

HUNAS FALLS HOTELS PLC
Mystery of Nature Unfold

Annual Report
2018/2019



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...

For decades, Hunas Falls Hotel 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 & time.

It is indeed where time stands still...



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Where time stands still...



Financials at a Glance

Rs. 144 MN
Revenue

Rs. 23 MN
Operating Profit

6,613
No. of Room Nights Served

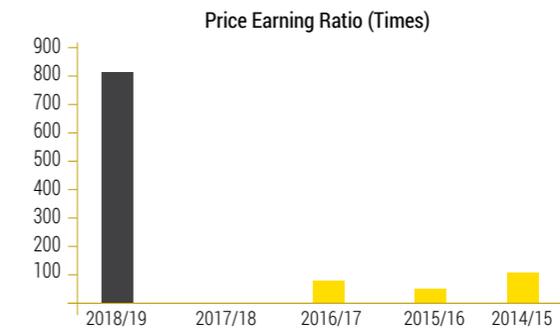
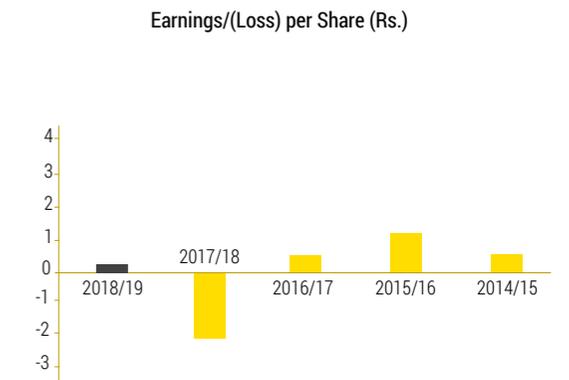
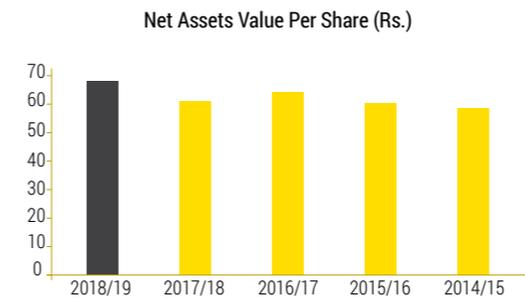
13,510
No. of Guests Served

92
No. of Employees

Rs. 41 MN
Payments to Employees

Rs. 23 MN +
Contribution to Government Revenue
(Direct & Indirect taxes)

		2018/2019	2017/2018	Variance
For the Year				
Turnover (Gross)	Rs.000s	143,835	126,203	14%
Turnover (Net)	Rs.000s	142,148	124,749	14%
Profit / (Loss) before Tax	Rs.000s	2,337	(9,412)	>100%
Profit / (Loss) after Tax	Rs.000s	1,233	(12,876)	>100%
At the year end				
Shareholders' Funds	Rs.000s	385,740	340,843	13%
Total Assets	Rs.000s	466,591	408,498	14%
Company Employment	No. of Persons	92	91	1%
Per Share				
Earning / (Loss)	Rs.	0.22	(2.29)	>100%
Net Assets	Rs.	68.58	60.59	13%
Market Value	Rs.	180.00	65.00	>100%
Ratio				
Gross Profit	%	74%	76%	-3%
Current Ratio	No. of Times	2.84 : 1	2.44 : 1	16%



Where the earth meets the sky...



Chairman's Review

“The hotel achieved a Net Profit of LKR 1.2 Million which is a significant improvement from the Net Loss of LKR 12.8 Million from the previous financial year. This improvement of profitability is due to an impressive 14% increase in revenue during the year which reversed the trend of declining revenue from the previous year. ”

Dhanuka Samarasinghe
Chairman



On the pathway to serenity...

Dear Shareholder,

On behalf of the Board, I am pleased to present the Annual Report and Financial Statements of Hunas Falls Hotels PLC for the year ended 31st March 2019.

Before I go any further into the performance of our hotel, I would first like to express my heartfelt sympathies to the victims, their families and everyone else affected by the tragic terrorist attack that took place on the 21st of April 2019. Despite facing such adversity, it is promising to see the hospitality sector and the Sri Lankan economy persevere through these tough times, with its resilience to rebuild itself.

The year under review was promising for the Sri Lankan tourism industry where tourist arrivals saw a strong YoY growth of 10.3% which boosted tourist arrivals to 2.33 million of which the Asia Pacific region continued to contribute the largest number of tourists with India and China leading the way. Arrivals from Europe saw a significant YoY growth of 18.8% helping Sri Lanka to decrease its dependence on Asia.

The reputation of Sri Lanka as a premier tourist destination was on the rise with numerous international travel publications such as Lonely Planet ranking Sri Lanka as the world's #1 travel destination. However, this goodwill was temporarily affected by the terrorist attack with numerous countries issuing travel warnings to Sri Lanka.

The next financial year will prove to be challenging to the Sri Lankan tourism industry as it attempts to restore confidence of international travelers and rebuild its reputation as a leading tourist destination in the world.

Amidst this macroeconomic backdrop, Hunas Falls Hotels PLC managed to improve on its performance from the last financial year and posted positive results. The hotel achieved a Net Profit of LKR 1.2 Million which is a significant improvement from the Net Loss of LKR 12.8 Million from the previous financial year. This improvement of profitability is due to an impressive 14% increase in revenue during the year which reversed the trend of declining revenue from the previous year. What is even more impressive is that the revenue from both rooms and F&B operations showed a significant improvement compared to the previous financial year.

The financial year under review, saw an improvement in occupancy rates across all 12 months which was mainly driven by strategically timed offers and discounts.

While Hunas Falls made some positive strides towards improving its financial performance over the past year, the outlook for the year ahead will prove to be a defining challenge for the hotel as it aims to overcome the bleak macroeconomic conditions and achieve its goals.

The hotel plans on sustaining its occupancy rates through this tough time by encouraging repeat clientele through strategic offers. In addition, the hotel is using this period to enhance and uplift its quality of service by focusing on training the entire staff and engaging the management to efficiently execute the overall operations of the hotel. Moreover, Hunas Falls Hotels is also looking to diversify its revenue sources through the effective sustainable utilization of the unique landscape that the hotel is blessed with.

Finally, I would like to extend my sincere appreciation to the former Chairman and the Board of Directors of Hunas Falls PLC for their 27 years of service during which time they built the hotel into an iconic destination. It is a privilege to be a part of this magnificent property and we are honored by the opportunity to manage this iconic hotel. Further, I would like to thank my colleagues on the Board for their guidance and support. I also wish to thank the Management Team and all our dedicated staff for their continued hard work. Last but not least, I would like to thank our most valued guests who have patronized the hotel, we look forward to serving you in the years to come.



Dhanuka Samarasinghe
Chairman
27th August 2019





Profiles of the Board of Directors

Profiles of the Board of Directors

Mr. Dhanuka Samarasinghe - Chairman

Mr. Samarasinghe, whose academic roots come from Strategic Business Management, is a Strategist and has been in the Board of Hotel Developers (Lanka) PLC since 2015 - a publicly listed company at the Colombo Stock Exchange, owning Hilton, Colombo.

Upon the completion of his studies at Deakin University, Australia, Dhanuka joined his family businesses that were mainly engaged in Plantations & Rubber.

Dhanuka is also a proud co-founder of the TAD Group of Companies, a fast-growing diversified conglomerate, whose presence is in a variety of industries; from Renewable Energy, Leisure, Tea to Investment Management. The group holds over 25 subsidiaries, headed by Dhanuka as the Chairman, playing an instrumental role as a strategist on the overall operations of the Group.

Dhanuka also serves as the Chairman of the Board at Mercantile Produce Brokers, the 4th Largest Tea Brokering Company in Sri Lanka.

Mr. Atheeq Ansar - Executive Director

Mr. Ansar serves as the Managing Director for the TAD Group of companies adding unsurpassed value to the group through his envisioned and far-sighted business personality as well as his passion for business.

He is a specialist in finance with a keen interest in promoting sustainable businesses while discharging social, environmental and economic responsibilities towards all stakeholders involved in businesses headed by him.

Being a proud co-founder of TAD, his own business venture, Ansar holds over 10 years of corporate experience in the field of finance, having served for internationally acclaimed corporate setups such as PricewaterhouseCoopers and Moody's Analytics.

Ms. Sujivie Irugalbandara - Executive Director

Ms. Irugalbandara holds the Finance Directorship of the TAD Group of Companies, adding immense value as an outstanding feminine representation on the board. She is a strong believer of women empowerment and equality and takes pride in accepting challenges in life and facing them successfully enlivened by her profile of talents and charisma.

She has been heading the overall Finance and Tax Functions and involved in strategic planning, in several leading corporates in Sri Lanka over the years. An Alumni of KPMG, she counts over 28 years of experience in the field of finance and also holds corporate Directorship at Sierra Cables PLC.

She holds a Master of Business Administration in Finance, from the University of South Queensland reflecting the scholarly insight in her area of specialization.

Mr. Prabath De Alwis - Non-Executive Director

Mr. Prabath De Alwis is the CEO of the TAD Group of Companies and is a patriotic personality and great believer in his country and its people's potential. He strives to explore new and innovative ways of creating economic opportunities with the intention of creating win-win situations to all stakeholders involved.

He counts over 21 years of corporate experience in the areas of Leisure, Renewable Energy, Plantations & F&B. De Alwis also functioned in the capacity of the Private Secretary to the Minister of Public Administration from 2011 – 2015. He studied Banking and Finance at University of Monash, Australia and also holds a Master's in Strategic Management from the Federation University Australia.

Ms. Pravini Wickramanayake - Non-Executive Director

Ms. Wickramanayake manages the Investor Relations Division at TAD Group and also functions in the capacity of the Board Secretary. Having a background in Accounting and Finance, she obtained her BBA (Specialised) in Accounting and Finance from the Ritsumeikan Asia Pacific University in Japan.

Mr. Hirantha Pandithasekara - Non-Executive Independent Director

Mr. Pandithasekera counts over 19 years of experience in the Industries of Finance and Insurance. Presently, he holds the position of the General Manager-Process Re-engineering and Operations at Mercantile Investments and Finance PLC, having gained expertise in Credit Management, Sales and Marketing throughout his career.

Mr. Gajan Vinothan - Non-Executive Independent Director

Mr. Vinothan is a Management Accountant by Profession, a CIMA Passed finalist and Trained Financial Analyst. He has over seven years of experience working at PricewaterhouseCoopers and Moody's Analytics. Presently, he is the Director and CEO of Stripes & Checks (Pvt) Ltd, the company behind the Menswear brand Stripes & Checks Inc which he Co-Founded in 2014.

Corporate Social Responsibility



Corporate Social Responsibility

1. Practical training for school students

Hotel visit of Molagoda Sri Piyadassi Buddhist Collage

We, at Hunas Falls consider training as a vital factor for the growth of the employees, which subsequently impacts the growth of the organization as well. Not limiting the knowledge of our heads of department only to our employees, but we do consider the improvement of our future work force too. Therefore we always consider and accept requests from the professional institutes and schools to visit the hotel, to have a thorough knowledge about the operations of Kitchen, Food & Beverage, Housekeeping and Front Office departments.



2. Kadala dansala

This event is organized by the Hunas Falls Sports & Welfare Society on an annual basis, on every Posaon Poya day considering charity. The food is distributed among villagers and all passing by.



3. Alms-giving to the Imbhulpitiya Sri Nandanaramaya

As a suggestion by the Hunas Falls Sports & Welfare society, an alms-giving was organized on 24th of September 2018 - Binara Poya Day . It was an event with a higher involvement of the staff, It brought merits and strengthened their bond with the village temple and villagers.



4. Blood donation program

The blood donation camp is also an annual event organized by the Hunas Falls Sports and Welfare Society. The majority of the contributors are the Staff members of the hotel, the involvement of the village is also much appreciated. The number of contributors were around 35



5. Cash donation

In some occasions when monetary contributions were most valued and required, we donated cash, to temples and the Roman Catholic Church, as well to the schools around the hotel.



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

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

The Board of Directors are pleased to present their report and the Audited financial statements of the Company for the Year ended 31st March 2019. The details set out herein provide the pertinent information required to be disclosed by the Companies Act No. 07 of 2007, the Colombo Stock Exchange Listing Rules and are guided by recommended best accounting practices.

On 14th January 2019, there was a change of ownership as Hayleys Group divested their interest to Serenity Lake Leisure (Private) Limited acquiring 66.20% of the shares which was followed by a Mandatory Offer on 25th January 2019, where Serenity Lake Leisure (Private) Limited acquired 81.09% Shares of Hunas Falls Hotels PLC

Review of the Year

The Chairman's statement on page no 14 reviews the affairs of the Company for the financial year ended 31st March 2019. These reports form and integrate the part of the annual report of the Board of Directors of the year under review.

Principal Activity

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 Audited Financial Statements of the Company are given on pages 54 to 89 in the Annual Report.

Auditor's Report

The Auditors' Report on the Financial Statements is given on page 54 to 57.

