Club Hotel

Dolphin

Dolphin Hotels PLC Annual Report 2015/16

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Financial Report

VISION

To be one of the top three contributors to the development of the hospitality industry in Sri Lanka and be the benchmark for guest service, F&B standards and management of human capital

MISSION

Our Guests

Create experiences to write home about by exceeding the expectations of our guests at all times

Our Customers

To be the most trusted hotel partner, delivering consistently superior value at all times

Our People

To create an environment that will inspire our people to work with pride, happiness and passion which will reflect in service excellence thus delighting our guests

Our Community

To develop our community and protect our environment by adopting and implementing sustainable tourism initiatives

Our Shareholders

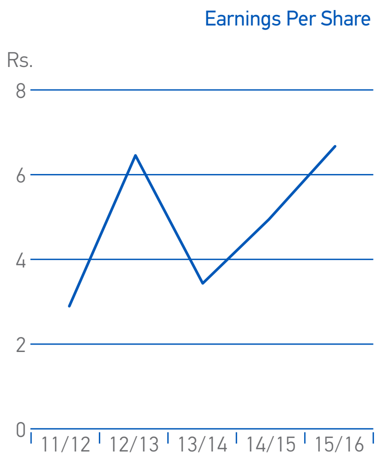
To deliver superior returns to our shareholders through sustained performance excellence

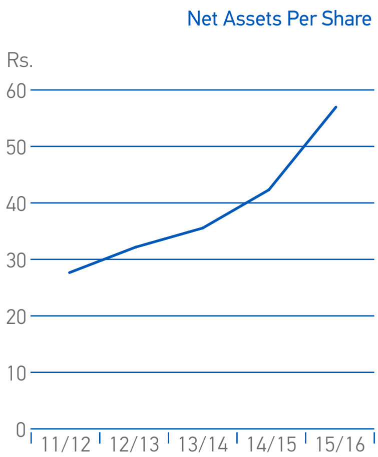
OUR VALUES

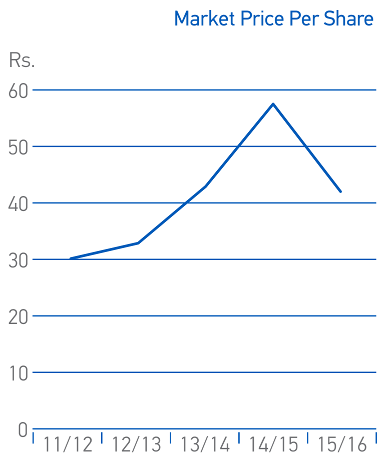
Concern for People
Passion for Customers
Obsession for Performance
Driven by Innovation

FINANCIAL HIGHLIGHTS

Year ended 31 March		2016	2015 Restated
Revenue	Rs.000's	880,508	870,774
Earnings before Interest, Tax, Depreciation & Amortization (EBITDA)	Rs.000's	306,510	287,772
Profit before Tax	Rs.000's	219,818	186,766
Profit after Tax	Rs.000's	208,172	155,855
Earnings Per Share	Rs.	6.58	4.93
Cash Earnings Per Share	Rs.	7.15	6.34
Interest Cover	Times	17	9
Return on Equity (ROE)	%	11.5	11.5
Return on Capital Employed (ROCE)	%	11.4	12.2
Statement of Financial Position Highlights and Ratios			
Total Assets	Rs.000's	2,329,251	1,934,832
Total Debt	Rs.000's	231,283	319,529
Total Shareholders' Funds	Rs.000's	1,807,654	1,352,207
No. of Shares in issue	000's	31,621	31,621
Net Assets Per Share	Rs.	57.16	42.76
Debt / Total Equity	%	12.8	23.6
Debt / Total Assets	%	9.9	16.5
Market/ Shareholder Information			
Market Price Per Share as at 31st March	Rs.	42.00	56.90
Market Capitalization	Rs.000's	1,328,102	1,799,262
Price Earnings Ratio	Times	6	12
Dividends Per Share	Rs.	1.50	1.00
Dividend Payout	%	22.8	20.3







THE BOARD OF DIRECTORS

A N Esufally
Chairman

With over 35 years' experience in the tourism industry, Mr. Abbas Esufally has played a pivotal role in expanding the Group's Leisure interest. He was appointed to the Board in 1994 and was elected Chairman of the Company in 2002. He serves as a Group Director of Hemas Holdings PLC and is the Chairman of Serendib Hotels PLC, Hotel Sigiriya PLC and Diethelm Travel Lanka (Private) Limited, Sri Lanka's premier Destination Management Company. He serves on several other listed and unlisted company boards as well.

Mr. Esufally has taken an active part in the growth and development of the tourism industry. He serves as the Chairman of the Mercantile Service Provident Society of the Ceylon Chamber of Commerce and is a Member of the Advisory Committee of the Tourist Hotels Association of Sri Lanka and a Member of the Advisory Council appointed by the Hon. Minister of Tourism.

Mr. Esufally is a Fellow Member of both the Institute of Chartered Accountants of England & Wales and the Institute of Chartered Accountants of Sri Lanka. He is an all Island Justice of the Peace and serves as the Honorary Consul of Bhutan in Sri Lanka.

D T R De Silva
Executive Director

Mr. Ranil De Silva was appointed to the Board in 2012. He serves as the Managing Director of Serendib Hotels PLC and is an Executive Director of Hotel Sigiriya PLC. He is a Fellow Member of the Chartered Institute of Management Accountants UK, an Associate Member of the Institute of Chartered Accountants of Sri Lanka and a Member of the Chartered Institute of Marketing UK. He began his career at Ernst & Young and has worked overseas with a Multi-National Company for 10 years. Mr. De Silva has wide experience locally in diverse industries having previously held the position of Group CEO of the DCSL Group. He is also an Independent Director of Singer Sri Lanka PLC, Singer Industries PLC and Regnis Lanka PLC. Mr. De Silva is also a Member of the Executive Committee of the Tourist Hotels Association of Sri Lanka.

W D U Perera
Non - Executive Director

Mr. Darshana Perera was appointed to the Board in 2015. He joined Hemas Holdings PLC in May 2014 in the capacity of Group Financial Controller. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and is also an Associate Member of the Chartered Institute of Management Accountants UK and the Institute of Professional Managers. He holds an MBA, specialized in Finance from the University of Colombo.

Mr. Perera possesses over 13 years of post-qualifying experience covering a wide variety of industries, including manufacturing, telecommunication and IT Enabling Services. He commenced his career at Ernst & Young and prior to joining Hemas, he worked for T&S Buttons Lanka (Pvt) Ltd (a Brandix Company) as Chief Financial Officer and at Dialog Axiata PLC. Mr. Perera also serves as a Non-Executive Director of Hotel Sigirya PLC.

A R Gamage (Mrs)
Independent Director

Mrs. Ramani Gamage was appointed to the Board in 1994. She is a Fellow Member of the Chartered Institute of Management Accountants U.K. Mrs. Gamage also serves as an Independent Director of Hotel Sigiriya PLC and Infocraft Limited.

B S M De Silva
Independent Director

Mr. Sarada De Silva Counts over 25 years' experience in the Tourism and Leisure industries. He was appointed to the Board in 1990. He also has extensive experience in the Spice industry and is the Founder Chairman of the Spice Council. He is the Chairman & Managing Director of B. Darsin De Silva & Sons (Private) Limited and the Chairman of Cinnamon Training Academy Limited and Ceylinco General Insurance Limited. Mr. De Silva holds directorships in Hotel Sigiriya PLC, Intercom Group of Companies and several other companies and is also the President of the National Chamber of Exporters of Sri Lanka

RISK MANAGEMENT

Dolphin Hotels PLC believes that its dynamic approach to risk management ensures that key risks are pro-actively identified, assessed and responded to. Our ongoing assessment process takes into account the likelihood of an event, its potential impact on the business and the need for mitigation.

We have adopted the ISO 31000 standard of risk management illustrated below. It elaborates on risk identification, risk assessment, risk response and risk reporting methodologies.

Risk Policy

Our policy for risk management is to proactively manage risk to ensure continued growth of our business and to protect our people, assets and reputation.

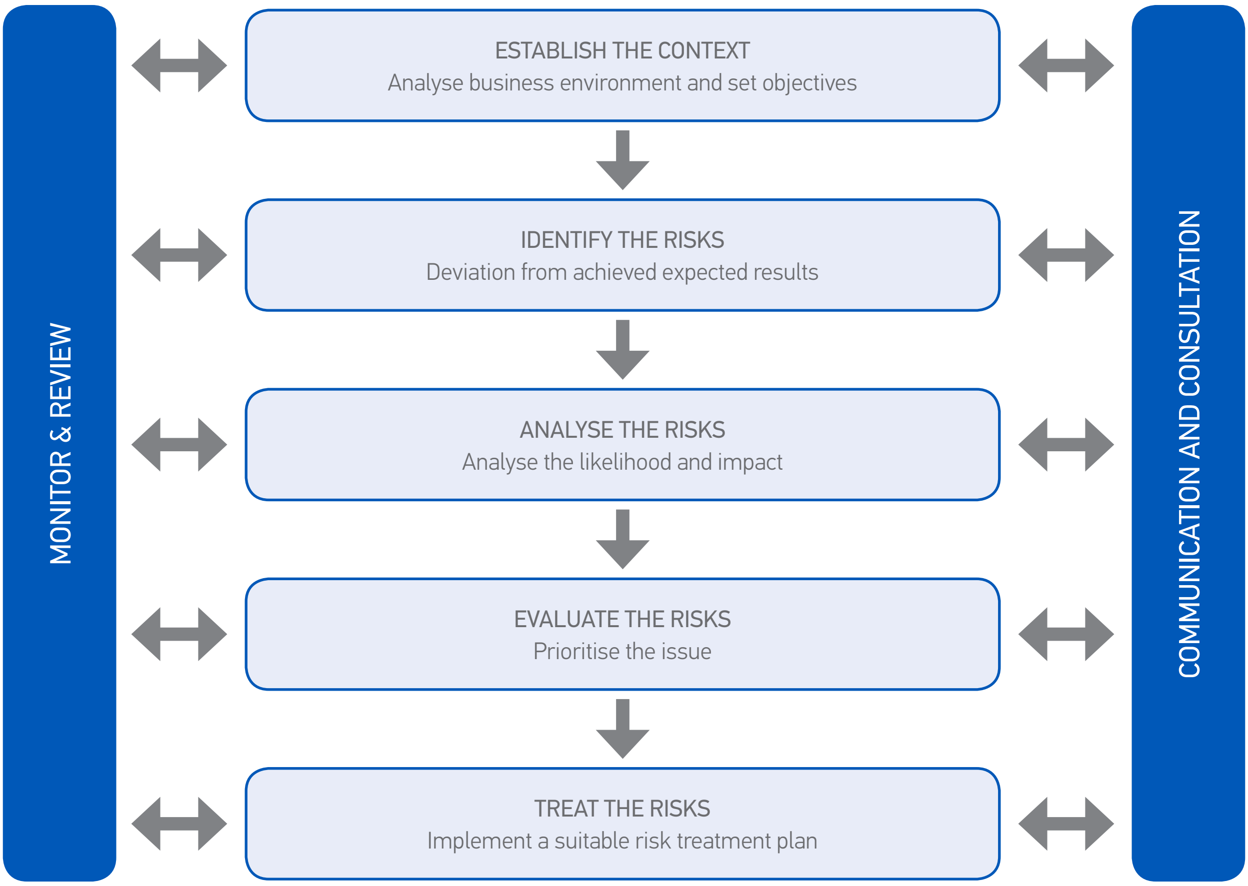
Accordingly we,

- Implement effective and integrated risk management systems while maintaining business flexibility.
- Identify and assess material risks associated with our business to monitor, manage and mitigate risks.

Internal Control and Risk Management

The Group Risk Management Committee (GRMC) of Hemas Holdings PLC, the ultimate parent of Dolphin Hotels PLC overlooks the risk management process of the Company. This committee reviews the company's risk profile and provides guidance on required risk responses on a quarterly basis. The Board reviews its strategies, processes, procedures and guidelines as a part of the Risk Management process on a continuous basis to effectively identify, assess and respond to risks.

The Audit Committee of the Serendib Hotels PLC reviews and monitors internal controls. The internal audit scope is approved by the Audit Committee at the start of the year. The audit reports, risk reports and compliance reports are reviewed by the Audit Committee on a quarterly basis. During the financial year the Company went through two internal audit cycles done by BDO partners Sri Lanka and one follow-up audit performed by the Hemas Group Internal Audit Team with no material risks being escalated for further action.



Source: ISO 31000 Risk Management Framework

Key Risks and Action Plans

The following table outlines the specific and most relevant risks faced by the Company and management actions to mitigate them.

Risk	Risk exposure	Mitigating actions
Market Risk	Adverse impact on yields and occupancies	• Closely monitor the socio-economic environment of the traditional source markets and target new markets, especially those who travel during off-season. • Analyse resources and capabilities to identify core competencies and differentiate through brand and service levels • Sourcing new markets and developing new channels • Active participation at WTM (UK), ITB (Germany), ATM (Dubai) and other trade fairs in order to promote the properties and to attract new tour operators. • Grow the online channel using the brand website and Online Travel Agencies to improve revenue and yields.
Human Resource Risk	Risk of losing skilled and trained human capital and recruitment of staff for new hotel developments. Trade union activities resulting in work disruptions.	• Establish career development programs and succession plans in order to retain and motivate the talent pool of the company • Provide focused and structured training for staff at all levels to aid personal and professional development • Develop a strong employer brand to attract staff of the right quality • Foreign and local Cross Training exposure was given to Staff members to enhance Knowledge & Skills. • Awareness created on future aspirations of the Company in the developing Hospitality industry
Foreign Exchange Rate Risk	Depreciation of the Rupee and loss on exchange in conversion of loans denominated in foreign currency	• Exchange rate movements are taken into consideration when entering into contracts with travel agents • Structure Forex borrowings in proportion to the revenue currency mix • Enter into forward rate agreements to mitigate exposure on foreign currency receivables.
Interest Rate Risk	Rising interest rates will increase borrowing cost	• The Company enjoys an advantage of significantly lower borrowing costs through foreign currency denominated borrowings.
Credit Risk	Risk arising due to default by Tour Operators and Travel agents. Impact on liquidity and profitability	• Credit is allowed only to approved operators / agents which are reviewed annually • Monitor and review the debtor balances monthly. • Obtain booking advances. • Compliance to laid down SOPs on credit control.
Political Risk	Changes to government policy could adversely impact the operating environment	• Actively participate in industry associations to lobby for policy changes to grow and develop the tourism industry. • Compliance with existing regulations and statutes. • Maintain a healthy relationship with state agencies and ministries.

RISK MANAGEMENT CONTD.

Risk	Risk exposure	Mitigating actions
Fire and Natural Disaster	Fire or natural disaster can halt or cease operations	• A fully fledged Business Continuity Planning Process is in place to support operations in case of fire or natural disasters. • Insurance is in place to cover all aspects of fire and natural disasters • Fire safety drills and training is provided to the staff at the Hotels and Head Office.
Health and Safety Risk	Risk of litigation due to non-adherence to laid down health and safety regulations. This could be due to, but not restricted to food poisoning, personal or accidental harm to guests or employees.	• The hotel takes precautions to avoid contamination of food and beverages by monitoring the supply chain, working in partnership with our supplier network. • Constant Training programmes to create awareness on safety standards. • Insurance is in place to cover both employee and guest injuries. Further, regular maintenance of the property and equipment is done to ensure compliance with health and safety requirements.
Reputation Risk	Adverse impact on the corporate image and brand equity which is likely to diminish shareholder value.	• Proper adherence to the statutory, health & safety concerns by obtaining appropriate quality certification standards including HACCP and environmental regulations • Continuous review of guest comments in order to exceed customer expectations and ensure quality standards are adhered and improved upon • Reputation management software (Revinate) is used to monitor, report and respond to the on-line reviews in the public domain/ review sites (eg. TripAdvisor, HolidayCheck, Booking.com etc) • Maintenance of highest ethical standards at all times in all business activities • Conducting meaningful CSR initiatives in the locale of the hotel

In conclusion, Dolphin Hotels PLC's transparent risk management system engages risks posed to the company on a broad front. Our risk management process is entrenched in the core values of the company and the senior management demonstrates leadership in championing the company's risk management initiatives, thereby ensuring the company's competitiveness and sustainability in the long term.

CORPORATE GOVERNANCE

Introduction

Corporate Governance involves a set of relationships between a company's management, its Board, its shareholders and other stakeholders. Corporate Governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives, and monitoring performance are determined.

Company's Philosophy on Corporate Governance

Dolphin Hotels PLC is fully aware of and committed to implementing governance standards that conform to best practices. As part of the corporate culture, it engages and interacts with all the stakeholders in a way that promotes mutual trust, better understanding and good faith.

The main scope of the Company's Corporate Governance policies encompasses; clear description of duties and responsibilities among the Board of Directors, checks and balances, clear business roles and strategies within the Company, ethical business conduct, engagement with stakeholders through risk mitigation, upholding corporate social responsibility in sustaining good corporate citizenship as well as disclosure of material information in a timely and accurate manner.

