fees	475,000	700,000
Staff Salaries and wages	11,183,373	7,172,731
EPF Expenses	1,381,785	860,728
ETF Expenses	345,446	215,182
Staff allowances	34,633	441,383
Staff Bonus	361,482	474,439
Other Staff Cost	2,641,817	2,473,267
Casual Wages	-	3,198
Gratuity	301,705	314,799
Rates and Taxes	202,353	205,593
Rent Expenses	177,500	707,500
Professional Fees	420,051	174,324
Secretarial Fee	263,448	222,824
Security Charges	639,540	981,639
License Fees	90,100	47,187
Printing and Stationary	214,481	196,680
General Expenses	359,263	234,462
External Audit Fees	445,200	445,784
Internal Audit Fees		209,400
Electricity Charges	3,682,452	4,053,587
Depreciation	11,099,778	13,567,150
Insurance Expenses	786,261	822,632
Water Charges	428,648	546,748
Repair & maintenance	3,456,399	1,183,043
Telephone & Internet Charges	1,009,891	873,477
Travelling and Fuel Expenses	646,055	762,405
Bank Charges	91,386	33,745
Donation	89,050	16,121
Laundry charges	2,125,157	2,417,474
News Papers and Periodicals	24,840	24,840
Surcharges	-	279
Colombo Stock Exchange	174,224	209,398
Annual Report charges	840,000	1,123,143
AGM Expenses	86,143	115,000
Commission on Credit Card	450,883	560,316
Guest Entertainment-(Multi Vision TV Channel)	501,893	567,219
Bar License	574,875	947,418
Kitchen Utensils Expenses.	60,661	15,098
Consultancy Fee	600,000	2,400,000
Hotel Operation and Marketing Fee	294,079	3,391,800
Staff Uniform	206,152	26,302
Company Registration Expense	-	500,000
NBT Expense	1,236,485	544,165
Monthly meeting expenses	58,938	-
	48,061,429	50,782,477

Bansei Royal Resorts Hikkaduwa PLC

DETAILED COST AND EXPENDITURE STATEMENT

Year ended 31 March 2017

STATEMENT III

SALES AND MARKETING EXPENSES

Advertising Expenses	357,181	1,019,931
Other Expenses	-	40,530
Promotional Expenses	361,397	883,503
Food and Beverage complementary	841,602	100,467
Provision for Bad Debts	131,225	-
Sales commission	1,918,878	3,419,222
Marketing Fees	94,402	-
Sales commission-Drive	10,800	-
	49,950	-
	<u>3,765,435</u>	<u>5,463,653</u>

Bansei Royal Resorts Hikkaduwa PLC**REAL ESTATE PORTFOLIO**

Year ended 31 March 2017

Classification	Company	Location	Land / Building	Last revaluation date	Land extent (Perches)		Building		Fair value as at 31/03/2017 Rs.
					Leasehold	Freehold	No of Buildings	Building in sq. ft	
PPE	Bansei Royal Resorts Hikkaduwa PLC	340 Galle Road,Hikkaduwa	Buildings Equipment	19.06.2017			1	22,312	212,000,000
PPE	Bansei Royal Resorts Hikkaduwa PLC	340 Galle Road,Hikkaduwa	Land	19.06.2017		48.43			111,000,000
PPE	Bansei Royal Resorts Hikkaduwa PLC	281 Galle Road,Hikkaduwa	Land	19.06.2017		62.4			81,000,000
PPE	Bansei Royal Resorts Hikkaduwa PLC	Wawalagona,Hikkaduwa	Buildings	19.06.2017			1	4,086.6	5,900,000
PPE	Bansei Royal Resorts Hikkaduwa PLC	Wawalagona,Hikkaduwa	Land	19.06.2017		8			5,200,000

Bansei Royal Resorts Hikkaduwa PLC

RELATED PARTY TRANSACTION

Year ended 31 March 2017

Name of the Related Party	Relationship	Nature of the Transaction	Value of Related Party Transaction entered into during the financial year Rs.	Aggregate value of the Related Party Transaction as a % of Revenue	Terms and Condition of the Related Party Related Party Transaction
Bansei Holdings LK (Pvt) Ltd	Affiliate	Reimbursement of Payroll and staff service charge to Bansei Holdings LK (Pvt) Ltd	14,793,959	27%	The Payroll and staff service advances made by Bansei Holdings LK(Pvt) Ltd. are immediately reimbursed

The Payroll and staff service charge advances by Bansei Holdings (Pvt) Ltd has ceased in January 2017.

