



HUNAS FALLS HOTELS PLC
ANNUAL REPORT 2016/2017



AMAYA

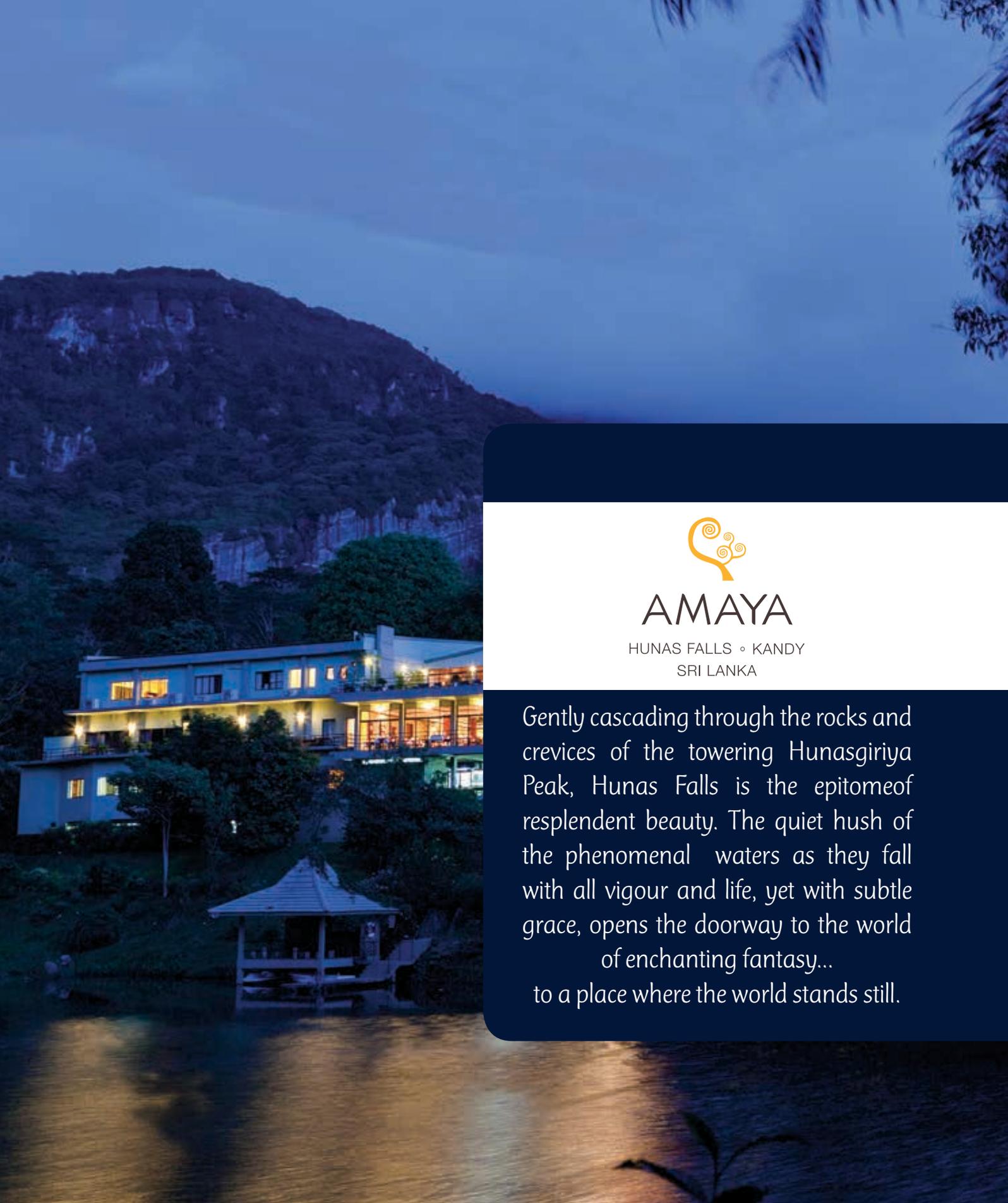
HUNAS FALLS • KANDY
SRI LANKA



AMAYA

HUNAS FALLS ◦ KANDY
SRI LANKA

HUNAS FALLS HOTELS PLC



AMAYA

HUNAS FALLS ◦ KANDY
SRI LANKA

Gently cascading through the rocks and crevices of the towering Hunasgiriya Peak, Hunas Falls is the epitome of resplendent beauty. The quiet hush of the phenomenal waters as they fall with all vigour and life, yet with subtle grace, opens the doorway to the world of enchanting fantasy...
to a place where the world stands still.



Welcome.....



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Enjoy life's simple pleasures...

Life is nothing without enjoying the simple little pleasures. At Hunas Falls, we take the little pleasures and serve it to our guests in abundance.

Financials at a Glance

		2016/2017	2015/2016	Variance
For the year				
Turnover (Gross)	Rs.000s	145,367	153,036	-5%
Turnover (Net)	Rs.000s	143,566	151,264	-5%
Profit before Tax	Rs.000s	3,826	8,417	-55%
Profit after Tax	Rs.000s	3,218	6,480	-50%
At the year end				
Shareholders Funds	Rs.000s	362,320	343,487	5%
Total Assets	Rs.000s	416,366	412,611	1%
Company Employment	No. of Persons	95	91	4%
Per Share				
Earning	Rs.	0.57	1.15	-50%
Net Assets	Rs.	64.41	61.06	5%
Market Value	Rs.	46.30	50.60	-8%
Ratio				
Gross Profit	%	79%	81%	-2%
Current Ratio	No. of Times	2.02 : 1	0.79 : 1	>100%

Financials at a Glance

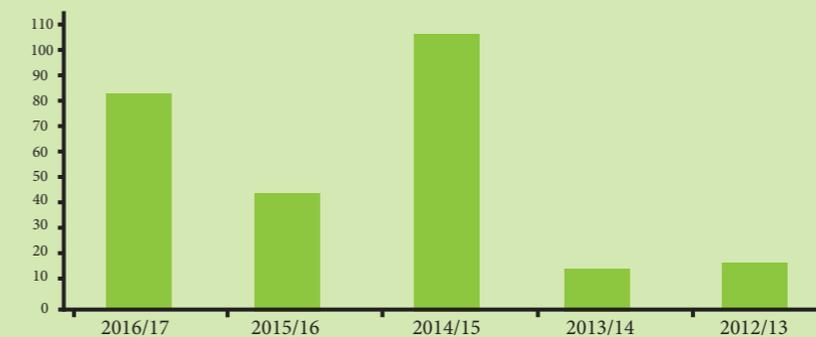
Net Assets per Share (Rs.)



Earnings per Share (Rs.)



Price Earning Ratio (Times)





Where time stands still...

The stunning backdrop of the hotel, its environs and the all round serenity it offers is literally to die for. Hunas Falls Hotel, where time literally stands still.

“Hunas Falls gained many accolades during the year under review mainly for the adoption of “green practices” and being environmentally friendly. The hotel was selected as the Most Romantic Hotel in Sri Lanka at the South Asian Travel Awards 2016”

MOHAN PANDITHAGE
Chairman





“It is soothing to observe that with the refurbishment of this beautiful resort the actual value of this property has increased tremendously and with the deployment of modern day marketing techniques and concentrating on the best of service standards, this establishment will achieve the desired results in the not too distant future”

L. T. SAMARAWICKRAMA
Managing Director

Joint letter from the Chairman & the Managing Director

It is with great pleasure that we present to you the review of operations for the financial year 2016/17.

Adverse weather conditions which resulted in heavy rains and landslides limited the accessibility to this beautifully landscaped destination for “honeymooners” who usually explore the Hunas Falls throughout the year.

Furthermore, stiff competition due to new properties emerging at a rapid pace within the Kandy district and the change in the mindset of modern day travellers who sought accommodation in the so called “informal sector” such as home stays and cheap accommodation in private guest houses and hostels reduced the occupancy levels as well as the revenues at Hunas Falls during the year under review.

Although various sales and marketing strategies were adopted to attract the discerning traveller, Hunas Falls could not penetrate into this share of the market. The traditional business volumes that filled most properties during the best fourth quarter faced many an obstacle. The termination of services to Europe by our National airline halfway through the financial year and the disruption to air traffic due to the Katunayake runway closure during the day reduced the group traffic from Europe to an extremely low level especially the high spending Germans, Russians and French tourists who usually came in volume during this period.

Joint letter from the Chairman & the Managing Director

Additional burdens on taxation and rising prices of most essential items utilized by the industry did affect the expenditure and the overall performance of the property. This resulted in the budgeted revenue and profitability not materializing during this year.

Hunas Falls Hotels posted a revenue of Rs. 143.5 Mn, a marginal decline of 5% from the comparative year's turnover of Rs. 151.3 Mn. Although the hotel's average occupancy increased, the Average Room Rates (excluding taxes) declined impacting the Company's profitability. During the year under review, the Company posted a Profit Before Tax of Rs. 3.8 Mn vis-à-vis Rs. 8.4 Mn in the previous year.

However, it is soothing to observe that with the refurbishment of this beautiful resort the actual value of this property has increased tremendously and with the deployment of modern day marketing techniques and concentrating on the best of service standards, this establishment will achieve the desired results in the not too distant future.

Hunas Falls gained many accolades during the year under review mainly for the adoption of “green practices” and being environmentally friendly. The hotel was selected as the Most Romantic Hotel in Sri Lanka at the South Asian Travel Awards 2016. The Hotel's scenic location nestled in the Hunnasgiriya Mountain Range adjacent to the Hunas Falls waterfalls, its nature trails witnessing the unique fauna and flora, its global marketing positioning as a “Small Luxury Hotel” coupled with excellent service levels are all factors that has paved us to win this coveted award. It is our endeavor to maintain the highest level of practices on those lines at Hunas Falls and ensure that the rich biodiversity that is found in and around the resort is well preserved.

Joint letter from the Chairman & the Managing Director

We are positive that the growth at Hunas Falls will be imminent this year and hope to reach its budgeted targets once more.

We take this opportunity to thank our colleagues on the Board for their valuable inputs to the Board's deliberations. Our sincere appreciation also goes to the Hunas Falls Management Team and the staff at all levels for their passion, dedication and hard work. Last but not the least, our clientele, who has been patronizing our hotel from across the globe, we look forward to welcoming you!



MOHAN PANDITHAGE
Chairman,
09th May 2017



L. T. SAMARAWICKRAMA
Managing Director,
09th May 2017

For decades, Amaya - Hunas Falls has been one of Sri Lanka's most alluring resort properties renowned the world over as an ideal destination for honeymooners.

For decades, the picturesque location, the lush green environs, and the abundant display of fauna and flora has captivated many a traveller and trapped them in an absolutely enchanting spell.

Today, Hunas Falls beckons you to a fascinating voyage of discovery. A voyage where luxury, grandeur and opulence are not mere catchphrases or marketing taglines but facets that are inbuilt in every nook and cranny of the hotel.

A voyage that truly transcends beauty and time.

It is indeed where time stands still...



A breathtaking skyline...

Imagine waking up to the sounds of birds chirping outside your room, you then open your front door to one of the most spectacular views imaginable - this is Hunas Falls.



A grandeur of a bygone era...

The stunning architecture, the plush furniture and thoughtful modern-day amenities brings back the colonial aura and splendour.

Profiles of the Board of Directors

A.M. Pandithage - Chairman

Joined Hayleys Group in 1969. Appointed to the Board in 1998. Chairman & Chief Executive of Hayleys PLC since July 2009. Fellow of the Chartered Institute of Logistics and Transport (UK).

Honorary Consul of United Mexican States (Mexico) to Sri Lanka. Committee Member of the Ceylon Chamber of Commerce. Council Member of the Employers' Federation of Ceylon.

Member of the Maritime Advisory Council of the Ministry of Ports & Shipping. Member of the Advisory Council of the Ceylon Association of Ships' Agents. Member of the National Steering Committee on Skills Sector Development of the Department of National Planning.

L. T. Samarawickrama - Managing Director

An internationally qualified Hotelier having gained most of his Management experience in UK, working for large international hotel chains over a long period of time. The first Sri Lankan Manager to be appointed by the Beaufort International Chain of Hotels to run the first seaside boutique resort.

He is a member of the Institute of Hospitality, UK (formerly HCIMA) and of the Royal Society of Health, London. He has several years of experience in the trade, having specialized in Hotel designs and development, he has been responsible for the careful planning and execution of Amaya Resorts & Spas refurbishment and rehabilitation programmes.

Executive Director of Hayleys PLC and serves as the Managing Director of Amaya Leisure PLC, The Kingsbury PLC, Sun Tan Beach Resorts Ltd, Culture Club Resorts (Pvt) Ltd, Kandyan Resorts (Pvt) Ltd, Luxury Resorts-Maldives and Hayleys Tours (Pvt) Ltd. He is a Director of Royal Ceramics Lanka PLC, The Fortress Resorts PLC, Kelani Valley Plantations PLC, Royal Porcelain (Pvt) Ltd, Royal Ceramics Distributors (Pvt) Ltd and Rocell Bathware Limited.

S. C. Ganegoda - Non-Executive Director

Rejoined Hayleys in March 2007. Appointed to the Group Management Committee in 2007. Appointed to the Board in September 2009. Fellow Member of Institute of Chartered Accountants of Sri Lanka and Member of Institute of Certified Management Accountants of Australia. Holds an MBA from the Postgraduate Institute of Management, University of Sri Jayawardenepura. Worked for Hayleys Group between 1987 and 2002, ultimately as an Executive Director. Subsequently, held several senior management positions in large private sector entities in Sri Lanka and overseas. Has responsibility for the Strategic Business Development Unit and the Fentons Group.

S.J. Wijesinghe - Non-Executive Director

Joined the Group in 2008 and was appointed to the Group Management Committee in 2011. Currently serves as Managing Director of Aviation & Travels and Alufab PLC and Executive Director of S&T Interiors (Pvt) Ltd. He holds an MBA from the University of Leicester (UK) and is a Member of the Chartered Institute of Marketing (UK). Holds over 25 years' experience in the Aviation industry. Prior to joining Hayleys, held several senior positions at SriLankan Airlines including management positions in Europe, Middle East, the Far East and the Head Office in Colombo and was also a member of the Group Senior Management Team of the Airline. Possesses over 5 years' senior management experience in the Hotel industry. He is responsible for the Aviation sector, hotel development, construction management, aluminium fabrication and interior fit-out businesses of the Group.

C. J. Wickramasinghe - Non-Executive Independent Director

Mr. Wickramasinghe counts over 37 years of experience in the leisure industry. He is the Founder Chairman of Connaissance de Ceylan (Pvt) Ltd, Maalu Maalu Resorts & Spa, Aliya Resort & Spa, Mountbatten Bungalow, Theme Resorts & Spas and CDC Events and Travels. He is the Deputy Chairman of Amaya

Profiles of the Board of Directors

Leisure PLC and a Director of The Fortress Resorts PLC. Mr. Wickramasinghe is a Board Member of The Sri Lanka Tourism Development Authority (SLTDA). He is also the Founder President of Alliance Francaise de Kotte.

He is a Past President of the Travel Agents Association of Sri Lanka (TAASL) and a Past President of the Sri Lanka Association of Inbound Tour Operators (SLAITO). He is also a former Board Member of the Sri Lanka Tourism Promotion Bureau (SLTPB). Mr. Wickramasinghe was awarded Silver in the National Entrepreneurs category in 1999, by the Federation of the Chamber of Commerce & Industry (FCCISL).