Accounting Policies

The Accounting Policies adopted by the Company in the preparation of Financial Statements are given on pages 62 to 74 in the Annual Report. The Accounting Policies adopted are consistent with those of the previous financial year.

Interests Register

The Company maintains an Interest register and the particulars of those directors who were directly or indirectly interested in a contract of the Company are stated therein.

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 87 to 88.

Directors' Remuneration and other Benefits

The Directors' Remuneration in respect of the Company for the financial year ended 31st March 2019, amounted to Rs. 2,422,191/-.

Directors' Shareholdings

The Directors' of the Company as at 31st March 2019 did not hold any shares in the Company.

Board Sub-Committees

• Audit Committee

Mr. B. C. S. A. P. Gooneratne - Chairman
Mr. J. P. Van Twest - Non-Executive Independent Director
Mr. S. B. Rangamuwa - Non-Executive Independent Director

*Resigned w.e.f 12th March 2019

Mr. C H A Pandithasekera - Chairman
Independent Non - Executive Director
Mr. G Vinothan - Member
Independent Non-Executive Director
Ms. P. Wickramanayake - Member
Non-Executive Director

*Appointed w.e.f 10th June 2019

The report of the Audit Committee appears on page no 46.

• Remuneration Committee

Dr. H Cabral, PC - Independent Non-Executive Director of Hayleys PLC
Mr. Dhammika Perera - Non-Executive Director of Hayleys PLC
Mr. M H Jamaldeen - Independent Non-Executive Director of Hayleys PLC
Mr. M Y A Perera - Independent Non-Executive Director of Hayleys PLC

The committee was reconstituted with the change of the ownership and the current Committee appointed w.e.f 10th June 2019 as follows:

Mr. C H A Pandithasekera - Chairman-Independent Non-Executive Director
Mr. G Vinothan - Member Independent Non-Executive Director
Ms. P. Wickramanayake - Member Non-Executive Director

• Related Party Transactions Review Committee

Dr. H. Cabral, PC - Independent Non-Executive Director of Hayleys PLC
Mr. M.Y.A. Perera - Independent Non-Executive Director of Hayleys PLC
Mr. S. C. Ganegoda - Executive Director of Hayleys PLC (Resigned from the Board w.e.f 21st February 2019)

The committee was reconstituted with the change of the ownership and the current Committee appointed w.e.f 10th June 2019 as follows:

Mr. G Vinothan - Chairman - Independent Non- Executive Director
Mr. C H A Pandithasekera - Member Independent Non - Executive Director
Ms. P. Wickramanayake - Member Non-Executive Director

The report of the Related Party Transaction Review Committee appears on page no 50.

Donations

At the last Annual General Meeting shareholders approved a sum not exceeding Rs. 50,000/- in respect of donations. The donations given during the year amounted to Rs.16,800/-. No donations were made for political purposes .

Directorate

Names of the Directors are for the financial year 2018/2019 is given below.

Name of the Directors	Resignation Date	Position
Mr. L.T. Samarawickrama	21st February 2019	Managing Director
Mr. S.C. Ganegoda	21st February 2019	Non-Executive Director
Mr. S.J. Wijesinghe	21st February 2019	Non-Executive Director
Mr. D.E. Silva	21st February 2019	Executive Director
Mr. A. M. Pandithage	12th March 2019	Chairman
Mr. C.J. Wickramasinghe	12th March 2019	Non-Executive Independent Director
Mr. S.B. Rangamuwa	12th March 2019	Non-Executive Independent Director
Mr. J.P. Van Twest	12th March 2019	Non-Executive Independent Director
Mr. B.C.S.A.P. Gooneratne	12th March 2019	Non-Executive Independent Director

Name of the Directors	Appointment Date	Position
Mr. W S L D R Samarasinghe	21st February 2019	Chairman Non-Executive Director
Ms. G S M Irugalbandara	21st February 2019	Executive Director
Mr. P M De Alwis	21st February 2019	Non-Executive Director
Mr. M A A Atheeq	21st February 2019	Executive Director

Annual Report of the Board of Directors on the Affairs of the Company (Contd...).

Directors appointments (Contd...)

Name of the Directors	Appointment Date	Position
Mr. C H A Pandithasekera	09th May 2019	Non-Executive Independent Director
Ms. P Wickremanayake	09th May 2019	Non-Executive Director
Mr. Gajan Vinothan	09th May 2019	Non-Executive Independent Director

Mr. W S L D R Samarasinghe, Ms. G S M Irugalbandara, Mr. P M De Alwis, Mr. M A A Atheeq, Mr. C H A Pandithasekera, Ms. P Wickremanayake, and Mr. Gajan Vinothan will be eligible for re - election as per Article 27 (2) of the Articles of Association of the Company.

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. 622,450/- as audit fees by the Company. In addition, they were paid Rs. 440,815/- 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.142,148,347/- (2017/2018 -Rs. 124,749,117/-).

Profit / (Losses)	2019 Rs.	2018 Rs.
Net Profit / (Loss) for the Year after providing for all expenses known liabilities and depreciation of Fixed Assets	1,232,536	(12,876,188)
Accumulated Profit at End of the Year	207,365,284	206,246,645

Taxation

The Company is liable to pay income tax at the rate of 14% on income from operations. Other 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 (7) and estimated market values of land Rs. 114.53 Mn. Extent of the land is 46 Acres, 3 Rood, and 36 Perches .

Stated Capital

The Stated Capital as at 31st March 2019 was Rs 82,500,000/= comprising 5,625,000 fully paid 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, 2019, 6.53% of the issued capital of the Company was held by the public, comprising 1,850 shareholders.

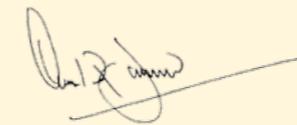
Going Concern

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 is scheduled to be held on 26th September 2019 at 10.00 a.m at Sri Lanka Foundation Institute, Sri Lanka Padanama Mawatha, 100, Independence Square, Colombo 07. Notice of meeting relating to the Thirtieth Annual General Meeting is given on page 94 of this Annual Report.

For and on behalf of the Board



W S L D R Samarasinghe
Chairman



G S M Irugalbandara
Director



S S P CORPORATE SERVICES (PRIVATE) LIMITED

Secretaries
27th August 2019

Corporate Governance



A bird's eye view...

Corporate Governance

- Companies Act No. 7 of 2007
- The Listing Rules of the Colombo Stock Exchange (CSE)
- The recommendations of the Code of Best Practice on Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka (Joint Code) to the extent that they are practicable.

Hunas Falls Hotels PLC, through a process of continuous review, is committed to maintaining the highest standards of business integrity, ethical values and professionalism in all of its activities and relationships, nurturing the trust placed in it by all its stakeholders by greater value creation, year-on-year.

This philosophy has been ingrained at all levels in the company through a strong set of corporate values and a code of conduct which staff at all levels and the Board of Directors are required to follow in the performance of their official duties and in circumstances that are publicly profiled. These values are reinforced through the Company's recognition schemes which insist, as a minimum, that all nominees have modeled the values.

Code of Conduct

- Allegiance to the Company
- Compliance with rules and regulations applicable in the territories in which the Company operates
- Conduct of business in an ethical manner at all times and in keeping with acceptable business practices
- Exercise of professionalism and integrity in all business and 'public' personal transactions

The Company believes that the core values that underlie its corporate activities are the main source of its competitive advantage which is rewarded by the trust placed in it by stakeholders.

The Chairman of the Board affirms that there has not been any material violation of any of the provisions of the code of conduct. In instances where violations did take place, they were investigated and handled through well established procedures.

Board Meetings & Attendance

The Board of Hunas Falls PLC met once every quarter. Ad hoc meetings are held as and when necessary. The Director's attendance is shown in the table below.

Name of Director	Meetings Attended
Mr. A. M. Pandithage - Chairman	5/5
Mr. L. T. Samarawickrama - Managing Director	5/5
Mr. S. C. Ganegoda	5/5
Mr. S. J. Wijesinghe	4/5
Mr. C. J. Wickramasinghe	3/5
Mr. D. E. Silva	4/5
Mr. S. B. Rangamuwa	4/5
Mr. J. P. Van Twest	4/5
Mr. B. C. S. A. P. Gooneratne	4/5

The Board was reconstituted with the change of the ownership and the current Board is given on page 27 to 28.

SECTION 1: CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE ISSUED BY THE SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA (SEC) AND THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA (CASL)				
Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2018/19	
A. DIRECTORS				
A.1 THE BOARD				
The Company is headed by an effective Board of Directors with local and international experience. The Board of Directors of the Company consists of professionals in the fields of Accounting, Management, Law, Economics, Marketing and Business Leaders. All Directors possess the skills and experience and knowledge complemented with a high sense of integrity and independent judgment. The Board gives leadership in setting the strategic direction and establishing a sound control framework for the successful functioning of the Company. The Board's composition reflects a sound balance of independence and anchors shareholder commitment. Profiles of Directors are given on page 18 to 19.				
1.	Board Meetings	A.1.1	Complied	The Board usually meets at quarterly intervals, but also meets more frequently when needed. The Board met 5 times during the year under review. Scheduled Board meetings were arranged well in advance, and all Directors were expected to attend each meeting. Any instances of non-attendance of Board meetings were generally related to prior business, personal commitments or illness. The attendance at Board meetings held is set out on page 32.
2.	Board Responsibilities	A.1.2	Complied	The Board is responsible to the shareholders for creating and delivering long-term sustainable shareholder value through the business. The Board ensures the formulation and implementation of a sound business strategy. The Board has put in place a Corporate Management team led by the Managing Director with the required skills, experience and knowledge necessary to implement the business strategy of the Company. The Board also ensures effective systems are in place to secure integrity of information, internal controls and risk management. The Board ensures that the Company's values and standards are set with an emphasis on adopting appropriate accounting policies and fostering compliance with financial regulation.
3.	Compliance with Laws and access to independent professional advices	A.1.3	Complied	The Board collectively, and Directors individually must act in accordance with the laws as applicable to the Company. The Company had complied with all applicable laws and regulations during the year. A procedure has been put in place for Directors to seek independent professional advice in furtherance of their duties, at the Company's expense. This will be coordinated through the Company or the Board Secretary when requested.
4.	Company Board	A.1.4	Complied	All Directors have access to the advice and services of the Company Secretary as required. The Company Secretary keeps the Board informed of new laws and revisions, and regulations and requirements coming into effect which are relevant to them as individual Directors and collectively to the Board.
5.	Independent Judgement	A.1.5	Complied	All Directors exercise independent judgment in decisions made by the Board on issues of strategy, performance, resource allocation and the conduct of business.

Corporate Governance (Contd...).

Corporate Governance Principles		Reference of Code	Compliance	The Company's Extent of Compliance in 2018/19
6.	Dedication of adequate time and effort by the Board and Board Committees	A.1.6	Complied	All Directors of the Company dedicate adequate time and effort to fulfill their duties as Directors of the Company (both before and after the Board Meetings), in order to ensure that the duties and responsibilities owed to the Company are satisfactorily discharged.
A.3 CHAIRMAN'S ROLE				
The Chairman leads and manages the Board, ensuring that it discharges its legal and regulatory responsibilities effectively and fully preserves order and facilitates the effective discharge of the Board functions. The profile of the Chairman is given on page 18.				
7.	Role of the Chairman	A.3.1	Complied	<p>The Chairman is as an outstanding business leader, provides leadership to the Board, controls and preserves order at Board meeting and provides the Board with strategic direction and guidance in managing the affairs of the Company.</p> <p>The Chairman is also responsible for:</p> <ul style="list-style-type: none"> Ensuring the new Board members are given an appropriate induction, covering terms of appointment, The effective participation of both Executive and Non- Executive Directors; All Directors are encouraged to make an effective contribution, within their respective capabilities, for the benefit of the Company; A balance of power between Executive and Non-Executive Directors is maintained; The views of Directors on issues under consideration are ascertained:
A.4 FINANCIAL ACUMEN				
The Code requires that the Board comprises members with sufficient financial acumen and knowledge in order to offer guidance on matters on finance. The Board of the Company has met the above requirement as as the member of the audit committee is a qualified accountant having professional qualifications and equipped with sufficient financial acumen and knowledge to offer guidance on matters of finance.				
8.	Financial acumen and knowledge	A.4	Complied	The Board comprises one qualified accountant who serves as member of the Audit Committee. These Directors add substantial value and independent Judgement on the decision-making of the Board on matters concerning finance and investment.