SHAREHOLDERS' INFORMATION

TWENTY LARGEST SHAREHOLDERS

NO	NAME OF SHAREHOLDER	NO OF SHARES AS AT 31.03.2017	PERCENTAGE	NO OF SHARES AS AT 31.03.2016	PERCENTAGE
1.	BANSEI SECURITIES COMPANY LIMITED	20,953,677	39.00	20,953,677	39.00
2.	HIKKADUWA HOTEL HOLDINGS (PVT) LTD	16,655,923	31.00	16,655,923	31.00
3.	VERITAS HOLDINGS (PVT) LTD	5,372,800	10.00	5,372,800	10.00
4.	BANSEI HOLDINGS CO.LTD	5,372,800	10.00	5,372,800	10.00
5.	MRS. C.V. PERERA	1,009,542	1.88	1,009,542	1.88
6.	MR. S.M.D.C.W. SENARATHNE	895,400	1.67	895,400	1.67
7.	MR. D.S.K. KARUNARATNE	895,400	1.67	895,400	1.67
8.	MR. V.T. DE ZOYSA	890,000	1.66	893,292	1.66
9.	MRS. A.M. SANDASEELI	662,176	1.23	662,176	1.23
10.	MR. P.H. MANATUNGA	100,000	0.19	100,000	0.19
11.	MR. R.E. RAMBUKWELLE	45,000	0.08	34,796	0.06
12.	SEYLAN BANK PLC / MR. P S WEERASEKERA	40,884	0.08	40,884	0.08
13.	MR. D.WEERASINGHE	35,003	0.07	35,003	0.07
14.	COLOMBO TRUST FINANCE PLC / W.P.C.P FERNANDO	29,970	0.06	-	-
	MR W.P.C.P. FERNANDO	100	0.00	100	0.00
15.	MRS H.M.S. SENEVIRATNE	29,913	0.06	15,903	0.03
16.	MR W.J.A. FERNANDO	27,539	0.05	-	-
17.	MR. J.M.M.S.B. JAYASINGHE	25,700	0.05	26,000	0.05
18.	MR. W.M.A.B.WALISUNDARA	25,000	0.05	25,000	0.05
19.	MR R.M.K.C. RANATUNGA	22,353	0.04	-	-
20.	MR B.M.G. RATHNASIRI	21,840	0.04	10,000	0.02
	TOTAL	53,111,020	98.85	52,998,696	98.64

DISTRIBUTION OF SHAREHOLDINGS - 31ST MARCH 2017

Value Band	RESIDENT			NON-RESIDENT			TOTAL		
	No of Share Holders	No of Shares	%	No of Share Holders	No of Shares	%	No of Share Holders	No of Shares	%
1-1,000	472	152,986	0.28%	2	250	0.00%	474	153,236	0.28%
1,001-5,000	71	180,933	0.34%	0	0	0.00%	71	180,933	0.34%
5,001-10,000	18	124,121	0.23%	1	7,000	0.01%	19	131,121	0.24%
10,001-50,000	20	454,992	0.85%	0	0	0.00%	20	454,992	0.85%
50,001-100,000	1	100,000	0.19%	0	0	0.00%	1	100,000	0.19%
100,001-500,000	0	0	0.00%	0	0	0.00%	0	0	0.00%
500,001-1,000,000	4	3,342,976	6.22%	0	0	0.00%	4	3,342,976	6.22%
1,000,001-50,000,000	2	22,028,723	41.00%	3	27,336,019	50.88%	5	49,364,742	91.88%
50,000,001-75,000,000	0	0	0.00%	0	0	0.00%	0	0	0.00%
75,000,001 & above	0	0	0.00%	0	0	0.00%	0	0	0.00%
TOTAL	588	26,384,731	49.11%	6	27,343,269	50.89%	594	53,728,000	100.00%

CATEGORIES OF SHAREHOLDERS

Categories of	2016 / 2017			2015 / 2016		
	No of Shares	Shareholders	No of %	No of Shares	Shareholders	No of %
Individuals	5,226,445	576	9.73	5,199,700	552	9.68
Institutions	48,501,555	18	90.27	48,528,300	20	90.32
Total	53,728,000	594	100.00	53,728,000	572	100.00

CORPORATE INFORMATION

NAME OF THE COMPANY

Bansei Royal Resorts Hikkaduwa PLC

FORMER NAMES OF THE COMPANY

Coral Rock Hotels (Private) Limited
Bansei Royal Resorts Hikkaduwa Limited

LEGAL STATUS

A Limited Liability Company incorporated in Sri Lanka under the Companies Ordinance as a Private Company on 22nd February 1973 and re-registered under Companies Act No. 07 of 2007 on 29th December 2010. The Company changed its status to a Public Limited Company with effect from 6th March 2014. In March 2014, its shares were Listed on the Dirisavi Board of the Colombo Stock Exchange and accordingly the Registrar of Companies issued the Public Listed Company (PLC) Certificate with effect from 8th August 2014.

REGISTRATION NUMBER

PV 20150 PQ

ACCOUNTING YEAR END

31st March

REGISTERED / BUSINESS OFFICE

Level 04, West Tower,
World Trade Center,
Colombo 1.
Tele: +9411 2339135
Fax: +9411 2339138
Web: www.bansei-resorts.lk

HOTEL ADDRESS

No 340, Galle Road, Hikkaduwa.

BANKERS

Commercial Bank PLC
Pan Asia Banking Corporation PLC
Hatton National Bank PLC

BOARD OF DIRECTORS

Mr. T. de Zoysa
Chairman (Independent/Non-Executive Director)

Mr. T. Murakami
Deputy Chairman (Non -Executive Director)

Mr. H. Ota
Director / Chief Executive Officer

Mr. G. C. A. de Silva
Non - Executive Director

Mr. J. V. W. Malawana
Non - Executive Director

Mr. H. Premaratne
Independent/Non-Executive Director

Mr. C. S. J. Perera
Independent/Non-Executive Director

COMPANY SECRETARIES & REGISTRARS

Corporate Arcade Ltd,
No.122/37, Kirulapone Avenue,
(Baseline Road)
Kirulapone Colombo-05

Tel : 2514420 / 2514421
Fax : 2513621
E-Mail : cal@sltnet.lk

AUDITORS

M/s. Ernst & Young,
Chartered Accountants,
No.201, De Saram Place,
Colombo 10.

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