D.E. Silva - Executive Director

Mr. Silva is a Fellow Graduate Member from the Ceylon Hotel School and the School of Tourism (FCHSGA), in Hotel and catering operations with a specialization in Front Office Operations. He was awarded the Management Diploma in Hotel and Catering Operations with a second class Upper Division. He is a member of the Institute of Hospitality (UK), Director of Amaya Leisure PLC, The Kingsbury PLC, The Fortress Resorts PLC, Maalu Maalu Resorts & Spa, Hunas Falls Hotels PLC, The Sun Tan Beach Resorts Ltd and Delair Travel (Pvt) Ltd. Presently serves as Director Head of Marketing & Sales for Amaya Resorts & Spas and the Kingsbury Hotel Colombo. He counts over 22 years of experience in the Hospitality Industry, specializing in Marketing and Sales.

A Board Member of SLTPB (Sri Lanka Tourism Promotion Bureau), Vice President of THASL (The Hotel Association of Sri Lanka), Chairman Marketing Committee of the Conventions Bureau, The Vice Chairman of PATA (Pacific Asia Travel Association), and is the Immediate Past President of TTSC (Travel Trade Sports Club). Mr. Silva is an All Island Justice of Peace.

S.B. Rangamuwa - Non-Executive Independent Director

Mr. Rangamuwa is an experienced professional in Management, Finance, credit and Marketing with over 26 years of senior management exposure having held key positions at strategic and operational levels.

Mr. Rangamuwa is the Managing Director of Vallibel Finance PLC since its re-launch and Finance House Consortium (Pvt) Ltd. He is a former Director of Mercantile Investments PLC and also had stints at Central Finance and Ernst & Young.

A Fellow of the Chartered Institute of Marketing (UK), Mr. Rangamuwa is a member of the Institute of Management Accountants of (Australia) and has an MBA from the University of Southern Queensland.

He is also a Fellow of the Sri Lanka Institute of Credit Management and holds a Post Graduate Diploma in Finance Administration from the Institute of Chartered Accountants of Sri Lanka and a certificate in Foundation studies (Sports) from Unitec, New Zealand.

J.P. Van Twest - Non-Executive Independent Director

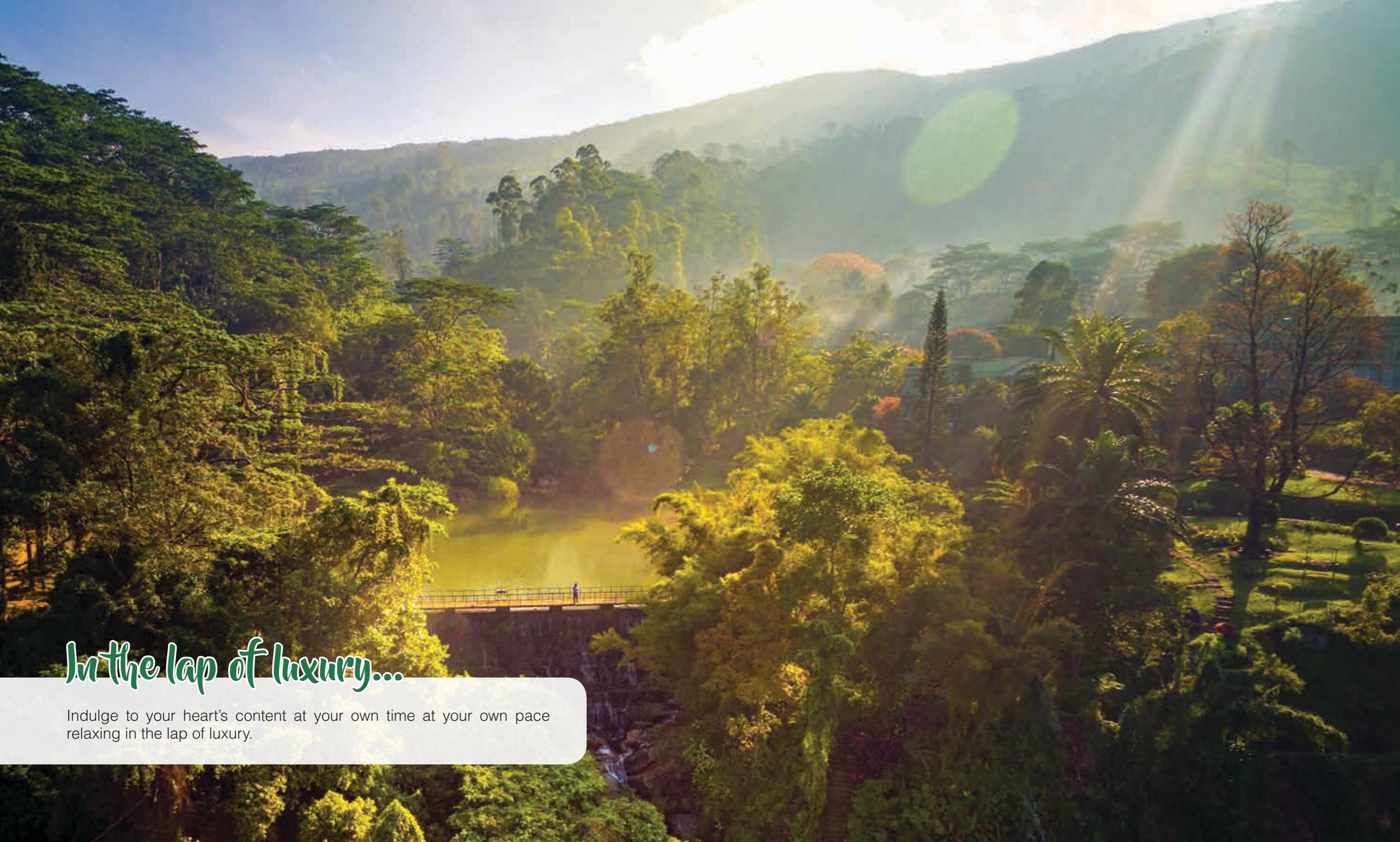
Mr. Van Twest counts over 36 years of experience in the hospitality industry in senior Management positions in Sri Lanka, Europe, Australasia and the South Pacific.

He graduated from the Ceylon Hotel School, Sri Lanka, in Hotel and Catering Operations and Advanced Hotel and Catering Operations from the Carl Duisburg Centre in Munich, Germany. He is a certified Hotel Trainer with the Chamber of Commerce for Munich and Upper Bavaria. He is also a graduate of the Technical University of Munich.

He is currently the Director/General Manager of the Fortress Resort & Spa in Koggala, while also serving as a Director of The Kingsbury PLC.

B.C.S.A.P. Gooneratne - Non-Executive Independent Director

Fellow member of the Institute of Chartered Accountants of Sri Lanka and holder of Master of Business Administration Degree from Postgraduate Institute of Management, University of Sri Jayawardenepura. Director of Diesel and Motor Engineering PLC.



In the lap of luxury...

Indulge to your heart's content at your own time at your own pace relaxing in the lap of luxury.

Corporate Social Responsibility

Facilitating Educational Visits

Petty Officers from the Naval and Maritime academy, Trincomalee, Students reading on Hospitality degree from E-Soft Metro Campus Negambo, University of Rajarata and Hospitality course followers from the University of Vocational Technology Anuradhapura were given training on Basic Hotel operation covering the operation of Kitchen, Food & Beverage, Housekeeping and Front Office departments.



Apart from these educational institutes, Home Science students of Madhurankuliya Adharsha Maha Vidyalaya and Thopawewa Madya Maha Vidyalaya obtained a training from Amaya Hunas Falls on Food & Beverage, Kitchen and Housekeeping operations.



Corporate Social Responsibility

Contributions

Amaya Hunas Falls is situated away from the city, the two government schools around the hotel are the Imbhulpitiya Maha Vidyalaya and the Vaani Tamil Vidyalam Hunasgiriya. We made monetary contributions to both the schools in order to make their annual Inter-house sports-meets a success.



Also both monetary and material contributions were made to the Imbhulpitiya Maha Viharaya and to the Velankanni Roman Catholic Church Hunasgiriya during special occasions such as Pirith Pinkam and Church Feasts.

To enhance the mutual relationship among the villagers Amaya Hunas Falls assisted the Imbhulpitiya Tharuna Sangamaya financially to organize their Awrudhu Uthsavaya 2016

Blood Donation Campaigns

The Hunas Falls Sports & Welfare Society organizes a Blood Donation Camp with the collaboration of the Kandy Blood Bank, this event was held on 18th October 2016.





Beauty that transcends time...

The legendary beauty of Hunas Falls has been well documented over the years with many a traveller seeking refuge in this sanctuary.

Annual Report of the Board of Directors on the Affairs of the Company

The Directors of Hunas Falls Hotels PLC present their Report together with the Audited Financial Statements of the Company for the year ended 31st March, 2017.

The details set out herein provide the pertinent information required by the Companies Act No. 07 of 2007, the Colombo Stock Exchange Listing Rules and are guided by recommended best accounting practices.

Review of the Year

The Chairman's statement describes the year's operations and details of the future development of the Company

The Principal Activity of the Company

The Company owns and operates Hunas Falls Hotel (28 Deluxe Rooms, 1 Cardamom Suite and 2 Theme Suites) at Elkaduwa targeted at the up market leisure traveller.

Financial Statements

The Financial Statements of the Company are given on pages 67 to 95 in the Annual Report.

Auditor's Report

The Auditor's Report on the Financial Statements is given on page 66.

Accounting Policies

The accounting policies adopted by the Company in the preparation of Financial Statements are given on pages 71 to 82 in the Annual Report. The accounting policies adopted are consistent with those of the previous financial year.

Interests Register

The Company, in Compliance with the companies Act No. 07 of 2007, maintains an interests register. Particulars of entries in the interests register are detailed below.

Directors' Interest in Transactions

The Directors of the Company have made the general disclosures provided for in Section 192(2) of the Companies Act No. 07 of 2007. The related party disclosures and the directors of each of these related parties are given on pages 92 to 93.

Directors' Emoluments

The aggregate emoluments paid to the Directors during the year, amounted to Rs. 1,895,836/-

Directors' Interest in Shares

Mr. S. C. Ganegoda, a Non-Executive Director of the Company has purchased 10,000 shares during the year.

Insurance & Indemnity

Hayleys PLC has obtained a corporate guard insurance policy from Chartis Insurance Ltd. to indemnify directors and officers (D&O) of the Company. The policy is extended worldwide with a total cover of US\$ 5 Mn with a premium of SLR 5,265,924.33. Hunas Falls Hotels PLC is also covered under this policy.

Directors' Shareholdings

The Directors' shareholdings as defined in stock exchange rules are :

	31.03.2017	31.03.2016
Mr. S.C. Ganegoda	148,323	138,323

Annual Report of the Board of Directors on the Affairs of the Company

Related Party Transactions

The Board of Directors has given the following statement in respect of the related party transactions.

The related party transactions of the Company during the financial year have been re-viewed by the related party transactions re-view committee of Hayleys PLC, parent company and are in compliance with the section 09 of the CSE listing rules.

The Committee met four (04) times during the financial year.

Attendance

Meetings held on 18th May 2016, 5th August 2016, 4th November 2016 and 9th February 2017.

Dr. H. Cabral**	4/4
Mr. S.C. Ganegoda*	3/4
Mr. M.Y.A. Perera**	2/2

* Non-Executive

** Non-Executive Independent

Donations

At the last Annual General Meeting shareholders approved a sum not exceeding Rs. 50,000/- in respect of the donations. The donations given during the year amounted to Rs. 36,500/-. No donations were made for political purposes.

Directorate

Names of the directors who held office as at 31.03.2017 are given below:

Mr. A.M. Pandithage - Chairman
 Mr. L.T. Samarawickrama - Managing Director
 Mr. S.C. Ganegoda*
 Mr. S.J. Wijesinghe*
 Mr. C.J. Wickramasinghe**
 Mr. D.E. Silva
 Mr. S.B. Rangamuwa**
 Mr. J.P. Van Twest**
 Mr. B.C.S.A.P. Gooneratne **

* Non-Executive

** Non-Executive Independent

Messrs. D.E.Silva and S.B.Rangamuwa retire by rotation and being eligible offer themselves for re-election.

Auditors

Messrs Ernst & Young, Chartered Accountants are deemed re-appointed as auditors in terms of section 158 of the companies Act No. 07 of 2007.

A resolution proposing the directors be authorised to determine their remuneration will be submitted at the annual general meeting.

The Auditors messers, Ernst & Young were paid Rs.529,000/- as audit fees by the Company. In addition, they were paid Rs. 206,399/- by the Company for non-audit related work, which consisted mainly of tax consultancy services. As far as the directors are aware, the Auditor does not have any relationship (other than that of an auditor) with the company other than those disclosed above. The Auditors also do not have any interests in the Company.

Turnover

The turnover (Net) for the year was Rs.143,566,294/- (2015/2016 - Rs.151,264,253/-).

Annual Report of the Board of Directors on the Affairs of the Company

	2017 Rs.	2016 Rs.
Profit		
Net Profit for the year after providing for all expenses, known liabilities and depreciation of fixed assets	3,218,061	6,480,275
Accumulated profit at end of the year	219,243,620	216,029,926

Taxation

The Company is liable to pay income tax at the rate of 12% on income from operations. Interest income is taxed at 28%.

Property, Plant and Equipment

The details, including movement, of the property, plant and equipment of the company at historical cost are shown in Note 3 and estimated market values of land Rs. 63.62Mn. Extent of the land is 19 Acres, 3 Rood, 21 Perches.

Stated Capital

There were no changes to the company's stated capital during the year under review. In terms of the companies Act No. 07 of 2007, the stated capital of the Company stood at Rs. 82,500,000/- as at 31st March, 2017. (comprising 5,625,000 ordinary shares)

Post Balance Sheet Events

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

Statutory Payments

The Directors confirm that to the best of their knowledge all taxes and dues payable by the Company and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and all other known statutory dues as were due as at the Balance Sheet date have been paid or provided.

Public Shareholding

As at 31st March, 2017, 31.14% of the issued capital of the Company was held by the public, comprising 2,203 shareholders

Going Concern

The Directors, after making necessary inquiries and reviews including reviews of the budget for the ensuing year, capital expenditure requirements, future prospects and risks, cash flows and borrowing facilities have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore, the going concern basis has been adopted in the preparation of the Financial Statements.

Annual General Meeting

The Annual General Meeting will be held on 23rd June 2017 at 10.00 a.m at Hayleys PLC, No.400, Deans Road, Colombo 10, Sri Lanka.

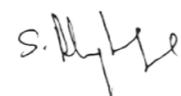
For and on behalf of the Board



A.M. Pandithage
Chairman



L.T. Samarawickrama
Managing Director



Hayleys Group Services (Pvt) Ltd.
Secretaries
09th May 2017





A remarkable fusion...

A unique blend of tradition and modern aspects make the Hunas Falls Hotel a much loved and preferred property in this paradise we all call home.

Corporate Governance

Hunas Falls Hotels PLC (HFH) continues to be committed to conducting the Company's business ethically and in accordance with high standards of good corporate governance.

The board has appointed Amaya Leisure PLC, as the Managing Agents of the Hotel.