Set out below is the extent to which the Company complies with the Code of Best Practice on Corporate Governance issued jointly by the Securities & Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka:-

SECTION 1: THE COMPANY

A. DIRECTORS

The Board

Corporate Governance Principle	SEC & ICASL Code Reference	Level of Compliance
Board Meetings	A 1.1	Four regular Board Meetings are scheduled during a year to review the strategic direction of the operational units, annual budgets and progress towards achieving those budgets and key business risks and other matters. Ad hoc meetings are also held when necessary. Apart from taking decisions at meetings, the Board also takes decisions via Circular Resolutions. These resolutions are required to be signed by all the Directors.
Responsibilities of the Board	A 1.2	The Directors are responsible for; • Formulating, implementing and monitoring overall business policy and strategy. • Ensuring effective systems are in place to secure integrity of information, internal controls and risk management. • Ensuring compliance with relevant laws, statutes and regulations. • Ensuring all stakeholder interests are considered in corporate decisions. • Promotion of open and proper communication between the Company and its stakeholders.
Compliance with the law and independent professional advice	A 1.3	The Board collectively and the Directors individually, act in accordance with the laws and regulations applicable to the business enterprise. In discharging their duties, Directors may seek independent professional advice from external parties when necessary at the expense of the Company.
Company Secretary	A1.4	All Directors have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that proper Board procedures are followed, and applicable rules and regulations are complied with. The appointment and removal of the Company Secretary is a decision taken by the Board as a whole.
Independent judgment	A1.5	The Directors exercise independent judgment on matters pertaining to strategy, performance, resource allocation and standards of business conduct, and act free from any undue influence and bias from other parties.

CORPORATE GOVERNANCE CONTD.

Corporate Governance Principle	SEC & ICASL Code Reference	Level of Compliance
Dedication of adequate time and effort by the Directors	A1.6	The Members of the Board dedicate adequate time and effort in discharging their duties and responsibilities towards the Company. The Board met on four occasions during the year under review. Directors who are unable to attend Board Meetings, are able to review Board Papers and submit their observations on the discussion papers to the Chairman prior to the Board Meetings in order that their views may be discussed and recorded. The Board has delegated some of its functions to its Parent Company's Board Sub-Committees. However, the Board retains the right to make a final decision in respect of some of the selected matters coming under the purview of the Committees. The composition and the functions of these sub-committees are discussed in detail under the relevant sections of this Report. The management of the hotel owned by the Company has been delegated to Serendib Leisure Management Limited, (Managing Agent) through a formal Management Agreement. The Managing Agent operates the hotel within the policy framework outlined by the Board and is assessed periodically by way of Management Reports and presentations.
Induction and Training for Directors	A1.7	An Induction program for new Directors is in place and includes the provision of key corporate documents, facilitation of visits to the hotel and meetings with the Executive Director and the Senior Management Team of the Company. In addition, the Directors are also encouraged to participate in continuous professional and self-development activities.

Chairman and Managing Director

Corporate Governance Principle	SEC & ICASL Code Reference	Level of Compliance
Separation of the role of Chairman & MD	A2	The role of the Chairman and Managing Director is distinct, ensuring the balance of power and authority within the organization.

Chairman's Role

Corporate Governance Principle	SEC & ICASL Code Reference	Level of Compliance
Role of Chairman in conducting meetings	A3	The Chairman encourages the participation of all the Directors in decision making, seeks and ascertains the views of the Directors, and thereby ensures that the Board functions in an efficient manner which is beneficial to the stakeholders and the Company.

Financial Acumen

Corporate Governance Principle	SEC & ICASL Code Reference	Level of Compliance
Availability of those with sufficient financial knowledge	A4	The Board comprises several professional accountants who possess the necessary knowledge and competence to guide the Board on matters pertaining to Finance.

Board Balance

Corporate Governance Principle	SEC & ICASL Code Reference	Level of Compliance
Non-Executive Directors	A 5.1	All the Directors except one are Non-Executive Directors.
Independent Directors	A 5.2	Two out of the four Non-Executive Directors are considered independent.
	A 5.3	These Directors are independent of management and free of any business or other relationship that could materially interfere with or, could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment.
Annual Declaration	A 5.4	The Independent Directors have submitted written Declarations of their independence as required by section 7.10.2(b) of the Listing Rules.
Determination of independence	A 5.5	The Board annually determines the independence of each Non-Executive Director based on the Declarations submitted by them. The Board believes that taking into account all the circumstances the independence of Mr. B S M De Silva and Mrs. A R Gamage are not compromised by them serving on the Board continually for a period exceeding nine years from the date of first appointment.
Alternate Directors	A 5.6	The Alternate Directors appointed by the Non-Executive Directors are not Executives of the Company.
Senior Independent Director	A 5.7 & A 5.8	A Senior Independent Director has not been appointed since the Chairman and the Executive Director are not the same person.
Chairman's meetings with NEDs	A 5.9	The Chairman holds meetings with the Non-Executive Directors, without the Executive Director being present, whenever necessary.
Recording of concerns in Board Minutes	A 5.10	Concerns raised by the Directors on matters of the Company which cannot be unanimously resolved are recorded in the Board Minutes.

Supply of Information

Corporate Governance Principle	SEC & ICASL Code Reference	Level of Compliance
Management's obligation to provide appropriate and timely information	A 6.1	The Board is provided with appropriate and timely information to discharge its duties. The Directors are also entitled to request for additional information where they consider such information is necessary to make informed decisions.
	A 6.2	The Agenda for the Board Meetings and connected discussion papers are circulated to the Directors at least seven days in advance to facilitate the effective conduct of the Meeting.

CORPORATE GOVERNANCE CONTD.

Appointments to the Board

Corporate Governance Principle	SEC & ICASL Code Reference	Level of Compliance
Nominations Committee	A 7.1	The Board has not established a Nominations Committee to make recommendation on Board appointments; instead appointments to the Board are made collectively and with the consent of all the Directors.
Assessment of Board composition	A 7.2	The Board assesses its composition to ascertain whether the combined knowledge and experience of the Board, matches the strategic demands faced by the Company and takes this into account when new Board appointments are considered.
Disclosure of required details of new Directors	A 7.3	On appointment of a new Director, the Company communicates to the Colombo Stock Exchange a brief résumé of the Director which includes the nature of his experience in relevant functional areas, other Directorships, or memberships in Board Sub-Committees and whether the Director is considered "Independent".

Re – election

Corporate Governance Principle	SEC & ICASL Code Reference	Level of Compliance
Re-election of Directors	A 8.1	The Company's Articles require a Director appointed by the Board to hold office until the next Annual General Meeting and seek re- appointment by the Shareholders at that Meeting.
	A 8.2	One third of the Directors including the Chairman retire by rotation at each Annual General Meeting in conformity with the Articles of the Company. Directors who retire are those who have served for the longest period after their re-appointment/ re-election. In addition, in terms of the Companies Act, a Director who has reached 70 years of age before the Annual General Meeting vacates office at the Annual General Meeting held after he attains the age of 70 years and may be reappointed by a resolution passed at the General Meeting. A Director so reappointed will hold office until the next Annual General Meeting following the reappointment.

Appraisal of Board Performance

Corporate Governance Principle	SEC & ICASL Code Reference	Level of Compliance
Appraisal of the Board and Sub-committees	A9	The Board undertakes an annual evaluation of its own performance and the performance of its committees in the discharge of its key responsibilities.

Disclosure of Information in Respect of Directors

<table>
<tr><th>Corporate Governance Principle</th><th>SEC & ICASL Code Reference</th><th>Level of Compliance</th></tr>
<tr><td>Information in respect of Directors</td><td>A 10.1</td><td>The biographical details of each of the Directors, the nature of their expertise in relevant functional areas, membership in Board Sub-Committees, attendance at Board and Sub-Committee Meetings, other directorships and Director’s Interest in Contracts are disclosed under the relevant sections in the Annual Report.

The table below provides a record of the Directors’ individual attendance at Board Meetings:
<table>
<tr><th>Name of Director</th><th>Capacity</th><th>No. of Board Meetings Attended</th></tr>
<tr><td>Mr. A N Esufally</td><td>Chairman/Non - Executive Director</td><td>4/4</td></tr>
<tr><td>Mr. B S M De Silva</td><td>Independent Director</td><td>3/4</td></tr>
<tr><td>Mrs. A R Gamage</td><td>Independent Director</td><td>3/4</td></tr>
<tr><td>Mr. D T R De Silva</td><td>Executive Director</td><td>4/4</td></tr>
<tr><td>Mr. W M D F Arsakularatne (Resigned w.e.f. 29th July 2015)</td><td>Non-Executive Director</td><td>2/4</td></tr>
<tr><td>Mr. W D U Perera (Appointed w.e.f. 29th July 2015)</td><td>Non-Executive Director</td><td>3/4</td></tr>
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B. Directors Remuneration

Remuneration Procedure

Corporate Governance Principle	SEC & ICASL Code Reference	Level of Compliance
Establishment of a Remuneration Committee	B 1.1	The Board has delegated its powers to the Remuneration Committee of its Ultimate Parent Company, Hemas Holdings PLC to make recommendations to the Board on remuneration policy and practice, that is consistent with the objectives of the Company.
Composition	B 1.2	The Remuneration Committee of the Ultimate Parent Company consists of two Independent Non-Executive Directors of the Ultimate Parent Company. The Chairman of the Committee is an Independent Director appointed by the Board of the Ultimate Parent Company.
	B 1.3	The names of the Chairman and Members of the Committee are indicated in the Annual Report of the Board of Directors.
Determination of remuneration	B 1.4	In terms of the Articles of the Company, the Board determines the fees payable to the Independent Directors.
Consultation of the Chairman and access to professional advice	B 1.5	The Committee consults the Chairman on proposals relating to the remuneration of the Executive Director and has access to professional advice in discharging their duties.

CORPORATE GOVERNANCE CONTD.

Disclosure of Remuneration

Corporate Governance Principle	SEC & ICASL Code Reference	Level of Compliance
Disclosures	B 3.1.	The remuneration policy supports a strong performance-oriented culture and ensures that individual rewards and incentives relate directly to the performance of the individual, the operations and functions for which they are responsible for. Independent Directors were not paid a remuneration during the financial year.

C. Relations With Shareholders

Constructive use of the Annual General Meeting and conduct of General Meetings

Corporate Governance Principle	SEC & ICASL Code Reference	Level of Compliance
Proxy votes	C 1.1	The Company counts all proxies lodged on each resolution.
Separate resolutions	C 1.2	A separate resolution is proposed for each separate issue at the Annual General Meeting and in particular, proposes a resolution relating to the adoption of the reports and accounts.
Adequate notice of AGM	C 1.4	The Notice of Meeting of the Annual General Meeting and the relevant documents are published and dispatched to the shareholders 15 working days prior to the Meeting as required by the Companies Act.
Procedure of voting at General meetings	C 1.5	The procedure for voting at the General Meeting is circulated along with the Notice of Meeting.

Communication with Shareholders

Corporate Governance Principle	SEC & ICASL Code Reference	Level of Compliance
Policy and methodology for communication with shareholders	C 2	The Company disseminates information pertaining to the performance of the Company through the publication of the Interim Financial Statements and the Annual Report in a timely manner. Announcement is also made to the Colombo Stock Exchange on any information which may materially affect the share performance.
		The Company Secretary could be contacted in relation to shareholder matters. The contact details are indicated in the Corporate Information section of this Report.

Major Transactions

Corporate Governance Principle	SEC & ICASL Code Reference	Level of Compliance
Disclosure on major transactions	C 3.1	The Directors ensure that any corporate transaction that would materially affect the Net Asset base of the Company is communicated to the Shareholders. There were no major transactions as defined under Section 185 of the Companies Act during the year under review.

D. Accountability and Audit

Financial Reporting

Corporate Governance Principle	SEC & ICASL Code Reference	Level of Compliance
Board's responsibility for statutory and regulatory reporting	D 1.1	The Board is accountable for presenting the Financial Statements of the Company as well as the information required to be presented by Statute to Regulators.
Declarations by Directors	D 1.2	The Declarations to be made by the Directors are included in the Annual Report of the Board of Directors on page 21 of the Annual Report
Statement of Directors and Auditors responsibility for the Financial Statements	D.1.3	The Statement of Directors' Responsibilities in the preparation of the Financial Statements is given on page 27 while the Independent Auditor's Statement on page 29 sets out the Auditor's responsibilities.
Declaration on Going Concern of business	D 1.5	The Declaration by the Board that the Company is a 'going concern' is given in the Annual Report of the Board of Directors.
Serious loss of Capital	D 1.6	The Directors ensure that in the event the net assets of the Company fall below 50% of the value of the Company's Shareholder-funds, an Extraordinary General Meeting will be called to notify the Shareholders of the position and the remedial action being taken.
Related Party Transactions	D 1.7	The transactions entered into by the Company with related parties are disclosed in Note 25 to the Financial Statements.

Internal Control

Corporate Governance Principle	SEC & ICASL Code Reference	Level of Compliance
Annual review of the system of internal controls	D 2	The Board maintains a sound system of internal controls to safeguard shareholders' investments and the Company's assets. The adequacy and the effectiveness of the Internal controls are reviewed by the Internal Auditors under the direction of the Audit Committee.
		Strategies adopted by the Company to manage its risks are set out in its report on Risk Management on pages 6 to 8.

CORPORATE GOVERNANCE CONTD.

Audit Committee

<table>
<tr><th>Corporate Governance Principle</th><th>SEC & ICASL Code Reference</th><th>Level of Compliance</th></tr>
<tr><td>Composition</td><td>D 3.1</td><td>As permitted by the Listing Rules of the Colombo Stock Exchange, the Audit Committee of the Parent Company, Serendib Hotels PLC, functions as the Audit Committee of the Company.

The Audit Committee of Serendib Hotels PLC consists of two Independent Directors and a Non-Executive Director. The Chairman of the Committee is an Independent Director.</td></tr>
<tr><td>Duties</td><td>D 3.2</td><td>The main purpose of the Committee is to assist the Board in the effective discharge of its responsibilities on financial reporting, risk management and internal control. It also reviews the nature and extent of non-audit services provided by the Auditors seeking to balance objectivity and independence.</td></tr>
<tr><td>Terms of Reference</td><td>D 3.3</td><td>The Committee has written Terms of Reference dealing clearly with its authority and duties.</td></tr>
<tr><td>Disclosures</td><td>D 3.4</td><td>The Members of the Committee are indicated in the Annual Report of the Board of Directors. The Managing Director of the Parent Company attends the Meetings by invitation.

The Committee met four times during the year under review and the attendance at these meetings are given below:
<table>
<tr><th>Name of Director</th><th>Capacity</th><th>No. of Meetings Attended</th></tr>
<tr><td>Prof. L D K B Gamage</td><td>Committee Chairman/Independent Director</td><td>4/4</td></tr>
<tr><td>Mr. M A Jafferjee</td><td>Independent Director</td><td>4/4</td></tr>
<tr><td>Mr. A N Esufally</td><td>Non-Executive Director/Board Chairman</td><td>4/4</td></tr>
<tr><td>Mr. D T R De Silva</td><td>Executive Director/Managing Director, Serendib Hotels PLC</td><td>4/4</td></tr>
</table>
A report of the Audit Committee of the Parent Company for the period under review is set out on page 26 of the Annual Report.</td></tr>
</table>

Code of Business Conduct and Ethics

Corporate Governance Principle	SEC & ICASL Code Reference	Level of Compliance
Disclosure of Code of Business Conduct and Ethics	D 4.1	The Company has adopted a Code of Business Conduct and Ethics and the Directors and Members of the Senior Management are committed to the Code and the principles contained therein.

Corporate Governance Disclosures

Corporate Governance Principle	SEC & ICASL Code Reference	Level of Compliance
Corporate Governance Report	D 5.1	The manner and extent to which the Company complies with the principles and practices of good governance is set out below.

The following table presents the Company's compliance with Section 7.10 of Listing Rules on Corporate Governance issued by the Colombo Stock Exchange.

CSE Rule No.	Applicable Rule	Requirement	Status of compliance
Board of Directors			
7.10.1	Non-Executive Directors(NEDs)	One third of the total number of Directors are Non-Executive Directors.	Complied
7.10.2 (a)	Independent Directors	One third of the Non-Executive Directors are independent.	Complied
7.10.2(b)	Declaration of Independence	Each Non-Executive Director should submit a declaration of independence/non-independence.	Complied
7.10.3(a) and (b)	Disclosure relating to Directors Independence	Names of Independent Directors should be disclosed in the Annual Report with the basis for determination of independence, if criteria for independence is not met.	Complied
7.10.3(c)		A brief resume of each Director including his area of expertise should be included in the Annual Report.	Complied
7.10.3(d)		Upon appointment of a new Director, a brief resume of the Director to be submitted to the Stock Exchange.	Complied
Remuneration Committee			
7.10.5(a)	Composition	The Remuneration Committee of the Parent Company may function as the Remuneration Committee for the subsidiaries. The Committee shall comprise of Non–Executive Directors, a majority of whom shall be independent. The Chairman of the Committee shall be a Non-Executive Director.	Complied
7.10.5(b)	Functions of the Remuneration Committee	The Committee shall recommend the remuneration payable to the Executive Directors and Chief Executive Officer or equivalent role.	Complied
7.10.5 (c)	Disclosure in the Annual Report	The Annual Report should set out the names of the Members of the Remuneration Committee, a statement of Remuneration Policy and the aggregate remuneration paid to Executive and Non-Executive Directors.	Complied

CORPORATE GOVERNANCE CONTD.