Corporate Governance Principles		Reference of Code	Compliance	The Company's Extent of Compliance in 2018/19
A.5 BOARD BALANCE				
The Code requires that a balance is maintained between the Executive and Non-Executive Directors (NEDs) so that no individual or a small group of individual Directors are able to dominate the Board's decision making. The Board consists of Two (02) Executive Directors and Five (5) Non-Executive Directors. Each of them brings to the Board, wide experience and the ability to exercise independence and judgment when taking informed decisions.				
09.	Presence of Non-Executive Directors	A.5.1	Complied	Five (5) of the Seven (7) Directors are Non-Executive Directors, which is well above the minimum number prescribed by this Code.
10.	Criteria to evaluate Independence of Non- Executive Directors	A.5.3	Complied	Refer Section A 5.5 below. The Board considers Non- Executive Director's independence on an annual basis. For a Director to be deemed 'independent', such a Director should be independent of management and free of any business or any other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgement.
11.	Signed declaration of independence by the Non-Executive Directors	A.5.4	Complied	Every Non-Executive Director of the Company has made a written submission as to their independence against the specified criteria.
12.	Determination of independence of the Board	A.5.5	Complied	<p>The Board has determined the independence of Directors based on the declarations submitted by the Non-Executive Directors, as to their independence as a fair representation and will continue to evaluate their independence on this basis annually. No circumstances have arisen for the determination of independence by the Board, beyond the criteria set out in the Code.</p> <p>Independent Non-Executive Directors are:</p> <p>Mr. J. P Van Twest Mr. B. C. S. A. P Goonaratna Mr. C. J Wickramasinghe Mr. S.B Rangamuwa</p> <p>The Board was reconstituted with the change of the ownership and the current Board is given on page 27 to 28.</p>
A.6 SUPPLY OF INFORMATION				
Management should provide time-bound information in a format that is appropriate and enables the Board to discharge its duties. Financial and non-financial information is analysed and presented to the Board to make informed and accurate decisions.				
13.	Obligation of the Management to provide appropriate and timely information to the Board	A.6.1	Complied	The Board was provided with timely and appropriate information by the management by way of Board papers and proposals. The Board sought additional information as and when necessary. The Chairman also ensured all Directors were properly briefed on issues arising at Board meetings.
14.	Adequate time for effective Board meetings	A.6.2	Complied	The minutes, agenda and papers required for Board meeting are provided in advance to facilitate its effective conduct.

Corporate Governance (Contd...)

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2018/19						
A.7 APPOINTMENTS TO THE BOARD									
The Code requires having a formal and transparent procedure in place for the appointment of new Directors to the Board.									
15.	Nomination Committee	A.7.1	Complied						
<p>The Nomination Committee of the Hayleys PLC, acts as the Nomination Committee for the Company and makes recommendations to the Board on all new Board appointments.</p> <p>The Nomination committee of Hayleys PLC consists of following members:</p> <ul style="list-style-type: none"> • Mr. A.M. Pandithage - Chairman* • Mr. Dhammika Perera** • Dr. H. Cabral, PC*** <p>* Executive Director ** Non-Executive Director *** Independent Non-Executive Director</p> <p>The committee was reconstituted with the change of the ownership and the current Committee is ;</p> <table border="0"> <tr> <td>Mr. C H A Pandithasekera</td> <td>- Chairman- Independent Non- Executive Director</td> </tr> <tr> <td>Mr. G Vinothan</td> <td>- Member Independent Non –Executive Director</td> </tr> <tr> <td>Ms. P. Wickramanayake</td> <td>- Member Non-Executive Director</td> </tr> </table>				Mr. C H A Pandithasekera	- Chairman- Independent Non- Executive Director	Mr. G Vinothan	- Member Independent Non –Executive Director	Ms. P. Wickramanayake	- Member Non-Executive Director
Mr. C H A Pandithasekera	- Chairman- Independent Non- Executive Director								
Mr. G Vinothan	- Member Independent Non –Executive Director								
Ms. P. Wickramanayake	- Member Non-Executive Director								
16.	Disclosure of New appointments	A.7.3	Complied						
A brief resume of the Directors, Nature of his/her experience and names of the companies he/she holds the directorship and the independency is informed to the Colombo Stock Exchange and disclose in the Annual Report on Pages 26 to 29.									

A.9 APPRAISAL OF BOARD PERFORMANCE			
The Board should periodically appraise its own performance against the present targets in order to ensure that the Board responsibilities are satisfactorily discharged.			
17.	Annual performance evaluation of the Board and its Committees	A.9.1 & 9.2	Complied
<p>The Chairman and Remuneration Committee evaluate the performance of the Executive Directors Periodically.</p> <p>The Board undertakes an annual self-evaluation of its own performance and of its Committees. The Board evaluated its performance and effectiveness in the current year.</p>			
A.10 DISCLOSURE OF INFORMATION IN RESPECT OF DIRECTORS			
Details in respect of each Director should be disclosed in the Annual Report for the benefit of the shareholders.			
18.	Details in respect of Directors	A.10.1	Complied
<p>The following details pertaining to each Director are disclosed as follows:</p> <p>(a) Brief profile with expertise and experience - page 18 and 19.</p> <p>(b) Directors' Interest in Contracts - Page 87 and 88</p> <p>(c) Detail of Board Meetings held during the year page 32.</p>			

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2018/19
B. DIRECTORS' REMUNERATION			
B.1 REMUNERATION PROCEDURE			
This principle ensures that the Company has a well-established, formal and transparent procedure in place for developing an effective remuneration policy for both Executive and Non-Executive Directors where no Director is involved in deciding his/her own remuneration in order to avoid potential conflict of interest.			
19.	Establishment of remuneration committee	B.1.1, B.1.2, B.1.3, B.1.4 & B.1.5	Complied
<p>Hayleys PLC, 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:</p> <p>Dr. H Cabral, PC** - Chairman Mr. Dhammika Perera* Mr. M H Jamaldeen** Mr. M Y A Perera **</p> <p>* Non-Executive Director ** Independent Non-Executive Director</p> <p>Payment of remuneration to directors is disclosed in page 87 of this report. No director is involved in deciding his own remuneration.</p> <p>The Committee was reconstituted with the change of the ownership and the current Committee appointed w.e.f 10th June 2019 on Page 27.</p>			
B.2 THE LEVEL AND MAKE UP OF REMUNERATION			
The level of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain the Directors needed to run the Company successfully. A proportion of Executive Directors' remuneration should be structured to link rewards to the corporate and individual performance.			
20.	Level of remuneration	B.2.1, B.2.2, B.2.3 & B.2.4	Complied
The Remuneration Committee structures the remuneration package to attract, retain and motivate the directors needed to run the company successfully but avoid paying more than is necessary for this purpose. The remuneration levels relative to other companies and performance of the directors are taken in to account when considering the remuneration levels of the directors.			
21.	Levels of Remuneration of Non- Executive Directors	B.2.10	Complied
Remuneration for Non-Executive Directors reflects the time commitment and responsibilities of their role, taking into consideration market practices.			
B.3 DISCLOSURE OF REMUNERATION			
The Code requires the Company to disclose in its Annual Report the details of the remuneration paid and the Remuneration Policy.			
22.	Disclosure of Remuneration	B.3.1	Complied
Please refer page 87 for the total Directors' remuneration			
C. RELATIONS WITH SHAREHOLDERS			
C.1 CONSTRUCTIVE USE OF THE ANNUAL GENERAL MEETING (AGM) AND CONDUCT OF GENERAL MEETINGS			
The Code requires the Board to use the AGM which is a major event in the Company's calendar to communicate with shareholders and encourage their active participation. In this regard, all shareholders of the Company receive the Notice of Meeting within the statutory due dates.			
23.	Use of proxy votes	C.1.1	Complied
The Company has in place an effective mechanism to count all proxies lodged on each resolution, and the balance for and against the resolution, after it has been dealt with on a show of hands, except where a poll is called.			

Corporate Governance (Contd...)

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2018/19	
C.2 COMMUNICATION WITH SHAREHOLDERS				
The Code Requires the board should implement effective communication with shareholders.				
24.	Channel to reach all shareholders	C.2.1	Complied	The main mode of communication between the Company and the shareholders is the Annual General Meeting. Shareholders are provided with the information prior to the AGM. Further, financial and other announcements are promptly submitted to CSE to publish in the CSE website.
25.	Policy methodology for communication with shareholders.	C.2.2.	Complied	An open door policy is in place, which enables shareholders to keep in constant touch, visit and obtain information from the Company Secretary and engage in dialogue Contact details are published in all annual and quarterly financial reporting.
26.	Implementation of the policy and methodology for communication with shareholders.	C.2.3 C.2.7	Complied	Please refer C.2.4 and C.2.5 for the implementation of the policy and methodology
27.	Contact person for communication	C.2.4 & C.2.6	Complied	Details of contact persons are disclosed in the back inner cover of the Annual Report and Quarterly Financial Statements.
28.	Process to make directors aware of major issues and concerns of shareholders	C.2.5	Complied	The company secretary maintains a record of all correspondence about all major issues and concerns of the shareholders.
29.	Process for responding shareholder matters	C.2.7	Complied	Covered under the section C.2
D. ACCOUNTABILITY AND AUDIT				
D.1 FINANCIAL AND BUSINESS REPORTING (THE ANNUAL REPORT)				
The Board should present a balanced and understandable assessment of the company's financial position, performance and prospects.				
30.	Board's responsibility for Statutory and Regulatory Reporting	D.1.1	Complied	The Board has recognized the responsibility to present regulatory and statutory reporting in a balanced and understandable manner. When preparing Quarterly and Annual Financial Statements, the Company complied with the requirements of the Companies Act No. 07 of 2007 and prepared and presented them in accordance with Sri Lanka Accounting Standards. The Company has complied with the reporting requirements prescribed by the Colombo Stock Exchange.
31.	Declaration by Directors' report in the Annual Report	D.1.4	Complied	The Directors have made all required declarations in the 'Annual Report of the Board of Directors and appears on pages 26 to 29.
32.	Statement of Directors' and Auditor's responsibility for Financial Reporting	D.1.5	Complied	"The 'Statement of Directors' Responsibility' is given on page 44. See the 'Auditors' Report' on page 54 to 57 for the reporting responsibility of Auditors."
33.	Disclosure of related party transactions	D.1.8	Compliant	Refer the Related Party transaction Review committee report on page 50.

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2018/19	
D.2 RISK MANAGEMENT AND INTERNAL CONTROL				
The Board should have a sound system of internal controls to safeguard shareholders' investments and the Company's assets. The board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives.				
34.	Annual evaluation of the internal controls system and Risk Management	D.2.1	Complied	"The Board is responsible for the Company internal control and its effectiveness. Internal control is established with emphasis placed on safeguarding assets, making available accurate and timely information and imposing greater discipline on decision-making. It covers all controls, including financial, operational and compliance controls and risk management. It is important to state, however, that any system can ensure only reasonable, and not absolute, assurance that errors and irregularities are prevented or detected within a reasonable time. The Hayleys Management Audit & System Review Department (MA & SRD) plays a significant role in assessing the effectiveness and successful implementation of existing controls and strengthening these and establishing new controls where necessary. The MA & SRD's reports are made available to the Chairman and Managing Director and the Chairman of the Audit Committee. The Board has reviewed the effectiveness of the system of financial controls during the financial year. There is a direct channel of communication between the Head of MA & SRD and the Chairman of the Audit Committee without the interference of any Directors or Executives."
35.	Review of the process and effectiveness of risk management and internal controls.	D.2.4	Complied	The Audit Committee reviews internal control issues and risk management measures and evaluates the adequacy and effectiveness of the risk management and internal control systems including financial reporting.
D.3 AUDIT COMMITTEE				
The Board should have formal and transparent arrangements in selecting and applying the accounting policies, financial reporting and internal control principles and maintaining an appropriate relationship with the Company's External Auditor.				
36.	Composition of the Audit Committee	D.3.1	Complied	Audit Committee consists of Three independent Non Executive Directors of the Company Mr. B. C. S. A. P.Gooneratne - Chairman Mr. J. P. Van Twest - Member Mr. S. B. Rangamuwa - Member The Company Secretary Serves as its Secretary. The Chairman, Managing Director, Head of Internal Audit and the Chief Financial Officer (CFO) and Hayleys Group CFO are invited to attend meetings as required. The input of the statutory Auditors will be obtained where necessary. The Audit Committee is required to assist the Company to achieve a balance between conformance and performance. The committee was reconstituted with the change of the ownership and the current Committee appointed w.e.f 10th June 2019 on Page 46.
37.	Terms of reference of the Audit Committee	D.3.2	Complied	Terms of Reference of the Board Audit Committee is clearly defined in the Charter of the Audit Committee approved by the Board of Directors. This clearly explains the purpose of the Committee, its duties and responsibilities together with the scope and functions of the Committee. The Committee is required mainly to deal with matters pertaining to statutory and regulatory compliance in financial reporting, matters with regard to the External Auditors, Internal Audit and Risk Management procedures of the Company. Refer audit committee report on page 46.

Corporate Governance (Contd...)