We set out below the Corporate Governance practices adopted and practiced by HFH 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. A. M. Pandithage (Chairman)
Mr. L. T. Samarawickrama (Managing Director)
Mr. D. E. Silva

Non-Executive Directors*

Mr. S. C. Ganegoda
Mr. S. J. Wijesinghe

Non-Executive Independent Directors**

Mr. J. P. Van Twest
Mr. B. C. S. A. P. Gooneratne
Mr. C. J. Wickramasinghe
Mr. S. B. Rangamuwa

The board meets quarterly as a matter of routine. Ad hoc meetings are held as and when necessary. During the year under review the Board met on four occasions. The attendance at these meetings was:

Attendance at the Meeting

Mr. A. M. Pandithage - Chairman	4/4
Mr. L. T. Samarawickrama - Managing Director	4/4
Mr. S. C. Ganegoda*	4/4
Mr. S. J. Wijesinghe*	4/4
Mr. C. J. Wickramasinghe**	2/4
Mr. D. E. Silva	3/4
Mr. S. B. Rangamuwa**	2/4
Mr. J. P. Van Twest**	4/4
Mr. B. C. S. A. P. Gooneratne**	4/4

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. The Managing Agents are represented at these meetings and are responsible for follow-up action. Directors' interests in contracts are regularly disclosed and such disclosures pertaining to year ended 31.03.2017 can be seen in Directors' Report page No. 32.

The Board is responsible to ensure that adequate systems of internal controls to safeguard the assets of the Company are in place and proper records are maintained. However, any system can ensure only reasonable but not absolute assurance that errors and irregularities are prevented or detected within a reasonable time frame.

Corporate Governance

Board Balance

The Board comprises nine directors out of which six directors are non-executives and four of them are independent. The Board has determined that four non-executive directors satisfy the criteria for "independence" set out in the listing rules.

Non-executive directors profiles reflect their calibre and the weight their views carry in board deliberations. The Chairman of the Company is also the Chairman of Hayleys PLC.

Company Secretary

The services and advice of the Company secretary are made available to directors as necessary. The Company secretary keeps the Board informed of new laws, regulations and requirements coming into effect which are relevant to them as individual directors and collectively to the Board.

Financial Acumen

The Board, includes two Chartered and Chartered Management Accountants who possess the necessary knowledge and competence to offer the Board guidance on matters of finance.

Supply of Information

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

Appointments to the Board

The Board as a whole decides on the appointment of directors.

Re-election of Directors

The provisions of the Company's Articles require a director appointed by the Board to hold office until the next Annual General Meeting, and seek re appointment by the shareholders at that meeting.

The articles call for one third of the Directors in office to retire at each Annual General Meeting. The Directors who retire are those who have served for the longest period after their appointment/re-appointment. Retiring Directors are generally eligible for re-election. The Managing Director does not retire by rotation.

Nominations Committee and Board Appointments

Hayleys PLC, the parent company's Nominations Committee function as the Nominations Committee of the Company and makes recommendations to the Board on all new board appointments.

Nominations Committee comprise of following members:
Mr. A.M.Pandithage* - Chairman
Mr. Dhammika Perera **
Mr. Nimal Perera *** (Resigned w.e.f. 08.03.2017)
Dr. H. Cabral, PC ***
Mr. M.Y.A. Perera *** (Appointed w.e.f 16.09.2016)

* Executive Director

** Non-Executive Director

*** Non-Executive Independent Director

The Board identifies eligible candidates having regard to their professional competence, experience in commercial, management and personal qualities. Eligible candidates are recommended for appointment by the Nominations Committee in keeping with its norms.

Shareholders must formally approve all new appointments at the first opportunity after their appointment, as provided by Article 27(2) of the articles of association of the Company.

Corporate Governance

Tenure, Retirement and Re-election

One third of the Directors by rotation on the basis prescribed in the articles 29 of the Articles of Association director retiring by rotation is eligible for re-election.

The tenure of office for Non Independent Directors is limited by their prescribed company retirement age.

Independent Directors, on the other hand, can be appointed to office for three consecutive terms of three years, which however, is subject to the age limit set by statute at the time of re-appointment following the end of a term.

The proposal for the re-appointment of directors is set out in the Annual Report of the Board of Directors on page 32 as well as the Notice of Meeting on page 102 of this report.

Remuneration Committee

Hayleys PLC, the parent company's Remuneration Committee function as the Remuneration Committee of the Company and recommends the remuneration payable to the Managing Director and Executive Director(s) and sets guidelines for the remuneration of management staff within the Company. The Board makes the final determination after considering such recommendation.

The Remuneration Committee comprise of following members:

Dr. H.Cabral, PC** - Chairman
Mr. Dhammika Perera*
Mr. Nimal Perera* (Resigned w.e.f 08.03.2017)
Mr. M.H.Jamaldeen**
Mr. M.Y.A Perera** (Appointed w.e.f 12.09.2016)
Mr. M.D.S. Goonatilleke** (Resigned w.e.f 12.05.2016)

* Non-Executive Director

**Independent Non-Executive Director

The remuneration policy adopted by the Company as recommended by the Remuneration Committee of Hayleys PLC to attract and retain high caliber executives and motivate them to develop and implement the business strategy in order to optimize long term shareholder value creation. The Committee also recommends the remuneration of the Managing Director. Having conducted market surveys, obtained expert opinion and having considered the management complexities of the Company, on the recommendation of the Remuneration Committee, the Company has adopted the suitable remuneration policy designed to provide an appropriate remuneration to the employees.

Constructive Use of the Annual General Meeting

The active participation of shareholders at the Annual General Meeting is encouraged. The Board believes the AGM is a means of continuing effective dialogue with shareholders.

The Board offers clarifications and responds to concerns shareholders have over the content of the Annual Report as well as other matters which are important to them. The AGM is also used to adopt the Financial Statements for the year.

Communication with Shareholders

Shareholders are provided with Quarterly Financial Statements and the Annual Report, which the Company considers as its principal communication with them and other stakeholders. These reports are also provided to the Colombo Stock Exchange.

Shareholders may bring up concerns they have, either with the Chairman, Managing Director or the Secretaries of the Company as appropriate. The Company maintains an appropriate dialogue with them.

Corporate Governance

Accountability and Audit

Financial Reporting

The Board places great emphasis on complete disclosure of Financial and Non-Financial Information within the bounds of commercial reality, and on the adoption of sound reporting practices. Financial information is disclosed in accordance with the Sri Lanka Accounting Standards. Revisions to existing accounting standards and adoption of new standards are carefully monitored. The Statement of Directors' Responsibilities for the Financial Statements is given in page 58 of this report.

External Auditors

Messrs. Ernst & Young are the External Auditors of the Hayleys PLC as well as its subsidiaries; they also audit the Financial Statements of the Hunas Falls Hotels PLC.

Care is taken to ensure that the internal audit function in Group Companies is not outsourced to the External Auditor in order to ensure that the independence of the External Auditor is not compromised.

The audit fees paid by the Company to Messrs. Ernst & Young are separately classified on page 90 in the Notes to the Financial Statements

The Auditors' Report on the Financial Statements of the Company for the year under review is found on page 66 of this Report.

System of Internal Control and Risk Review

The Company systems are designed to provide the Directors with reasonable assurance that assets are safeguarded, transactions are authorised and properly recorded and that material errors and irregularities are either prevented or detected in a timely manner. Key elements of such procedures are as follows:

- Formal policies and procedures are defined which include the documentation of key systems and rules relating to delegation of financial authority. This restricts the unauthorised use of the company assets and ensures the monitoring of controls.
- The annual budgets are approved by the Board after detailed management review. There is a detailed budgeting process of the Company. Budgets are prepared in a manner that facilitates management to monitor key business and financial activities. Results are regularly reviewed against budget and revised forecasts for the year are prepared on a half yearly basis.
- Capital expenditure is subject to formal authorization procedures.
- Experienced and suitably qualified staff takes responsibility for important business functions annual appraisal procedures have been established to maintain standards of performance.
- To further strengthen internal controls and have independent assurance in the Company has enlisted the services of internal audit division of Hayleys PLC which is the parent company.

Going Concern

The Directors, after making necessary inquiries and reviews including reviews of the Company budget for the ensuing year, capital expenditure requirements, future prospects and risks, cash flows and borrowing facilities, have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore the going concern basis has been adopted in the preparation of the Financial Statements.

Corporate Governance

Accountability and Audit

Operations, Planning, Monitoring and Decision Rights

The responsibility for monitoring plans has been entrusted to the Managing Agents, while the achievement of the plans as well as ensuring compliance with group policies and guidelines rests with the Managing Director and functional department heads of the respective business units.

Monitoring of Financial Data

- Financial results are evaluated against the annual plan and subsequent re-forecast on a monthly basis at all management levels
- The Board reviews the financial results on a quarterly basis

Investment Appraisal Process and Investment Decisions

Over the years, the Company has refined the process of investment appraisal which ensures the involvement of the relevant persons when investment decisions are made. In this manner, several views, opinions and advice are obtained prior to the investment decision. Experience has proven that a holistic and well debated view of the commercial viability and potential of proposed projects including operational, financial funding, risk and tax implications has most of the time culminated in a good result.

Integrity of Systems, Processes and Internal Controls

The Board has taken necessary steps to ensure the integrity of the Company accounting and financial reporting systems, internal control systems and also reviews and monitors such systems on a periodic basis. Systems and processes covering risk management, financial and operational control, ethical conduct, compliance with legal and regulatory requirements and corporate social responsibility are described below:

Audit Committee

The Company constituted its own Audit Committee on 13th February 2008. The Committee consists of three Independent Non-Executive Directors of the Company. The meetings were attended by the Managing Director, General Manager and the Chief Financial Officer by invitation when matters relating to the Company were taken up for discussion. The External Auditor attended the meetings when his presence was deemed necessary.

The Audit Committee has written terms of reference and is empowered to examine any matters relating to the financial affairs of the Company and its internal and external audits.

The Committee reviewed the Financial Statements, Internal Control Procedures, Accounting Policies, compliance with accounting standards, emerging accounting issues and other related functions that the Board required. It also reviews the adequacy of systems for compliance with the relevant legal, regulatory and ethical requirements. Significant issues discussed by the Committee at the reviews were communicated by the Managing Director to the Board of Directors for their consideration and action.

The Audit Committee helps the Company to achieve a balance between conformance and performance.

Audit Committee Attendance at the Meetings held during the year

Mr. B. C. S. A. P.Gooneratne **	4/4
Mr. J. P. Van Twest **	4/4
Mr. S. B. Rangamuwa **	2/4

** Non Executive Independent

Corporate Governance

The Audit Committee recommends the appointment and fees of the External Auditors, having considered their Independence and performance.

The Audit Committee Report appears on Pages 60 to 61 of this Report.

Shareholder Relation

Constructive Use of AGM

The Annual General Meeting provides a useful forum for shareholders to interact with the Directors of the Company and discuss the progress of the business, its performance and objectives, while at the same time giving the Directors the opportunity to understand the issues and concerns of shareholders. Every effort is made to ensure that the Chairmen of the Board Committees are available to respond to shareholder queries.

The Company places great emphasis on releasing its Financial Statements in a timely manner so as to ensure that shareholders have access to information on which they could make informed decisions. Maximum possible information is provided to shareholders in a timely manner and full disclosure is made subject only to any sensitive information, which could directly affect the business of the Company.

Shareholder Participation

The Notice convening the meeting provides details of the Agenda to be dealt with at the meeting. The consideration and adoption of the Annual Report of the Board of Directors and the Financial Statements for the year ended 31 March 2017 along with the Report of the Auditors are presented as separate resolutions.

Along with the Notice of Meeting, the Company Secretaries inform shareholders of their voting rights as well as the procedure they could adopt to vote in the event they are unable to attend the meeting

Major Transactions

The directors ensure that any corporate transaction that would materially affect the net assets base of the company are communicated to the shareholders. There were no major transactions as defined under section 185 by the Companies Act No. 7 of 2007 during the year under review.

Conclusion

As the track record of companies with regard to transparency, integrity and sustainable governance practices have become key factors influencing a growing number of investors as they seek to safeguard their investments, the solid foundation of trust, loyalty, personal integrity, fairness to all stakeholders and strong corporate culture that has been nurtured by the Company has positioned it well to reap the benefit of this trend.

Corporate Governance

Compliance with the Listing Rules of the Colombo Stock Exchange - Check List

● Compliant ○ Non-Compliant

Rule No.	Subject	Applicable Requirement	Compliance Status	Applicable Section in the Annual Report
7.10.1(a)	Non-Executive Directors (NED)	2 or at least 1/3 of the total number of Directors should be NEDs	●	Corporate Governance
7.10.2 (a)	Independent Directors (ID)	2 or 1/3 of NEDs, whichever is higher, should be independent	●	Corporate Governance
7.10.2 (b)	Independent Directors	Each NED should submit a declaration of independence/non-independence in the prescribed format	●	Corporate Governance
7.10.3 (a)	Disclosure relating to Directors	<ul style="list-style-type: none"> The Board shall annually determine the independence or otherwise of the NEDs Names of IDs should be disclosed in the Annual Report (AR) 	●	Corporate Governance
7.10.3 (b)	Disclosure relating to Directors	The basis for the Board's determination of ID, if criteria specified for independence is not met	●	Corporate Governance
7.10.3 (c)	Disclosure relating to Directors	A brief resume of each Director should be included in the AR including the Director's areas of expertise	●	Board of Directors section in the Annual Report
7.10.3 (d)	Disclosure relating to Directors	Provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the CSE	●	Corporate Governance and Board of Directors section in the Annual Report
7.10.5	Remuneration Committee (RC)	A listed company shall have RC	●	Corporate Governance

Corporate Governance

Rule No.	Subject	Applicable Requirement	Compliance Status	Applicable Section in the Annual Report
7.10.5 (a)	Composition of Remuneration Committee	Shall comprise of NEDs, a majority of whom will be independent	●	Corporate Governance
7.10.5 (b)	Functions of Remuneration Committee	The RC shall recommend the remuneration of the Managing Director and Executive Directors	●	Corporate Governance
7.10.5 (c)	Disclosure in the Annual Report relating to Remuneration Committee	The Annual Report should set out; <ul style="list-style-type: none"> Names of Directors comprising the RC Statement of Remuneration Policy Aggregate remuneration paid to Executive & Non-Executive Directors 	●	Corporate Governance
7.10.6	Audit Committee (AC)	The Company shall have an AC	●	Corporate Governance
7.10.6 (a)	Composition of Audit Committee	<ul style="list-style-type: none"> Shall comprise of NEDs, a majority of whom will be Independent A NED shall be appointed as the Chairman of the Committee CEO and Chief Financial Officer (CFO) should attend AC meetings The Chairman of the AC or one member should be a member of a professional accounting body 	●	Corporate Governance and the Audit Committee Reports
7.10.6 (b)	Audit Committee Functions	Functions shall include; Overseeing of the - <ul style="list-style-type: none"> Preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Accounting Standards Compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements 	●	Corporate Governance and the Audit Committee Reports

Corporate Governance

Rule No.	Subject	Applicable Requirement	Compliance Status	Applicable Section in the Annual Report
	Disclosure in Annual Report relating to Audit Committee	<ul style="list-style-type: none"> Processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards Assessment of the independence and performance of the External Auditors Make recommendations to the Board pertaining to appointment, re-appointment and removal of External Auditors, and approve the remuneration and terms of engagement of the External Auditor 	●	
7.10.6 (c)		<ul style="list-style-type: none"> Names of Directors comprising the AC The AC shall make a determination of the independence of the Auditors and disclose the basis for such determination The AR shall contain a Report of the AC setting out the manner of compliance with their functions 	●	Corporate Governance and the Audit Committee Reports

Corporate Governance

Levels of compliance with the CSE's Listing Rules – Section 9 Rules on Related Party Transaction Review Committee