CSE Rule No.	Applicable Rule	Requirement	Status of compliance
Audit Committee			
7.10.6.(a)	Composition	The Audit Committee of the Parent Company may function as the Audit Committee of the subsidiaries. The Committee shall comprise of Non-Executive Directors a majority of who shall be independent. The Chairman shall be a Non-Executive Director. The Chairman or a Member should be a member of a recognized professional Accounting Body.	Complied
7.10.6. (b)	Functions	*Overseeing the preparation, presentation and adequacy of the disclosures in the financial statements in accordance with the SLFRSs and LKASs. *Overseeing compliance with financial reporting related regulations and requirements. *Overseeing the processes to ensure that internal controls and risk management are adequate to meet the Sri Lanka Auditing Standards. *Assessing the independence and performance of the External Auditors. *Recommending to the Board the appointment, re-appointment and removal of the External Auditors and approving their remuneration and terms of engagement.	Complied
7.10.6.(c)	Disclosure in the Annual Report	The names of the Members of the Audit Committee should be disclosed in the Annual Report The Audit Committee shall determine the independence of Auditors and disclose the basis of such determination in the Annual Report. Annual Report shall contain a report by the Audit Committee setting out the manner of compliance in relation with their functions.	Complied

SECTION 2: SHAREHOLDERS

E: Institutional Investors

Shareholder voting

Corporate Governance Principle	SEC & ICASL Code Reference	Level of Compliance
Communication with shareholders	E 1.1	The Company conducts a structured dialogue with the institutional investors based on the mutual understanding of objectives and the Chairman ensures that the views of the Shareholders are communicated to the Board as a whole.
Evaluation of Governance disclosures	E 2	When evaluating the governance arrangements, particularly in relation to Board structure and composition, institutional investors are encouraged to give due weight to all relevant factors drawn to their attention.

F: Other Investors

Investing /Divesting Decision

Corporate Governance Principle	SEC & ICASL Code Reference	Level of Compliance
Individual shareholders	F 1	Individual investors are encouraged to carry out adequate analysis or seek independent advice when making investing and divesting decisions. The Company places great emphasis on releasing its Financial Statements in a timely manner so as to ensure that shareholders have access to adequate information based on which they could make informed decisions.

Shareholder Voting

Corporate Governance Principle	SEC & ICASL Code Reference	Level of Compliance
Individual shareholder voting	F 2	All Shareholders are encouraged to participate at General Meetings of the Company and a Form of Proxy accompanies each Notice, providing Shareholders who are unable to attend such Meeting, the opportunity to cast their vote.

REMUNERATION COMMITTEE REPORT

In accordance with the Rules on Corporate Governance issued by the Colombo Stock Exchange, the Remuneration Committee appointed by the Board of the Ultimate Parent Company, Hemas Holdings PLC, functions as the Remuneration Committee of the Company.

The Remuneration Committee comprises the following Independent Directors of Hemas Holdings PLC

- Mr. Pradipta Mohapatra – Independent Director (Committee Chairman)
- Dr. Anura Ekanayake – Independent Director

Frequency of Meetings

The Committee meets at least two times a year. Additional Meetings shall be convened at the request of the Chairman or a Member of the Committee.

Remuneration Policy

The Committee has given full consideration to the principles of Good Governance as set out in the Code with reference to Directors' remuneration. The main objectives of the policy are to ensure that pay and benefits packages are sufficiently competitive to attract, develop and retain high caliber executives. The Committee will continue in the future to ensure that a competitive and well-balanced package is maintained. It also seeks to align individual rewards and incentives with the performance of the Group and hence, with the interests of the shareholders. When carrying out its role the Committee will consider corporate performance in environmental, social and corporate governance issues.

Role of the Committee

The scope of the Remuneration Committee shall cover the following responsibilities:-

- Compensation philosophy/ policies including stock options and benefits
- Fixed pay (based on grading / evaluation)
- Performance Bonus
- Special schemes
- Performance Management Systems
- Annual Goals and Performance Targets
- Performance Assessment and Development Plans
- Executive search

Pradipta Mohapatra
Chairman

18 May 2016

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of Dolphin Hotels PLC takes pleasure in presenting their Report together with the Audited Financial Statements of the Company for the year ended 31st March 2016.

Principal Activity of the Company

The Principal activity of the Company which is operating a tourist hotel remained unchanged during the year under review. The Company owns and operates 104 rooms and 50 cottages at its Hotel, Club Hotel Dolphin in Waikkal.

The Directors to the best of their knowledge and belief confirm that the Company has not been engaged in any activity that contravenes any laws and regulations.

Corporate Governance

The Directors confirm that the Company complies with the Rules on Corporate Governance laid down by the Colombo Stock Exchange and has adopted the relevant rules on Corporate Governance issued by the Securities & Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka . The Corporate Governance practices of the Company are given from page 9 to 19 of the Annual Report.

Risk Management

The Company has put in place a process to identify, evaluate and manage any significant risks faced by the entity, where annual risk reviews are carried out by the Group Risk & Control Department. The principal risks and mitigating actions are reviewed by the Audit Committee on a quarterly basis. A detailed overview of the Risk Management process is outlined in the Risk Management Report on page 6.

Going Concern

The Board having considered the financial position, operating conditions, regulatory and other factors and such matters required to be addressed in the Corporate Governance Code, have a reasonable expectation that the Company possesses adequate resources to continue its operations for the foreseeable future. For this reason, the Company continues to adopt a 'Going Concern' basis in preparing the Financial Statements.

Financial Statements & Auditor's Report

The Financial Statements of the Company as at 31st March 2016 duly signed by the Directors is given from page 30 to 69, while the Auditor's Report on the Financial Statements is provided on page 29.

Accounting Policies

The Financial Statements for the period ended 31st March 2016 have been prepared in accordance with the Sri Lanka Accounting Standards which were in effect upto that date. The Accounting Policies adopted in the preparation of these Financial Statements are given from page 35 to 69.

Results

The Financial Results of the Company as at the date of Statement of Financial Position are tabulated below:-

	2016 (Rs.)	2015 (Rs.) Restated
Revenue	880,507,510	870,773,971
Gross Profit	666,035,725	659,549,911
Profit Before Tax	219,818,063	186,765,543
Income Tax expenses	11,646,159	30,910,409
Profit/(loss) After Tax	208,171,904	155,855,134

Dividends

The Directors recommend a Final Dividend for the year of Rs. 1.00 per Ordinary Share which will be payable on 2nd August 2016 to Shareholders registered as at 22nd July 2016. The Total Dividend for the year under review will then amount to Rs. 1.00 per Ordinary Share (2014/15- Rs. 1.50).

Prior to recommending the Final Dividend and in accordance with section 56(2) and (3) of the Companies Act, the Board of Directors signed a Certificate stating that, in their opinion and based on available information, the Company will satisfy the solvency test immediately after the distribution is made and that they have obtained a Certificate from the Auditors in terms of Section 57 of the Companies Act. Shareholder approval will be sought on the day of the Annual General Meeting, to declare and pay the Final Dividend.

Property Plant & Equipment

The capital expenditure incurred by the Company during the year amounted to Rs. 57,767,317 (2015 – Rs. 46,291,379).

Details of Property, Plant & Equipment and their movement during the financial year are disclosed under Note 3 to the Financial Statements.

ANNUAL REPORT OF THE BOARD OF DIRECTORS CONTD.

Details of Land and Buildings held by the Company are given below;-

Location	Extent
Club Hotel Dolphin	13A-2R-33.6P

Amalgamation
The Company amalgamated with Miami Beach Hotels Limited, a fully owned subsidiary of the Company, under Section 242 (2) of the Companies Act.

Stated Capital
The stated capital of the Company as at 31st March 2016 amounted to Rs 316,214,770 divided into 31,621,477 ordinary shares. There was no change to the Stated Capital of the Company during the year under review.

Events Occurring After the Reporting Period
No circumstances have arisen since the date of Statement of Financial Position that would require any adjustment to or disclosure in the Accounts other than those disclosed in Note. 24 to the Financial Statements.

Statutory Payments & Compliance with Laws and regulations
The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company as at the date of Statement of Financial Position have been paid, or where relevant, provided for in the Financial Statements.

The Company has also ensured that it has complied with the applicable laws regulations and rules including the Listing Rules of the Colombo Stock Exchange.

Employment
Permanent and Contract employees in the Company as at the date of Statement of Financial Position were 295 (2015-294)

The Company adopts a non-discriminatory policy in recruitment and employment which gives full and fair consideration to persons in selection, training, development and promotions, ensuring that all decisions are based on merit.

Sustainability
The Company has taken specific steps, particularly in ensuring the conservation of the natural resources and environment while addressing material issues highlighted by its stakeholders. Every endevour is made to minimize the adverse effect on the environment to ensure sustainable continuity of our natural resources.

Corporate Donations
Donations made by the Company during the year under review amounted to Rs. 72,500 (2015 – Rs. 148,946).

Directors
The Board of Directors of the Company during the financial year under review is given below:

Mr. A N Esufally - Chairman
Mr. B S M De Silva - Independent Director
Mrs. A R Gamage - Independent Director
Mr. D T R De Silva - Executive Director
Mr. W M De F Arsakularatne - Non-Executive Director - (Resigned w.e.f. 29th July 2015)
Mr. W D U Perera - Non- Executive Director - (Appointed w.e.f. 29th July 2015)
Mr. V H A Perera (Alternate Director to Mr. A N Esufally)
Prof. L D K B Gamage (Alternate Director to Mrs. A R Gamage)

Mrs. A R Gamage retires by rotation in terms of Article 86 of the Articles of Association of the Company and being eligible offers herself for re-election, with the unanimous support of the Board.

Mr. W D U Perera retires in terms of Article 74 of the Articles of Association of the Company and being eligible offers himself for reappointment, with the unanimous support of the Board.

Board Committees
Audit Committee
The Audit Committee of the Parent Company, Serendib Hotels PLC, functions as the Audit Committee of the Company. The names of the Members of the Committee are given below:

Prof. L D K B Gamage – Committee Chairman/ Independent Director
Mr. M A Jafferjee – Independent Director
Mr. A N Esufally – Non-Executive Director

Remuneration Committee
The Remuneration Committee of the Ultimate Parent Company, Hemas Holdings PLC, functions as the Remuneration Committee of the Company. The names of the Members of the Committee are given below:-

Mr. Pradipta Mohapatra - Independent Director (Committee Chairman)
Dr. Anura Ekanayake - Independent Director

Related Party Transactions Review Committee
In compliance with the Stock Exchange Listing Rule No. 9 and the Code of Best Practices on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka the Board of the Parent Company has appointed a Related Party Transactions Review Committee, which functions as the Related Party Transactions Review Committee of the Company, and comprises of the following Members;

Mr. M A Jafferjee - Committee Chairman
Prof. L D K B Gamage - Independent Director
Mr. A N Esufally - Non-Executive Director
Mr. D T R De Silva - Executive Director

The Report of the Committee is given on page 25 of this Annual Report. The Committee has reviewed the related party transactions of the Company during the financial year and reported their comments and observations to the Board of Directors. The details of the related party transactions carried out during the year are set out in page 62 of the Annual Report. The Directors declare that the Company is in compliance with the Rules of the Colombo Stock Exchange and the Code of Best Practices on Related Party Transactions.

Remuneration & Other Benefits of Directors

No remuneration was paid to the Directors for the year under review (2015- Nil).

Interest Register

In compliance with the requirements of the Companies Act, an Interest Register was maintained by the Company during the accounting period ended 31st March 2016.

Directors' Interest in Contracts

In terms of section 192 (2) of the Companies Act, the Directors have declared their interests in contracts in the Company and have refrained from voting on matters in which they were materially interested. Directors' Interest in contracts with the Company is disclosed on page 24 of the Annual Report.

Directors' interest in shares

In compliance with Section 200 of the Companies Act, the Directors have disclosed their relevant interest in shares of the Company.

The shareholding of the Directors during the financial year were as follows:

	2016	2015	
	31.03.16	01.04.15	31.03.15
Mr. A N Esufally	450,007	450,007	450,007
Mr. B S M De Silva	204,700	204,700	204,700
Ms. A R Gamage	20,416	20,416	20,416
Mr. D T R De Silva	8,000	8,000	8,000
Mr. W M De F Arsakularatne (resigned w.e.f. 29 July 2015)	Nil	Nil	Nil
Mr. W D U Perera (appointed w.e.f. 29 July 2015)	Nil	Nil	Nil

Related Party Transactions

There were no recurrent or non-recurrent transactions carried out by the Company with related parties during the year under review that is required to be disclosed in terms of the Code of Best Practice on Related Party Transactions.

Company Secretaries

Messrs. Hemas Corporate Services (Pvt) Ltd. of Hemas House, No. 75, Braybrooke Place, Colombo 02 functions as the Secretaries to the Company

Registrars

Messrs. SSP Corporate Services (Pvt) Ltd. of No. 101, Inner Flower Road, Colombo 03, function as the Registrars of the Company.

Internal Control

The Board has reviewed the internal controls covering financial, operational and compliance controls and risk management and have obtained reasonable assurance of its effectiveness.

Shareholders

The Company has made all endeavours to ensure equitable treatment to all its Shareholders.

Auditors

During the year under review Messrs Ernst & Young, Chartered Accountants served as the External Auditors of the Company. The Audit Fees payable and fees paid for other services rendered are as follows;

Audit Fees -	Rs. 611,585 (2015- Rs. 439,085)
Fees for non-audit services -	Rs. 503,536 (2015 – Rs. 353,960)

The Directors have confirmed that to the best of their knowledge the Auditors have had no interest in or relationship with the Company other than that of being External Auditors.

The Auditors have confirmed that they are independent in accordance with the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka.

Messrs. Ernst & Young have expressed their willingness to continue in office. A resolution to re-appoint them and to authorize the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

By Order of the Board of
Dolphin Hotels PLC

A N Esufally
Chairman

D T R De Silva
Director

Hemas Corporate Services (Pvt) Ltd.
Secretaries

18 May 2016

DIRECTORS' INTEREST IN CONTRACTS WITH THE COMPANY

Related party disclosures as required by Sri Lanka Accounting Standards No. 24 on Related Party Disclosures is detailed in Note 25 to the financial statements. In addition, the company carried out transactions in the ordinary course of business with entities where the Directors of the Company are Directors of such entities.

COMPANY	DIRECTORS/S	NATURE OF TRANSACTION	VALUE 2015/16	VALUE 2014/15
Serendib Hotels PLC	A N Esufally D T R De Silva	Sale of goods / Services Purchase of goods / Services Settlement of dues from related parties Settlement of dues to related parties	800,784 (736,040) (6,770,542) 2,787,465	860,706 (1,461,562) - 1,461,562
Hotel Sigiriya PLC	A N Esufally D T R De Silva B S M De Silva Mrs. R Gamage W D U Perera	Sale of goods / Services Purchase of goods / Services Settlement of dues from related parties Settlement of dues to related parties	1,066,673 (625,031) (1,040,456) 625,231	1,141,141 (33,600) (1,048,652) 170,400
Serendib Leisure Management Ltd	A N Esufally D T R De Silva	Sale of goods / Services Management Fees Payable Accounting Fees Payable Loans (Obtained)/ Repayments Expenses incurred on behalf of the company Settlement of dues from related parties Settlement of dues to related parties	3,791,147 (58,206,273) (1,285,714) 7,000,000 (53,191,342) (430,477) 116,416,584	3,045,780 (68,821,270) (857,143) (7,000,000) (38,856,386) (1,578,198) 108,743,228
Jada Resort & Spa (Pvt) Ltd.	A N Esufally	Sale of goods / Services Purchase of goods / Services Settlement of dues from related parties Settlement of dues to related parties	1,136,074 (4,000) - 274,659	930,118 (38,628) (288,103) 20,000
Diethelm Travels Lanka (Pvt) Ltd	A N Esufally	Sale of goods / Services Settlement of dues from related parties	3,484,137 (4,022,256)	6,075,013 (5,365,125)
Hemas Holdings PLC	A N Esufally	Sale of goods / Services Finance Income Receivable Purchase of Goods / Services Settlement of Dues from Related Parties Finance Charges Payable Settlement of dues to related parties Loan capital paid/ granted	1,248,076 8,846 (1,814,763) (917,338) (2,576,438) 2,151,133 (4,100,000)	1,093,100 9,835,523 - (10,859,826) - (1,911,395) (188,100,000)
Kammala Hoteliers (Pvt) Ltd	A N Esufally B S M De Silva	Sale of goods / Services	33,980	63,451

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transactions Review Committee of the Parent Company, Serendib Hotels PLC functions as the Related Party Transactions Review Committee (RPTRC) of the Company. As noted below the RPTRC of the parent Company comprises two Independent Non-Executive Directors, one Non-Executive Director and one Executive Director;

Mr. M Jafferjee
Independent Non-Executive Director
(Committee Chairman)

Prof. L D K B Gamage
Independent Non-Executive Director

Mr. A N Esufally
Non-Executive Director

Mr. D T R De Silva
Executive Director

The Director Finance of the Managing Agent attends meetings by invitation and the Company Secretary serves as the Secretary to the Committee.

The objective of the Committee is to exercise oversight on behalf of the Boards, that all Related Party Transactions ("RPTs"), other than those exempted by the Code of Best Practices on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka ("Code") are consistent with the Code and that the required disclosures are made in timely manner as required by the Code.