Corporate Governance Principles		Reference Code	Compliance	The Company's Extent of Compliance in 2018/19
38.	Disclosures of the Audit Committee	D.3.3	Complied	The names of the members of the Audit Committee are given under section D.3.1 of this Code. Refer the Audit Committee report on page 46.
D.4 RELATED PARTY TRANSACTIONS REVIEW COMMITTEE				
The Board should establish a procedure to ensure that the Company does not engage in transactions with "related parties" in a manner that would grant such parties "more favourable treatment" than that accorded to third parties in the normal course of business.				
39.	A related party and related party transactions will be as defined in LKAS 24.	D.4.1	Complied	Please refer Related Party Transaction review Committee Report
40.	Establishment of related party transaction review committee and composition.	D.4.2	Complied	Please refer Related Party Transaction review Committee Report
41.	Written terms of reference of related party transaction review committee.	D.4.3	Complied	Please refer Related Party Transaction review Committee Report
D.5 CODE OF BUSINESS CONDUCTED AND ETHICS				
The Company should develop a Code of Business Conduct and Ethics for Directors and members of the Senior Management team and must promptly disclose any waivers of the Code for Directors or others.				
42.	Code of Business Conduct and Ethics	D.5.1	Complied	The Company has developed a Code of Conduct for its employees. This Code addresses conflict of interest, corporate opportunities, confidentiality of information, fair dealing, protection and proper use of the Company's assets, compliance with laws and regulations and encouraging the reporting of any illegal or unethical behaviour, etc.
D.6 CORPORATE GOVERNANCE DISCLOSURE				
Directors of the Company disclose annually the Company's adherence to the Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka and The Securities and Exchange Commission of Sri Lanka.				
43.	Disclosure of corporate governance	D.6.1	Complied	This requirement is met through the presentation of this report.
E. INSTITUTIONAL INVESTORS				
E.1 SHAREHOLDERS' VOTING				
Institutional shareholders are required to make considered use of their votes and are encouraged to ensure their voting intentions are translated into practice.				
44.	Communication with shareholders	E.1.1	Complied	In order to avoid conflicts of interest by nurturing the mutual understanding, the Board carries out dialogues with its shareholders at general meetings. In this regard, the AGM of the Company plays a crucial role. Voting by the shareholders is crucial in carrying a resolution at the AGM. The Chairman, who plays the role of the agent, communicates the views and queries of the shareholders to the Board and the senior management, in order to ensure that the views are properly communicated to the Company.

SECTION 2 : COLOMBO STOCK EXCHANGE LISTING RULES

Statement of Compliance

This section covers Hunas Falls Hotels PLC's extent of adherence to the requirements of the Continuing Listing Requirements of Section 7.10 on Corporate Governance Rules for Listed Companies issued by the Colombo Stock Exchange.

Rule No.	Subject	Hunas Extent of Adoption	Compliance Status	Reference in this Report
7.10.1(a)	Non-Executive Directors (NED)	Five (5) of the Seven (7) Directors were Non-Executive Directors	Complied	Corporate Governance
7.10.1(b)	Basis of Calculation of Total Number of Non-Executive Directors	Based on the number as at the conclusion of the immediately preceding AGM	Complied	Corporate Governance
7.10.2 (a)	Independent Directors (ID)	Two (2) of the Five (5) Non-Executive Directors were Independent	Complied	Corporate Governance
7.10.2 (b)	Independent Directors	All Non-Executive Directors have submitted their confirmation of independence as per the criteria set by the CSE rules, which is in line with the regulatory requirements.	Complied	Corporate Governance
7.10.3 (a)	Disclosure relating to Directors	The Board assessed the independence declared by the Directors and determined the Directors who are independent and disclosed same in item A.5.5 of the CASL Code table.	Complied	Corporate Governance
7.10.3 (b)	Disclosure relating to Directors	The Board has determined that Four (4) Non-Executive Directors satisfy the criteria for "independence" set in the Listing Rules as in item A.5.5 of the CASL code table.	Complied	Corporate Governance
7.10.3 (c)	Disclosure relating to Directors	A brief resume of each Director should be included in the Annual Report including the Director's areas of expertise.	Complied	Profile of the Board in the Annual Report
7.10.3 (d)	Disclosure relating to Directors	New Director appointments during the year.	Complied	Annual Report of Board of Directors
7.10.5	Remuneration Committee	Hayleys PLC, the parent company's Remuneration Committee function as the Remuneration Committee of the Company. The re constituted Remuneration Committee with the new Ownership functions now	Complied	Corporate Governance
7.10.5 (a)	Composition of Remuneration Committee	The Remuneration Committee comprised of One (01) Non-Executive Director and Two (2) Independent Non-Executive Directors	Complied	Annual Report of Board of Directors
7.10.5 (b)	Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of the Executive Directors.	Complied	Annual Report of Board of Directors
7.10.5 (c)	Disclosure in the Annual Report relating to Remuneration Committee	Names of Remuneration Committee members are given in section B.1.3 of the CASL code. The Remuneration paid to Directors is given in the Note 23 to the Financial Statement on page 87.	Complied	Annual Report of Board of Directors
7.10.6 (a)	Composition of Audit Committee	Shall comprise of NEDs, a majority of whom will be Independent.	Complied	The Audit Committee Reports
7.10.6 (b)	Audit Committee Functions	Audit Committee functions are stated in the Audit Committee Report on Page 50.	Complied	Corporate Governance and the Audit Committee Reports
7.10.6 (c)	Disclosure in Annual Report relating to Audit Committee	The names of the Audit Committee members given on page 50. The basis of determination of the independence of the Auditor is also given in section D.3.4 of the CASL code.	Complied	Corporate Governance and the Audit Committee Reports
7.13.1	Minimum Public Holding	The Company does not comply with option 5 of the Listing rules 7.13.1(a) which requires a 20% minimum Public Holding.	Not Complied	Share and Investor Information

Corporate Governance (Contd...)

This section covers Hunas Falls Hotels PLC's extent of adherence to the requirements of the Code of Best practice on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka and Section 9 of the Listing Rules of the Colombo Stock Exchange:				
Rule No.	Subject	Hunas Extent of Adoption	Compliance Status	Reference in this Report
9.2.1 & 9.2.3	Related Party Transactions Review Committee (RPTRC)	The RPTRC, Hayleys PLC, a listed entity, functions as the RPTR Committee for the Company The functions of the committee are stated in Related Party Transactions re-view Committee report in page 50. The committee was reconstituted with the change of the ownership and the current Committee appointed w.e.f 10th June 2019 on Page 50.	Complied	Annual Report of Board of Directors Related Party Transactions Review Committee Report
9.2.2	Composition of the Related Party Transactions Review Committee	The RPTRC consists of following directors: <ul style="list-style-type: none"> • Dr. H. Cabral PC - Chairman (Independent non-executive Director - Hayleys PLC) • Mr. M. Y. A. Perera - (Independent Non-Executive Director - Hayleys PLC) • Mr. S. C. Ganegoda - (Executive Director - Hayleys PLC) The committee was reconstituted with the change of the ownership and the current Committee appointed w.e.f 10th June 2019 on Page 50.	Complied	Annual Report of Board of Directors Related Party Transactions Review Committee Report
9.2.4	Related Party Transactions Re-view Committee-Meetings	The committee met 04 times during the financial year of 2018/2019	Complied	Related Party Transactions Review Committee Report



Statement of Directors' Responsibilities

Statement of Directors' Responsibilities

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

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

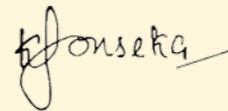
They also confirm that the Financial Statements have been prepared and presented in accordance with the Sri Lanka Financial Reporting Standards/ Sri Lanka Accounting Standards (SLFRS/LKAS). The Financial Statements provide the information required by the Companies Act and the Listing Rules of the Colombo Stock Exchange. The Directors have taken reasonable measures to safeguard the assets of the Group, and in that context, have instituted appropriate systems of internal control with a view to preventing and detecting fraud and other irregularities.

The External Auditors, Messrs Ernst & Young, are deemed reappointed in terms of Section 158 of the Companies Act No. 07 of 2007 and were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements. The Report of the Auditors, shown on page 54 to 57 sets out their responsibilities in relation to the Financial Statements.

Compliance Report

The Directors confirm that to the best of their knowledge, all statutory payments relating to employees and the Government that were due in respect of the Company as at the end of financial year have been paid or where relevant, provided for.

By Order of the Board,



S S P Corporate Services (Private) Limited
Secretaries

101, Inner flower Road,
Colombo 03.
27th August 2019.

Audit Committee Report



Audit Committee Report

The Audit Committee comprises of two Non - Executive Independent Directors and one Non - Executive Director.

The members of the Audit Committee appointed on 10th June 2019 are as follows;

Mr. C H A Pandithasekera - Chairman
 Mr. Gajan Viothan - Non-Executive Independent Director
 Ms. P. Wickramanyake - Non-Executive Director

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

The following members resigned from Board of Directors of Hunas Falls Hotels PLC with effect from 12th March 2019.

Mr. B. C. S. A. P. Gonneratne - Chairman
 Mr. J. P. Van Twest - Non-Executive Independent Director
 Mr. S. B. Rangamuwa - Non-Executive Independent Director

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.

Name of the Members	8th May 2018	1st August 2018	25th October 2018	29th January 2019
Mr. B. C. S. A. P. Gonneratne	✓	✓	✓	✓
Mr. J. P. Van Twest	✓	✓	✓	✓
Mr. S. B. Rangamuwa	✓	✓	✓	✓

Functions of the Audit Committee.

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 has 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 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 page 41.

Committee Evaluation

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


 C H A Pandithasekera
 Chairman
 Audit Committee
 13th August 2019



Create your own adventure...

Related Party Transactions Review
Committee Report



Related Party Transactions Review Committee Report

The Related Party Transaction review Committee of Hunas Falls Hotels 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 Non-Executive Director.

The Committee comprises the Following members.

Dr. H. Cabral, PC - Independent Non-Executive Director of Hayleys PLC
 Mr. M.Y.A. Perera - Independent Non-Executive Director of Hayleys PLC
 Mr. S. C. Ganegoda - Executive Director of Hayleys PLC
 (Resigned from the Board w.e.f 21st February 2019)

The committee was reconstituted with the change of the ownership and the current Committee appointed w.e.f 10th June 2019 as follows:

Mr. G Vinothan - Chairman - Independent Non-Executive Director
 Mr. C H A Pandithasekera - Member Independent Non-Executive Director
 Ms. P. Wickramanayake - Member 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 Hotels Falls PLC and communicated the same to the Board.

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

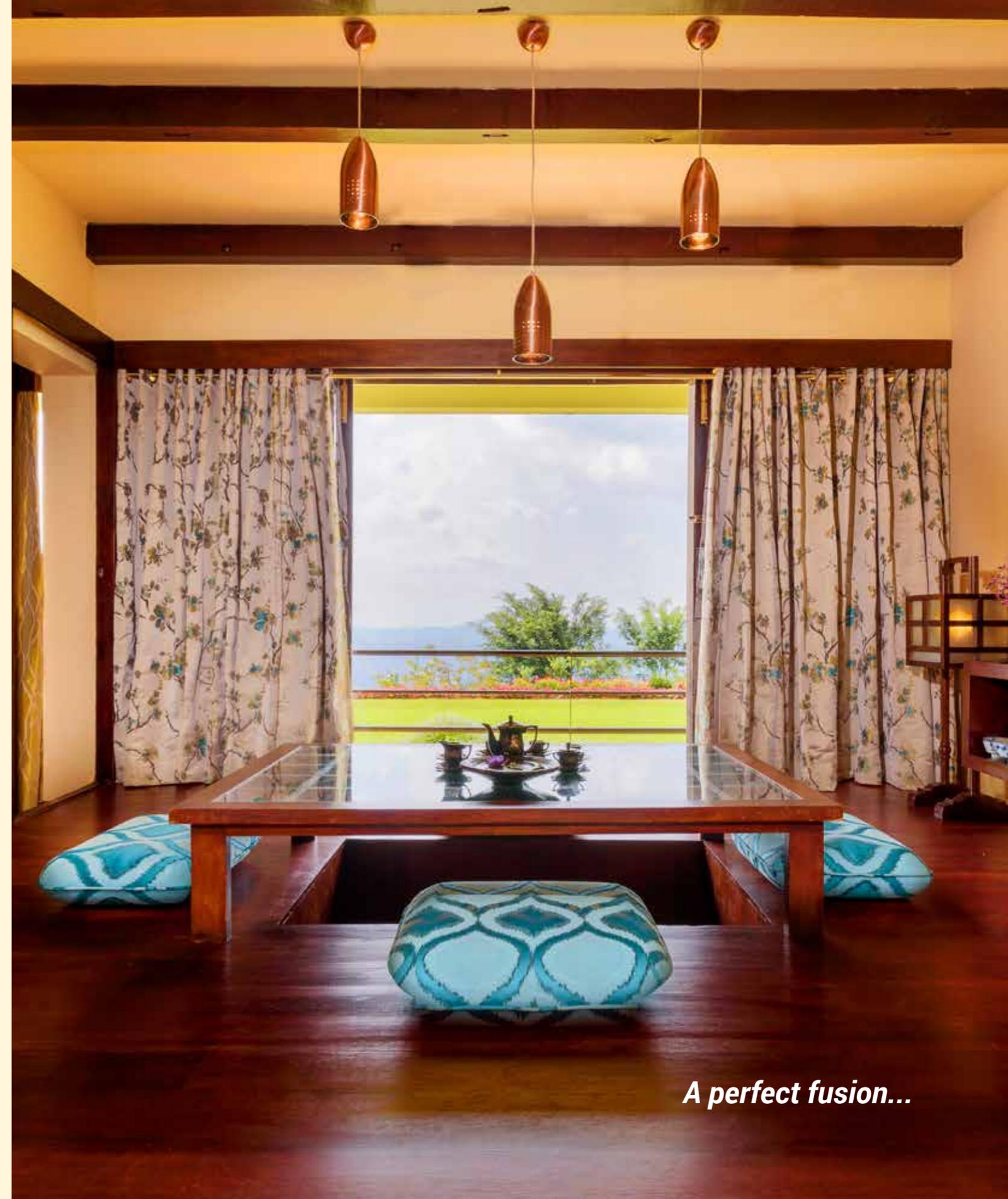
Attendance

The Committee held 4 times during the year under review. The attendance of the meetings;

Dr. H. Cabral, PC - 4/4
 Mr. M.Y.A. Perera - 4/4
 Mr. S. C. Ganegoda - 2/4



Gajan Vinothan
 Chairman
 Related Party Transactions Review Committee of Hunas Falls Hotels PLC
 27th August 2019



A perfect fusion...