● Compliant ○ Non-Compliant

Rule No.	Subject	Applicable Requirement	Compliance Status	Applicable Section in the Annual Report
9.2	Related Party Transactions Re-view Committee Functions	<ul style="list-style-type: none"> To review in advance all proposed related party transactions of the group 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. Seek any information the Committee requires from management, employees or external parties to with regard to any transaction entered into with a related party. Obtain knowledge or expertise to assess all aspects of proposed related party transactions where necessary including obtaining appropriate professional and expert advice from suitably qualified persons. To recommend, where necessary, to the Board and obtain their approval prior to the execution of any related party transaction. To monitor that all related party transactions of the entity are transacted on normal commercial terms and are not prejudicial to the interests of the entity and its minority shareholders. Meet with the management, Internal Auditors/ External Auditors as necessary to carry out the assigned duties. To review the transfer of resources, services or obligations between related parties regardless of whether a price is charged. To review the economic and commercial substance of both recurrent/non recurrent related party transactions To monitor and recommend the acquisition or disposal of substantial assets between related parties, including obtaining 'competent Independent advice from independent professional experts with regard to the value of the substantial asset of the related party transaction. 	●	The Committee of the Parent Company functions as the committee of the Company. Related Party Transactions Re-view Committee Report

Corporate Governance

Rule No.	Subject	Applicable Requirement	Compliance Status	Applicable Section in the Annual Report
9.2.2	Composition	<ul style="list-style-type: none"> 02 Independent Non-Executive Directors and 01 Executive Director 	●	<p>Related Party Transactions Re-view Committee Report</p> <p>Annual Report of the Board</p>
9.2.3	Related Party Transactions Re-view Committee	<ul style="list-style-type: none"> As per the Listing Rules of the Colombo Stock Exchange Mandatory from 01/01/2016. If the parent Company and the subsidiary Company both are listed entities, the Related Party Transactions re-view Committee of the parent Company may be permitted to function as such committee of the subsidiary. 	●	Related Party Transactions Re-view Committee Report
9.2.4	Related Party Transactions Re-view Committee-Meetings	<ul style="list-style-type: none"> Shall meet once a calendar quarter 	●	<p>The Committee of the Parent Company which was formed on 10th February 2015 functions as the committee of the Company.</p> <p>Annual Report of the Board</p>
9.3.2	Related Party Transactions Re-view Committee-Disclosure in the Annual Report	<ul style="list-style-type: none"> Non-recurrent Related Party Transactions- If aggregate value exceeds 10% of the equity or 5% Total assets whichever is lower. Recurrent Related Party Transactions – If aggregate value exceeds 10% Gross revenue/ income as per the latest audited accounts Report by the Related Party Transactions re-view Committee A declaration by the Board of Directors 	<p>N/A</p> <p>N/A</p> <p>●</p> <p>●</p>	<p>Transactions Re-view Committee Report</p> <p>Annual Report of the Board & Related Party</p>

Corporate Governance

Adoption of Joint Code of Best Practice - Check List

● Compliant ○ Non-Compliant

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
A. 1 DIRECTORS - The Board				
A.1.1	Frequency of Board Meetings	<ul style="list-style-type: none"> Board should meet regularly, at least once in every quarter of a Financial Year. 	●	Corporate Governance
A.1.2	Responsibilities of the Board	<ul style="list-style-type: none"> Ensuring the formulation and implementation of a sound Business strategy, Skill adequacy of management and KMP succession strategy, Ensuring the Integrity of information, internal controls, Business continuity and risk management Compliance with laws, regulations and ethical standards Code of conduct Adoption of appropriate accounting policies and fostering compliance with Financial regulations 	<p>●</p> <p>●</p> <p>●</p> <p>●</p> <p>●</p> <p>●</p>	<p>Corporate Governance/ Annual Report of the Board of Directors</p> <p>Directors responsibilities report</p>
A.1.3	Board Access to Professional advice	<ul style="list-style-type: none"> Procedures to obtain independent professional Advice where necessary 	●	Corporate Governance
A.1.4	Company Secretary	<ul style="list-style-type: none"> Ensure adherence to board procedures and applicable rules and regulations Procedure for Directors to access services of Company Secretary 	<p>●</p> <p>●</p>	Corporate Governance
A.1.5	Independent judgment	<ul style="list-style-type: none"> Directors should exercise independent judgment on issues of strategy, resources, performance and standards of business conduct 	●	Corporate Governance
A.1.6	Dedication of adequate time and effort By Directors	<ul style="list-style-type: none"> Dedicate adequate time & effort to ensure the Duties and responsibilities are satisfactorily Discharged. Have to dedicate sufficient time Before a meeting to review board papers The board should regularly review and agree the training and development needs. 	●	Corporate Governance

Corporate Governance

● Compliant ○ Non-Compliant

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
A. 2 DIRECTORS - Chairman & Chief Executive Officer (Managing Director)				
A.2	Division of responsibilities to ensure no individual has unfettered powers of decision making	• A balance of power and authority to be maintained by separating responsibility for conducting board business from that of executive decision making	●	Corporate Governance
A. 3 DIRECTORS - Role of Chairman				
A.3	Ensure good corporate governance	• Chairman to preserve order and facilitate effective discharge of board functions by proper conduct of board meetings	●	Corporate Governance
A. 4 DIRECTORS - Financial Acumen				
A.4	Possession of adequate financial acumen	• Board to ensure adequacy of financial acumen and knowledge within board	●	Corporate Governance / Audit Committee Report
A. 5 DIRECTORS - Board Balance				
A.5.1	Composition of Board	• The Board should include a sufficient number of Non Executive, Independent Directors. At least two NED or 1/3 of total number of Directors which ever is higher should be NED	●	Corporate Governance
A.5.2	Proportion of independent Directors	• Two or one third of the Non-Executive Directors which ever is higher should be independent	●	Corporate Governance
A.5.3	Test of independence	• Independent Directors should be independent of management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgment	●	Corporate Governance
A.5.4	Declaration of independence	• Non-executive Directors should submit a signed and dated declaration annually of their independence/Non-Independence	●	Corporate Governance

Corporate Governance

● Compliant ○ Non-Compliant

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
A. 6 DIRECTORS - Supply of Information				
A.6.1	Provision of adequate information to Board	• Management has obligation to produce the board with timely and appropriate information	●	Corporate Governance
A.6.2	Adequacy of Notice and formal agenda to be discussed at Board meetings	• Board minutes, agenda and papers should be circulated at least seven days before the Board meeting	●	Corporate Governance
A. 10 DIRECTORS - Disclosure of Information in Respect of Directors				
A.10.1	Biographical profiles and relevant details of Directors to be disclosed	• Annual Report should disclose the biographical details of Directors and attendance at Board/ Committee Meetings	●	Profiles of the board/ Corporate Governance
B. 2 DIRECTORS' REMUNERATION - Level and Make up of Remuneration				
B.2.1	Remuneration packages for Executive Directors	• Packages should be structured to attract, retain and motivate Directors	●	Corporate Governance/ Financial Statements
B.2.2	Remuneration packages to be appropriately positioned	• Packages should be comparable and relative to that of other companies as well as the relative performance of the Company	●	Corporate Governance/ Financial Statements
B.2.3	Appropriateness of remuneration and conditions in relation to other Group companies	• When determining annual increases RC should be sensitive to that of other Group companies	●	Corporate Governance
B. 3 DIRECTORS' REMUNERATION - Disclosure of Remuneration				
B.3.1	Disclosure of details of remuneration	• The Annual Report should disclose the remuneration paid to each Director	●	Financial Statements

Corporate Governance

● Compliant ○ Non-Compliant

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
C. 1 RELATIONS WITH SHAREHOLDERS - Constructive Use and Conduct of Annual General Meeting				
C.1.1	Proxy votes to be counted	<ul style="list-style-type: none"> The Company should count and indicate the level of proxies lodged for, against and with held in respect of each resolution 	●	Corporate Governance/ Notice of Meeting
C.1.2	Separate resolutions	<ul style="list-style-type: none"> Separate resolutions should be proposed for each substantially separate issues at the AGM 	●	Corporate Governance/ Notice of Meeting
C.1.3	Availability of Committee Chairmen at AGM	<ul style="list-style-type: none"> The Chairmen of Board committees should be available to answer any queries at AGM 	●	Corporate Governance
C.1.4	Notice of AGM	<ul style="list-style-type: none"> 15 working days notice to be given to shareholders 	●	Notice of Meeting
C.1.5	Procedure for voting at meetings	<ul style="list-style-type: none"> Company to circulate the procedure for voting with Notice of Meeting 	●	Notice of Meeting
C. 3 RELATIONS WITH SHAREHOLDERS - Major Transactions				
C.3.1	Disclosure of Major Transactions	<ul style="list-style-type: none"> Transactions that have a value which are greater than half of the net assets of the Company should be disclosed 	●	Financial Statements
D.1 ACCOUNTABILITY AND AUDIT - Financial Reporting				
D.1.1	Presentation of public reports	<ul style="list-style-type: none"> Should be balanced, understandable and comply with statutory and regulatory requirements 	●	Financial Statements

Corporate Governance

● Compliant ○ Non-Compliant

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
D.1.2	Directors Report	<ul style="list-style-type: none"> The Director's Report should be included in the Annual Report. The report should confirm that: <ul style="list-style-type: none"> - the Company has not contravened laws or regulations in conducting its activities - Material interests in contracts have been declared by Directors - the Company has endeavoured to ensure equitable treatment of shareholders - the business is a "going concern" - there is reasonable assurance of the effectiveness of the existing business systems following a review of the internal controls covering financial, operational and compliance annually. 	●	Report of the Board of Directors Audit Committee Report Annual Report of the Board of Directors/Financial Statements Corporate Governance Audit Committee Report
D.1.3	Respective responsibilities of Directors and Auditors	<ul style="list-style-type: none"> The Annual Report should contain separate statements setting out the responsibilities of the Directors for the preparation and presentation of the financial statements and the reporting responsibilities of the Auditors' 	●	Responsibility Report of the Auditors and Directors
D.1.5	Going Concern	<ul style="list-style-type: none"> Directors to substantiate and report that the business is a going concern or qualify accordingly 	●	Annual Report of the Board of Directors
D.1.7	Disclose of Related Party Transactions	<ul style="list-style-type: none"> The annual report should adequately and accurately disclose related party transactions 	●	Annual report of the board / Financial Statements Related Party Transaction Review Committee Report

Corporate Governance

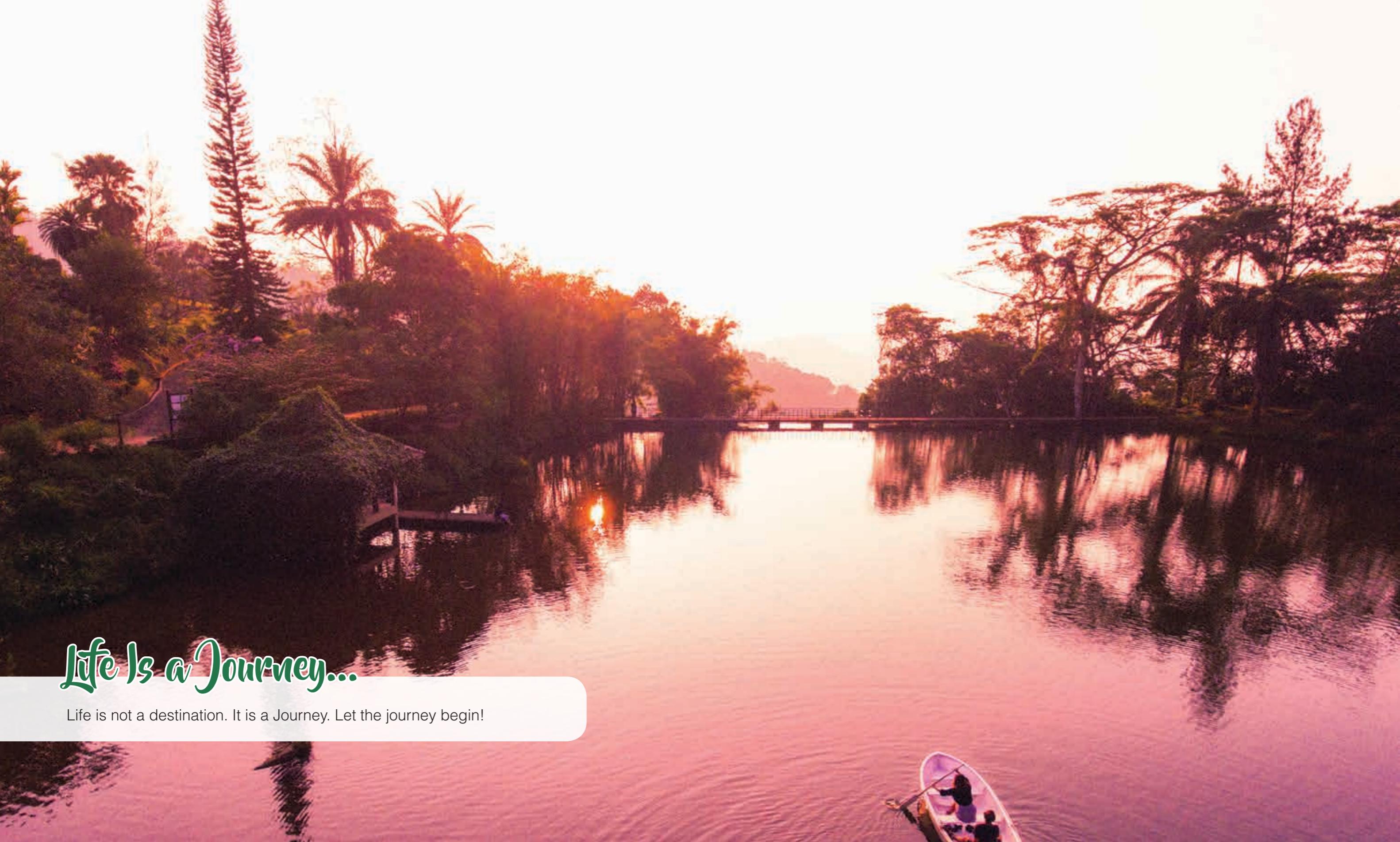
● Compliant ○ Non-Compliant

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
D.2 ACCOUNTABILITY AND AUDIT - Internal Control				
D.2.2	Internal audit function	<ul style="list-style-type: none"> The company should have an internal audit function 	●	Audit Committee Report/ Corporate Governance
D.2.3	Review of the audit committee	<ul style="list-style-type: none"> The Audit Committee to Carry out reviews of the process and effectiveness of risk management and internal controls 	●	Audit Committee Report/ Corporate Governance
D.2.4	Directors responsibility on system of internal controls	<ul style="list-style-type: none"> The director should follow the guidance 	●	Audit Committee Report/ Corporate Governance/ Statement of Directors Responsibility
D.3 ACCOUNTABILITY AND AUDIT - Audit Committee				
D.3.1	Chairman and Composition of Audit Committee	<ul style="list-style-type: none"> Should comprise of a minimum of two Independent, Non-Executive Directors Audit Committee Chairman should be NED and Appointed by the Board. 	●	Audit Committee Report.
D.3.2	Duties of Audit Committee	<ul style="list-style-type: none"> Review of scope and results of audit and its effectiveness Independence and objectivity of the Auditors 	●	Audit Committee Report
D.3.4	Disclosures	<ul style="list-style-type: none"> The Annual Report should disclose the names of Directors serving on the Audit Committee The Audit Committee should determine the independence of the Auditors and disclose the basis of such determination The Annual Report should contain a report by the Audit Committee setting out the manner of compliance of the Company in relation to above during the period to During the period which the annual Report relates 	●	Corporate Governance/ Audit Committee Report Corporate Governance/ Annual Report of the board Audit Committee Report

Corporate Governance

● Compliant ○ Non-Compliant

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
D.5 ACCOUNTABILITY AND AUDIT - Corporate Governance Disclosures				
D.5.1	Corporate Governance Report	<ul style="list-style-type: none"> The Annual Report should include a report setting out the manner and extent to which the Company has adopted the principles and provisions of the Code of Best Practice on Corporate Governance 	●	Corporate Governance
E.1 INSTITUTIONAL INVESTORS – Shareholders Voting				
E.1	Structured Dialogue with Shareholders	<ul style="list-style-type: none"> A Listed company should conduct a regular and structured dialogue with its board on a mutual understanding and objectives 	●	Corporate Governance/ Notice of Meeting
E.2 INSTITUTIONAL INVESTORS – Evaluation of Governance Disclosures				
E.2	Evaluation of Governance Disclosures by Institutional Investors	<ul style="list-style-type: none"> When evaluating company's governance managements particularly those relating to board structure and composition institutional investors should be encourage to give due weight to on relevant factors come down to their attention 	●	Corporate Governance
F.1 OTHER INVESTORS – Investing / Divesting Decision				
F.1	Individual Shareholders	<ul style="list-style-type: none"> Individual shareholders should be encouraged to carry out adequate analysis and seek professional advice when making their investment/divestment decisions 	●	Corporate Governance
F.2 OTHER INVESTORS – Shareholders Voting				
F.2	Shareholder Voting	<ul style="list-style-type: none"> Individual shareholders should be encouraged to participate and exercise their voting rights 	●	Corporate Governance/ Form of Proxy



Life Is a Journey...