Accordingly, the Committee developed, and recommended for adoption, an RPTs Policy which is consistent with the operating model and the delegated decision rights of the Group and which sets out, amongst others, the following:

- Definition and establishment of threshold values for each of the listed companies as per the Code which requires discussion in detail; RPTs which have to be pre-approved by the Board, and those that require immediate market disclosure, those that require Shareholder approval and RPTs which require disclosure in the Annual Report.
- The principles that guide RPTs which require pre-approval of the Board and those transactions that do not require prior Board approval and therefore, can be reviewed retrospectively.
- Establishment of a process to identify the recurrent RPTs from the total RPTs.
- Guidelines which Senior Management must follow in dealing with Related Parties, including the conformance with the Transfer Pricing regulations and the Code.
- Identifying instances where an immediate market disclosure of an RPT is required in line with the definitions of the code.
- Introduction of standardised documentation that should be used by the listed companies in the Group presenting the RPT information to the Committee.

Further, in accordance with the RPT Policy, the criteria for identifying the Group's Key Management Personnel (KMP) was established and all Executive and Non-Executive Directors of Boards, and all members of the Senior Management teams (Company and its Subsidiaries) were identified as the KMPs in order to establish greater transparency and governance. Also, declarations were obtained from each Director and KMP of the Company for the purpose of identifying parties related to them and to provide annual disclosure.

The Committee held one Meeting during the financial year.

The RPTRC Charter, operational procedures, activities and the observations by the Committee have been communicated to the Board of Directors at subsequent Board Meetings.

A declaration by the Board of Directors termed "Negative Statement" that no RPT falling within the scope of the Code was entered into by the Company during the financial year 2015/16, is given on page 23 of the Annual Report under the Section"Annual Report of the Directors".

M Jafferjee
Chairman of the Related Party Transaction Review Committee

18 May 2016

REPORT OF THE AUDIT COMMITTEE

Composition

The Audit Committee of the Parent Company Serendib Hotels PLC, functions as the Audit Committee of the Company. The Committee comprises two Independent Directors, namely Prof. Lalith Gamage (Committee Chairman) and Mr. Murtaza Jafferjee, and a Non-Executive Director, Mr. Abbas Esufally.

The Executive Director of the Company, the Director Finance of the Managing Agent and the Head of Risk & Control of Hemas Holdings PLC attend meetings by invitation. The Company Secretary serves as the Secretary to the Committee.

The activities and views of the Committee have been communicated to the Board through verbal briefings and by tabling the minutes of the Committee meetings at subsequent Board Meetings.

Role of the Committee

The Audit Committee operates within the Terms of Reference outlined in its Charter and assists the Board in fulfilling their oversight responsibilities in the following areas;

(i) Quality and integrity of the Company's Financial Statements and financial reporting process, including the preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with the Sri Lanka Accounting Standards;

(ii) System of internal accounting and financial control of the Company;

(iii) Compliance with legal and statutory requirements including financial reporting requirements, disclosure requirements of the Companies Act and other relevant financial reporting related regulations and requirements;

(iv) Performance of internal audit functions including the process to ensure that the internal controls and risk management of the Company are adequate to meet the requirements of the Sri Lanka Auditing Standards.

(v) Assess the independence and performance of the External Auditors of the Company and make recommendations to the Board pertaining to the appointment, re-appointment or removal of External Auditors and their remuneration and approve terms of engagement of the External Auditors.

Main Activities Carried Out During the Year

The Audit Committee met four times during the year ended 31st March 2016 and carried out the following activities;

- Reviewed and discussed the Un-audited Quarterly Financial Statements with the Management prior to publication.
- Reviewed and discussed the audited Financial Statements with both the Management and External Auditors prior to publication.
- Discussed the Management Letter issued by the External Auditors for the year 2015/16 along with the management responses and monitored follow up action.
- Approved the Internal Audit Plan and monitored the performance of the Internal Auditors.
- Reviewed and discussed with the Internal Auditors, the Internal Audit reports and monitored follow-up action by the Management.
- Reviewed the Reports on statutory and regulatory compliance submitted by the Management.

Internal Audit

The Internal Audit function of the Company is carried out by Messers. BDO Burah Hathy, Chartered Accountants under the overarching control of the Hemas Group Risk & Control Division. Internal Audit independently reviews the risks and control processes operated by the Management. It carries out independent audits in accordance with an Internal Audit Plan which is approved by the Audit Committee before the commencement of the financial year.

The Internal Audit Report which includes recommendations to improve internal controls together with agreed management action plans to resolve the issues, is presented to the Audit Committee for review. The Group Internal Audit follows up the implementation of recommendations and reports progress to the Audit Committee.

External Audit

The External Audit function of the Company is carried out by Messrs. Ernst & Young, Chartered Accountants. The External Auditors' Letter of Engagement including the scope of the Audit is discussed with the External Auditors and the Management prior to commencement of the Audit.

The Committee is satisfied that the independence of the External Auditors has not been impaired by any event or service that gives rise to a conflict of interest. Confirmation has been obtained from the External Auditors of their compliance with the independence-guidance given in the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka.

Having reviewed the effectiveness of the external audit, the Committee recommended to the Board that Messrs. Ernst & Young, Chartered Accountants be appointed External Auditors of the Company for the year ending 31st March 2017, subject to approval by the shareholders at the forthcoming Annual General Meeting.

Prof. L D K B Gamage
Chairman – Audit Committee

18 May 2016

STATEMENT OF DIRECTORS' RESPONSIBILITY IN RELATION TO PREPARING FINANCIAL STATEMENTS

The Statement of Directors' responsibilities is to be read in conjunction with the Report of the Auditors and is made to distinguish the respective responsibilities of the Directors and of the Auditors in relation to the Financial Statements.

Companies Act No. 7 of 2007 requires that the Directors prepare and circulate among Shareholders Financial Statements which give a true and fair view of the state of affairs of the Company as at the date of Statement of Financial Position and the profit and loss of the Company for the financial year.

The Directors are required to ensure that in preparing the Financial Statements;

- appropriate accounting policies are used, selected and applied in a consistent manner, and material departures, if any, have been disclosed and explained.
- all applicable and relevant Accounting Standards have been followed
- judgement and estimates have been made which are reasonable and prudent.

The Directors confirm that the Company maintains accounting records, which disclose with reasonable accuracy the financial position of the Company and that the Financial Statements have been prepared in accordance with the Companies Act and the Sri Lanka Accounting Standards and have provided the information required by or otherwise complied with the Listing Rules of the Colombo Stock Exchange.

The Directors having reviewed the Company's future financial projections cash flows and current performance are satisfied that the Company has adequate resources to continue its operations in the foreseeable future. The Directors have thus adopted a 'Going Concern' basis in preparing the Financial Statements.

The Directors have also taken reasonable steps to safeguard the assets of the Company and to establish proper systems of internal control with a view to detect and prevent any irregularities.

The Directors are of the view that they have discharged their responsibilities as set out in this Statement.

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 date of Statement of Financial Position have been paid or where relevant provided for the in the Financial statements.

Mr. A N Esufally
Chairman

Mr. D T R De Silva
Director

Mr. D Gunasekera
Director Finance

18 May 2016

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

Building a better working world

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

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

TO THE SHAREHOLDERS OF DOLPHIN HOTELS PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Dolphin Hotels PLC, ("the Company"), which comprise the statement of financial position as at 31 March 2016 and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information,(set out on pages 35 to 69)

Board's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as at 31 March 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

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

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

b) In our opinion:
- we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company and
- the financial statements of the Company comply with the requirements of sections 151 of the Companies Act No. 07 of 2007.

Ernst & Young

24 May 2016
Colombo

STATEMENT OF FINANCIAL POSITION

As at 31st March 2016

	Note	Company 2016 Rs.	2015 Rs. Restated*	2015 Rs. **
ASSETS				
Non-Current Assets				
Property, Plant and Equipment	3	2,030,428,339	1,702,282,359	1,161,517,907
Intangible Assets	4	788,138	1,067,669	1,067,669
Investment in Subsidiary		-	-	135,921,800
Other Financial Assets	5	4,000,000	4,000,000	4,000,000
Deferred Tax Assets	19	3,297,234	5,725,090	5,537,909
		2,038,513,711	1,713,075,118	1,308,045,285
Current Assets				
Inventories	6	10,611,442	8,573,606	8,573,606
Trade and Other Receivables	7	164,322,853	106,064,801	77,923,781
Tax Recoverable		-	-	3,449,374
Other Financial Assets	5	-	4,100,000	4,100,000
Cash and Cash Equivalents	8	115,803,068	103,018,782	102,895,637
		290,737,363	221,757,189	196,942,398
Total Assets		2,329,251,074	1,934,832,307	1,504,987,683
EQUITY AND LIABILITIES				
Equity				
Stated Capital	9	316,214,770	316,214,770	316,214,770
Other Components of Equity	10	681,303,702	376,963,195	230,162,333
Other Revenue Reserve	10	2,840,391	2,840,391	-
Retained Earnings		807,295,538	656,189,112	486,729,207
Total Equity		1,807,654,401	1,352,207,468	1,033,106,310
Non-Current Liabilities				
Interest Bearing Loans and Borrowings	11	144,100,801	191,059,052	59,176,899
Deferred Tax Liabilities	19	80,733,083	73,238,981	51,255,689
Retirement Benefit Obligation	12	18,277,775	17,789,843	17,789,843
		243,111,659	282,087,876	128,222,431
Current Liabilities				
Trade and Other Payables	13	180,646,931	167,992,947	256,256,682
Income Tax Liability		9,229,829	2,369,166	-
Dividends Payable	14	1,426,015	1,704,506	1,704,506
Interest Bearing Loans and Borrowings	11	69,214,819	68,991,783	26,219,193
Bank Overdraft	8	17,967,420	59,478,561	59,478,561
		278,485,014	300,536,963	343,658,942
Total Equity and Liabilities		2,329,251,074	1,934,832,307	1,504,987,683

* Comparative figures do not correspond to the Financial Statements 2014/15 as it reflects the adjustments made due to the amalgamation between the company and Miami Beach Hotels Ltd. Refer Note 29 for further information.

** Comparatives as a stand alone entity as it stood as at 31 March 2015 has also been given to aid comparability.

I certify that the financial statements comply with the requirements of the Companies Act No. 7 of 2007.

Dayan Gunasekera
Director Finance

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

A N Esufally
Chairman

D T R De Silva
Director

The Accounting Policies and Notes on page 35 through 69 form an Integral part of the Financial Statements.

24 May 2016
Colombo

STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2016

	Note	Company		
		2016 Rs.	2015 Rs. Restated*	2015 Rs. **
Revenue	15	880,507,510	870,773,971	594,840,059
Cost of Sales		(214,471,785)	(211,224,060)	(148,339,873)
Gross Profit		666,035,725	659,549,911	446,500,186
Other Operating Income and Gains	16	5,265,702	-	2,451,222
Sales and Marketing Expenses		(26,335,231)	(14,901,950)	(11,468,492)
Administrative Expenses		(444,587,953)	(407,024,464)	(279,473,588)
Operating Profit		200,378,243	237,623,497	158,009,328
Finance Cost	17	(13,671,851)	(22,836,046)	(13,898,671)
Finance Income	17	2,243,153	12,761,622	12,761,622
Exchange Gain/(Loss)		30,868,518	(40,783,530)	33,717,214
Profit Before Tax	18	219,818,063	186,765,543	190,589,493
Income Tax Expense	19	(11,646,159)	(30,910,409)	(18,697,148)
Profit for the Year		208,171,904	155,855,134	171,892,345
Earnings Per Share	20	6.58	4.93	5.44
Dividend Per Share	21	1.50	1.00	1.00

* Comparative figures do not correspond to the Financial Statements 2014/15 as it reflects the adjustments made due to the amalgamation between the company and Miami Beach Hotels Ltd. Refer Note 29 for further information.

** Comparatives as a stand alone entity as it stood as at 31 March 2015 has also been given to aid comparability.

The Accounting Policies and Notes on page 35 through 69 form an Integral part of the Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2016

	Note	2016 Rs.	Company 2015 Rs. Restated*	2015 Rs. **
Profit for the Year		208,171,904	155,855,134	171,892,345
Other Comprehensive Income				
Other Comprehensive Income/(Loss) to be reclassified to profit or loss in subsequent periods				
Net Gain/(Loss) on cash flow Hedge	10	(30,155,698)	98,603,318	-
Net Other Comprehensive Income/(Loss) to be reclassified to profit or loss in subsequent periods		(30,155,698)	98,603,318	-
Other Comprehensive Income/(Loss) not to be reclassified to profit or loss in subsequent periods				
Revaluation of Land and Buildings	3	349,336,182	-	-
Deferred Tax Attributable to Revaluation Surplus	19	(14,839,977)	-	-
Actuarial Gain/(Loss) Defined Benefit Plan	12	2,539,918	(1,118,130)	(1,118,130)
Deferred Tax Attributable to Actuarial (Gain)/Loss	19	(304,790)	134,176	134,176
Net Other Comprehensive Income/(Loss) not to be reclassified to profit or loss in subsequent periods		336,731,333	(983,954)	(983,954)
Other Comprehensive Income for the Period, Net of Tax		306,575,635	97,619,364	(983,954)
Total Comprehensive Income for the Period, Net of Tax		514,747,539	253,474,498	170,908,391

* Comparative figures do not correspond to the Financial Statements 2014/15 as it reflects the adjustments made due to the amalgamation between the company and Miami Beach Hotels Ltd. Refer Note 29 for further information.

** Comparatives as a stand alone entity as it stood as at 31 March 2015 has also been given to aid comparability.

The Accounting Policies and Notes on page 35 through 69 form an Integral part of the Financial Statements.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2016

	Note	Stated Capital	Other Components of Equity			Retained Earnings	Total
			Revaluation Reserve	Cash flow Hedge Reserve	Other Revenue Reserve		
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance As at 01 April 2014		316,214,770	187,978,487	-	-	389,729,349	893,922,606
Adjustment due to amalgamation		-	85,266,489	(37,068,945)	2,840,391	185,497,116	236,535,051
Effect of Changes in Accounting Policies - Prior Year	30	-	45,309,729	-	-	(45,309,729)	-
Balance As at 31 March 2014 - Restated		316,214,770	318,554,705	(37,068,945)	2,840,391	529,916,736	1,130,457,657
Effect of Changes in Accounting Policies - Current Year		-	(3,125,883)	-	-	3,022,673	(103,210)
Net profit for the year		-	-	-	-	155,855,134	155,855,134
Other Comprehensive Income							
Actuarial (Gain/loss) on Defined Benefit Plan	12	-	-	-	-	(1,118,130)	(1,118,130)
Deferred Tax Attributable to Actuarial (Gain/loss)	19	-	-	-	-	134,176	134,176
Net Movement on Cash flow Hedge	10	-	-	98,603,318	-	-	98,603,318
Total Comprehensive Income		-	-	98,603,318	-	154,871,180	253,474,498
Dividend Paid		-	-	-	-	(31,621,477)	(31,621,477)
Balance As at 31 March 2015 - Restated		316,214,770	315,428,822	61,534,373	2,840,391	656,189,112	1,352,207,468
Super Gain Tax	19	-	-	-	-	(12,589,408)	(12,589,408)
Net profit for the year		-	-	-	-	208,171,904	208,171,904
Other comprehensive income							
Revaluation of Land & Buildings	10	-	349,336,182	-	-	-	349,336,182
Deferred Tax Attributable to Revaluation Surplus	10	-	(14,839,977)	-	-	-	(14,839,977)
Actuarial (Gain)/Loss on Defined Benefit Plan	12	-	-	-	-	2,539,918	2,539,918
Deferred Tax Attributable to Actuarial (Gain)/Loss	19	-	-	-	-	(304,790)	(304,790)
Net Movement on Cash flow Hedge	10	-	-	(30,155,698)	-	-	(30,155,698)
Total Comprehensive Income		-	334,496,205	(30,155,698)	-	210,407,032	514,747,539
Dividend Paid	21	-	-	-	-	(47,427,951)	(47,427,951)
Write Back of Unclaimed Dividends		-	-	-	-	716,753	716,753
Balance As at 31 March 2016		316,214,770	649,925,027	31,378,675	2,840,391	807,295,538	1,807,654,401

The Accounting Policies and Notes on page 35 through 69 form an Integral part of the Financial Statements.

STATEMENT OF CASH FLOWS

Year ended 31 March 2016

	Notes	2016 Rs.	Restated* 2015 Rs.
Operating Activities			
Net Profit Before Taxation		219,818,063	186,765,543
Adjustments for			
Depreciation	3	72,389,548	77,515,360
Amortisation	4	630,939	655,516
Finance Income	17	(2,243,153)	(12,761,622)
Foreign Currency (Gain)/Losses		(17,760,931)	5,135,053
Finance Costs	17	13,671,851	22,836,046
Retirement Benefit Obligation	12	3,875,035	3,517,523
Impairment of debtors		(886,125)	-
(Write backs)/ Write offs		(5,531,022)	-
(Profit)/Loss on Disposal of Fixed Assets		(295,578)	(218,563)
		283,668,627	283,444,856
Working Capital Adjustments:			
(Increase)/Decrease in Inventories		(2,037,836)	1,460,885
(Increase)/Decrease in Trade and Other Receivables		(43,027,330)	38,023,943
Increase /(Decrease) in Trade and Other Payables		23,817,429	(84,675,741)
Cash Generated from Operations		262,420,890	238,253,943
Finance Costs Paid	17	(13,671,851)	(22,836,046)
Employee Retirement Benefit Paid	12	(847,185)	(1,346,260)
Income Tax Paid		(9,033,350)	(13,548,588)
Super Gain Tax Paid		(12,589,408)	-
Net Cash Flows from/(Used in) Operating Activities		226,279,096	200,523,049
Investing Activities			
Purchase of Property, Plant and Equipment	3	(57,767,317)	(46,291,379)
Loans Settled by Related Parties	5	4,100,000	188,100,000
Proceeds from Sale of Property, Plant and Equipment		621,515	218,350
Investment Income Received	17	2,243,153	12,761,622
Net Cash Flows From/(Used in) Investing Activities		(50,802,649)	154,788,593
Financing Activities			
Dividends Paid		(47,706,442)	(31,621,478)
Loans Obtained During the Period		95,000,000	7,000,000
Repayment of Interest Bearing Loans and Borrowings		(168,474,577)	(410,249,741)
Net Cash Flows From/(Used in) Financing Activities		(121,181,019)	(434,871,219)
Net Increase/(Decrease) in Cash and Cash Equivalents		54,295,427	(79,559,577)
Cash and Cash Equivalents At the Beginning of the Period	8	43,540,221	123,099,798
Cash and Cash Equivalents At the End of the Period	8	97,835,648	43,540,221

The Accounting Policies and Notes on page 35 through 69 form an Integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2016

1. CORPORATE INFORMATION

1.1 General

Dolphin Hotels PLC ("Company") is a limited liability Company incorporated and domiciled in Sri Lanka whose shares are publicly traded. The registered office is located at Level 5, Hemas House, No. 75, Braybrooke Place, Colombo 2.