Independent Auditor's Report



Independent Auditor's Report



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

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Tax : +94 11 5578180
eysl@lk.ey.com
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To the Shareholders of Hunas Falls Hotels PLC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Hunas Falls Hotels PLC (the Company), which comprise the statement of financial position as at 31 March 2019, and the statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2019 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in

the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How our audit addressed the key audit matter
<p>Revaluation of Lands</p> <p>As at 31st March 2019 the Company carried free hold land at fair value amounting to Rs. 114,525,000/- which represents 25% of the total assets of the Company.</p> <p>The fair value of such lands was determined by external valuer engaged by the Company. The valuation of land was considered as a Key Audit Matter due to the use of significant estimates such as per perch price.</p>	<p>Our audit procedures focused on the valuations performed by the external valuer engaged by the Company, and included the following;</p> <ul style="list-style-type: none"> • Performed procedures to obtaining an understanding on the valuation process. • Assessed the competency, capability and objectivity of the external valuer engaged by the Company. • Read the external valuer's report and understood the key estimates made and the approach taken by the valuer in determining the fair value. • We compared the lands in the fixed asset register to those valued to ensure all land had been revalued. • Engaged our internal specialised resources to assess the reasonableness of the valuation techniques and per perch price; and • We have assessed the adequacy of the disclosures made in Note 7.5 and 7.6 to the financial statements relating to the valuation technique and estimates used by the external valuer.

Other information included in the Company's 2019 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Management is responsible for the other information.

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

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

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Independent Auditor's Report (Contd...)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained,

whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 1884.



Colombo

13 August 2019

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 G S Manatunga FCA Ms. P V K N Sajeewani 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 Profit or Loss & Other Comprehensive Income

Year Ended 31 March	Note	2019 Rs.	2018 Rs.
Revenue	3	142,148,347	124,749,117
Cost of Sales		(36,900,239)	(30,181,152)
Gross Profit		105,248,108	94,567,965
Other Income	4	3,016,722	2,770,178
Marketing and Promotional Expenses		(8,939,198)	(11,212,597)
Administrative Expenses		(100,724,237)	(97,627,231)
Finance Cost	5	-	(15,242)
Finance Income	6	3,735,372	2,104,780
Profit / (Loss) before Tax		2,336,766	(9,412,147)
Tax Expenses		(1,104,229)	(3,464,042)
Profit / (Loss) for the Year		1,232,536	(12,876,188)
Other Comprehensive Income / (Loss) not to be Reclassified to Profit or Loss in Subsequent Period :			
Revaluation of Land		50,905,000	-
Deferred Tax Impact on Revaluation of Land		(7,126,700)	(8,480,736)
Actuarial Loss on Defined Benefit Plans		(132,439)	(140,451)
Deferred Tax Impact on Actuarial Loss		18,541	19,663
		(113,898)	(120,788)
Net Other Comprehensive Income / (Loss) not to be Reclassified to Profit or Loss in Subsequent Periods		43,664,402	(8,601,524)
Other Comprehensive Income / (Loss) for the Year, Net of Tax		43,664,402	(8,601,524)
Total Comprehensive Income / (Loss) for the Year, Net of Tax		44,896,939	(21,477,712)
Basic Earning/ (Loss) Per share		0.22	(2.29)

The accounting policies and notes on pages 62 through 89 form an integral part of the financial statements.

Statement of Financial Position

As at 31 March	Note	2019 Rs.	2018 Rs.
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	7	390,065,900	355,903,388
		390,065,900	355,903,388
Current Assets			
Inventories	8	4,257,185	3,887,893
Trade and other Receivables	9	20,069,854	8,401,280
Advance and Prepayments		1,672,619	2,788,707
Tax Recoverable		1,242,909	2,052,172
Current Financial Assets	10	42,312,951	24,508,412
Cash in Hand and at Bank	11	6,969,982	10,956,072
		76,525,500	52,594,537
Total Assets		466,591,400	408,497,925
Equity And Liabilities			
Capital and Reserves			
Stated Capital	12	82,500,000	82,500,000
Reserves	13	95,874,248	52,095,948
Retained Earnings		207,365,284	206,246,645
Total Equity		385,739,532	340,842,593
Non-Current Liabilities			
Deferred Tax Liability	14	48,643,343	42,056,781
Employee Benefit Liability	15	5,225,472	4,038,688
		53,868,815	46,095,469
Current Liabilities			
Grants	16	-	151,632
Trade and Other Payables	17	22,359,110	18,276,829
Contract Liabilities	18	4,623,943	3,131,402
		26,983,053	21,559,863
Total Equity and Liabilities		466,591,400	408,497,925

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 these financial statements. Signed for and on behalf of the Board by:



W S L D R Samarasinghe
Chairman



G S M Irugalbandara
Director

13 August 2019
Colombo

The accounting policies and notes on pages 62 through 89 form an integral part of the financial statements.

Statement of Changes in Equity

Year ended 31 March 2019	Stated Capital (Note - 12) Rs.	Revaluation Reserve (Note - 13.1) Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 1 April 2017	82,500,000	60,576,684	219,243,621	362,320,305
Loss for the year	-	-	(12,876,188)	(12,876,188)
Actuarial Loss on Defined Benefit Plans	-	-	(120,788)	(120,788)
Deferred tax impact on revaluation of land (Note 14)	-	(8,480,736)	-	(8,480,736)
Balance as at 31 March 2018	82,500,000	52,095,948	206,246,645	340,842,593
Profit for the year	-	-	1,232,536	1,232,536
Actuarial Loss on Defined Benefit Plans	-	-	(113,898)	(113,898)
Revaluation on Lands (Note 13.1)	-	50,905,000	-	50,905,000
Deferred tax impact on revaluation of land (Note 14)	-	(7,126,700)	-	(7,126,700)
Balance as at 31 March 2019	82,500,000	95,874,248	207,365,284	385,739,532

The accounting policies and notes on pages 62 through 89 form an integral part of the financial statements.

Statement of Cash Flows

Year ended 31 March 2019	Note	2019 Rs.	2018 Rs.
Cash Flows From Operating Activities			
Profit / (Loss) before tax		2,336,766	(9,412,147)
Adjustments to Reconcile Profit Before Tax to Net Cash Flows:			
Depreciation of Property, Plant and Equipment	7.2	20,577,831	22,665,086
Loss on Disposal of Property, Plant and Equipment		-	58,487
Finance Costs	5	-	15,242
Finance income	6	(3,735,372)	(2,104,780)
Provision for Defined Benefit Obligation	15	1,070,425	899,609
Amortization of Grants and subsidies	16	(151,632)	(182,004)
Operating Profit before Working Capital Changes		20,098,018	11,939,493
(Increase)/ Decrease in Inventories		(369,292)	(47,617)
(Increase)/ Decrease in Trade and Other Receivables		(11,429,654)	(1,671,722)
(Increase)/ Decrease in Advance and Prepayments		1,116,088	87,538
Increase/ (Decrease) in Trade and Other Payables		5,574,822	1,872,575
Cash Generated from Operations		14,989,981	12,180,267
Income Tax Paid		(816,564)	(617,642)
Interest Paid		-	(15,242)
Gratuity Paid	15	(255,000)	(512,400)
Net Cash flows from/(Used in) Operating Activities		13,918,418	11,034,983
Cash Flows From/(Used in) Investing Activities			
Acquisition of Property, Plant and Equipment	7.1	(3,835,343)	(2,376,123)
Finance Income Received	6	3,735,372	2,104,780
Proceeds from Disposal of Property, Plant and Equipment		-	608,696
Investments in Fixed Deposits		(6,304,116)	(13,065,988)
Investments in Unit Trusts		(11,500,423)	(11,442,425)
Net Cash Flows (Used in) Investing Activities		(17,904,509)	(24,171,059)
Cash Flows from/(Used in) Financing Activities			
Net Cash Flows from/(Used in) Financing Activities		-	-
Net Increase/(Decrease) in Cash and Cash Equivalents		(3,986,090)	(13,136,076)
Cash and Cash Equivalents at the Beginning of the Year	11	10,956,072	24,092,148
Cash and Cash Equivalents at the End of the Year	11	6,969,982	10,956,072

The accounting policies and notes on pages 62 through 89 form an integral part of the financial statements.

Accounting Policies

1. CORPORATE INFORMATION

1.1 General

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 23, Alfred Place, Colombo 03, 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 Enterprise and Ultimate Parent Enterprise

In the opinion of the Directors, the Company's immediate parent is Serenity Lake Leisure (Pvt) Ltd, whereas the ultimate parent undertaking and controlling party is TAD Holdings (Pvt) Ltd. Both companies are incorporated & domiciled in Sri Lanka.

1.4 Director's Responsibility Statement

The Board of Directors takes the responsibility for the preparation and presentation of these financial statements.

1.5 Date of Authorization for Issue

The financial statements of Hunas Falls Hotels PLC for the year ended 31 March 2019 were authorized for issue in accordance with a resolution of the Board of Directors on 13 August 2019.

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 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.

The Company has applied SLFRS 09 and SLFRS 15 retrospectively during the year. However, there were no material re-measurements identified that would require restating the comparative information.

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.

2.5 Summary of Significant Accounting Policies

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 Lanka Rupees (Rs), which is the Company's functional and presentation currency.

2.5.2 Foreign Currencies

Transactions and balances

Transactions in foreign currencies are initially recorded by the Company at the functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the statement of profit or loss. The difference arises from conversion of USD denominated fixed deposits are classified under Finance Income in the 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 as current when it is:

- Expected to be realized or intended to sold or consumed in normal operating cycle
 - Held primarily for the purpose of trading
 - Expected to be realized 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

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 summarized in the following notes:

- Lands under revaluation model - Note 7

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.

Accounting Policies (Contd...)

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, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

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

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

For assets and liabilities that are 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 categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's Management determines the policies and procedures for recurring fair value measurement, such as land.

External valuers are involved for valuation of Lands. Involvement of external valuers is decided upon annually by the Management after discussion with and approval by the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

The Management decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

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 and Other Comprehensive Income

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

2.9 Revenue recognition

Revenue from contracts with customers is recognised when control of the goods and services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services.

The specific recognition criteria described below must also be met before revenue is recognised.

Room, food and beverage revenue

Room revenue is recognized on the rooms occupied on daily basis and food and beverage and other hotel related sales are accounted for at the point of sales.

Interest income

For all financial instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of profit or loss.

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 Company for the cost of an asset are recognised in profit and loss on a systematic basis over the useful life of the asset.

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.

(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.

Accounting Policies (Contd...)

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 utilized. Unrecognized 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 realized 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 capitalized 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 realizable value. The cost formulas applied by the Company are as follows;

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

Net realizable 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 capitalized 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 Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized 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 derecognized 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.

Accounting Policies (Contd...)

2.11.5 Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

2.11.5.1 Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under SLFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All financial assets are initially measured at fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Subsequent measurement

Subsequent measurement for purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

And

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost includes trade receivables, and investment in fixed deposits included under other financial assets.

De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired
- Or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.11.5.2 Impairment of financial assets

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining

life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivable the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. For this purpose, the Company has established a provision matrix that is based on its historical credit loss experience, adjusted, if any; for forward-looking factors specific to each debtor and the economic characteristics. Company is making a 100% provision for all the debtors aged more than 365 days.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Based on the management's assessment, no impairment was identified in respected of trade receivables and investment in fixed deposits as the impact is immaterial at the date of transition to SLFRS 09 and for subsequent reporting dates.

2.11.6 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, 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 and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables and loans and borrowings.

Accounting Policies (Contd...)

Subsequent measurement

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

Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised as well as through the EIR amortization process.

Amortized 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 amortization is included as finance costs in the statement of profit or loss.