Life is not a destination. It is a Journey. Let the journey begin!

Audit Committee Report

The Audit Committee comprises of three Non-Executive Independent Directors.

The members of the Board appointed Audit Committee are;

Mr. B.C.S.A.P. Gooneratne - Chairman
Mr. J.P. Van Twest
Mr. S.B. Rangamuwa

The Board secretary functions as the Secretary to the Audit Committee.

The Audit Committee has a written term of reference, dealing clearly with its authority and duties. This is established for the purpose of assisting the Board in fulfilling their oversight responsibilities regarding the integrity of the financial statements, risk management, internal control, and compliance with legal and regulatory requirements, review of external auditor's performances, independence and the internal audit functions,

Meetings

The Audit Committee met four times during the year. The Managing Director, Group and Company Chief Financial Officers, Manager of the Hotel, Accountant and Internal Auditor also attended these meetings by invitation. The other executives do so as and when required.

Financial Reporting

As part of its responsibility to oversee the Company's financial reporting process on behalf of the Board of Directors, the Committee has reviewed and discussed with the Management, the annual and the quarterly Financial Statements prior to their issuance, including the extent of compliance with the Sri Lanka Accounting Standards and the Companies Act No. 07 of 2007. Matters of special interest in the current environment and the process that support certifications of the Financial Statements by the Company's Managing Director, Chief Financial Officer and Accountant were also brought up for discussion.

Risk and Controls

The Committee 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.

External Audit

The Committee met with the External Auditor during the year to discuss their audit approach and procedures, including matters relating to the scope of the audit. In addition, the annual evaluation of the independence and objectivity of the External Auditor and the effectiveness of the audit process was also undertaken. The lead partner

Audit Committee Report

is required to be rotated every five years, in order to ensure the independence of the Auditor.

The Non-Audit Services provided by the External Auditor was also reviewed and the committee was of the view that such services did not impair with their independence and were not within the category of services identified as restricted under the Guidelines for Listed Companies on Audit and Audit Committees issued by the Securities and Exchange Commission of Sri Lanka.

The re-appointment of the External Auditor, M/s Ernst & Young has been recommended to the Board of Directors and the Committee has also fixed the Auditor's remuneration, for approval by the shareholders at the Annual General Meeting.

Internal Audit

During the year, the Audit Committee reviewed the performance of the internal audit function the findings of the audits completed which covered the operational and financial aspect of the Hotel. With special reference to the internal controls regarding hotel operations, and the department's resource requirements including succession planning and also approved the internal audit plan.

Regulatory Compliance

The Accountant has submitted to the Audit Committee, a report on the extent to which the Company was in compliance with mandatory and statutory requirements. The Committee reviewed the procedures established by Management for compliance with the requirements of regulatory bodies and also ensured the full compliance to the Colombo Stock Exchange Rule No. 7.10 on Corporate Governance disclosure requirements, which is given on pages 38 to 55.

Committee Evaluation

The annual evaluation of the Committee was conducted by the Chairman, the Managing Director, the Group and Company Chief Financial Officers, Internal Auditor and the External Auditor in accordance with international best practices and was deemed to be satisfactory.



B.C.S.A.P. Gooneratne
Chairman
Audit Committee
09th May 2017



Related Party Transactions Review Committee Report

The Related Party Transaction review Committee of Hayleys PLC, the parent Company functions as the Committee of the Company in terms of the Code of Best Practice on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka and the Section 9 of the Listing Rules of the Colombo Stock Exchange.

Composition of the Committee

The Related Party Transactions Review Committee comprises two Independent Non-Executive Directors and one Executive Director.

The Committee comprised of the Following members;

Dr. H. Cabral, PC** - Chairman

Mr. M.Y.A.Perera** - Appointed w.e.f.12.09.2016

Mr. S.C. Ganegoda *

Mr. M.D.S. Goonatileke ** - Resigned w.e.f.12.05.2016

* Executive Director

** Independent Non-Executive Director

The duties of the Committee

- To review in advance all proposed related party transactions of the group 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.
- Seek any information the Committee requires from management, employees or external parties to with regard to any transaction entered into with a related party.
- Obtain knowledge or expertise to assess all aspects of proposed related party transactions where necessary including obtaining appropriate professional and expert advice from suitably qualified persons.
- To recommend, where necessary, to the Board and obtain their approval prior to the execution of any related party transaction.

- To monitor that all related party transactions of the entity are transacted on normal commercial terms and are not prejudicial to the interests of the entity and its minority shareholders.
- Meet with the management, Internal Auditors/External Auditors as necessary to carry out the assigned duties.
- To review the transfer of resources, services or obligations between related parties regardless of whether a price is charged.
- To review the economic and commercial substance of both recurrent/non recurrent related party transactions
- To monitor and recommend the acquisition or disposal of substantial assets between related parties, including obtaining 'competent independent advice' from independent professional experts with regard to the value of the substantial asset of the related party transaction.

Task of the Committee

The Committee re-viewed the related party transactions and their compliances of Hunas Falls Hotel PLC and communicated the same to the Board.

The Committee in its re-view process recognized the adequate of the content and quality of the information forwarded to its members by the management.

Meetings

The Committee held 4 times during the year under review. The attendance at the meetings given in table on page 33 of the Annual Report.

Dr. Harsha Cabral, PC.

Chairman

Related Party Transactions Review Committee
of Hayleys PLC

17 May 2017



Plush Comforts, Chic Lifestyle...

At Hunas Falls, luxury is not an option. It's a lifestyle.

Independent Auditor's Report



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Chartered Accountants
201 De Saram Place
P.O. Box 101
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Sri Lanka

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF HUNAS FALLS HOTELS PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Hunas Falls Hotels 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. (set out on pages 67 to 95).

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.

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:

- The basis of opinion, scope and limitations of the audit are as stated above.
- 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.

09 May 2017
Colombo

Partners : W R H Fernando FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W K B S P Fernando FCA FCMA
Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekara FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA
Ms. A A Ludowyke FCA FCMA Ms. G S Manatunga FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA

Principal : T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

Statement of Financial Position

As at 31 March

ASSETS

Non-Current Assets

Property, Plant and Equipment

Current Assets

Inventories
Trade and Other Receivables
Advance and Prepayments
Tax Recoverable
Cash at Bank and in Hand

Total Assets

EQUITY AND LIABILITIES

Capital and Reserves

Stated Capital
Reserves
Retained Earnings
Total Equity

Non-Current Liabilities

Deferred Tax Liability
Retirement Benefit obligation
Grants and Subsidies

Current Liabilities

Trade and Other Payables
Unclaimed Dividends
Bank Overdrafts

Total Equity and Liabilities

Note	2017 Rs.	2016 Rs.
3	<u>376,859,534</u>	<u>384,818,447</u>
	376,859,534	384,818,447
4	3,840,276	4,427,950
5	6,729,557	7,713,936
	2,876,245	4,239,188
	1,968,420	1,504,479
6.1	<u>24,092,148</u>	<u>9,907,319</u>
	39,506,646	27,792,872
	416,366,180	412,611,319
7	82,500,000	82,500,000
8.1	60,576,684	44,956,684
	219,243,620	216,029,926
	362,320,304	343,486,610
9.4	30,665,557	30,058,705
10	3,452,725	3,287,332
11	333,636	515,640
	34,451,918	33,861,677
12	19,312,799	33,108,715
13	281,160	281,765
6.2	-	1,872,551
	19,593,959	35,263,031
	416,366,180	412,611,319

I certify that these Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

Aruna Dikkumbura
Chief Financial Officer - Amaya Leisure PLC
(Managing Agent)

The Board of Directors is responsible for the preparation and presentation of these financial statements. Signed for and on behalf of the Board by:

A. M. Pandithage
Director

09 May 2017
Colombo

L. T. Samarawickrama
Managing Director

The accounting policies and notes on pages 71 through 95 form an integral part of the financial statements.

Statement of Profit or Loss & Other Comprehensive Income

Year Ended 31 March	Note	2017 Rs.	2016 Rs.
Revenue	14.1	143,566,294	151,264,253
Cost of Sales		(30,008,039)	(28,311,728)
Gross Profit		113,558,255	122,952,524
Other Income	15	3,802,640	3,440,395
Marketing and Promotional Expenses		(15,935,979)	(14,511,122)
Administrative Expenses		(97,817,455)	(103,302,334)
Finance Costs	16	-	(246,312)
Finance Income	17	218,046	83,470
Profit Before Tax		3,825,508	8,416,621
Income Tax Expense	9	(607,447)	(1,936,346)
Profit for the Year		3,218,061	6,480,275
Other Comprehensive Income			
Other Comprehensive Income not to be Reclassified to Profit or Loss in Subsequent Periods (Net of Tax) :			
Actuarial Gains/(Losses) on Defined Benefit Plans	10	(4,964)	(686,504)
Income Tax Effect	9	596	83,167
		(4,368)	(603,337)
Effect of Revaluation on Freehold Land	8.1	15,620,000	-
Net Other Comprehensive Income not to be Reclassified to Profit or Loss in Subsequent Periods		15,615,632	(603,337)
Other Comprehensive Income for the Year, Net of Tax		15,615,632	(603,337)
Total Comprehensive Income for the Year, Net of Tax		18,833,693	5,876,939
Earnings Per Share	19.2	0.57	1.15

The accounting policies and notes on pages 71 through 95 form an integral part of the financial statements.

Statement of Changes in Equity

Year Ended 31 March 2017	Stated Capital Rs. (Note 07)	Revaluation Reserve Rs. (Note 8.1)	Retained Earnings Rs.	Total Rs.
Balance as at 1 April 2015	82,500,000	44,956,684	210,208,005	337,664,689
Profit for the year	-	-	6,480,275	6,480,275
Other Comprehensive Income / (Loss)	-	-	(603,337)	(603,337)
Effect of super gain tax	-	-	(55,018)	(55,018)
Balance as at 31 March 2016	82,500,000	44,956,684	216,029,926	343,486,610
Profit for the year	-	-	3,218,061	3,218,061
Other Comprehensive Income / (Loss)	-	-	(4,368)	(4,368)
Effect of Revaluation on Freehold Land	-	15,620,000	-	15,620,000
Balance as at 31 March 2017	82,500,000	60,576,684	219,243,620	362,320,304

The accounting policies and notes on pages 71 through 95 form an integral part of the financial statements.

Statement of Cash Flow

Year ended 31 March	Note	2017 Rs.	2016 Rs.
Cash Flows From Operating Activities			
Profit before tax		3,825,508	8,416,621
Adjustments to Reconcile Profit Before Tax to Net Cash Flows:			
Depreciation of Property, Plant and Equipment	3.2	24,970,100	26,572,393
Profit on Disposal of Property, Plant and Equipment	15	(20,250)	(39,937)
Finance Cost	16	-	246,312
Finance Income	17	(218,046)	(83,470)
Provision for Defined Benefit Obligation	10	792,663	672,837
Transfers in Defined Benefit Obligation	10	714,116	-
Amortization of Grants and subsidies	11	(182,004)	(182,004)
Operating Profit before Working Capital Changes		29,882,087	35,602,753
(Increase)/ Decrease in Inventories		587,674	265,375
(Increase)/ Decrease in Trade and Other Receivables		984,379	1,892,733
(Increase)/ Decrease in Advance and Prepayments		1,362,943	(1,849,762)
Increase/ (Decrease) in Trade and Other Payables		(13,795,916)	9,108,132
Cash Generated from Operations		19,021,168	45,019,231
Income Tax Paid		(463,941)	(131,562)
Super Gain Tax Paid		-	(55,017)
Interest Paid		-	(246,312)
Defined Benefit Obligation Paid	10	(1,346,350)	(757,349)
Net Cash flows from/(Used in) Operating Activities		17,210,876	788,349
Cash Flows From/(Used in) Investing Activities			
Acquisition of Property, Plant and Equipment	3.1	(1,391,187)	(20,424,155)
Finance Income Received	17	218,046	83,470
Proceeds from Disposal of Property, Plant and Equipment		20,250	307,189
Net Cash Flows (Used in) Investing Activities		(1,152,891)	(20,033,496)
Cash Flows from/(Used in) Financing Activities			
Unclaimed Dividends Paid During the year		(606)	(3,761)
Net Cash Flows from/(Used in) Financing Activities		(606)	(3,761)
Net Increase/(Decrease) in Cash and Cash Equivalents		16,057,380	23,760,734
Cash and Cash Equivalents at the Beginning of the Year	6	8,034,768	(15,725,966)
Cash and Cash Equivalents at the End of the Year	6	24,092,148	8,034,768

The accounting policies and notes on pages 71 through 95 form an integral part of the financial statements.

Accounting Policies

1. CORPORATE INFORMATION

1.1 Reporting Entity

Hunas Falls Hotels PLC, ("Company") is a limited liability company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The registered office of the Company is located at No 400, Deans Road, Colombo 10, and the principal place of the business is situated at Elkaduwa, Kandy.

1.2 Principal Activities and Nature of Operations

The Company owns and operates Hunas Falls Hotels, which is targeted at the up market leisure travellers.

1.3 Parent Entity and Ultimate Parent Entity

In the opinion of the directors, the Company's immediate parent is Carbotels (Pvt) Ltd. whereas the ultimate parent undertaking and controlling party is Hayleys PLC. Both companies are incorporated & domiciled in Sri Lanka.

1.4 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.

1.5 Approval of Financial Statements

The financial statements of Hunas Falls Hotels PLC for the year ended 31 March 2017 were authorized for issue in accordance with a resolution of the Board of Directors on 09 May 2017.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Company Financial Statements have been prepared in accordance with the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, which requires compliance with Sri Lanka Accounting Standards (SLFRSs/LKAS) promulgated by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), and with the requirements of the Companies Act No. 7 of 2007.