1.2 Principal Activities and Nature of Operations

The principal activity of the Company is operation of a hotel.

1.3 Parent Entity and Ultimate Parent Entity

The Company's parent undertaking is Serendib Hotels PLC. In the opinion of the directors, the company's ultimate parent undertaking and controlling party is Hemas Holdings PLC, which is incorporated in Sri Lanka.

1.4 Date of Authorization for Issue

The financial statements of the Company for the year ended 31 March 2016 were authorized for issue in accordance with a resolution of the directors on 24 May 2016.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Company has been prepared in accordance with Sri Lanka Accounting Standards, comprising SLFRSs/LKASs (here after "SLFRS") as issued by the Institute of Chartered Accountants of Sri Lanka.

The financial statements of the company have been prepared on an accrual basis and under the historical cost conversion otherwise Land & Building carrying at valuation. The financial statements are presented in Sri Lankan Rupees. The preparation and presentation of these Financial Statements are in compliance with the Companies Act No. 07 of 2007.

2.1.1 Statement of Compliance

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

2.1.2 Comparative Information

Prior year figures and phrases have been re-arranged where necessary to conform to the current year presentation. Re-statement of comparative information in the financial statements are discussed under Note No. 29.

2.1.3 Changes in Accounting Policies

The accounting policies adapted by the Company and are consistent with those used in previously, except for the changes set out in note 30 to the financial Statement.

2.1.4 Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease trading.

2.2 Summary of Significant Accounting Policies

2.2.1 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs or to be incurred can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and value added taxes.

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

a) Apartment, Food and Beverage Sales

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

b) Rendering of Services

Revenue from rendering of services is recognized in the accounting period in which the services are rendered or performed.

c) Interest Income

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through 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.

d) Dividends

Revenue is recognized when the Company's right to receive the payment is established.

e) Rental Income

Rental income is recognized on an accrual basis.

f) Others

Other income is recognized on an accrual basis.

2.2.2 Foreign Currency

The Company's financial statements are presented in Sri Lankan Rupees, which is also the parent Company' s functional currency. For each entity the company determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and Balances.

Transactions in foreign currency are initially recorded by the company at their respective functional currency rates prevailing at the date of the transaction.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

Year ended 31 March 2016

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

Differences arising on settlement or transaction of monetary items are recognized in profit or Loss with the exception of all monetary items that forms part of a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the items (translation differences on items whose gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss respectively).

2.2.3 Taxation

a) Current Income Taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the Commissioner General of Inland Revenue. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date in the country where the company operates and generates taxable income. Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit or loss.

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 Inland Revenue Act No 10 of 2006 and amendments thereto.

b) Deferred Taxation

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

Deferred income tax liabilities are recognised for all taxable temporary differences except;

i) Where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

Deferred income 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 except:

i) Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income 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 income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to 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 as at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other 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 tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

c) Management has used its judgment on the application of tax laws including transfer pricing regulations involving identification of associated undertakings, estimation of the respective arm's length prices and selection of appropriate pricing mechanism.

2.2.4 Property, Plant and Equipment

Furniture and Fittings, Motor Vehicles, Plant Machinery, Equipment, Cutlery and Crockery are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company derecognizes the replaced part, and recognizes the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of profit or loss as incurred.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised at the date of revaluation. Valuations are performed with sufficient frequency to ensure that thecarrying amount of a revalued asset does not differ materially from its fair value.

Where Buildings on Freehold land are subsequently revalued, the entire class of such assets is revalued. Any revaluation surplus is recognised in other comprehensive income and accumulated in equity in the asset revaluation reserve, 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.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation is calculated on straight line basis over the estimated useful lives of the assets as follows :

	2016	2015
Buildings on Freehold Land	60 Years	60 Years
Furniture and Fittings	5 -10 Years	5 -10 Years
Motor Vehicles	5 -10 Years	5 -10 Years
Plant and Machinery and Equipments	5 -10 Years	5 -10 Years
Swimming Pool	60 Years	60 Years
Cutlery and Crockery	2-3 Years	2-3 Years

An item of property, plant and equipment and any significant part initially recognised is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized.

Operating Leases

Operating lease payments are recognized as an operating expense in the statement of profit or loss on straight line basis over the lease term.

2.2.5 Borrowing Costs

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

2.2.6 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the statement of profit or loss in the year in which the expenditure is incurred.

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

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

Year ended 31 March 2016

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

2.2.7 Inventory

Inventories are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items.

The cost incurred in bringing inventories to its present location and conditions are accounted using the following cost formulae:-

Foods and Beverages Stocks - At actual cost on weighted average basis.

Maintenance and Others - At actual cost on weighted average basis.

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

2.2.8 Financial Instruments - Initial Recognition and Subsequent Measurement

i. Financial Assets

Initial Recognition and Measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets, as appropriate and determine the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction cost of assets, in the case of investments not at fair value through profit or loss.

The financial assets include cash and short-term deposits, trade and other receivables, other financial assets.

Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance cost.

Available-For-Sale Financial Investments

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the statement of profit or loss in finance costs and removed from the available-for-sale reserve. Interest income on available-for-sale debt securities is calculated using the effective interest method and is recognised in profit or loss.

The Company evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Company may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the company has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial assets reclassified out of the available for sale category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the assets is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when,

i. The rights to receive cash flows from the asset have expired
ii. 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

- The company has transferred substantially all the risks and rewards of the asset, or
- The company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the company's continuing involvement in it.

In that case, the company also recognizes an associated liability. The transferred assets and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

ii. Impairment of Financial Assets

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

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

Financial Assets Carried at Amortised Cost

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

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

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the statement of profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in statement of profit or loss.

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Available-For-Sale Financial Investments
For available-for-sale financial investments, the company assesses at each reporting date whether there is objective evidence that an investment is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through the statement of profit or loss; increases in their fair value after impairments are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in statement of profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

iii. Financial Liabilities
Initial Recognition and Measurement
Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, other financial liabilities or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, and other financial liabilities carried at amortised cost. This includes directly attributable transaction costs.

The company financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, other financial liabilities.

Subsequent Measurement
The measurement of financial liabilities depends on their classification as follows;

Loans and Borrowings/Other Financial Liabilities
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of profit or losswhen the liabilities are derecognized as well as through the effective interest rate method (EIR) amortisation process.

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

Derecognition
A financial liability is 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss.

iv. Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

v. 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 position 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.

2.2.9 Impairment of Non-Financial Assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit or lossin those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or lossunless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Intangible Assets

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 March either individually or at the CGU level, as appropriate and when circumstances indicate that the carrying value may be impaired.

2.2.10 Cash and Short Term Deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the company statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

2.2.11 Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the company expects some or all of a provision to be reimbursed, for example under an insurance contract, 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 profit or lossnet of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.2.12 Retirement Benefit Liability

(a) Defined Contribution Plans –Employees' Provident Fund and Employees' Trust Fund

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 a defined contribution plan are recognised as a 'Personnel Expenses' in the profit or loss in the Statement of Comprehensive Income in the periods during which services are rendered by employees.

Employees are eligible for Employees' Provident Fund and Employees' Trust Fund contributions in line with the respective Statutes and Regulations. Accordingly, the company contributes 12% - 15% and 3 % of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively and is recognised as an expense under "Personnel Expenses".

(b) Defined Benefit Plans – Gratuity

A defined benefit plan is post-employment benefits plan other than a defined contribution plans - Employees' Provident Fund and Employees' Trust Fund. The liability recognised in the Statement of Financial Position in respect of defined benefit plans is the present value of the defined benefit obligation at the reporting date. The defined benefit obligation is calculated using the 'Projected Unit Credit method'. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms of maturity approximating to the terms of the liability.

Provision has been made in the Financial Statements for retiring gratuities from the first year of service for all employees, in conformity with LKAS 19 R - "Employee Benefits". Acturial gain or losses are recognised in Other Comprehensive Income (OCI) in the period which it arises.

However, according to the Payment of Gratuity Act No. 12 of 1983, the liability for payment to an employee arises only after the completion of 5 years continued service. The liability is not externally funded.

2.2.13 Derivative Financial Instruments and Hedge Accounting

Initial Recognition and Subsequent Measurement

The Company uses derivative financial instruments such as forward currency contracts to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivativesare carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the Statement of Profit or Loss, except for the effective portion of cash flow hedges, which is recognised in Other Comprehensive Income.

Cash Flow Hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the Statement of Profit or Loss as other operating expenses. Income are transferred to the Statement of Profit or Loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecastsale occurs. Where the hedged item is the cost of a non-financial asset or non financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of thenon-financial asset or liability. If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to the Statement of Profit or Loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or roll over, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

2.2.14 Fair Value Measurement

The Company measures financial instruments such as Financial Assets Held for Trading, Financial Derivatives, and Non-Financial Assets such as certain classes of Property, Plant and Equipment, at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarized under the respective notes.

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 sellthe asset or transfer the liability takes place either:

- In the principal market for the asset or liability

Or

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

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimisingthe use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable for assets and liabilities that are recognised in the Financial Statements on a recurring basis, the

Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation at the end of each reporting period. External valuers are involved for valuation of significant assets, such as properties and significant liabilities, such as defined benefit obligations.

Involvement of external valuersis decided upon annually after discussion with and approval by the Company's Board Audit Committee wherever necessary. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Board Audit Committee whenever necessary after discussions with the Company's external valuers decide which valuation techniques and inputs to use for each case. At each reporting date the Management analyses the movements in the values of assets and liabilities which are required to be remeasured or reassessed as per the Group's accounting policies. For this analysis, the Management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Management in conjunction with the company's external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. This includes a discussion of the major assumptions used in the valuations. 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. An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 30.

2.3 Significant Accounting Judgments, Estimates and Assumptions

The preparation of the company financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

a) Judgments

In the process of applying the company accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the financial statements:

i. Deferred Tax Assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

ii. Estimates and Assumptions

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

iii. Defined Benefit Plans

The cost of defined benefit plans-gratuity is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, futures salary increases and retirement age. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

iv Revaluation of Property, Plant and Equipment

The Company carries its Land and buildings at revalued amounts with changes in fair value being recognised in OCI. The Company engaged an independent valuation specialist to assess fair value as at 31 March 2016 revalued land and buildings. Land and buildings were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. The valuation methodology adopted and the key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in Note 3.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

Year ended 31 March 2016

2.4 Effects of Sri Lanka Accounting Standards Issued but not yet Effective:

The following SLFRS issued by the Institute of Chartered Accountants of Sri Lanka that have an effective date in future and have not been applied in preparing these Financial Statements. Those SLFRS will have an effect on the Accounting Policies currently adopted by the Company and may have an impact on the future Financial Statements.

(a) SLFRS 09 - Financial Instruments

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

SLFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.

(b) SLFRS 14 - Regulatory Deferral Accounts

The objective of this Standard is to specify the financial reporting requirements for regulatory deferral account balances that arise when an entity provides goods or services to customers at a price or rate that is subject to rate regulation.

This Standard becomes effective for annual periods beginning 1 January 2016.

(c) SLFRS 15 - Revenue from Contracts with Customers

The objective of this Standard is to establish the principles that an entity shall apply to report useful information to users of Financial Statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

This Standard becomes effective for annual periods beginning 1 January 2018.

The Company will adopt these standards when they become effective. Pending the completion of detailed review, the financial impact is not reasonably estimable as at the date of publication of these Financial Statements.

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Gross Carrying Amounts

	Balance As at 01.04.2015 Rs.	Additions/ Transfer from Capital Work in progress Rs.	Transfer Rs.	Increase/ (Decrease) in Revaluation Rs.	Disposals Rs.	Balance As at 31.03.2016 Rs.
At Cost						
Furniture and Fittings	169,108,322	4,599,974	(38,961,036)	-	(1,791,063)	132,956,197
Plant, Machinery and Equipment	241,457,505	14,922,504	38,961,036	-	(4,092,877)	291,248,168
Motor Vehicles	215,660	-	-	-	-	215,660
Soil Erosion Prevention	18,965,972	-	(18,965,972)	-	-	-
Cutlery and Crockery	23,606,563	671,573	-	-	(519,653)	23,758,483
	453,354,022	20,194,051	(18,965,972)	-	(6,403,593)	448,178,508
At Valuation						
Land and Improvements	232,100,000	-	-	272,976,000	-	505,076,000
Buildings and Swimming Pools on Freehold Land	1,272,370,288	58,614,620	(40,292,288)	76,360,182	(2,777,802)	1,364,275,000
	1,504,470,288	58,614,620	(40,292,288)	349,336,182	(2,777,802)	1,869,351,000
Total Value of Depreciable Assets	1,957,824,310	78,808,671	(59,258,260)	349,336,182	(9,181,395)	2,317,529,508

3.1.1 In the Course of Construction

	Balance As at 01.04.2015 Rs.	Incurred During the Year Rs.	Transfers Rs.	Increase / (Decrease) in Revaluation Rs.	Disposals Rs.	Balance As at 31.03.2016 Rs.
Capital Work in Progress	23,202,878	37,347,438	(58,614,620)	-	-	1,935,696
	23,202,878	37,347,438	(58,614,620)	-	-	1,935,696
Total Gross Carrying Amount	1,981,027,188	116,156,109	(117,872,880)	349,336,182	(9,181,395)	2,319,465,204

NOTES TO THE FINANCIAL STATEMENTS CONTD.

Year ended 31 March 2016

3.2 Depreciation

	Balance As at 01.04.2015 Rs.	Charge for the Year Rs.	Transfers Rs.	Disposals Rs.	Balance As at 31.03.2016 Rs.
At Cost					
Furniture and Fittings	101,965,597	13,115,115	(30,950,071)	(1,441,995)	82,688,646
Plant, Machinery and Equipment	126,772,446	26,622,195	30,950,071	(1,397,257)	182,947,455
Motor Vehicles	81,745	36,233	-	-	117,978
Soil Erosion Prevention	15,565,654	847,110	(16,412,764)	-	
Cutlery and Crockery	13,257,309	10,025,477	-	-	23,282,786
	257,642,751	50,646,130	(16,412,764)	(2,839,252)	289,036,865
At Valuation					
Buildings and swimming pool on Freehold Land	21,102,077	21,743,418	(42,845,495)	-	-
	21,102,077	21,743,418	(42,845,495)	-	-
Total Depreciation	278,744,828	72,389,548	(59,258,259)	(2,839,252)	289,036,865

3.3 Net Book Values

	2016 Rs.	2015 Rs.
At Cost		
Furniture and Fittings	50,267,551	67,142,725
Plant, Machinery and Equipment	108,300,713	114,685,059
Motor Vehicles	97,682	133,915
Soil Erosion Prevention	-	3,400,318
Cutlery and Crockery	475,698	10,349,255
	159,141,643	195,711,272
At Valuation		
Land and Improvements	505,076,000	232,100,000
Buildings and Swimming Pools on Freehold Land	1,364,275,000	1,251,268,210
	1,869,351,000	1,483,368,210
In the Course of Construction		
Capital Work in Progress	1,935,696	23,202,878
Total Carrying Amount of Property, Plant and Equipment	2,030,428,339	1,702,282,359

3.4 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs.57,541,488/- (in year 2015 - Rs 45,408,194/-) the consideration for which was settled by cash.

3.5 Property, Plant and Equipment of the Company includes fully depreciated assets having a gross carrying amounts of Rs.216,691,273/- as of 31 March 2016 (2015 - 85,049,365/-).

3.6 The Company has stated following properties at revalued amounts. The valuation was carried out by Sunil Fernando & Associates (Pvt) Ltd - Chartered Valuers. The surplus arising from the revaluation was transferred to revaluation reserve.