De-recognition

A financial liability is derecognized 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 is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realize 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 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 15. 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.

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 recognizes a liability to make cash or non-cash distributions to owners of equity when the distribution is authorized 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.

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

2.11.11.2 Earnings per Share

Accounting Policies (Contd...)

<p>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</p>	<p>2.12.2 Provision for expected credit losses of trade receivables</p> <p>The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.</p>	<p>which distinguishes between On-Balance Sheet finance leases and Off-Balance Sheet operating leases. Instead, there will be a single On-Balance Sheet accounting model that is similar to current finance lease accounting.</p>	<p>reward is transferred to the buyer and under SLFRS 15, the revenue is recognized when the Control of the goods or services is transferred to the buyer. However for the Company, there is no difference in the timing of recognition under the both Standards.</p>
<p>2.12 Significant Accounting Judgments, Estimates and Assumptions</p> <p>Use of Estimates and judgements</p>	<p>The provision matrix is initially based on the Company's historical observed default rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.</p>	<p>SLFRS 16 is effective for reporting periods beginning on or after 01 January 2019.</p> <p>Based on the Company's initial impact assessment, the company does not have any lease arrangements and Management do not expects any adjustments due to the adoption of SLFRS 16.</p>	<p>Accounting policies of the Company have changed to comply with the SLFRS 15, however the Changes to SLFRS 15 do not have a material impact on the statement of profit or loss, OCI, Statement of financial position, statement of changes in equity, statement of cash flows or earnings/loss per share of the Company.</p>
<p>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.</p>	<p>2.12.3 Revaluation of Land</p> <p>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 value has used valuation techniques such as open market value. Further details on Revaluation of land are disclosed in Note 7 to the Financial Statements</p>	<p>2.14 Changes in Accounting Policies and Disclosures</p> <p>The Company applied SLFRS 15 and SLFRS 9 retrospectively during the year. The nature and effect of the changes as a result of adoption of these new accounting standards are described below. Date of transition is 01 April 2018, however there were no material adjustments to the information pertaining to all the period presented due to the adoption of these standards.</p>	<p>SLFRS 9 - Financial Instruments</p> <p>SLFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces LKAS 39 Financial Instruments: Recognition and Measurement.</p>
<p>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.</p>	<p>2.12.4 Measurement of the Defined Benefit Obligations</p> <p>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 15. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.</p>	<p>SLFRS 15 - Revenue from contracts with customers</p> <p>SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It supersedes LKAS 18 Revenue, LKAS 11 Construction Contracts and related interpretations. Under SLFRS 15, establishes a five-step model to account for revenue arising from customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.</p>	<p>Classification and measurement of financial assets</p> <p>Under SLFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.</p>
<p>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.</p>	<p>2.13. New and Amended Standards and Interpretations</p> <p>SLFRS 16 have been issued but not yet effective as at the reporting date and accordingly have not been applied in preparing these financial statements of the Company.</p> <p>SLFRS 16 eliminates the current dual accounting model for lessees</p>	<p>Further revenue is recognised when a customer obtains control of the goods of the Company. Determining the timing of the transfer of control – at a point in time or over time – requires management judgement.</p> <p>Under LKAS 18, the revenue was recognized when the risk and</p>	<p>The classification and measurement requirements of SLFRS 9 did not have a significant impact on the Company.</p> <p>The following are the changes in the classification of the Company's financial assets:</p>
<p>2.12.1 Going Concern</p> <p>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.</p>			<p>Trade and other receivables Rs. 20,069,854/- (2018 – Rs. 8,401,280/-) and Other financial assets (i.e., Investment in fixed deposits) Rs. 42,312,951/- (2018 - Rs. 24,508,412/-) previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and</p>

Accounting Policies (Contd...)

interest. These are now classified and measured as debt instruments at amortised cost.

The Company has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Company's financial liabilities.

Impairment

The adoption of SLFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing LKAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. SLFRS 9 requires the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss. However, there is no additional impairment was recognized on the investment in fixed deposits or trade receivables as of date of transition and for previous financial year as the impact is not material.

Notes to the Financial Statements

	2019 Rs.	2018 Rs.
3. REVENUE		
3.1 Summary		
Room Revenue	87,560,827	84,817,249
Food and Beverage Income	56,273,920	41,386,057
	143,834,747	126,203,306
Less:		
Tourism Development Levy	(1,514,446)	(1,414,823)
Turnover Tax	(171,954)	(39,366)
Total Revenue	142,148,347	124,749,117
4. OTHER INCOME		
Other Hotel Related Income	2,152,318	2,485,659
Amortisation of Grants	151,632	182,004
Sundry Income - Breakages	125,784	102,515
- Unclaimed Service Charge	586,988	-
	3,016,722	2,770,178
5. FINANCE COST		
Interest Expense on Bank Overdrafts	-	15,242
	-	15,242
6. FINANCE INCOME		
Interest Income	2,113,075	1,858,243
Foreign Exchange Gains on USD Fixed deposits	1,622,297	246,537
	3,735,372	2,104,780

Notes to the Financial Statements (Contd...)

7. PROPERTY, PLANT AND EQUIPMENT					
7.1 Gross Carrying Amounts					
	Balance As at 01.04.2018 Rs.	Additions Rs.	Revaluation Rs.	Disposals Rs.	Balance As at 31.03.2019 Rs.
At Cost					
Buildings and Building Integrals	290,651,823	-	-	-	290,651,823
Plant and Equipment	31,620,264	-	-	-	31,620,264
Kitchen, Hotel, Sport and Laundry Equipment	14,732,841	557,760	-	-	15,290,601
Electrical Equipment	2,616,363	514,010	-	-	3,130,373
Office Equipment	995,729	29,590	-	-	1,025,319
Computer Equipment & Software	15,010,811	175,563	-	-	15,186,374
Furniture and Fittings	31,369,025	336,439	-	-	31,705,464
Swimming Pool	17,352,176	-	-	-	17,352,176
TV System	3,396,049	49,750	-	-	3,445,799
Sewerage Treatment Plant	4,371,340	93,333	-	-	4,464,673
Motor Vehicles	4,082,314	-	-	-	4,082,314
Linen	5,459,078	2,013,337	-	-	7,472,416
Kitchen Utensils	901,862	56,931	-	-	958,793
Cutlery and Crockery	2,242,094	8,629	-	-	2,250,724
Road Network	6,301,003	-	-	-	6,301,003
Total Value of Depreciable Assets	431,102,774	3,835,343	-	-	434,938,116
At Valuation					
Freehold Land	63,620,000	-	50,905,000	-	114,525,000
	63,620,000	-	50,905,000	-	114,525,000
Total	494,722,774	3,835,343	50,905,000	-	549,463,116

		Balance As at 01.04.2018 Rs.	Charge For the year Rs.	Revaluation Rs.	Disposals Rs.	Balance As at 31.03.2019 Rs.
7.2	Depreciation					
	At Cost					
	Buildings and Building Integrals	64,812,232	9,429,699	-	-	74,241,931
	Plant and Equipment	13,076,167	2,835,150	-	-	15,911,317
	Kitchen, Hotel, Sport and Laundry Equipment	6,597,544	1,337,610	-	-	7,935,155
	Electrical Equipment	1,246,879	246,045	-	-	1,492,924
	Office Equipment	511,146	80,773	-	-	591,919
	Computer Equipment & Software	13,142,833	974,630	-	-	14,117,463
	Furniture and Fittings	14,805,256	2,888,910	-	-	17,694,166
	Swimming Pool	9,311,403	1,735,218	-	-	11,046,621
	TV System	1,463,595	301,074	-	-	1,764,669
	Sewerage Treatment Plant	1,598,551	249,737	-	-	1,848,288
	Motor Vehicles	2,582,316	-	-	-	2,582,316
	Linen	5,379,551	89,380	-	-	5,468,931
	Kitchen Utensils	845,607	45,487	-	-	891,094
	Cutlery and Crockery	2,199,516	49,068	-	-	2,248,583
	Road Network	1,246,790	315,050	-	-	1,561,840
	Total Depreciation	138,819,386	20,577,831	-	-	159,397,216

Notes to the Financial Statements (Contd...)

7. PROPERTY, PLANT AND EQUIPMENT (Contd...)

	2019 Rs.	2018 Rs.
7.3 Net Book Values		Rs.
At Cost		
Buildings and Building Integrals	216,409,892	225,839,591
Plant and Equipment	15,708,947	18,544,097
Kitchen, Hotel, Sport and Laundry Equipment	7,355,446	8,135,296
Electrical Equipment	1,637,449	1,369,484
Office Equipment	433,400	484,583
Computer Equipment & Software	1,068,911	1,867,978
Furniture and Fittings	14,011,298	16,563,769
Swimming Pool	6,305,556	8,040,774
TV System	1,681,130	1,932,454
Sewerage Treatment Plant	2,616,385	2,772,789
Motor Vehicles	1,499,998	1,499,998
Linen	2,003,485	79,527
Kitchen Utensils	67,699	56,256
Cutlery and Crockery	2,141	42,579
Road Network	4,739,163	5,054,213
Total Carrying Amount of Property, Plant and Equipment	275,540,900	292,283,388
At Valuation	114,525,000	63,620,000
Freehold Land	114,525,000	63,620,000
Total Carrying Amount of Property, Plant and Equipment	390,065,900	355,903,388
7.4	During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs.3,835,343/- (2018 - Rs.2,376,123/-). Where as full consideration for which was settled in cash during the same period.	

7.5 The fair value of freehold land comprising approx 46 Acres determined by means of a revaluation for the financial year 2018/2019 by Messrs. PB 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 smiler size and location. The surplus arising from the revaluation, amounting to Rs. 50,905,000/- is transferred to a Revaluation Reserve.

7.6 Information on Freehold Land and Buildings

Location	Ownership	Extent	Cost
Elkaduwa	Freehold	19 Acres 3 Roods 21 Perches	2,899,316
Elkaduwa	Freehold	27 Acres 0 Roods 15 Perches	144,000
Total Cost of the Revalued Lands			3,043,316

Significant unobservable valuation inputs - Price per Perch Rs. 8,750/- to Rs. 25,000/- (2018 - Rs. 8,000/- to Rs.20,000/-).

Significant increase/(decreases) in estimated price per perch in isolation would result in a significantly higher/(lower) fair value on liner basis

7.7 The useful lives of the property, plant and equipment are estimated as follows :

	2019	2018
Buildings and Building Integrals (Note 7.7.1)	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
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

Notes to the Financial Statements (Contd...)

7. PROPERTY, PLANT AND EQUIPMENT (Contd...)

	2019	2018
7.7.1 Component included in building & building integrals		
Buildings	45 years	45 years
Asbestos and Aluminum Roof	05 years	05 years
Bathrooms & Toilet Blocks	05 years	05 years
	2019 Rs.	2018 Rs.
8. INVENTORIES		
Food and Beverages	2,847,337	2,494,417
Other Inventories	1,409,849	1,393,476
	4,257,185	3,887,893
9. TRADE AND OTHER RECEIVABLES		
Trade Receivable	19,109,091	7,689,741
	19,109,091	7,689,741
Other Receivable	590,986	141,762
	19,700,076	7,831,502
Deposits	369,778	569,778
	20,069,854	8,401,280

Amounts recorded as Trade and Other receivables from related parties in the prior financial year have been reclassified and presented under Trade receivables and Other receivables. During the current financial year, the ownership of the Company has changed as Hayleys Group divest their interest to Serenity Lake Leisure (Pvt) Ltd. As a result amounts receivable from Hayleys Group companies being reclassified.

	Total	Neither Past due nor impaired	Past due but not impaired			
			31-60 days	61-90 days	91-120 days	120 < days
2019	19,109,091	8,297,338	10,486,633	71,202	111,479	142,439
2018	7,689,741	3,208,207	3,566,075	395,444	199,500	320,515

Trade and other receivables are non-interest bearing and are generally on terms of 30 days.

Provision Matrix and Impairment of Debtors

- Management has carried out an impairment provision based on the simplified approach of ECL method and no any impairment provision has been accounted for trade debtors as the ECL is insignificant. Management considered 100% ECL for debtors aged more than 365 days in determining the provision matrix for ECL.

- Refer Note 24 on credit risk of Trade Receivables, which discuss how the Company measure credit quality of Trade Receivables that are neither past due nor impaired

	2019 Rs.	2018 Rs.
10. CURRENT FINANCIAL ASSETS		
Financial Assets at Amortized Cost		
Investments in Fixed Deposits	19,370,104	13,065,988
Financial Assets at Fair Value through Profit or Loss		
Investments in units trust	22,942,847	11,442,425
	42,312,951	24,508,412
10.1 The Company invested in Wealth Money Plus in NDB Wealth Management Limited.		