2.2 Basis of Measurement

The Financial Statements have been prepared on a historical cost basis except for

- Lands which are recognized as Property Plant and Equipment which are measured at cost at the time of the acquisition and subsequently carried at fair value

No adjustments have been made for inflationary factors in the Company Financial Statements

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 Materiality and Aggregation

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

Accounting Policies

2.5 Summary Of Significant Accounting Policies Applied

The following are the significant accounting policies applied by the Company in preparing its Financial Statements:

2.5.1 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees (Rs), which is the Company's functional and presentation currency.

2.5.2 Foreign Currencies

Transactions in foreign currencies are translated to the respective functional currencies at exchange rates applicable on the dates of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the functional currency spot rate of exchange ruling at the reporting date. Foreign currency differences arising on retranslation are recognised in the Statement of Profit or Loss. All differences arising on settlement or translation of monetary items are taken to Statement of Profit or Loss. Non-monetary assets and liabilities which are carried in terms of historical cost in a foreign currency are translated at the exchange rate that prevailed at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in Other Comprehensive Income or Statement of Profit or Loss)

2.6 Current Versus Non-current Classification

The Company presents assets and liabilities in Statement of Financial Position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
 - Held primarily for the purpose of trading
 - Expected to be realised within twelve months after the reporting period
- Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle
 - It is held primarily for the purpose of trading
 - It is due to be settled within twelve months after the reporting period
- Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities

Accounting Policies

2.7 Fair Value Measurement

The Company measures lands at fair value. Fair value related disclosures for financial and non-financial assets that are measured at fair value are summarised in the following notes:

- Lands under revaluation model - Note 8

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

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

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

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Financial Statements at a fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

2.8 Statement of Profit or Loss

For the purpose of presentation of the Statement of Profit or Loss, the function of expenses method is adopted.

2.9 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

Accounting Policies

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

e) Grants

Grants are recognised initially as deferred income when there is a reasonable assurance that they will be received and that the Company will comply with the conditions associated with the grant. Grants that compensate the Company for expenses incurred are recognised in profit and loss on a systematic basis in the periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in profit and loss on a systematic basis over the useful life of the asset.

f) 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.

2.10 Expenses

Expenses are recognized in the Statement of Profit or Loss on the basis of a direct association between the cost incurred and the earnings of specific items of income. All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year.

Repairs and renewals are charged to Statement of Profit or Loss in the year in which the expenditure is incurred

2.10.1 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.

Accounting Policies

(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

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

2.10.2 Finance Costs

Finance costs comprise interest expense on overdraft facilities.

2.10.3 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.

2.11 Assets and Bases of their Valuation

2.11.1 Inventories

Inventories are measured at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

Food and Beverages	}	Weighted Average Basis
House Keeping and Maintenance		
Printing and Stationary		
Consumables and Other		

Accounting Policies

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

2.11.2 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, which are subject to an insignificant risk of changes in value.

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 as they are considered an integral part of the company's cash management.

2.11.3 Property, Plant and Equipment

The Company applies the requirements of LKAS 16 on 'Property Plant and Equipment' in accounting for its owned assets which are held for and use in the provision of the services and for administration purpose and are expected to be used for more than one year.

2.11.3.1 Basis of Recognition

Property Plant and Equipment is recognised if it is probable that future economic benefit associated with the assets will flow to the Company and cost of the asset can be reliably measured.

2.11.3.2 Basis of Measurement

Items of Property, Plant & Equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any, except for land is measured at fair value.

2.11.3.3 Owned Assets

The cost of Property, Plant & Equipment includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and includes the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets. Purchased software that is integral to the functionality of the related equipment is capitalised as a part of that equipment.

When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives.

Revaluation of land is done with sufficient frequency to ensure that the fair value of the land does not differ materially from its carrying amount, and is undertaken by professionally qualified valuers.

Any revaluation surplus is recorded in Other Comprehensive Income and credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Statement of Profit or Loss, in which case, the increase is recognised in the Statement of Profit or Loss. A revaluation deficit is recognised in the Statement of Profit or Loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

2.11.3.4 Subsequent Costs

The cost of replacing a component of an item of Property, Plant and Equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the

Accounting Policies

Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised in accordance with the derecognition policy given below.

The costs of the repair and maintenance of Property, Plant and Equipment are recognised in Statement of Profit or Loss as incurred.

2.11.3.5 Derecognition

The carrying amount of an item of Property, Plant and Equipment is derecognised on disposal; or when no future economic benefits are expected from its use. Any gains and losses on derecognition are recognised (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) in Statement of Profit or Loss and gains are not classified as revenue. When revalued assets are sold, any related amount included in the Revaluation Reserve is transferred to Retained Earnings.

2.11.4 Grants and Subsidies

Grants and subsidies are recognised at their fair value where there is a reasonable assurance the grant / subsidy will be received and all attaching conditions, if any, will be complied with. When the grant or subsidy relates to an income item is recognised as income over the periods necessary to match them to the costs to which it is intended to compensate on a systematic basis.

Grants and subsidies related to assets, including non-monetary grants are deferred in the Statement Financial Position and credited to the Income Statement over the useful life of the asset.

2.11.5 Financial Instruments

2.11.5.1 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 derecognition / adopted accounting policies are set out below;

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" 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

2.11.5.2 Impairment of Financial Assets

The Company assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors

Accounting Policies

or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortised Cost

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 identified 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. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

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 Profit or Loss. Interest income continues to be accrued on the reduced

carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the Statement of Profit or Loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. 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 Profit or Loss.

2.11.6 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, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, and payables directly attributable transaction costs.

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:

Accounting Policies

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 income statement 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 Profit or loss.

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 Profit or loss.

2.11.6.1 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

2.11.6.2 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.

2.11.7 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.

2.11.8 Employee Benefits

2.11.8.1 Defined Contribution Plans

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

Accounting Policies

contributions to Provident and Trust Funds covering all employees are recognised as an employee benefit expense in Statement of Profit or Loss in the periods during which services are rendered by employees

The Company contributes 12% and 3% of gross emoluments to employees as Provident Fund and Trust Fund contribution respectively.

2.11.8.2 Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated by independent actuaries using Projected Unit Credit (PUC) method as recommended by LKAS 19 – “Employee benefits”. 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.

Current service cost interest cost are recognized in the statement of profit or loss while any actuarial gains or losses arising are recognized in other comprehensive income.

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.

Provision has been made for retirement gratuities from the beginning of service for all employees, in conformity with LKAS 19 on employee benefit. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The liability is not externally funded. This liability is computed on the 1/2 of the last salary drawn in to number of years completed.

2.11.8.3 Short Term Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

2.11.9 Dividend Distributions

The Company recognises a liability to make cash or non-cash distributions to owners of equity when the distribution is authorised and is no longer at the discretion of the Company. A corresponding amount is recognised directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed. Upon settlement of the distribution of non cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in income as a separate line in statement of comprehensive income.

2.11.10 Stated Capital

Ordinary Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

2.11.11 General

2.11.11.1 Events Occurring after the Reporting Date

All material post Balance Sheet events have been considered and where appropriate adjustments or

Accounting Policies

disclosures have been made in the respective notes to the Financial Statements.

2.11.11.2 Earnings Per Share

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

2.12 Use of Estimates and judgements

The preparation of Financial Statements in conformity with SLFRS/LKAS’s requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgements and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence actual experience and results may differ from these judgements and estimates.

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

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes.

2.12.1 Going Concern

The Directors have made an assessment of the Company’s ability to continue as a going concern and is satisfied that it has the resources to continue in business for

the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

2.12.2 Revaluation of Land

The Company measures lands which are recognised as property, plant & equipment at revalued amount with change in value being recognised in the Statement of Other comprehensive income. The valuer has used valuation techniques such as open market value. Further details on Revaluation of land are disclosed in Note 3.4 of the Financial Statements.

2.12.3 Components of Buildings

In determining the depreciation expense, the Company with the assistance of an independent professional valuer determined the components of buildings that have varying useful lives. Approximation techniques and appropriate groupings were used in such determination as well as in the assessment of the useful lives of each component. Further details are given in Note 3.8.

2.12.4 Measurement of the Defined Benefit Obligations

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.

2.13 Standards Issued but not yet Effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company financial statements are disclosed below. The Company

intends to adopt these standards, if applicable, when they become effective.

None of these new standards and interpretations is expected to have a material effect on the Financial Statements of the Company. Pending the detailed review of such standards and interpretations, the extent of the impact has not been determined by the management.

- SLFRS 9 Financial Instruments**

SLFRS 9 replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS9 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.

- 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. This standard is effective for the annual periods beginning on or after 01 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, IFRIC 4 determining whether an arrangement contains a Lease, SIC 15 Operating Leases- Incentives; and SIC 27 Evaluating the substance of Transactions in the Legal form of a Lease. Earlier application is 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.

The following amendments and improvements are not expected to have a significant impact on the Company's Financial Statements.

- Amendments to SLFRS 10 and LKAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- LKAS 7 Disclosure Initiative – Amendments to LKAS 7.
- LKAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to LKAS 12.
- SLFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to SLFRS 2.
- Applying SLFRS 9 Financial Instruments with SLFRS 4 Insurance Contracts — Amendments to SLFRS 4.

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Gross Carrying Amounts

	Balance As at 01.04.2016 Rs.	Additions Rs.	Revaluation Rs.	Disposals Rs.	Balance As at 31.03.2017 Rs.
At Cost					
Buildings and Building Integrals	290,227,278	269,570	-	(8,250)	290,488,598
Plant and Equipment	32,774,310	-	-	-	32,774,310
Kitchen, Hotel, Sport and Laundry Equipment	13,927,853	370,533	-	-	14,298,386
Electrical Equipment	2,587,863	28,500	-	-	2,616,363
Office Equipment	983,629	6,600	-	-	990,229
Computer Equipment & Software	13,713,068	370,153	-	-	14,083,221
Furniture and Fittings	30,894,134	182,242	-	(12,000)	31,064,375
Swimming Pool	17,352,176	-	-	-	17,352,176
Satellite TV System	3,396,049	-	-	-	3,396,049
Sewerage Treatment Plant	4,371,340	-	-	-	4,371,340
Motor Vehicles	4,082,314	-	-	-	4,082,314
Linen	5,459,079	-	-	-	5,459,078
Kitchen Utensils	881,564	-	-	-	881,564
Cutlery and Crockery	2,033,523	163,589	-	-	2,197,112
Road Network	6,301,003	-	-	-	6,301,003
Total Value of Depreciable Assets	428,985,182	1,391,187	-	(20,250)	430,356,119
At Revaluation					
Freehold Land	48,000,000	-	15,620,000	-	63,620,000
	48,000,000	-	15,620,000	-	63,620,000
Total	476,985,182	1,391,187	15,620,000	(20,250)	493,976,119

3.2 Depreciation

	Balance As at 01.04.2016 Rs.	Charge for the year Rs.	Revaluation Rs.	Disposals Rs.	Balance As at 31.03.2017 Rs.
At Cost					
Buildings and Building Integrals	46,081,136	9,304,673	-	(8,250)	55,377,559
Plant and Equipment	7,965,882	2,672,101	-	-	10,637,983
Kitchen, Hotel, Sport and Laundry Equipment	4,430,416	1,374,022	-	-	5,804,437
Electrical Equipment	833,643	178,605	-	-	1,012,248
Office Equipment	375,880	56,070	-	-	431,949
Computer Equipment & Software	7,663,545	3,071,295	-	-	10,734,840
Furniture and Fittings	8,852,967	3,083,152	-	(12,000)	11,924,119
Swimming Pool	4,507,630	3,068,556	-	-	7,576,185
Satellite TV System	774,935	389,357	-	-	1,164,293
Sewerage Treatment Plant	1,308,265	47,811	-	-	1,356,076
Motor Vehicles	2,582,316	-	-	-	2,582,316
Linen	3,519,423	1,171,827	-	-	4,691,251
Kitchen Utensils	653,753	115,954	-	-	769,707
Cutlery and Crockery	1,999,986	121,897	-	-	2,121,883
Road Network	616,958	314,782	-	-	931,740
Total Depreciation	92,166,735	24,970,100	-	(20,250)	117,116,586

Notes to the Financial Statements

3. PROPERTY, PLANT AND EQUIPMENT (Contd.)		2017	2016
		Rs.	Rs.
3.3	Net Book Values		
	At Cost		
	Buildings and Building Integrals	235,111,039	244,146,142
	Plant and Equipment	22,136,326	24,808,427
	Kitchen, Hotel, Sport and Laundry Equipment	8,493,948	9,497,437
	Electrical Equipment	1,604,115	1,754,219
	Office Equipment	558,280	607,749
	Computer Equipment & Software	3,348,382	6,049,523
	Furniture and Fittings	19,140,256	22,041,166
	Swimming Pool	9,775,991	12,844,547
	Satellite TV System	2,231,756	2,621,113
	Sewerage Treatment Plant	3,015,264	3,063,075
	Motor Vehicles	1,499,998	1,499,998
	Linen	767,828	1,939,656
	Kitchen Utensils	111,857	227,811
	Cutlery and Crockery	75,230	33,537
	Road Network	5,369,263	5,684,045
	Total Carrying Amount of Property, Plant and Equipment	313,239,534	336,818,447
	At Revaluation		
	Freehold Land	63,620,000	48,000,000
		<u>63,620,000</u>	<u>48,000,000</u>
		<u>376,859,534</u>	<u>384,818,447</u>

3.4 The fair value of freehold land comprising approx 19 Acres was last determined by means of a revaluation during the financial year 2016/17 by Messrs. P.B Kalugalagedara & Associates, Chartered Valuation Surveyor & Estate Agents, an independent valuer in reference to market based evidence. The valuer has made reference to market evidence of transacted prices for similar size and location. The surplus arising from the revaluation, amounting to Rs. 15,620,000 was transferred to a Revaluation Reserve.

3.5 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs.1,391,187/- (2016- Rs.20,424,155/-). Where as full consideration for which was settled in cash during the same period.

3.6 Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs. 26,833,310/- (2016- Rs. 6,827,744/-).

3.7 Information on Freehold Land and Buildings

Location	Ownership	Extent	No. of Buildings
Elkaduwa	Freehold	19 Acres 3 Roods 21 Perches	16

Notes to the Financial Statements

3.8 The useful lives of the property, plant and equipment are estimated as follows ;

	2017	2016
Buildings and Building Integrals	5 to 45 Years	5 to 45 Years
Plant and Equipment	5 to 20 Years	5 to 20 Years
Kitchen, Hotel, Sport and Laundry Equipment	4 to 18 Years	4 to 18 Years
Electrical Equipment	10 to 18 Years	10 to 18 Years
Office Equipment	10 to 14 Years	10 to 14 Years
Computer Equipment & Software	04 to 09 Years	04 to 09 Years
Furniture and Fittings	04 to 19 Years	04 to 19 Years
Swimming Pool	10 Years	10 Years
Satellite TV System	02 to 10 Years	02 to 10 Years
Sewerage Treatment Plant	10 to 20 Years	10 to 20 Years
Motor Vehicles	05 Years	05 Years
Linen	02 Years	02 Years
Kitchen Utensils	04 Years	04 Years
Cutlery and Crockery	02 Years	02 Years
Road Network	20 Years	20 Years

3.8.1 Component included in building and building and integrals

	45 Years	45 Years
Buildings	45 Years	45 Years
Asbestos and Aluminum Roof	05 Years	05 Years
Bathroom and toilet Blocks	05 Years	05 Years

4. INVENTORIES

	2017	2016
	Rs.	Rs.
Food and Beverages	2,467,182	2,657,588
Other Inventories	1,373,094	1,770,363
	<u>3,840,276</u>	<u>4,427,950</u>

5. TRADE AND OTHER RECEIVABLES

	2017	2016
	Rs.	Rs.
Trade Receivable - Related Parties (Note 5.1)	643,320	637,004
- Others	5,360,752	6,418,828
	<u>6,004,072</u>	<u>7,055,832</u>
Other Receivables - Related Parties (Note 5.2)	97,500	-
- Others	58,207	88,326
	<u>6,159,779</u>	<u>7,144,158</u>
Deposits	569,778	569,778
	<u>6,729,557</u>	<u>7,713,936</u>

Notes to the Financial Statements

	Total	Neither Past Due nor Impaired	Past Due but not Impaired			
			30 - 60 Day	61 - 90 Day	91 - 120 Day	Over 120 days
			Rs.	Rs.	Rs.	Rs.
2017	6,004,072	2,376,532	2,159,045	26,000	889,700	552,795
2016	7,055,832	3,251,590	3,323,809	419,867	-	60,566

Trade and other receivables (Including related parties) are non-interest bearing and are generally on terms of 30 days.