Property/Location	Extent	Methord of Valuation and Significant Unobservable Inputs	Range of Estimate for Unobservable Inputs	Valuation Rs.	Date of Valuation
Land at Waikkal	13A-2R-33.6P	Profit Basis of Valuation Average Room Rate	Rs. 15,000-20,000	505,076,000	31-Mar-2016
Buildings at Waikkal	224,875 Sq.ft. 154 Rooms	Discount Rate	10%	1,364,275,000	31-Mar-2016

3.7 Description of the above valuation techniques together with narrative descriptions on sensitivity of the fair value measurement to changes in significant unobservable inputs are tabulated below;

Valuation Technique	Significant unobservable valuation inputs	Correlation
Profit Basis of Valuation	Average Room Rate	Positive
In a trade related property the best measure of value is the income generation. It is based on a hypothetical operator who is knowledgeable prudent and efficient rather than actual. The income is estimated taking the potential into account as against the past records of income and expenditure latter is taken on the basis of sector derived expenditure and EBITDA is thus arrived, the residual profits are deducted and the balance as rent for a fully operational unit is either capitalized at a market derived all risk rate or cast into a DCF.	Discount Rate	Negative

3.8 The movement of revaluation reserve and other information are disclosed under note 10.1.1

3.9 The carrying amount of revalued assets that would have been included in the financial statements had the assets been carried at cost less depreciation is as follows:

Class of Asset	Cost Rs.	Cumulative Depreciation If Assets Were Carried at Cost Rs.	Net Carrying Amount 2016 Rs.	Net Carrying Amount 2015 Rs.
Buildings and Swimming Pool	1,218,351,925	136,688,537	1,081,663,388	1,043,354,633

NOTES TO THE FINANCIAL STATEMENTS CONTD.

Year ended 31 March 2016

4. INTANGIBLE ASSETS

At Cost	2016 Rs.	2015 Rs.
Computer Software		
At the Beginning of the Year	2,983,185	2,100,000
Additions During the year	351,408	883,185
At the End of the Year	3,334,593	2,983,185
Amortisation and Impairment		
At the Beginning of the Year	1,915,516	1,260,000
Amortaisation	630,939	655,516
At the End of the Year	2,546,455	1,915,516
Carrying Value	788,138	1,067,669

4.1 Intangible assets are amortized over their economic useful life ranging as 5 -10 years.

5. OTHER FINANCIAL ASSETS

5.1 Other Financial Assets - Non Current

	2016 Rs.	2015 Rs.
Investments in Equity Securities (5.4)	4,000,000	4,000,000
Total Carrying Value of Other Financial Assets - Non Current	4,000,000	4,000,000

5.2 Other Financial Assets - Current

	2016 Rs.	2015 Rs.	Terms and Conditions
Loans to Related parties (5.3)	-	4,100,000	Recovery on Demand
Total Carrying Value of Other Financial Assets- Current	-	4,100,000	

5.3 Loans to Related Parties

	Relationship	As at 01.04.2015 Rs.	Loans Granted Rs.	Loan Repayment Rs.	As at 31.03.2016 Rs.
Hemas Holdings PLC	Ultimate Parent Company	4,100,000	-	(4,100,000)	-
		4,100,000	-	(4,100,000)	-

5.4 Investments in Equity Securities - Non Current

	2016		2015	
	No. of Shares	Rs.	No. of Shares	Rs.
Non Quoted - Available For Sale Investments				
Rainforest Ecolodge (Pvt) Ltd	400,000	4,000,000	400,000	4,000,000
Total	400,000	4,000,000	400,000	4,000,000

5.5 Investments in Equity Securities solely comprise of application and allotment money paid, to Rainforest - Ecolodge (Pvt) Ltd for the purchase of 400,000 shares of Rs.10.00 each. Investment in Rainforest Ecolodge (Pvt) Ltd is carried at cost due to impracticability of assessing the fair value of the investment, primarily as a result of the unavailability of adequate and comparable market information.

6. INVENTORIES

	2016 Rs.	2015 Rs.
Food Items	1,062,334	1,508,962
Beverages	2,530,314	2,726,705
Housekeeping and Maintenance	2,314,165	2,585,187
Printing and Stationery	969,946	527,790
Linen and Cutlery	3,618,838	995,681
SPA	10,550	23,410
Other Replacements	105,295	205,871
	10,611,442	8,573,606

7. TRADE AND OTHER RECEIVABLES

7.1 Summary

		2016 Rs.	2015 Rs.
Trade Debtors	- Others	152,675,935	93,543,716
	- Related Parties (7.2)	345,936	865,973
		153,021,871	94,409,689
Less: Debtors' Impairment (7.6)		(7,247,068)	(8,133,193)
		145,774,803	86,276,496
Staff Festival Advances (7.3)		425,385	1,470,333
Deposits and Prepayments		7,356,572	5,875,121
Other Amounts Due from Related Parties (7.4)		10,766,093	12,442,851
		164,322,853	106,064,801

7.2 Trade Receivables from Related Parties

	Relationship	2016 Rs.	2015 Rs.
Diethelm Travel Lanka (Pvt) Ltd	Other Related Party	206,728	744,848
Hemas Holdings PLC	Ultimate Parent Company	71,700	100,250
PH Resorts (Pvt) Ltd	Other Related Party	67,508	-
Hemas Manufacturing (Pvt) Ltd	Other Related Party	-	6,225
Serendib Leisure Management Ltd	Other Related Party	-	14,650
		345,936	865,973

NOTES TO THE FINANCIAL STATEMENTS CONTD.

Year ended 31 March 2016

7.3 Staff Festival Advances

	2016 Rs.	2015 Rs.
Balance at the Beginning of the Year	1,470,333	674,416
Granted During the Year	1,528,960	3,766,637
Less: Repayments During the Year	(2,573,908)	(2,970,720)
Balance at the End of the Year	425,385	1,470,333

7.4 Other Amounts Due from Related Parties

	Relationship	2016 Rs.	2015 Rs.
Serendib Hotels PLC	Parent Company	110,390	6,080,148
Hemas Holdings PLC	Ultimate Parent Company	49,911	926,230
Hotel Sigiriya PLC	Other Related Party	149,280	123,063
Jada Resort and Spa (Pvt) Ltd	Other Related Party	2,688,107	1,552,033
Serendib Leisure Management Ltd	Other Related Party	6,785,409	3,418,114
Kalutara Luxury Hotels & Resort (Pvt) Ltd	Other Related Party	90,824	-
PH Resorts (Pvt) Ltd	Other Related Party	514,930	-
Kammala Hoteliers (Pvt) Ltd	Other Related Party	377,242	343,263
		10,766,093	12,442,851

7.4.1 The Company grants credit approvals to its customers subjected to the internal credit limits which are regularly reveiwed and controlled by the Management . The average credit granted to such Debtors are 30 Days.

7.5 Trade Debtors Age Analysis

	Total Rs.	Neither past due nor impaired Rs.	Past due but not impaired 30-90 Days Rs.	Past due but not impaired 91-120 Days Rs.	Past due but not impaired >120 Days Rs.
2016	145,774,803	85,566,020	53,911,251	6,297,532	-
2015	86,276,496	55,947,200	26,098,935	4,230,361	-

7.6 Movement in Individual and Collective Impairment During the Year

	Individual Impairment Rs.	Collective Impairment Rs.	Total Impairment Rs.
At 1 April 2015	2,960,222	5,172,971	8,133,193
Charge to Profit or Loss	603,714	1,470,383	2,074,097
Write off during the year	(2,960,222)	-	(2,960,222)
At 31 March 2016	603,714	6,643,354	7,247,068

8. CASH AND CASH EQUIVALENTS

Components of Cash and Cash Equivalents

	2016 Rs.	2015 Rs.
8.1 Favorable Cash and Cash Equivalent Balances		
Cash and Bank Balances	115,803,068	103,018,782
	115,803,068	103,018,782
8.2 Unfavorable Cash and Cash Equivalent Balances		
Bank Overdraft	(17,967,420)	(59,478,561)
Total Cash and Cash Equivalent for the Purpose of Cash Flow Statement	97,835,648	43,540,221

9. STATED CAPITAL

	2016 No. of Shares	2015 No. of Shares	2016 Rs.	2015 Rs.
9.1				
Fully Paid Ordinary Share (9.2)	31,621,477	31,621,477	316,214,770	316,214,770

9.2 Fully Paid Ordinary Share

	2016 Rs.	2015 Rs.
Balance As Beginning of the Year	316,214,770	316,214,770
Issue of Shares for Cash Consideration	-	-
Balance at End of the Year	316,214,770	316,214,770

9.3 The holders of Ordinary Shares possess the right to receive Dividends as declared from time to time. The holders of Ordinary Shares are entitled to one vote per share at a meeting of the company.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

Year ended 31 March 2016

10. RESERVES

10.1 Other Component of Equity

10.1.1 Revaluation Reserve

	2016 Rs.	2015 Rs.
Balance At the Beginning of the Year	315,428,822	187,978,487
Effect of Changes in Accounting Policies - Prior Year (Note 30)	-	45,309,729
Effect of Changes in Accounting Policies - Current Year	-	(3,125,883)
Adjustment due to amalgamation (Note 29)	-	85,266,489
Revaluation Gain for the Year	349,336,182	-
Deferred Tax Attributable to Revaluation Surplus	(14,839,977)	-
Balance at the End of the Period	649,925,027	315,428,822
10.1.2 Cash Flow Hedge Reserves		
Cash Flow Hedge Reserves (10.4)	31,378,675	61,534,373
	681,303,702	376,963,195
10.1.3 Other Reserves		
Other Revenue Reserves (10.3)	2,840,391	2,840,391
	2,840,391	2,840,391
	684,144,093	379,803,586

10.2 The above Revaluation Surplus consists of net surplus resulting from the revaluation of Property Plant and Equipment as described in Note 3.2.6. The unrealized amount cannot be distributed to Shareholders.

10.3 Other Reserve represents the amount set aside by the directors for general application.

10.4 Cash Flow Hedge Reserve

The company designated its identified foreign currency loans as a hedging instrument against its highly probable, specifically identified future revenue in foreign currency namely apartment revenue. Through which, the company hedged the risk of changes in value of the identified foreign currency loans, caused by the fluctuations in foreign exchange rates.

The effective portion of the gain or loss on the hedging instrument is recognised directly in Other Comprehensive Income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the Statement of Profit or Loss as other operating expenses. Amounts recognised as Other Comprehensive Income are transferred to Statement of Profit or Loss when the forecasted transaction occurs (when the forecast revenue realises). If the forecast transaction is no longer expected to occur, the cumulative gain or loss previously recognised in Other Comprehensive Income is transferred to the Statement of Profit or Loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in Other Comprehensive Income remains in equity until the forecast transaction occurs as per the hedge agreement.

	2016 Rs.	2015 Rs.
Balance At the Beginning of the Year	61,534,373	(37,068,945)
Net Movement of Cash flow Hedge Reserve	(30,155,698)	98,603,318
Balance at the End of the Period	31,378,675	61,534,373

11. INTEREST BEARING LOANS AND BORROWINGS

11.1 Summary

	2016 Amount Repayable Within 1 Year Rs.	2016 Amount Repayable After 1 Year Rs.	2016 Total Rs.	2015 Amount Repayable Within 1 Year Rs.	2015 Amount Repayable After 1 Year Rs.	2015 Total Rs.
Bank Loans (11.2)	69,214,819	144,100,801	213,315,620	61,991,783	191,059,052	253,050,835
Loans From Related Parties (11.3)	-	-	-	7,000,000	-	7,000,000
	69,214,819	144,100,801	213,315,620	68,991,783	191,059,052	260,050,835

11.2 Bank Loans - Term and Conditions

	As at 01.04.2015 Rs.	Loans Obtained/ Int.Cap. Rs.	Exchange (Gain)/ Loss Rs.	Repayment Rs.	As at 31.03.2016 Rs.	Terms of Repayment	Rate of Interest
Commercial Bank Foreign Currency (Euro) Loan	78,396,093	-	11,833,377	(20,653,023)	69,576,447	72 Installments Commencing Nov 2012	At a margin Over one Month Euro LIBOR p.a
Com Bank Foreign Currency (GBP) Loan	174,654,743	-	14,905,984	(45,821,554)	143,739,173	72 Installments Commencing Nov 2012	At a margin Over one Month Euro LIBOR p.a
	253,050,835	-	26,739,361	(66,474,577)	213,315,620		

11.3 Loan from Related Parties

	Relationship	As at 01.04.2015 Rs.	Loans Obtained/ Int.Cap. Rs.	Repayment Rs.	As at 31.03.2016 Rs.	Terms of Repayment	Rate of Interest
Hemas Holdings PLC	Ultimate Parent Company	-	90,000,000	(90,000,000)	-	Short Term Source of Funding Payable on Demand	At a margin over AWPLR
Serendib Leisure Management Ltd	Other Related Party	7,000,000	5,000,000	(12,000,000)	-	Short Term Source of Funding Payable on Demand	At a margin over AWPLR
		7,000,000	95,000,000	(102,000,000)	-		

11.4 Refer note 23 for details of assets pledged in respect of above loans and borrowings.

11.5 These loans are unsecured and were granted in accordance with the group treasury policy.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

Year ended 31 March 2016

12. RETIREMENT BENEFIT OBLIGATION

	2016 Rs.	2015 Rs.
Balance as at the Beginning of the Year	17,789,843	14,500,450
Interest Cost	1,778,984	1,595,050
Current Service Cost	2,096,051	1,922,473
Benefits Paid	(847,185)	(1,346,260)
Acturial (Gain)/Loss	(2,539,918)	1,118,130
Balance as at the End of the Year	18,277,775	17,789,843

Messers. K A Pandith, Consultants and Actuaries, carried out an actuarial valuation of the Defined Benefit Plan on 31.03.2016. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principle assumptions used ware as follows :

	2016	2015
Financial Assumptions		
Discount Rate	11%	10%
Future Salary Increment Rate	9%	9%
Demographic Assumptions		
Retirement Age	55 Years	55 Years
Average Expected Future Service	18 Years	18 Years

12.1 Sensitivity of Assumptions in Actuarial Valuation

The following table demonstrates the sensitivity to possible changes in key assumptions employed with all other variables held constant in the Retirement Benefit Obligation measurement as at 31 March 2016. The sensitivity of the Statement of Financial Position and Statement of Comprehensive Income is the effect of the assumed changes in the discount rate and salary increment rate on the profit or loss and Retirement Benefit Obligation for the year.

	Sensitivity Effect on Defined Benefit Obligation			
	2016		2015	
	Delta Effect of +1% Rs.	Delta Effect of (-1%) Rs.	Delta Effect of +1% Rs.	Delta Effect of (-1%) Rs.
Increase/(Decrease) in Discount Rate	(1,617,826)	1,880,215	(1,688,288)	1,976,518
Increase/(Decrease) in Salary Increment Rate	1,898,669	(1,659,470)	1,976,515	(1,717,170)
Increase/(Decrease) in Employee Turnover	271,720	(310,234)	111,689	(131,890)

12.2 Following payments are expected in the future years:

	2016 Rs.	2015 Rs.
Years From the Current Period		
1st Following Year	1,605,304	1,402,245
2nd Following Year	431,177	267,336
3rd Following Year	1,307,999	1,024,631
4th Following Year	994,343	1,317,297
5th Following Year	4,075,159	2,518,285
Sum of beyond 5 Years	13,227,991	12,228,280

13. TRADE AND OTHER PAYABLES

	2016 Rs.	2015 Rs.
Trade Payables	35,861,171	37,301,134
Sundry Creditors Including Accrued Expenses	131,741,284	112,644,532
Amounts Due to Related Parties (13.1)	13,044,476	18,047,281
	180,646,931	167,992,947

The average credit period for the Company is 60 days.

13.1 Amounts Due to Related Parties

	Relationship	2016 Rs.	2015 Rs.
Serendib Hotels PLC	Parent Company	22,348	2,073,773
Hotel Sigiriya PLC	Other Related Party	-	200
Serendib Leisure Management Ltd	Other Related Party	11,928,800	15,670,088
Hemas Corporate Service (Pvt) Ltd	Other Related Party	93,713	28,560
Hemas Holdings PLC	Ultimate Parent Company	995,615	-
Jada Resort and Spa (Pvt) Ltd	Other Related Party	4,000	274,660
		13,044,476	18,047,281

14. DIVIDENDS PAYABLE

	2016 Rs.	2015 Rs.
Unclaimed Dividend	1,426,015	1,704,506
	1,426,015	1,704,506

15. REVENUE

	2016 Rs.	2015 Rs.
Sales - (Net)	854,187,673	842,649,749
Tourism Development Levy	8,767,314	8,720,085
Nations Building Tax	17,552,523	19,404,137
	880,507,510	870,773,971

NOTES TO THE FINANCIAL STATEMENTS CONTD.