	2019 Rs.	2018 Rs.
11. CASH AND CASH EQUIVALENTS		
Components of Cash and Cash Equivalents		
11.1 Favourable Cash & Cash Equivalents		
Cash at Bank and in Hand	6,969,982	10,956,072
Total Cash and Cash Equivalents for the Purpose of Statement of Cash Flows	6,969,982	10,956,072

	2019		2018	
	Numbe	Rs.	Number	Rs.
12. STATED CAPITAL				
12.1 Fully Paid Ordinary Shares	5,625,000	82,500,000	5,625,000	82,500,000
	5,625,000	82,500,000	5,625,000	82,500,000

	2019 Rs.	2018 Rs.
13. RESERVES		
13.1 Revaluation Reserve		
On: Freehold Land		
As at 1 April	52,095,948	60,576,684
Effect of revaluation carried out during the year	50,905,000	-
Deferred tax effect on revaluation of freehold land	(7,126,700)	(8,480,736)
As at 31 March	95,874,248	52,095,948

13.2 The above revaluation surplus consists of net surplus resulting from the revaluation of Freehold Land as described in Note 7.5

13.3 As per the New Inland Revenue Act No 24 of 2017 which is effective from 1 April 2018, Business assets including land will attract income tax at the corporate tax rate applicable to the Company, at the time of realization of such assets. Accordingly, land carried under revaluation model in the financial statements has now been considered as a business asset and subjected to taxable temporary differences. Accordingly a deferred tax liability has been recognized through other comprehensive income(OCI) and charged to revaluation reserve.

Notes to the Financial Statements (Contd...)

	2019 Rs.	2018 Rs.
14. INCOME TAX EXPENSE		
Statement of Profit & Loss		
Current Income Tax		
Current income tax charge (Note 14.1)	1,822,094	402,918
Adjustments in respect of current income tax of previous year	(196,267)	-
Deemed Dividend Tax	-	130,972
	1,625,827	533,890
Deferred Tax		
Relating to origination and reversal of temporary differences (Note 14.4)	(521,597)	2,930,152
Income Tax Expense reported in the statement of profit or loss	1,104,229	3,464,042
Other Comprehensive Income		
Deferred Tax related to items recognised in OCI during in year;		
Deferred Tax Impact on actuarial loss	(18,541)	(19,663)
Effect on Revaluation surplus of land	7,126,700	8,480,736
Deferred Tax charged to OCI	7,108,159	8,461,073
Total Income tax expense reported in Statement of Profit or Loss and Other Comprehensive Income	8,212,388	11,925,115
14.1 A reconciliation between Tax Expenses and the product of accounting profit multiplied by the applicable tax rate is as follows:		
	2019 Rs.	2018 Rs.
Accounting Profit/(Loss) Before Tax	2,336,766	(9,412,147)
Non - deductible expenses for tax purposes	24,271,041	26,073,060
Deductible expenses for tax purposes	(12,260,728)	(16,305,323)
Statutory income from business	14,347,079	355,590
Other Sources of Income		
Interest Income	2,113,075	2,104,780
Total Statutory Income	16,460,153	2,460,371
Tax losses	(3,445,198)	(774,842)
Total taxable income	13,014,955	1,685,529
At the effective income tax rate of 28% (2018 - 28%) on other income	-	402,918
At the effective income tax rate of 14% (2018 - 12%) on Hotel operations	1,822,094	-
Taxation on profits for the year	1,822,094	402,918

14. INCOME TAX EXPENSE (Contd...)

14.2 The Company is liable for income tax at the rate of 14% (2018 - 12%). The carried forward tax losses of the Company as at 31 March 2019 amounts to Rs. 3,445,198/- has been fully claimed during the year. (2018 carried forward tax loss - Rs. 3,445,198/-).

14.3 Deferred Tax Assets, Liabilities and Income Tax relates to the followings.

	Statement of Financial Position		Statement of Comprehensive Income	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Deferred Tax Liability				
Property, Plant and Equipment	49,374,909	43,871,015	5,503,895	12,735,352
	49,374,909	43,871,015	5,503,895	12,735,352
Deferred Tax Assets				
Employee Benefit Liability	(731,566)	(565,416)	(166,150)	(151,089)
Carried Forward Tax Losses	-	(1,227,588)	1,227,588	(1,211,846)
Grants and Subsidies	-	(21,228)	21,228	18,808
	(731,566)	(1,814,233)	1,082,666	(1,344,128)
Deferred Income Tax Expense			6,586,561	11,391,225
Net Deferred Tax Liability	48,643,343	42,056,781		
14.4 Deferred Tax (Assets) / Liabilities			2019 Rs.	2018 Rs.
Balance as at the Beginning of the Year			42,056,781	30,665,556
Deferred Tax Charge/ (Reversal) - Statement of Profit or Loss			(521,597)	2,930,152
Deferred Tax Charge - Statement of Other Comprehensive Income			7,108,159	8,461,073
Balance as at End of the Year			48,643,343	42,056,781

Notes to the Financial Statements (Contd...)

	2019 Rs.	2018 Rs.
15. EMPLOYEE BENEFIT LIABILITY		
15.1 Defined Benefit Obligation		
Changes in the present value of the defined benefit obligation are as follows:		
Balance as at 1 April	4,038,688	3,452,725
Transfers in employee benefit liability	238,920	58,303
Current Service Cost	627,270	512,528
Interest Cost	443,155	387,081
Actuarial Loss	132,439	140,451
Benefit Paid	(255,000)	(512,400)
Defined Benefit Obligation as at the end of the period	5,225,472	4,038,688
15.2 Messrs. NMG Consultation, an independent actuaries, carried out an actuarial valuation of the defined benefit plan gratuity on March 31, 2019. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used are as follows:		
	2019	2018
15.3 Principal Actuarial Assumptions		
The principal financial assumptions underlying the above valuation are as follows;		
Discount Rate	11% p.a	11% p.a
Salary Increment Rate	10% p.a	10% p.a
Staff Turnover	1% at each Age	1% at each Age
15.4 Sensitivity of the principal assumptions used	Expected Future Salaries	Discount Rate
	1% increase	1% decrease
	Rs.	Rs.
Change in present value of Defined Benefit Obligation	245,445	(227,529)
		(204,351)
		223,710
15.5 The average duration of the defined benefit obligation as at the end of the reporting period is 7 years (2018 - 8.8 years) The demographic assumption underlying the valuation is the retirement age of 55 years.		
15.6 The demographic assumption underlying the valuation is the retirement age of 55 years.		

	2019 Rs.	2018 Rs.
16. GRANTS		
As at 1 April	151,632	333,636
Amortization During the Year	(151,632)	(182,004)
As at 31 st March	-	151,632
16.1 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.		
17. TRADE AND OTHER PAYABLES	2019 Rs.	2018 Rs.
Trade Payable	11,087,637	5,171,699
Other Payable	699,362	2,654,263
Sundry Creditors Including Accrued Expenses	10,572,111	10,450,867
	22,359,110	18,276,829
Amounts recorded as Other payables to related parties in the prior financial year have been reclassified and presented under Trade and Other payables to non related entities. During the current financial year, the ownership of the Company has changed as Hayleys Group divest their interest to Serentiy Lake Leisure (Pvt) Ltd. As a result amounts payable to Hayleys Group companies being reclassified.		
Trade and other payables are non-interest bearing and are generally on terms of 30 days.		
18. CONTRACT LIABILITIES	2019 Rs.	2018 Rs.
Reservation Advances	4,623,943	3,131,402
18.1 PROFIT/(LOSS) BEFORE TAX	2019 Rs.	2018 Rs.
Stated after Charging		
Included in Administrative Expenses		
Employees Benefits (including the following)	29,968,749	25,331,033
- Defined Benefit Plan Costs - Gratuity	1,070,425	899,609
- Defined Contribution Plan Costs - EPF & ETF	2,432,056	2,212,068
Depreciation	20,577,830	22,644,836
Management Fees	2,350,876	3,670,973
Audit Fees and Expenses	622,450	584,000
Included in Marketing and Promotional Expenses		
Marketing and Sales Promotions	2,063,754	2,074,005
Sales Commission on Revenue	4,614,262	3,989,389

Notes to the Financial Statements (Contd...)

19. EARNINGS/(LOSS) PER SHARE		
19.1	Basic Earnings/(loss) Per Share is calculated by dividing the net profit/(loss) 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/(loss) Per Share computation.	
	Amount Used as the Numerator:	
		2019 Rs.
		2018 Rs.
	Profit/ (Loss) for the year	
	Net Profit/(Loss) Attributable to Ordinary Shareholders for Basic Earnings Per Share	1,232,536
		(12,876,189)
	Number of Ordinary Shares Used as Denominator:	
		2019 Number
		2018 Number
	Weighted Average number of Ordinary Shares in issue	5,625,000
	Basic Earnings/(loss) Per Share	0.22
		(2.29)
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.	
		2019 Rs.
		2018 Rs.
	Authorised by the Board, but not Contracted for	-
		34 Mn
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:	
	Following related party transactions include the amounts paid to Hayleys Group Companies (Previous Owners of Hunas Falls PLC) until they divest their stake to the Serenity Lake Leisure (Pvt) Ltd on January 2019. Thereafter there were no related party transactions taken place.	
23.1 Transactions with Ultimate Parent/Fellow Subsidiaries		
	Nature of transactions	2019 Rs.
		2018 Rs.
	Secretarial services provided by a Fellow Subsidiary where payments are made	1,463,786
		1,753,920
		1,463,786
		1,753,920
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.	
	Key Management Personnel Compensation	2019 Rs.
		2018 Rs.
	Non Executive Director Fees	2,406,736
	Insurance - Directors	15,455
		14,599
		2,422,191
		2,425,631
23.3 Other Related Party disclosures		
	Transactions with entities that are significantly influenced by Management Personnel of the Company :	
	Some Key Management Personnel of the Company and their members of the families at least have significant influence in certain entities with which the Company entered into the transactions, summarised as follows:	
	Nature of transactions	2019 Rs.
		2018 Rs.
	Amount Receivable as at 31 March	-
		1,407,747
	Amount Payable as at 31 March	-
		2,654,263
	Hotel Operation and Marketing fees	6,633,325
	Payment made	23,286,009
	Payment Received	3,907,426
	Purchases	370,572
		155,110
	Advertising and Other Reimbursements	32,235,975
	Service Charge Paid	640,668
		696,548
	Sales of Accommodation	1,906,548
		2,479,530
	Gratuity Receivable	-
		58,303
	Overbooking Transfer	26,360
		288,773
	All the above recurrent related party transactions have been conducted on agreed commercial terms with the respective parties on an arm's length basis.	

Notes to the Financial Statements (Contd...)

23. RELATED PARTY DISCLOSURES (Contd...)

23.4 Amounts recorded as Trade and other payables to related parties and Trade and other receivables from related parties in the prior financial year have been reclassified and presented under Trade and Other payables and receivables to or from non related entities. During the current financial year, the ownership of the Company has changed as Hayleys Group divest their interest to Serentiy Lake Leisure (Pvt) Ltd. As a result amounts payable to Hayleys Group companies being reclassified.

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 Company. 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 policies and 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. Interest rate risk is minimal as the Company manages its operations without external borrowings.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company exposure to the risk of changes in foreign exchange rates relates primarily to the Company operating activities.

Trade Receivables

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

Liquidity Risk

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

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of 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 summarizes the maturity profile of the Company financial liabilities based on contractual undiscounted payment

Year ended 31st March 2019	With in the year Rs.	After One Year Rs.	Total Rs.
Trade and other payables	22,359,110	-	22,359,110
	22,359,110	-	22,359,110
Year ended 31st March 2018			
Trade and other payables	18,276,829	-	18,276,829
	18,276,829	-	18,276,829

Capital Management

Capital includes equity attributable to the equity holders.

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

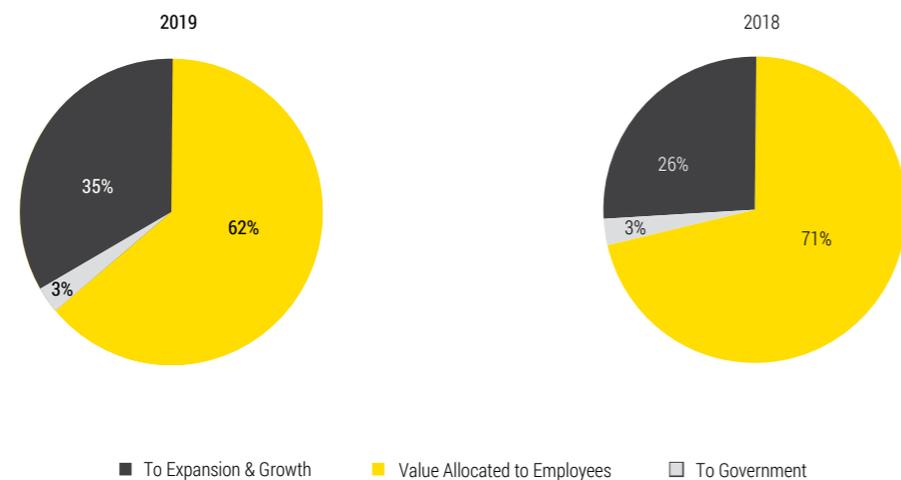
The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the year ended 31 March 2019.