5.1 Trade Receivable - Related Parties	Relationship	2017	2016
		Rs.	Rs.
	Hayleys Travels & Tours (Pvt) Ltd	-	95,314
	Kandyan Resorts (Pvt) Ltd	567,470	541,690
	Hayleys PLC	75,850	-
		<u>643,320</u>	<u>637,004</u>
5.2 Other Receivable - Related Parties			
	Sun Tan Beach Resorts Ltd	97,500	-
		<u>97,500</u>	<u>-</u>
6. CASH AND CASH EQUIVALENTS		2017	2016
		Rs.	Rs.
Components of Cash and Cash Equivalents			
6.1 Favourable Cash & Cash Equivalents			
	Cash at Bank and in Hand	24,092,148	9,907,319
		<u>24,092,148</u>	<u>9,907,319</u>
6.2 Unfavourable Cash & Cash Equivalent Balances			
	Bank Overdrafts	-	(1,872,551)
	Total Cash and Cash Equivalents for the Purpose of Statement of Cash Flows	<u>24,092,148</u>	<u>8,034,768</u>

Notes to the Financial Statements

7. STATED CAPITAL	2017		2016	
	Number	Rs.	Number	Rs.
Fully paid Ordinary Shares	5,625,000	82,500,000	5,625,000	82,500,000
	<u>5,625,000</u>	<u>82,500,000</u>	<u>5,625,000</u>	<u>82,500,000</u>
8. RESERVES			2017	2016
			Rs.	Rs.
8.1 Revaluation Reserve				
On Freehold Land				
As at 1 April			44,956,684	44,956,684
Effect of Revaluation Carried out During the Year			15,620,000	-
As at 31 March			<u>60,576,684</u>	<u>44,956,684</u>
The above revaluation surplus consists of net surplus resulting from the revaluation of Freehold Land as described in Note 3.4				
9. INCOME TAX EXPENSE			2017	2016
			Rs.	Rs.
Income Statement				
Current Income Tax				
Current Tax Expense on Ordinary Activities for the Year (Note 9.1)			-	-
Under/(Over) Provision of current taxes in respect of prior years			-	-
Deferred Income Tax				
Deferred Taxation Charge/(Reversal) (Note 9.3)			607,447	1,936,346
Income tax expense reported in Statement of Profit or Loss			<u>607,447</u>	<u>1,936,346</u>
Other Comprehensive Income				
Deferred Income Tax				
Other Actuarial gain/(losses) on Employee Benefit Liability			(596)	(83,167)
Income Tax Expense reported in Other Comprehensive Income			<u>(596)</u>	<u>(83,167)</u>
Total Income tax expense reported in Statement of Profit or Loss and Other Comprehensive Income			<u>606,851</u>	<u>1,853,179</u>

Notes to the Financial Statements

9.1 Reconciliation between Current Tax Expense/(Income) and the product of Accounting Profit.	2017	2016
	Rs.	Rs.
Accounting Profit Before Tax	3,825,508	8,416,621
Aggregate Disallowed items	28,230,361	30,414,856
Aggregate Allowable Expenses	(23,627,447)	(30,543,225)
Taxable Profit	8,428,422	8,288,252
Tax Losses Brought Forward and Utilised	-	-
Taxable Income from Other Sources	-	-
	<u>8,428,422</u>	<u>8,288,252</u>
Section 32 Deduction	(2,949,948)	(2,900,888)
Qualifying Payment Relief	(5,478,474)	(5,387,364)
Taxable Profit	<u>-</u>	<u>-</u>
Statutory Tax Rate		
- Concessionary Rate of 12%	-	-
- Social Responsibility Levy of 1.5%	-	-
On agricultural profit 10%	-	-
Current Income Tax Expense	<u>-</u>	<u>-</u>

9.2 The Company is liable for income tax at the rate of 12% (2016 - 12%). The carried forward tax losses (provisional) of the Company as at 31 March 2017 amounts to Rs. 131,179 (2016-Rs. 3,081,127/-)

9.3 Deferred Tax Assets, Liabilities and Income Tax Relates to the Followings .

	Statement of Financial Position		Statement of Comprehensive Income	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Deferred Tax Liability				
Property, Plant and Equipment	31,135,663	30,946,938	188,725	1,516,972
	<u>31,135,663</u>	<u>30,946,938</u>	<u>188,725</u>	<u>1,516,972</u>
Deferred Tax Assets				
Employee Benefit Liability	(414,327)	(476,860)	62,533	(150,900)
Carried Forward Tax Losses	(15,742)	(349,495)	333,753	465,266
Grants and Subsidies	(40,036)	(61,877)	21,841	21,840
	<u>(470,105)</u>	<u>(888,232)</u>	<u>418,127</u>	<u>336,207</u>
Deferred Tax Expense			<u>606,852</u>	<u>1,853,179</u>
Net Deferred Tax Liability	<u>30,665,557</u>	<u>30,058,705</u>		

Notes to the Financial Statements

9.4 Deferred Tax (Assets) / Liabilities	2017	2016
	Rs.	Rs.
Balance as at the Beginning of the Year	30,058,705	28,205,527
Deferred Income Tax Credit/(Charge) - Statement of Profit or Loss	607,447	1,936,346
Deferred Income Tax Credit/(Charge) - Statement of Other Comprehensive Income	(596)	(83,167)
Balance as at End of the Year	<u>30,665,557</u>	<u>30,058,705</u>

10. RETIREMENT BENEFIT OBLIGATION

Defined Benefit Obligation - Gratuity

	2017	2016
	Rs.	Rs.
Defined Benefit Obligation as at the beginning of the year	3,287,332	2,716,340
Employee Transfer	714,116	-
Current Service Cost	481,269	419,881
Interest Cost	311,394	252,956
Actuarial (Gain)/Loss	4,964	686,504
Benefit paid	(1,346,350)	(788,349)
Defined Benefit Obligation as at the end of the year	<u>3,452,725</u>	<u>3,287,332</u>

Messrs. NMG Consulting, an independent actuaries, carried out an actuarial valuation of the defined benefit plan gratuity on March 31, 2017. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used are as follows:

	2017	2016
Discount Rate	12%	11%
Future Salary Increment Rate	11%	10%

10.1 Sensitivity of the principal assumptions used

	Expected Future Salaries		Discount Rate	
	1% increase	1% decrease	1% increase	1% decrease
	Rs.	Rs.	Rs.	Rs.
Change in Present value of Defined Benefit Obligation	293,736	(263,220)	(260,603)	296,063

10.2 The average duration of the defined benefit obligation as at the end of the reporting period is 8.8 years (2016 - 10 years). The demographic assumption underlying the valuation is the retirement age of 55 years.

Notes to the Financial Statements

		2017	2016
		Rs.	Rs.
11. GRANTS AND SUBSIDIES			
As at 1 April		515,640	697,644
Amortization During the Year		(182,004)	(182,004)
As at 31 March		<u>333,636</u>	<u>515,640</u>
This grant has been received from the Ceylon Chamber of Commerce as a grant to finance the project on conversion of the Diesel Fired Boiler to Dendro Thermal Power.			
12. TRADE AND OTHER PAYABLES			
Trade Payable - Others		2,026,914	4,092,690
Other Payable - Related Parties (Note 12.1)		2,372,165	9,452,773
Sundry Creditors Including Accrued Expenses		13,387,839	17,595,686
		<u>17,786,917</u>	<u>31,141,149</u>
Statutory payable		1,525,881	1,967,565
		<u>19,312,799</u>	<u>33,108,715</u>
12.1 Other Payable - Related Parties	Relationship		
Hayleys PLC	Ultimate Parent	358,252	234,765
Amaya Leisure PLC	Managing Company	1,430,779	8,028,755
Kandyan Resorts (Pvt) Ltd	Affiliate Company	531,509	1,139,125
Hayleys Business Solutions (Pvt) Ltd	Affiliate Company	27,576	24,352
Hayleys Electronic Lighting (Pvt) Ltd	Affiliate Company	24,047	25,776
		<u>2,372,165</u>	<u>9,452,773</u>
Trade and other payables (Including related parties) are non-interest bearing and are generally on terms of 30 days.			
13. UNCLAIMED DIVIDENDS			
Dividends Unclaimed		281,160	281,765
		<u>281,160</u>	<u>281,765</u>
14. REVENUE			
14.1 Summary			
Room Revenue		104,291,058	112,649,534
Food and Beverage Revenue		41,076,391	40,386,859
		<u>145,367,449</u>	<u>153,036,393</u>
Less:			
Tourism Development Levy		(1,497,032)	(1,577,567)
Turnover Tax		(304,123)	(194,573)
Total Revenue		<u>143,566,294</u>	<u>151,264,253</u>
15. OTHER INCOME			
Other Hotel Related Income		2,692,909	3,093,875
Amortisation of Grants and Subsidies		182,004	182,004
Gain on Foreign Exchange Encashment		556,144	124,578
Profit on Disposal of Property, Plant and Equipment		20,250	39,937
Sundry Income - Breakages		351,333	-
		<u>3,802,640</u>	<u>3,440,395</u>
16. FINANCE COST			
Interest Expense on Bank Overdrafts		-	246,312
		<u>-</u>	<u>246,312</u>

Notes to the Financial Statements

		2017	2016
		Rs.	Rs.
17. FINANCE INCOME			
Interest Income		218,046	83,470
		<u>218,046</u>	<u>83,470</u>
18. PROFIT/(LOSS) BEFORE TAX			
Stated after Charging /(Crediting)			
Included in Administrative Expenses			
Employees Benefits (including the following)		28,567,454	27,083,719
- Defined Benefit Plan Costs - Gratuity		792,663	672,837
- Defined Contribution Plan Costs - EPF&ETF		2,211,869	2,124,953
Depreciation		24,970,100	26,572,393
Management Fees		2,874,861	3,350,508
Audit Fees and Expenses		533,063	567,367
		<u>28,567,454</u>	<u>27,083,719</u>
Included in Marketing and Promotional Expenses			
Marketing and Sales Promotions		2,096,330	3,936,864
Sales Commission on Revenue		4,583,985	4,673,823
		<u>6,680,315</u>	<u>8,610,687</u>
19. EARNINGS PER SHARE			
19.1	Basic Earnings Per Share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year and previous year are adjusted for events that have changed the number of ordinary shares outstanding, without a corresponding change in the resources such as a bonus issue.		
19.2	The following reflects the income and share data used in the Basic Earnings Per Share computation.		
Amount Used as the Numerator:			
Profit for the year		3,218,061	6,480,276
Net Profit Attributable to Ordinary Shareholders for Basic Earnings Per Share		<u>3,218,061</u>	<u>6,480,276</u>
Number of Ordinary Shares Used as Denominator:			
Weighted Average number of Ordinary Shares in issue		5,625,000	5,625,000
		<u>5,625,000</u>	<u>5,625,000</u>
Basic Earnings Per Share		0.57	1.15

Notes to the Financial Statements

20. COMMITMENTS AND CONTINGENCIES

a) Capital Expenditure Commitments

The Company has purchase commitments for acquisition of Property, Plant and Equipment incidental to the ordinary course of business as at 31 March, as follows.

	2017 Rs.	2016 Rs.
Authorised by the Board, but not contracted for	<u>47 Mn</u>	<u>80 Mn</u>

b) Contingent Liabilities

There are no significant contingencies as at the Reporting date.

21. ASSETS PLEDGED

There are no any assets that have been pledged as securities of the company.

22. EVENTS OCCURRING AFTER THE REPORTING DATE

There have been no material events occurring after the reporting date that require adjustments to or disclosure in the financial statements.

23. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

23.1 Transactions with Ultimate Parent/Fellow Subsidiaries

	2017 Rs.	2016 Rs.
a) Nature of transactions		
Secretarial services provided by a Fellow Subsidiary where payments are made to the Ultimate Parent:	<u>1,384,642</u>	<u>1,244,396</u>
	<u>1,384,642</u>	<u>1,244,396</u>

23.2 Transactions with Key Management Personnel of the Company and Parent

The key management personnel of the Company are the members of its Board of Directors and that of its parent.

	2017 Rs.	2016 Rs.
a) Key Management Personnel Compensation		
Non Executive Director Fees	1,883,060	1,510,796
Insurance - Directors	<u>12,776</u>	<u>2,788</u>
	<u>1,895,836</u>	<u>1,513,584</u>

Notes to the Financial Statements

23.3 Other Related Party Disclosures

Transactions with entities that are significantly influenced by the Key Management Personnel of the Company:

Some Key Management Personnel of the Company and members of their families at least have significant influence in certain entities with which the Company entered into the transactions, summarised below

Nature of Transactions	2017 Rs.	2016 Rs.
Amount Receivable as at 31 March (Note 5.1 & 5.2)	740,820	637,004
Amount Payable as at 31 March (Note 12.1)	2,372,165	9,452,773
Hotel Operation and Marketing fees	8,409,333	8,809,525
Payment made	47,136,387	33,515,951
Payment Received	2,007,506	1,679,792
Purchases	82,192	381,012
Advertising and Other Reimbursements	34,163,101	33,151,520
Service Charge Paid	443,613	525,825
Sales of Accommodation	3,878,473	2,034,397
Gratuity Receivable	714,116	-
Overbooking Transfer	326,262	426,295

All the above recurrent related party transactions and balances have been conducted on agreed commercial terms with the respective parties on an arm's length basis

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities comprise only from, 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 the financial risk committee of the parent entity that advises on financial risks and the appropriate financial risk governance framework for the Group. The said financial risk committee provides assurance to the Company's senior management that the Company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with group policies and group risk appetite.

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

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's manage to operate with it's there for no borrowings have been required.

Notes to the Financial Statements

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 exposure to the risk of changes in foreign exchange rates relates primarily to its operating activities.

Trade Receivables

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and controls 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. Outstanding customer receivables are regularly monitored.

Financial Instruments and Cash Deposits

Credit risk from balances with banks and financial institutions is managed by the Heyleys Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Company's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Company's Finance Committee. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty's failure. The Company's maximum exposure to credit risk for the components of the statement of financial position as at 2016 and 2017 is the carrying amounts as illustrated in note no 6.

Liquidity Risk

The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool.

The Company objective is to maintain a balance between continuity of funding and flexibility through the use of equity funds and borrowings. The company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

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

Year Ended 31st March 2017	Within The Year	After One Year	Total
Trade and Other Payables	17,786,917	-	17,786,917
	<u>17,786,917</u>	<u>-</u>	<u>17,786,917</u>
Year Ended 31st March 2016	Within The Year	After One Year	Total
Trade and Other Payables	31,141,149	-	31,141,149
	<u>31,141,149</u>	<u>-</u>	<u>31,141,149</u>

Notes to the Financial Statements

Capital management

Capital includes equity attributable to the equity holders.