Year ended 31 March 2016

16. OTHER OPERATING INCOME AND GAINS

	2016 Rs.	2015 Rs.
Write Back of Creditors	5,007,502	-
Gain on Share Transfer	258,200	-
	5,265,702	-

17. FINANCE INCOME AND COST

17.1 Finance Cost

	2016 Rs.	2015 Rs.
Interest Expense on Overdrafts	1,011,736	201,350
Interest Expense on Loans and Borrowings	12,660,115	22,634,696
	13,671,851	22,836,046

17.2 Finance Income

	2016 Rs.	2015 Rs.
Interest Income - Related Parties	156,791	9,835,523
Interest Income - Others	2,086,362	2,926,099
	2,243,153	12,761,622

17.3 Exchange Gain /(Loss)

	2016 Rs.	2015 Rs.
Exchange Gain	30,868,518	(40,783,530)
	30,868,518	(40,783,530)

18. PROFIT/(LOSS) FROM OPERATIONS

Stated After Charging/(Crediting)

	2016 Rs.	2015 Rs.
Included in Administrative Expenses		
Employees Benefits Including the Following	167,340,507	146,744,142
- Defined Benefit Plan Costs - Gratuity	3,875,035	4,643,130
- Defined Contribution Plan Costs - EPF and ETF	10,348,701	10,254,151
Depreciation and Amortization	73,020,487	78,170,876
Auditors' Remuneration (Fees and Expenses)	690,567	447,866
Management Fees	58,206,273	67,471,833
Donations	72,500	148,946
Included in Sales and Marketing Expenses		
Advertising and Sales Promotion Cost	16,660,717	13,572,956
Impairment of Debtors	2,074,097	(4,327,535)
Others	7,600,417	5,570,283

19. INCOME TAX EXPENSE

	2016 Rs.	2015 Rs.
Statement of Profit or Loss		
Current Tax Expense on Ordinary Activities for the Year (19.1)	15,939,860	13,978,803
Under/(Over) Provision of Current Taxes in Respect of Prior Years	929,109	7,024,483
Deferred Taxation Charge/(Reversal) (19.2)	(5,222,810)	9,907,123
	11,646,159	30,910,409
Statement of Other Comprehensive Income / Directly through Equity		
Deferred Tax Impact from Actuarial (Loss) / Gain (19.2)	(304,790)	134,176
Deferred Tax attributable revaluation surplus	(14,839,977)	-
	(15,144,767)	134,176
Income Tax Expense Reported in Total Comprehensive Income	(3,193,818)	31,044,585

19.1 Reconciliation Between Current Tax Expense/(Income) and the Product of Accounting Profit

	2016 Rs.	2015 Rs.
Accounting Profit (Profit Before Tax)	219,818,063	186,765,543
Consolidation Adjustment	-	101,054,538
Aggregate Disallowable Items	116,972,549	88,022,704
Aggregate Allowable Items	(183,043,820)	(264,003,235)
	153,746,792	111,839,550
Tax Loss utilised (19.1.1)	(21,801,918)	(21,959,712)
Taxable Profit from Trade Income	131,944,874	89,879,838
Interest Income	887,289	11,404,364
Taxable Profit	132,832,163	101,284,202
Income Tax on Trade Income - 12% (2015 - 12%)	15,939,860	10,785,581
Income Tax on Bank Interest - 28% (2015 - 28%)	-	3,193,222
WHT on Dividends Income	-	
Current Income Tax Expense	15,939,860	13,978,803

19.1.1 Tax Losses

	2016 Rs.	2015 Rs.
Tax Loss Brought Forward	21,801,918	43,761,630
Tax Loss unutilised (Set-off Limited 35% of Statutory Income)	(21,801,918)	(21,959,712)
Tax Loss Carried Forward (Provisional)	-	21,801,918

19.1.2 The Company is liable for income tax at the rate of 12% which is applicable for tourism promotion as per the Inland Revenue Act No.10 of 2006 and amendments thereto.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

Year ended 31 March 2016

19.1.3 Super Gains Tax

As per the provisions of Part III of the Finance Act No 10 of 2015 which was certified on 30th October 2015, the Company and its Ultimate Parent Company, Hemas Holdings PLC (Group) were liable for super gains tax. The tax liability of the company which was paid during the year amounted to Rs. 12,589,408. According to the Act, the super gains tax shall be deemed to be expenditure in the Financial Statements relating to the year of assessment which commenced on 1st April 2013. The Act supersedes the requirements of the Sri Lanka Accounting Standards; hence the super gains tax is accounted in accordance with the requirements of the said Act as recommended by Statement of Alternative Treatment (SoAT) on Accounting for super gains tax issued by the Institute of Chartered Accountants of Sri Lanka, dated 24th November 2015.

19.2 Deferred Tax Assets, Liabilities and Income Tax Relates to the Followings

	2016 Rs.	2015 Rs.
Deferred Tax Liability	80,733,083	73,238,981
Deferred Tax Assets	(3,297,234)	(5,725,090)
Net Deferred Tax Liability	77,435,849	67,513,890

Deferred Taxation Charge/(Reversal) - Income Statement/ Other Comprehensive Income

	Income Statement		Other Comprehensive Income /Directly through Equity	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Deferred Tax Liability				
Capital Allowances for Tax Purposes	(7,345,875)	8,106,775	-	-
Revaluation of Buildings	-	-	14,839,977	36,059
Deferred Tax Assets				
Defined Benefit Plans	(497,518)	(433,076)	-	-
Collective Impairment of Trade and Other Receivables	(176,446)	519,304	-	-
Carry Forward of Unused Tax Losses	2,797,029	1,714,120	-	-
Actuarial (Gain)/Loss	-	-	304,790	(134,176)
	(5,222,810)	9,907,123	15,144,767	(98,117)

19.2.1 Deferred Tax Liability/Assets

	Statement of Financial Position		Statement of Comprehensive Income /Directly through Equity	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Deferred Tax Liability				
Capital Allowances for Tax Purposes	51,702,321	59,048,196	(7,345,875)	8,106,775
Revaluation of Buildings	29,030,762	14,190,785	14,839,977	36,059
	80,733,083	73,238,981		
Deferred Tax Assets				
Defined Benefit Plans	2,498,123	2,000,606	(497,518)	(433,076)
Collective Impairment of Trade and Other Receivables	797,202	620,756	(176,446)	519,304
Carry Forward of Unused Tax Losses	-	2,797,029	2,797,029	1,714,120
Deferred Income Tax (Income)/Expense through profit and Loss				
Actuarial (Gain)/Loss	1,909	306,700	304,790	(134,176)
	3,297,234	5,725,091		
Deferred Income Tax (Income)/Expense	-	-	9,921,957	9,809,006
Net Deferred Tax Liability	77,435,849	67,513,890		

20. EARNINGS PER SHARE

Earnings Per Share is Calculated by Dividing the Net Profit for the Year Attributable to Ordinary Shareholders by the Weighted Average Number of Ordinary Shares Outstanding During the Year.

The Following reflects the Earnings and Share data used in the Earnings Per Share computations.

	2016 Rs.	2015 Rs.
Amounts Used As the Numerator:		
Net Profit Attributable to Ordinary Shareholders for Basic Earnings Per Share	208,171,904	155,855,134
	208,171,904	155,855,134
Number of Ordinary Shares Used as Denominator:	**Number**	**Number**
Weighted Average Number of Ordinary Shares in issue applicable to Basic Earnings Per Share	31,621,477	31,621,477
Earnings Per Share	6.58	4.93

NOTES TO THE FINANCIAL STATEMENTS CONTD.

Year ended 31 March 2016

21. DIVIDENDS PER SHARE

21.1 Dividends Paid

	2016 Rs.	2015 Rs.
Declared and Paid During the Year		
Dividends on Ordinary Shares		
Interim/Final Dividends	47,427,951	31,621,477
	47,427,951	31,621,477

21.2 Dividends Per Share

	2016	2015
Interim Dividend out of 2014/2015 (2015-2013/2014) Profits	1.50	1.00

The Interim Dividends for 2014/2015 has been paid on 15 June 2015.

22. COMMITMENTS AND CONTINGENCIES

There are no significant Commitment and/or Contingencies as at Reporting Date.

23. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

Nature of Assets	Nature of Liability	Carrying Amount of Pledged 2016 Rs.	2015 Rs.	Included Under
Freehold Land and Buildings at Waikkal (Extent 5A-3R-2.6P) and (Extent 7A-3R-31P)	Primary Mortgage Bond No.3120 and No.1425 dated 12/07/2010 for Rs.146.3M and Rs.244.6Mn executed over Dolphin Hotels PLC's premises at Waikkala owned by the company. Extent 5A-3R-2.6P (Lot 1 in plane No.3105) and (Extent 7A:3R:31P) to Commercial Bank of Ceylon PLC (EIB Loan of Rs.126.6Mn & Rs.234.6Mn and overdraft facility of Rs.20Mn & 10Mn)	1,869,351,000	1,483,415,354	Property, Plant and Equipment
Freehold Land and Buildings at Waikkal (Extent 5A-3R-2.6P) and (Extent 7A-3R-31P)	A supplementary Mortgage Bond in Euro executed in connection with Primary Mortgage Bond No.3120 and a supplementary Mortgage Bond in GBP executed in connection with Primary Mortgage Bond No.1425 dated 13/07/2010 linking the Rupee exposure in foreign currency.	1,869,351,000	1,483,415,354	Property, Plant and Equipment

24. EVENTS OCCURRING AFTER THE REPORTING PERIOD

The Board of Directors of the Company has proposed a final dividend of Rs. 1.00 per share for the financial year ended 31 March 2016 as required by section 56(2) of the companies Act No 07 of 2007. The Board of Directors has confirmed that the Company satisfies the solvency test in accordance with section 57 of the companies Act No. 07 of 2007 and has obtained a certificate from the Auditors prior to declaring the final dividend at the AGM with the approval of the shareholders.

In accordance with the Sri Lanka Accounting Standard (LKAS 10) - Events after the reporting date, the proposed dividend has not been recognized as a liability in the financial statements as at 31 March 2016.

Except for the above there have been no material events occurring after the reporting date that require adjustments to or disclosure in the Financial Statements.

25. RELATED PARTY DISCLOSURES

Terms and conditions of transactions with related parties

Transactions with related parties are carried out in the ordinary course of the business. Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash. Interest bearing borrowings are at pre-determined interest rates and terms.

Non-recurrent related party transactions

There were no other non-recurrent Related Party Transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Company as per 31 March 2015 audited financial statements, which required additional disclosures in the 2015/16 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13(c) of the Security Exchange Commission Act.

Recurrent related party transactions

There were no other recurrent related party transactions which in aggregate value exceeds 10% of the revenue of the Company as per 31 March 2015 audited financial Statements, which required additional disclosures in the 2015/16 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13(c) of the Security Exchange Commission Act. Terms and conditions on loans obtained from related parties and loans granted to related parties are disclosed in Note 11.3 & 5.2 to these financial statements, respectively.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

Year ended 31 March 2016

25. RELATED PARTY DISCLOSURES (Contd.)

Details of significant related party disclosures are as follows:

25.1 Transaction with the Parent and Related Entities

Nature of Transaction	Ultimate Parent		Parent		Other Related Parties*		Total	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
As At 1st April								
Trade and Other Receivable	100,250	918,545	-	-	765,731	99,960	865,981	1,018,505
Loans Receivable from Related Parties	4,100,000	192,200,000	-	-	-	-	4,100,000	192,200,000
Loans Payable to Related Parties	-	-	-	-	(7,000,000)	-	(7,000,000)	-
Other Amounts Due From Related Parties	926,230	1,950,533	6,080,147	5,219,441	5,443,097	3,173,968	12,449,475	10,343,942
Other Amounts Due To Related Parties	-	-	(2,073,773)	(2,073,773)	(15,980,133)	(16,383,857)	(18,053,906)	(18,457,630)
	5,126,480	195,069,078	4,006,374	3,145,668	(16,771,304)	(13,109,929)	(7,638,449)	185,104,817
Sale of Goods / Services	1,248,076	1,093,100	800,784	860,706	10,672,796	11,482,931	12,721,656	13,436,737
Finance Income Receivable	8,846	9,835,523	-	-	-	-	8,846	9,835,523
Purchase of Goods / Services		(1,814,763)	(736,040)	(1,461,562)	(1,153,510)	(534,736)	(3,704,313)	(1,996,298)
Management Fees Payable	-	-	-	-	(58,206,273)	(68,821,270)	(58,206,273)	(68,821,270)
Loans (Obtained)/ Repayments	-	-	-	-	7,000,000	(7,000,000)	7,000,000	(7,000,000)
Finance Charges Payable	(2,576,438)	-	-	-	-	-	(2,576,438)	-
Accounting Fee Payable	-	-	-	-	(1,285,714)	(857,143)	(1,285,714)	(857,143)
Expenses Incurred on Behalf of the Company	-	-	-	-	(53,191,342)	(38,856,386)	(53,191,342)	(38,856,386)
Settlement of Dues from Related Parties	(917,338)	(10,859,826)	(6,770,542)	-	(5,986,938)	(8,557,689)	(13,674,818)	(19,417,515)
Settlement of Dues to Related Parties	2,151,133	(1,911,395)	2,787,465	1,461,562	117,775,800	109,482,918	122,714,398	109,033,084
Loan Capital Paid / Granted	(4,100,000)	(188,100,000)	-	-	-	-	(4,100,000)	(188,100,000)
	(6,000,484)	(189,942,598)	(3,918,333)	860,706	15,624,819	(3,661,377)	5,706,002	(192,743,268)
As At 31 March '16	(874,004)	5,126,480	88,041	4,006,374	(1,146,485)	(16,771,304)	(1,932,448)	(7,638,450)
Included In As At 31 March								
Trade and Other Receivable	71,700	100,250	-	-	274,237	765,731	345,937	865,981
Loans Receivable from Related Parties	-	4,100,000	-	-	-	-	-	4,100,000
Loans Payable to Related Parties	-	-	-	-	-	(7,000,000)	-	(7,000,000)
Other Amounts Due From Related Parties	49,911	926,230	110,390	6,080,147	10,605,791	5,443,097	10,766,092	12,449,475
Other Amounts Due To Related Parties	(995,615)	-	(22,349)	(2,073,773)	(12,026,514)	(15,980,133)	(13,044,477)	(18,053,906)
Total	(874,004)	5,126,480	88,041	4,006,374	(1,146,486)	(16,771,304)	(1,932,449)	(7,638,449)

* Other Related Parties include
- Hotel Sigiriya PLC
- Serendib Leisure Mgt. Ltd.
- Diethlm Travels Lanka (Pvt) Ltd.
- Hemas Corp. Services Ltd.
- Jada Resort & Spa (Pvt) Ltd.
- Hemas Travels (Pvt) Ltd
- Hemas Manufacturing (Pvt) Ltd
- PH Resorts (Pvt) Ltd.
- Kalutara Luxury Hotels & Resort (Pvt) Ltd.
- Kammala Hoteliers (Pvt) Ltd

Terms and Conditions:

Management Fees: Management fees are paid based on the Hotel Management Agreement with Serendib Leisure Management Ltd.

Expenses Incured: Expenses Incured on behalf of / by Related parties are reimbursed on actual cost basis.

26. TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

The Key Management Personnel of the Company are all Executive and Non- Executive Directors and all members of the Senior Management of the Company.

a) Key Management Personnel Compensation

There were no Compensation to the Key Management Personnel during the year.

b) Transactions, Arrangements and Agreements involving Key Management Personnel

No significant transactions had taken place involving Key Management personnel and their close family members.

27. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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 following methods and assumptions were used to estimate the fair values:

Cash and short-term deposits, trade receivables and trade payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

Long-term floating-rate receivables/borrowings are evaluated by the Company based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 March 2016, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.

27.1 Fair value Hierarchy

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

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

Non-Financial Assets Measured at Fair Value	31-Mar-2016	Level 1	Level 2	Level 3
Land and Building	1,869,351,000	-	-	1,869,351,000
	31-Mar-2015	**Level 1**	**Level 2**	**Level 3**
Land and Building	1,504,470,288	-	-	1,504,470,288

NOTES TO THE FINANCIAL STATEMENTS CONTD.

Year ended 31 March 2016

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities, other than derivatives, comprise loans and borrowings and 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 loan and other receivables, 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 Board of Directors (BOD) that advises on financial risks and the appropriate financial risk governance framework for the Company. BOD 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 Company policies and risk appetite. It is the Company's policy that all derivative activities for risk management purposes are required to be in line with the Group Treasury Policy of Hemas Holdings PLC (Ultimate Parent Company) and to be approved by the Board of Directors of Serendib Hotels PLC (Parent).

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

Market Risk

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

The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the entity's financial performance.

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 rates sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points Profit Before Tax	Effect on Rs.
2016		
	+ 100 basis points	(2,331,832)
	- 100 basis points	2,331,832
2015		
	+ 100 basis points	(5,049,098)
	- 100 basis points	5,049,098

The assumed spread of basis points for the interest rate sensitivity analysis is based on the currently observable market environment changes to base rates such as Eur LIBOR.

Foreign Currency Risk

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

Foreign currency sensitivity

The following table demonstrates the sensitivity of net operating cash flows before taxation and derivative financial instruments existing as at 31 March in GBP, EURO and USD to a reasonably possible change of such underlining foreign currencies (GBP, EURO and USD) exchange rate against LKR, with all other variables held constant. The company's exposure to foreign currency changes for all other currencies is not material.

	Foreign Currency	Change in exchange rate	Effect on Profit Before Tax Rs.
2016	GBP	1%	1,551,417
	EURO	1%	3,523,724
	USD	1%	1,597,664
2015	GBP	1%	1,412,734
	EURO	1%	3,216,604
	USD	1%	2,460,522

Equity Price Risk

The Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company's Board of Directors reviews and approves all equity investment decisions.

Credit Risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities which includes deposits with banks.

Trade Receivables

Customer credit risk is managed by the company subject to its established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on the credit risk evaluation model and individual credit limits are defined in accordance with this assessment.

Outstanding customer receivables are regularly monitored and contracts are signed and agreed with all credit customers.

Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for Impairment collectively. The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 8. The Company does not hold collateral as security.

Financial Instruments and Cash Deposits

Credit risk from balances with banks is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties as per the Treasury Policy and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Company's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Company's Treasury Committee. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty's failure. The company's maximum exposure to credit risk for the components of the statement of financial position is the carrying amounts as illustrated in Note 8 except for financial guarantees and derivative financial instruments.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

Year ended 31 March 2016

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd.)