The Company monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. The company's policy is to keep the gearing ratio at a minimum level. The company includes within the net debt, trade and other payables, less cash and cash equivalents.

Statement of Value Added

	2019 Rs	2018 Rs.
Gross Turnover	143,834,747	126,203,306
Other Income	3,016,722	4,874,958
	146,851,469	131,078,265
Less: Cost of Material & Services bought in	(81,023,949)	(80,078,678)
	65,827,520	50,999,586
Value Allocated to Employees		
Salaries & Wages and Other Benefits	41,226,524	36,312,707
To Government		
TDL & Turnover Tax	1,686,400	1,454,189
To Providers of Capital		
Dividend	-	-
To Expansion & Growth		
Depreciation & Retained in Business	22,914,596	13,232,690
	65,827,520	50,999,586



Information of Shareholders and Investors

Ordinary Shareholders As At 31st March 2019

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	%
1-1000	1,808	242,097	4.31	8	1,821	0.03	1,816	243,918	4.34
1001-10000	31	69,415	1.23	1	1,850	0.03	32	71,265	1.26
10001-100000	3	58,345	1.04	-	-	-	3	58,345	1.04
100001-1000000	1	690,259	12.27	-	-	-	1	690,259	12.27
Over 1,000,000	1	4,561,213	81.09	-	-	-	1	4,561,213	81.09
	1,844	5,621,329	99.94	9	3,671	0.06	1,853	5,625,000	100.00
Category									
Individuals	1,794	352,569	6.28	9	3,671	0.06	1,803	356,240	6.34
Institutions	50	5,268,760	93.66	-	-	-	50	5,268,760	93.66
	1,844	5,621,329	99.94	9	3,671	0.06	1,853	5,625,000	100.00

Name of Shareholder	No. of Shares as at 31/03/2019	%	No. of Shares as at 31/03/2018
Serenity Lake Leisure (Pvt) Ltd	4,561,213	81.09	-
Mandatory Offer By Serenity Lake Leisure (Private) Limited	690,259	12.27	-
Mr. Perera	34,793	0.62	-
Mr. Obeyesekere	12,131	0.22	-
Mr. Hathiramani	11,421	0.20	-
Mandatory Offer Ledger (Reserver Account)	6,130	0.11	-
Mrs. Panamaldeniya	5,000	0.09	-
Tangerine Tours (Pvt) Limited	4,400	0.08	-
Mr. Kumarasinghe	3,695	0.07	-
Mr. Sivasubramaniam	2,900	0.05	-
Est Of Mr. Rajan	2,758	0.05	-
Mr. Rambukwella	2,710	0.05	-
Mr. De Silva	2,617	0.05	-
Mrs. Peiris	2,500	0.04	-
Mr. Madanayake	2,500	0.04	-
Mr. Fernando	2,500	0.04	-
Mrs. Adamally	2,461	0.04	-
Mrs. Veerasingham	2,291	0.04	-
Mr. De Fonseka	2,000	0.04	-
Mrs. Seneviratne	2,000	0.04	-
Total	5,356,279	95.23	-

The percentage of shares held by public as per Colombo Stock Exchange Rules as at 31st March 2019 was 6.53% (2018 : 31.06%) held by 1,850 Ordinary Shareholders (2018 : 2,260)

Float-adjusted market capitalization as at 31 March 2019 was Rs. 66,116,250/-

The Company not complies with option 5 of the Listing Rules 7.13.1 (a) – Less than Rs.2.5Bn Float Adjusted Market Capitalization which requires 20% minimum Public Holding.

High Rs. 207.80
Low Rs. 62.00
Closing Rs. 180.00

Five Year Summary

Year ended 31 March		2019	2018	2017	2016	2015
Operating Results						
Turnover	Rs.000s	142,148	124,749	143,566	151,264	139,832
Profit / (Loss) before Taxation	Rs.000s	2,337	(9,412)	3,826	8,417	3,936
Taxation	Rs.000s	(1,104)	(3,464)	(607)	(1,936)	(769)
Profit / (Loss) after Taxation	Rs.000s	1,233	(12,876)	3,218	6,480	3,167
Balance Sheet						
Share Capital	Rs.000s	82,500	82,500	82,500	82,500	82,500
Capital Reserve	Rs.000s	95,874	52,096	60,577	44,957	44,957
Revenue Reserves	Rs.000s	207,365	206,247	219,244	216,030	210,208
Share Holders' Fund	Rs.000s	385,740	340,843	362,320	343,487	337,665
Non-Current Assets						
Non-Current Assets	Rs.000s	390,066	355,903	376,860	384,818	391,234
Current Assets						
Current Assets	Rs.000s	76,526	52,595	39,507	27,793	23,749
Current Liabilities (Net of Borrowings)						
Current Liabilities (Net of Borrowings)	Rs.000s	(26,983)	(21,560)	(19,594)	(33,390)	(24,286)
Borrowings	Rs.000s	-	-	-	(1,873)	(21,413)
Provisions / Subsidies	Rs.000s	(53,869)	(46,095)	(34,452)	(33,862)	(31,620)
Net Assets	Rs.000s	385,740	340,843	362,320	343,487	337,664
Key Indicators						
Earning / (Loss) per Share	Rs.	0.22	(2.29)	0.57	1.15	0.56
Market price per 31st March	Rs.	180.00	65.00	46.30	50.60	59.90
Highest Market Price	Rs.	207.80	75.00	71.80	73.50	76.90
Lowest Market Price	Rs.	62.00	40.00	41.90	45.00	45.80
Return / (Loss) on Equity	%	0.32	(3.78)	0.89	1.89	0.94
Price Earning Ratio	No. of Times	818.18	N/A	81.23	44.00	106.96
Interest Cover	No. of Times	N/A	N/A	-	35.17	30.53
Gearing Ratio	%	-	-	-	0.50	5.96
Current Ratio	No. of Times	2.84	2.44	2.02	0.79	0.52
Net Assets Per Share	Rs.	68.58	60.59	64.41	61.06	60.03

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.

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

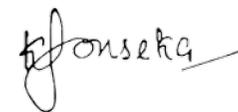
HUNAS FALLS HOTELS PLC
Company No. PQ 72

Notice is hereby given that the Thirteenth Annual General Meeting of Hunas Falls Hotels PLC will be held on Thursday, 26th September 2019 at 10.00 a.m. at The Sri Lanka Foundation Institute, Sri Lanka Padanama Mawatha, No:100, Independence Square, Colombo 07, for the following purposes:-

AGENDA

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company.
2. To receive and consider the Statement of Audited Accounts for the year ended 31st March 2019 with the Report of the Auditors thereon.
3. To re-elect Mr. W. S. L. A. D. R. Samarasinghe in terms of Article 27 (2) of the Company's Articles of Association as a Director of the Company.
4. To re-elect Ms. G. S. M. Irugalbandara in terms of Article 27 (2) of the Company's Articles of Association as a Director of the Company.
5. To re-elect Mr. P. M. De Alwis in terms of Article 27 (2) of the Company's Articles of Association as a Director of the Company.
6. To re-elect Mr. M. A. A. Atheeq in terms of Article 27 (2) of the Company's Articles of Association as a Director of the Company.
7. To re-elect Ms. P. Wickramanayake in terms of Article 27 (2) of the Company's Articles of Association as a Director of the Company.
8. To re-elect Mr. C. H. A. Pandithasekara in terms of Article 27 (2) of the Company's Articles of Association as a Director of the Company.
9. To re-elect Mr. Gajan Vinothan in terms of Article 27 (2) of the Company's Articles of Association as a Director of the Company.
10. To re-appoint the retiring Auditors, Messrs. Ernst & Young, Chartered Accountants and to authorize the Directors to determine their remuneration.
11. To authorize the Directors to determine contributions to charities and other donations for the year 2019/2020.

By Order of the Board of Directors of
HUNAS FALLS HOTELS PLC
S S P CORPORATE SERVICES (PRIVATE) LIMITED



Secretaries
27th August 2019
Colombo

Form of Proxy

I/We,.....(NIC No.....) of
..... being a member/members of **Hunas Falls Hotels PLC** hereby appoint Mr/Mrs/Ms.....
..... (NIC No.....) of.....failing him / her

Mr. W. S. L. A. D. R. Samarasinghe of Pitakotte	Failing Him
Ms. G. S. M. Irugalbandara of Kaduwela	Failing Him
Mr. P. M. De Alwis of Ratnapura	Failing Him
Mr. M. A. A. Atheeq of Colombo 04	Failing Him
Mr. P. Wickramanayake of Mahawewa	Failing Him
Mr. C. H. A. Pandithasekara of Panadura	Failing Him
Mr. G. Vinothan of Colombo 04	

as my /our Proxy to represent me/us and vote and speak for me/us on my/our behalf at the Thirteenth Annual General Meeting of the Company to be held 26th September 2019 at 10.00 A.M. at Sri Lanka Foundation Institute, Sri Lanka Padanama Mawatha, 100 Independence Square, Colombo 07 and at any adjournment thereof and to vote at every poll which may be taken in consequence thereof.

Please indicate your preference by placing a "X" against the Resolution Number.

	For	Against
1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
2. To receive and consider the Statement of Audited Accounts for the year ended 31st March 2019 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr. W. S. L. A. D. R. Samarasinghe in terms of Article 27 (2) of the Company's Articles of Association as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Ms. G. S. M. Irugalbandara in terms of Article 27 (2) of the Company's Articles of Association as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Mr. P. M. De Alwis in terms of Article 27 (2) of the Company's Articles of Association as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-elect Mr. M. A. A. Atheeq in terms of Article 27 (2) of the Company's Articles of Association as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
7. To re-elect Ms. P. Wickramanayake in terms of Article 27 (2) of the Company's Articles of Association as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
8. To re-elect Mr. C. H. A. Pandithasekara in terms of Article 27 (2) of the Company's Articles of Association as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
9. To re-elect Mr. Gajan Vinothan in terms of Article 27 (2) of the Company's Articles of Association as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
10. To re-appoint the Auditors, Messrs Ernst & Young, Chartered Accountants until the conclusion of the next Annual General Meeting and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
11. To authorize the Directors to determine contributions to charities and other donations for the year 2019/2020.	<input type="checkbox"/>	<input type="checkbox"/>

As witness my/our hand/s thisday of2019

.....
NIC Number / Reg. No

.....
Signatures of Shareholder

CORPORATE INFORMATION

INSTRUCTIONS FOR COMPLETION OF THE FORM OF PROXY:

1. Please complete the Form of Proxy after filling in legibly your full name, NIC number and address and by signing in the space provided.
2. To be valid, this Form of Proxy must be deposited at the Registered Office of the Company, Hunas Falls Hotels PLC, No.23, Alfred Place, Colombo 03 not less than 48 hours before the time appointed for holding the meeting.
3. Please indicate clearly how your Proxy is to vote on the Resolutions. If no indication is given, the Proxy in his/her discretion may vote as he/she thinks fit.
4. If the shareholder is a Company or body corporate, a form of Corporate Representation executed under its Common Seal in Accordance with its Articles of Association or Constitution should be submitted.
5. 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.
6. Any Shareholder / Proxy attending the Annual General Meeting is kindly requested to bring with him/her the National Identity Card or any other form of valid identification, and produce same at the time of registration.

NAME OF COMPANY	Hunas Falls Hotels PLC Company Number PQ 72	
LEGAL FORM	A Public Quoted 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 Mr. W.S.L.A.D.R.Samarasinghe - Chairman Mr. M.A.A.Atheeq Ms. G.S.M.Irugalandara Mr. P.M.De Alwis Ms. P.Wicramanayake Mr. C.H.A.Pandithasekara Mr. G.Vinothan	(Resigned w.e.f 12.03.2019) (Resigned w.e.f 21.02.2019) (Resigned w.e.f 21.02.2019) (Resigned w.e.f 21.02.2019) (Resigned w.e.f 12.03.2019) (Resigned w.e.f 21.02.2019) (Resigned w.e.f 12.03.2019) (Resigned w.e.f 12.03.2019) (Resigned w.e.f 12.03.2019) (Appointed w.e.f 21.02.2019) (Appointed w.e.f 21.02.2019) (Appointed w.e.f 21.02.2019) (Appointed w.e.f 21.02.2019) (Appointed w.e.f 09.05.2019) (Appointed w.e.f 09.05.2019) (Appointed w.e.f 09.05.2019)
SECRETARIES	S S P Corporate Services (Pvt) Ltd No. 101, Inner Flower Road, Colombo 03 Phone: +94 11 2573894	
AUDITORS	Messrs Ernst & Young Chartered Accountants 201, De Saram Place Colombo 10	
HOTEL OPERATION & MARKETING	Amaya Leisure PLC Level 27, East Tower World Trade Centre Echelon Square Colombo 01 Phone: +94 11 4767800	
BANKERS	Commercial Bank of Ceylon PLC Sampath Bank PLC	
REGISTERED OFFICE	No: 23, Alfred Place, Colombo 03	



HUNAS FALLS HOTELS PLC
Elkaduwa, Sri Lanka