The primary objective of the Company capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order 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.

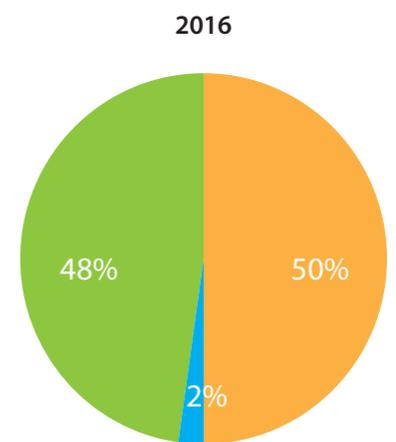
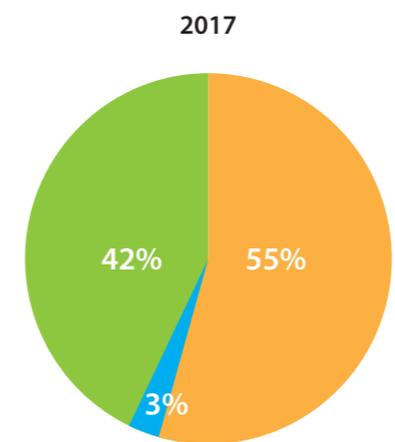
No changes were made in the objectives, policies or processes for managing capital during the year ended 31 March 2017.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt, interest bearing loans and borrowings, a loan from a venture partner, trade and other payables, less cash and cash equivalents, excluding discontinued operations.



Statement of Value Added

	2017 Rs.	2016 Rs.
Gross Turnover	145,367,449	153,036,393
Other Income	4,020,686	3,523,865
	<u>149,388,135</u>	<u>156,560,258</u>
Less: Cost of Material & Services bought in	<u>(81,523,854)</u>	<u>(83,541,492)</u>
	<u>67,864,281</u>	<u>73,018,766</u>
Value Allocated to Employees		
Salaries & Wages and Other Benefits	37,267,517	36,257,612
To Government		
TDL & Turnover Tax	1,801,155	1,772,140
To Providers of Capital		
Dividend	-	-
To Expansion & Growth		
Depreciation & Retained in Business	28,795,609	34,989,014
	<u>67,864,281</u>	<u>73,018,766</u>



■ Value Allocated to Employees
■ To Government

■ To Expansion & Growth

Information of Shareholders and Investors

Ordinary Shareholders as at 31st March 2017

No. of Shares Held	Residents			Non Residents			Total		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1 - 1,000	2,102	339,370	6.0332	12	3,074	0.0546	2,114	342,444	6.0879
1,001 - 10,000	82	254,220	4.5195	2	3,877	0.0689	84	258,097	4.5884
10,001 - 100,000	15	511,161	9.0873				15	511,161	9.0873
100,001 - 1,000,000	5	1,688,478	30.0174				5	1,688,478	30.0174
Over 1,000,000	1	2,824,820	50.2190				1	2,824,820	50.2190
	2,205	5,618,049	99.8764	14	6,951	0.1236	2,219	5,625,000	100.0000
Category									
Individuals	2,106	832,293	14.7963	14	6,951	0.1236	2,120	839,244	14.9199
Institutions	99	4,785,756	85.0801				99	4,785,756	85.0801
	2,205	5,618,049	99.8764	14	6,951	0.1236	2,219	5,625,000	100.0000

Name of Shareholders	No. of Shares as at 31/03/2017	%	No. of Shares as at 31/03/2016	%
Carbotels (Private) Limited	2,824,820	50.22	2,824,820	50.22
Amaya Leisure PLC	899,000	15.98	899,000	15.98
Jetwing Hotels Management Services (Pvt) Ltd	281,720	5.01	281,720	5.01
Negombo Hotels Limited	206,736	3.68	206,736	3.68
Blue Oceanic Beach Hotel (Private) Limited	152,799	2.72	152,799	2.72
Mr.S.C.Ganegoda	148,323	2.64	138,323	2.46
St.Andrews Hotel Limited	76,399	1.36	76,399	1.36
Mr.W.A.D.U.C.Perera	74,219	1.32	98,900	1.76
Bansei Securities Finance (Pvt) Ltd/R.C.J.Goonewardene	61,393	1.09	55,862	0.99
Dee Investments (Pvt) Ltd	52,300	0.93	52,300	0.93
N J Cooray (Builders) (Pvt) Ltd	46,298	0.82	46,298	0.82
Jet Travels (Private) Limited	45,839	0.81	45,839	0.81
Yala Safari Beach Hotel (Private) Limited	31,018	0.55	31,018	0.55
Mr.K.N Karunaratne	24,719	0.44	21,787	0.39
The Nuwara Eliya Hotels Company PLC	16,000	0.28	16,000	0.28
Mr.B.M.T.Fernando	15,994	0.28	15,994	0.28
Mr.N.J.H.M.Cooray	15,279	0.27	15,279	0.27
People's Leasing & Finance PLC/L.P.Hapangama	15,200	0.27	15,200	0.27
Mr.S.A Obeyesekere	12,584	0.22	12,584	0.22
People's Leasing & Finance PLC/L.H.M.P.Haradasa	12,498	0.22	12,498	0.22
TOTAL	5,013,138	89.12	5,019,356	89.23

The Percentage of shares held by public as at 31 March, 2017 was 31.44%

High Rs. 71.80
Low Rs. 41.90
Closing Rs. 46.30

Five Year Summary

Year Ended 31 March	2017	2016	2015	2014	2013	
Operation Result						
Turnover	Rs.000s	143,566	151,264	139,832	150,383	139,390
Profit before Taxation	Rs.000s	3,826	8,417	3,936	22,648	24,718
Taxation	Rs.000s	(607)	(1,936)	(769)	(1,457)	(2,889)
Profit after Taxation	Rs.000s	3,218	6,480	3,167	21,191	21,828
Statement of Profit or Loss						
Share Capital	Rs.000s	82,500	82,500	82,500	82,500	82,500
Capital Reserve	Rs.000s	60,577	44,957	44,957	38,310	38,310
Revenue Reserves	Rs.000s	219,244	216,030	210,208	212,695	197,402
Share Holders' Fund	Rs.000s	362,320	343,487	337,665	333,505	318,212
Non-Current Assets	Rs.000s	376,860	384,818	391,234	367,731	339,838
Current Assets	Rs.000s	39,507	27,793	23,749	35,473	34,450
Current Liabilities (Net of Borrowings)	Rs.000s	(19,594)	(33,390)	(24,286)	(38,640)	(26,624)
Borrowings	Rs.000s	-	(1,873)	(21,413)	-	-
Provisions / Subsidies	Rs.000s	(34,452)	(33,862)	(31,620)	(31,059)	(29,452)
Net Assets	Rs.000s	362,320	343,487	337,664	333,505	318,212
Key Indicators						
Earning per Share	Rs.	0.57	1.15	0.56	3.77	3.88
Market price per 31st March	Rs.	46.30	50.60	59.90	48.10	52.50
Highest Market Price	Rs.	71.80	73.50	76.90	61.00	70.00
Lowest Market Price	Rs.	41.90	45.00	45.80	44.10	49.10
Return on Equity	%	0.89	1.89	0.94	6.42	6.82
Price Earning Ratio	No. of Times	81.23	44.00	106.96	12.75	13.53
Interest Cover	No. of Times	-	35.17	30.53	-	-
Gearing Ratio	%	-	0.50	5.96	-	-
Current Ratio	No. of Times	2.02	0.79	0.52	0.92	1.29
Net Assets Per Share	Rs.	64.41	61.06	60.03	59.29	56.57

Glossary of Financial Terms

Accounting Policies

The specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting Financial Statements.

Accrual Basis

Recording revenues and expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period.

Capital Employed

Total assets less current liabilities.

Contingent Liabilities

Conditions or situations at the balance sheet date, the financial effect of which are to be determined by the future events which may or may not occur.

Current Ratio

Current assets divided by current liabilities.

Capital Reserves

Reserves identified for specific purposes and considered not available for distribution.

Capital Expenditure

The total additions to Property, Plant and Equipment.

Debt/Equity Ratio

Debt as a percentage of shareholders' funds and minority interest.

Deferred Tax

Sum set aside in the financial statements for taxation that may become payable in a financial year other than the current financial year.

Earnings Per Share (EPS)

Profit attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period.

Fair Value

Fair value is the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

Impairment

This occurs when recoverable amount of an asset is less than its carrying amount.

Interest Cover

Consolidated profit before interest and tax over finance expenses.

Market Value Per Share

The price at which an ordinary share can be purchased in the stock market.

Glossary of Financial Terms

Market Capitalisation

Number of shares in issue at the end of period multiplied by the market price at end of period.

Net Assets

Total assets minus current liabilities minus long term liabilities minus minority interest. Net assets per share Shareholders' funds divided by the weighted average number of ordinary shares in shares. Pre-Tax Return on capital employed consolidated profit before interest and tax as a percentage of average capital employed at year end.

Price Earnings Ratio

Market price per share over Earnings Per Share.

Return on Equity

Profit attributable to shareholders as a percentage of average shareholders' funds.

Shareholders' Funds

Shareholders' funds consist of stated capital plus capital and revenue reserves.

Total Debt

Long-term loans plus short-term loans and overdrafts.

Total Value Added

The difference between net revenue (including other income) and expenses, cost of materials and services purchased from external sources.

Notice of Meeting

Hunas Falls Hotels PLC Company No. PQ72

Notice is hereby given that the Twenty Eighth Annual General Meeting of Hunas Falls Hotels PLC, will be held at the Registered Office of the Company, at No.400, Deans Road, Colombo 10, on Friday, 23rd June, 2017 at 10.00 a.m. and the business to be brought before the meeting will be:

- To consider and adopt the Annual Report of the Board and the Statements of Accounts for the year ended 31st March, 2017 with the Report of the Auditors thereon.
- To re-elect Mr.D.E.Silva who retires by rotation at the Annual General Meeting, a Director.
- To re-elect Mr.S.B.Rangamuwa, who retires by rotation at the Annual General Meeting, a Director.
- To authorise the Directors to determine contributions to charities for the financial year 2017/18.
- To authorise the Directors to determine the remuneration of the Auditors, Messrs. Ernst & Young, Chartered Accountants who are deemed to have been re-appointed as Auditors in terms of section 158 of the Companies act No.07 of 2007 for the year 2017/18.

- To consider any other business of which due notice has been given.

NOTE :

A shareholder is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a shareholder of the Company. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at the Registered Office, No.400, Deans Road, Colombo 10 by 10.00 a.m. on 21st June, 2017.

By Order of the Board
HUNAS FALLS HOTELS PLC
HAYLEYS GROUP SERVICES (PRIVATE) LIMITED

Secretaries
Colombo
24th May 2017

Form of Proxy

I/We*
.....(Full name of shareholder**)

NIC No./Reg. No. of Shareholder (**).
of
being a shareholder/shareholders (*) of **HUNAS FALLS HOTELS PLC** hereby appoint,

1.
.....(Full name of Proxyholder**)
NIC No. of Proxyholder (**).of
.....or failing him/them,*

2. ABEYAKUMAR MOHAN PANDITHAGE (Chairman of the Company) of Colombo, or failing him, one of the Directors of the Company as my/our* proxy to attend, speak and vote as indicated hereunder for me/us* and on my/our* behalf at the Twenty Eighth Annual General Meeting of the Company to be held on Friday, 23rd June, 2017 and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof.

	For	Against
1. To consider and adopt the Annual Report of the Board and the Statements of Accounts for the year ended 31st March, 2017, with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. D.E. Silva, who retires by rotation at the Annual General Meeting, a Director	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr. S.B. Rangamuwa, who retires by rotation at the Annual General Meeting, a Director	<input type="checkbox"/>	<input type="checkbox"/>
4. To authorise the Directors to determine contributions to charities for the year 2017/18.	<input type="checkbox"/>	<input type="checkbox"/>
5. To authorise the Directors to determine the remuneration of the Auditors, Messrs. Ernst & Young, Chartered Accountants who are deemed to have been re-appointed as Auditors in terms of section 158 of the Companies act No.07 of 2007 for the year 2017/18.	<input type="checkbox"/>	<input type="checkbox"/>

(*) The proxy may vote as he thinks fit on any other resolution brought before the Meeting of which due Notice has been given.**

As witness my/our* hands this day of 2017.

Witness(**);
Signature of Shareholder

Name :

Signature :

Address :

NIC No :

- Notes: (a) *Please delete the inappropriate words.
(b) A shareholder entitled to attend and vote at the Annual General meeting of the Company, is entitled to appoint a proxy to attend and vote instead of him/her and the proxy need not be a shareholder of the company.
** Full name of shareholder/proxy holder and their NIC Nos and Witness are mandatory. Your Proxy Form will be rejected if these details are not completed.
(c) A shareholder is not entitled to appoint more than one proxy to attend on the same occasion.
(d) Instructions are noted on the reverse hereof.
(e) This Form of Proxy is in terms of the Articles of Association of the Company.

Form of Proxy

Instructions as to Completion

1. To be valid, this Form of Proxy must be deposited at the Registered Office of the Company, No.400, Deans Road, Colombo 10, Sri-Lanka by 10.00 a.m. on Wednesday, 21st June, 2017.
2. In perfecting the Form of Proxy, please ensure that all details are legible
3. If you wish to appoint a person other than the Chairman of the Company (or failing him, one of the Directors) as your proxy, please insert the relevant details at 1 overleaf and initial against this entry.
4. Please indicate with an **X** in the space provided how your proxy is to vote on each resolution. If no indication is given, the proxy in his discretion will vote as he thinks fit. Please also delete (***) if you do not wish your proxy to vote as he thinks fit on any other resolution brought before the Meeting.
5. In the case of a Company / Corporation, the proxy must be under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association.

In the case of the individual shareholders, the signature of the shareholder should be witnessed by any person over 18 years of age.
6. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company, the original POA together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company along with the Form of Proxy.
7. In case of Marginal Trading Accounts (slash accounts), the form of Proxy should be signed by the respective authorized Fund Manager/Banker with whom the account is maintained.

CORPORATE INFORMATION

NAME OF COMPANY	Hunas Falls Hotels PLC Company Number PQ 72
LEGAL FORM	A Quoted Public Company with Limited Liability Incorporated in Sri Lanka in 1989
BOARD OF DIRECTORS	Mr. A. M. Pandithage - Chairman Mr. L. T. Samarawickrama - Managing Director Mr. S. C. Ganegoda Mr. S. J. Wijesinghe Mr. C. J. Wickramasinghe Mr. D. E. Silva Mr. S. B. Rangamuwa Mr. J. P. Van Twest Mr. B. C. S. A. P. Gooneratne
SECRETARIES	Hayleys Group Services (Private) Limited 400, Deans Road Colombo 10 Phone : +94 11 2 627650
AUDITORS	Messrs Ernst & Young Chartered Accountants 201, De Saram Place Colombo 10
HOTEL OPERATION & MARKETING	Amaya Leisure PLC Level 27, East Tower World Trade Center, Echelon Square, Colombo 01 Phone : +94 11 4 767800
BANKERS	Sampath Bank PLC Commercial Bank of Ceylon PLC
REGISTERED OFFICE	400, Deans Road, Colombo 10



AMAYA

HUNAS FALLS • KANDY
SRI LANKA

HUNAS FALLS HOTELS PLC
Elkaduwa, Sri Lanka