Liquidity Risk

The Company monitors its risk to a shortage of funds by setting up a minimum liquidity level. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. 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's financial liabilities based on contractual payments.

	On Demand Rs.	Less than 3 Months Rs.	3 to 12 Months Rs.	1 to 5 Years Rs.	> 5 Years Rs.	Total Rs.
As at 31 March 2016						
Interest - Bearing Loans and Borrowings	-	17,303,705	51,911,114	144,100,801	-	213,315,620
Trade and Other Payable	-	180,646,931	-	-	-	180,646,931
	-	197,950,636	51,911,114	144,100,801	-	393,962,551
As at 31 March 2015						
Interest - Bearing Loans and Borrowings	7,000,000	15,497,946	46,493,837	191,059,052	-	260,050,835
Trade and Other Payable	-	167,992,947	-	-	-	167,992,947
	7,000,000	183,490,892	46,493,837	191,059,052	-	428,043,781

Capital Management

Capital includes ordinary shares. The primary objective of the Company's capital management is to ensure that it maintains a strong credit worthiness and healthy capital ratios in order to support its business and maximize 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 managing capital during the years ended 31 March 2016 and 31 March 2015. The Company monitors capital using a gearing ratio, which is debt divided by total capital plus debt. The Company's policy is to keep the gearing ratio below 40%.

29. RESTATEMENT OF COMPARATIVES

Pursuant to the approval given by The Board of Directors in accordance with Section 242 (2) of Companies Act No. 07 of 2007 , the company was amalgamated with effect from 4 September 2015 with Miami Beach Hotels Ltd which was a fully owned subsidiary at the time of amalgamation.

Comparative figures were restated as if the companies had been amalgamated at the previous date of Statement of Financial Position as per the guildlines issued under Statement of Recommended Practice (SoRP) - Merger accounting for common control business combination issued by The Institute of Chartered Accountants of Sri Lanka.

The restatement had an impact on the following components of financial statements for the year ended 31st March 2016.

29.1 Statement of Comprehensive Income

	Company Restated 2015 Rs.	Company As Reported Previously 2015 Rs.	Impact Rs.
Revenue	870,773,971	594,840,059	275,933,912
Cost of Sales	(211,224,060)	(148,339,873)	(62,884,186)
Gross Profit	659,549,911	446,500,186	213,049,725
Other Operating Income and Gains	-	2,451,222	(2,451,222)
Sales and Marketing Expenses	(14,901,950)	(11,468,492)	(3,433,458)
Administrative Expenses	(407,024,464)	(279,473,588)	(127,550,875)
Operating Profit	237,623,497	158,009,328	79,614,169
Finance Cost	(22,836,046)	(13,898,671)	(8,937,375)
Finance Income	12,761,622	12,761,622	-
Exchange Gain/(Loss)	(40,783,530)	33,717,214	(74,500,744)
Profit Before Tax	186,765,543	190,589,493	(3,823,949)
Income Tax Expense	(30,910,409)	(18,697,148)	(12,213,262)
Profit for the Year	155,855,134	171,892,345	(16,037,211)
Earning per share	4.93	5.44	(0.51)
Total Other Comprehensive Income	97,619,364	(983,954)	98,603,318

NOTES TO THE FINANCIAL STATEMENTS CONTD.

Year ended 31 March 2016

29.1.2 Statement of Financial Position

	Company Restated 2015 Rs.	Company As Reported Previously 2015 Rs.	Impact Rs.
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	1,702,282,359	1,161,517,907	540,764,453
Intangible Assets	1,067,669	1,067,669	-
Investment in Subsidiary	-	135,921,800	(135,921,800)
Other Financial Assets	4,000,000	4,000,000	-
Deferred Tax Assets	5,725,090	5,537,909	187,182
	1,713,075,118	1,308,045,285	405,029,833
Current Assets			
Inventories	8,573,606	8,573,606	-
Trade and Other Receivables	106,064,801	77,923,781	28,141,019
Taxation Recoverables	-	3,449,374	(3,449,374)
Other Financial Assets	4,100,000	4,100,000	-
Cash and Cash Equivalents	103,018,782	102,895,637	123,145
	221,757,189	196,942,398	24,814,791
Total Assets	1,934,832,307	1,504,987,683	429,844,624
EQUITY AND LIABILITIES			
Equity			
Stated Capital	316,214,770	316,214,770	-
Other Components of Equity	376,963,195	230,265,543	146,697,652
Other Revenue Reserve	2,840,391	-	2,840,391
Retained Earnings	656,189,112	486,729,207	169,459,905
Total Equity	1,352,207,468	1,033,106,310	319,101,158
Non-Current Liabilities			
Interest Bearing Loans and Borrowings	191,059,052	59,176,899	131,882,153
Deferred Tax Liabilities	73,238,981	51,255,689	21,983,292
Employee Benefit Liability	17,789,843	17,789,843	-
	282,087,876	128,222,431	153,865,445
Current Liabilities			
Trade and Other Payables	167,992,947	256,256,682	(88,263,735)
Income Tax Liability	2,369,166	-	2,369,166
Dividends Payable	1,704,506	1,704,506	-
Interest Bearing Loans and Borrowings	128,470,344	85,697,754	42,772,590
	300,536,963	343,658,942	(43,121,979)
Total Equity and Liabilities	1,934,832,307	1,504,987,683	429,844,624

29.1.3 Cash Flow Statement

	Rs.
Cash and Cash Equivalents at the date of amalgamation	123,145
Overdraft	-
Net Cash Inflow on amalgamation with Subsidiary	123,145

30. CHANGES IN ACCOUNTING POLICIES

The Company changed its accounting policy of recognizing the difference between the depreciation charge based on the original cost versus the revalued carrying value of the assets by transferring such amount from Revaluation Reserve to Retained Earnings through the Statement of Changes in Equity, to be in line with its Ultimate Parent's policy of carrying excess depreciation in Revaluation Reserve till the asset is either disposed or de-recognized where both options are allowed by the LKAS 16, Property, Plant and Equipment. Accordingly, Revaluation Reserve and Retained Earnings have been restated to effect the above change. The effect of the restatement is summarized below.

a. Impact on the Financial Statements of 2014/15

	(As previously reported) Balance as at 31.03.2015 Rs.	Increase/ (Decrease) Rs.	(Restated) Balance as at 31.03.2015 Rs.
Statement of Financial Position			
Revaluation Reserve	270,119,093	45,309,729	315,428,822
Retained Earnings	701,498,841	(45,309,729)	656,189,112
	971,617,934	-	971,617,934

INVESTOR INFORMATION

SHARE DISTRIBUTION

	2016			2015		
	No. of Shareholders	Total Holding	%	No. of Shareholders	Total Holding	%
1 - 1000	1043	298,426	0.94	1033	308,913	0.98
1,001 - 10,000	304	1,029,531	3.26	313	1,112,011	3.52
10,001 - 100,000	88	2,918,887	9.23	91	2,904,587	9.18
100,001 - 1,000,000	16	5,175,308	16.37	17	5,096,641	16.12
Over 1,000,000	2	22,199,325	70.20	2	22,199,325	70.20
	1,453	31,621,477	100.00	1,456	31,621,477	100.00
Institutions	89	26,069,146	82.44	95	25,912,537	81.95
Individuals	1,364	5,552,331	17.56	1361	5,708,940	18.05
	1,453	31,621,477	100.00	1,456	31,621,477	100.00

PUBLIC HOLDING

25.93% of the Issued Shares were held by the Public as at 31st March 2016 and the number of Shareholders representing the public holding is 1444.

SHARE TRADING

	2016	2015
Highest Market Price (Rs)	64.00 (22.05.15)	63.90 (09.01.15)
Lowest Market Price (Rs)	41.20 (30.03.16)	41.10 (04.04.14)
Last Traded Price (Rs)	42.00 (30.03.16)	56.90 (31.03.15)
No. of Shares Traded	1,018,600	2,588,457
No. of Trades	589	1,314
Turnover (Rs)	55,031,598	139,178,146

MAJOR SHAREHOLDING

List of Twenty major shareholders

	31.03.2016		31.03.2015	
	No of Shares	%	No of Shares	%
Serendib Hotels PLC	20,507,578	64.85	20,507,578	64.85
Hemtours (Pvt) Ltd	1,691,747	5.35	1,691,747	5.35
Freudenberg Shipping Agencies Ltd	996,810	3.15	862,271	2.73
J R De Silva	582,355	1.84	510,034	1.61
R C J Goonewardene	540,876	1.71	526,321	1.66
A N Esufally	450,007	1.42	450,007	1.42
Rosewood (Pvt) Ltd – A/c No. 01	433,401	1.37	496,712	1.57
Hemas Holdings PLC	376,808	1.19	-	-
D S L Investments (Pvt) Ltd	298,000	0.94	298,000	0.94
S P Kannangara	210,000	0.66	210,000	0.66
Seylan Bank Ltd./ B S M De Silva	204,700	0.65	204,700	0.65
People's Leasing & Finance PLC/ L P Hapangama	196,438	0.62	148,601	0.47
A Sithampalam	179,300	0.57	179,300	0.57
C Chanmugam	165,000	0.52	162,582	0.51
Intercom Ltd	162,500	0.51	162,500	0.51
A P Somasiri	150,000	0.47	150,000	0.47
Alliance Finance Company PLC	129,038	0.41	129,038	0.41
Waldock Mackenzie Ltd/ H S D Soysa	100,075	0.32	100,075	0.32
DFCC Bank PLC – A/c No. 01	100,000	0.32	400,000	1.26
J C L De Mel	98,300	0.31	-	-
	27,572,933	87.20	-	-
Shares held by the balance shareholders	4,048,544	12.80	-	-
	31,621,477	100.00	-	-

TEN YEAR FINANCIAL REVIEW

Year ended 31 March *(Figures in Rs.'000 unless otherwise stated)*	2016	2015 Restated	2014	2013	2012	2011	2010	2009	2008	2007 Restated
Trading Results										
Revenue	880,508	870,774	606,768	765,341	643,862	426,359	380,265	350,130	328,358	263,452
Profit /(Loss) Before Tax	219,818	186,766	121,161	231,957	100,474	30,545	70,684	46,119	62,422	40,126
Profit /(Loss) for the year	208,172	155,855	108,824	199,976	92,925	20,670	57,168	38,101	55,706	36,060
Hotel Operations										
Annual sales growth(%)	1	44	(21)	19	51	12	9	7	25	40
Room occupancy(%)	83	84	84	86	87	84	87	87	82	77
Current ratio(Times)	1.0	0.7	1.4	1.6	1.1	0.6	1.6	1.5	1.1	0.9
Interest cover(Times)	17.1	9.2	7.8	14.5	4.1	2.4	11.9	5.8	5.7	3.7
Debt equity ratio (%)	12.8	23.6	68.7	37.1	48.1	69.8	4.9	6.8	10.3	16.4
Market/ Shareholder Information										
Return on equity(%)	11.5	11.5	9.8	19.5	10.6	3.0	8.6	6.1	9.6	6.7
Net Assets Per Share (Rs.)	57.17	42.76	35.70	32.47	27.69	21.62	20.94	19.62	18.40	17.13
Earnings / (Loss) Per Share (Rs.)	6.58	4.93	3.50	6.32	2.94	0.65	1.81	1.20	1.76	1.14
Market Price Per Share (Rs.)	42.00	56.90	42.20	33.00	30.00	51.60	35.00	11.50	11.00	9.25
Price Earning Ratio(Times)	6.4	11.5	12.1	5.3	10.4	78.9	19.3	9.6	6.2	8.1
Dividends Per Share (Rs.)	1.50	1.00	Nil	1.50	1.50	Nil	0.50	Nil	0.50	Nil

Hotel Dolphin was partially closed for refurbishment from May to Sep' 10 and May to Oct' 13.
Figures shown from 2011 to 2016 are as per Sri Lanka Financial Reporting Standards (SLFRS).

NOTES

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the THIRTY FIFTH (35TH) ANNUAL GENERAL MEETING of DOLPHIN HOTELS PLC will be held at the Auditorium of The Institute of Chartered Accountants of Sri Lanka, No. 30A, Malalasekara Mawatha, Colombo 7 on Friday, 22nd July 2016 at 3.30 p.m. for the following purpose:

AGENDA

1. To receive and consider the Statement of Accounts for the year ended 31st March 2016 together with the Report of the Directors and Auditors thereon.

2. To re-elect Mrs. A R Gamage, who retires by rotation in terms of Article 86 of the Articles of Association of the Company.

3. To re-appoint Mr. W D U Perera, who retires in terms of Article 74 of the Articles of Association of the Company.

4. To declare a final dividend of Rs. 1.00 per Ordinary Share as recommended by the Board.

5. To re-appoint Messrs. Ernst & Young, Chartered Accountants, as the Auditors of the Company for the ensuing year and authorize the Directors to determine their remuneration.

6. To authorize Directors to determine and make contributions to Charity.

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

By Order of the Board of
DOLPHIN HOTELS PLC

HEMAS CORPORATE SERVICES (PVT) LTD
Secretaries

Colombo
28 June 2016

Notes:
(i) A Member unable to attend is entitled to appoint a proxy to attend and vote on his/her behalf.
(ii) A proxy need not be a Member of the Company.
(iii) A Form of Proxy accompanies this Notice.

FORM OF PROXY

I/We .... (NIC No ....)

of...

being a Member/s of DOLPHIN HOTELS PLC do hereby appoint ....

.... (NIC No ....)

of..or failing him/her

Mr. A N Esufally	or failing him
Mr. B S M De Silva	or failing him
Mrs. A R Gamage	or failing her
Mr. D T R De Silva	or failing him
Mr. W D U Perera	

as*my/our proxy holder to represent *me/us and to vote on *my/our behalf at the Thirty Fifth (35th) Annual General Meeting of the Company to be held on Friday, 22nd July 2016 at 3.30 p.m. at the Auditorium of The Institute of Chartered Accountants of Sri Lanka, No.30A, Malalasekara Mawatha, Colombo 7 and any adjournment thereof and at every poll which may be taken in consequence thereof.

		For	Against
1.	To receive and consider the Statement of Accounts for the year ended 31st March 2016 together with the Report of the Directors and Auditors thereon.		
2.	To re-elect Mrs. A R Gamage, who retires by rotation in terms of the Articles of Association of the Company.		
3.	To re-appoint Mr. W D U Perera, who retires in terms of the Articles of Association of the Company.		
4.	To declare a final dividend of Rs. 1.00 per Ordinary Share as recommended by the Board.		
5.	To re-appoint Messrs. Ernst & Young as Auditors and to authorize the Directors to determine their remuneration.		
6.	To authorize Directors to determine and make contributions to Charity.		

Signature of Shareholder/s .... NIC/Passport No ....

Dated this .... day of .... 2016.

(i) *Please delete the inappropriate words.
(ii) Instructions regarding completion appear on the reverse hereof.

INSTRUCTIONS FOR COMPLETION

1. Kindly perfect the Form of Proxy by filling in legibly your name in full, NIC No. and address and by signing in the space provided. Please fill in the date of signature.

2. Please indicate with an "X" in the space provided how your Proxy is to vote on each resolution. If no indication is given, the Proxy at his/her discretion will vote as he/she thinks fit.

3. In the case of Corporate Members, the Form of Proxy must be completed under the Common Seal, which should be affixed and attested in the manner prescribed by the Articles of Association.

4 If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should also accompany the completed Form of Proxy.

5. In case of joint holders the Form of Proxy must be signed by the first holder.

6. The completed Form of Proxy should be addressed to the Secretaries and deposited at the Registered Office of the Company, at "Hemas House", No. 75, Braybrooke Place, Colombo 02 not less than forty eight (48) hours before the appointed time for the meeting.

CORPORATE INFORMATION

Name of the Company
Dolphin Hotels PLC
(Formally Stafford Hotels PLC)

Legal Form
A Public Quoted Company with Limited Liability incorporated on 20th January 1981 under the Companies Ordinance (Cap 145) and re-registered under the Companies Act No. 7 of 2007

Company Registration No.
PQ224

Board of Directors
A N Esufally - Chairman (Alt V H A Perera)
B S M De Silva
A R Gamage (Ms) - (Alt. Prof. L D K B Gamage)
D T R De Silva
W D U Perera

Registered Office
“Hemas House”, No. 75, Braybrooke Place,
Colombo 02.
Tel: +94 (11) 4790500-6
Fax: +94 (11) 2438933
E-mail: inquiries@serendibleisure.lk
Website: www.serendibleisure.com

Secretaries
Hemas Corporate Services (Pvt) Ltd.
Level 9, “Hemas House”,
No. 75, Braybrooke Place,
Colombo 02
Tel : + 94 (11) 4731731
Fax : +94 (11) 4731777

Registrars
SSP Corporate Services (Pvt) Ltd.
No. 101, Inner Flower Road
Colombo 03
Tel : + 94 (11) 2573894
Fax : +94 (11) 2573609

Managing Agent
Serendib Leisure Management Limited (SLML)

Auditors
Ernst & Young
Chartered Accountants
201, De Saram Place,
Colombo 10

Bankers
Commercial Bank of Ceylon PLC
Hatton National Bank PLC
Nations Trust Bank PLC
Sampath Bank PLC
Hongkong and Shanghai Banking Corporation Ltd
Deutsche Bank

Hotel
Club Hotel Dolphin
Waikkal
Tel: + 94 (31) 4877111
+ 94 (31) 2277788
Fax: + 94 (31) 2279437

Club Hotel
Dolphin

www.serendibleisure.com