



HERITANCE
NEGOMBO





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CHAIRMAN'S STATEMENT

Amidst increasing competition and subdued growth in arrivals, the Hotel performed exceptionally well to achieve a turnover growth of 58% and an overall operating profit increase of 122%.



On behalf of the Board of Directors, it gives me great pleasure to welcome you to the 26th Annual General Meeting of Browns Beach Hotels PLC and present to you, the Annual Report and the financial statements of the Group, which comprise of the Company and its fully owned subsidiary Negombo Beach Resorts (Private) Limited, for the financial year ended 31st March 2018.

Your Company focused on consolidating performance during the year under review, sustaining its unique attributes of a 'city hotel on the beach'. Offering multiple dining options and luxurious comfort on par with international industry standards, Heritage Negombo gained greater competitive advantage in the financial year and has stood out as a unique service provider, having gained respect and loyalty from guests near and afar. Amidst increasing competition and subdued growth in arrivals, the Hotel performed exceptionally well to achieve a



turnover growth of 58% and an overall operating profit increase of 122%.

Strengthening the online marketing channel continued to be a key

strategic imperative and it is encouraging to note that the online ratings from digital tourism review channels continued to record the highest scores whilst contributing to the growth in operating profits, despite the high inventory in the area. The Group considers online marketing and the use of social media and search engines, as an essential element in its marketing strategy and places significant importance on promoting and selling its inventory through online intermediaries, as well as directly, through its own website.

Local Industry Landscape

Total tourist arrivals to Sri Lanka from January to December 2017 recorded a marginal growth of 3.2%; the lowest and the only single-digit growth since the end of Sri Lanka's civil war in 2009. Arrivals during the post-war period of 2010-2016 is recorded to have grown at an average compounded rate of 18% per year. In this backdrop as well as the 10% growth in arrivals recorded from South Asia during the year, Sri Lanka's 2.1 million total arrivals portray a subdued progress from its previous years. Several factors triggered this downbeat situation. The partial closure of the international airport for runway renovations during the first three-months of the year, the devastating floods in May, dengue epidemic and subsequent warnings in July-August and the withdrawals of direct flights by Sri Lankan Airlines from key European destinations are considered the key causes exacerbated by the delay in implementing a holistic destination marketing strategy.

Sri Lanka's arrivals continued to be led by India, China, the UK, Germany and France. These cumulatively accounted for over 51% of arrivals in 2017. India continued to be the largest source country during the year, having contributed to 18% of all arrivals to Sri Lanka. Western Europe was recognised as the largest

122% increase

PROFIT FROM OPERATIONS

market, accounting for 32.2% of total arrivals. Arrivals from Western Europe also grew by 5.8% supported by the appreciation of the Euro. Leisure travel continued to account for over 83% of visitors to the country; whilst arrivals for business purposes accounted for 2.9% in 2017.

The inhibited growth in arrivals and the consequent limited opportunities led to more intense price-based competition within the market; thus reducing revenue for the industry as a whole. It is, however, reassuring that the last quarter of your Group's financial year saw a sharp rise in arrivals, amounting to 17%. Arrivals in March fell slightly below the expected high due to unexpected ethnic tension in the Kandy district, which the travel advisory portals were quick to report. Timely and stringent measures by the Government helped curb the spread of violence and eased the spate of cancellations.

CHAIRMAN'S STATEMENT



Despite a lower-than-expected growth in tourist arrivals, it is encouraging that earnings from tourism remained healthy, with average spending and duration of stay increasing during 2017. Sri Lanka's earnings from tourism increased by 11.6% whilst the average spending per tourist improved to US Dollars 170.1 per day, from US Dollars 168.2 per day in 2016.

Group Performance

Net revenue grew by 58% to reach Rs. 939 million during the financial year against Rs. 593 million achieved during the corresponding year.

Total Operating Expenses comprising direct and indirect expenses and staff costs of the Group, increased by 15% compared to the previous year, keeping in line with the surge in occupancy. The increase is however, less than the growth in turnover. This is due to the implementation of numerous cost saving initiatives. It is imperative to reflect that Heritance Negombo has already established new industry

benchmarks in staff accommodation, offering best-in-class lodging for team members in keeping with our sustainable approach. We have also identified it as a strategy to attract and retain the best, as well as to increase the gender balance in the industry, by attracting more females in to the hospitality cadre.

The finance expenses increased during the year by 29% over the preceding year to Rs. 368 million, as the variable cost of Group debt financing increased due to a surge in interest rate coupled with an escalation in borrowings to meet additional working capital requirement rising from a boost in occupancy.

It is commendable to note that Operating Profit increased by 122% to Rs. 43 million in 2018 as a result of a 58% growth in reported revenue alongside well managed costs. This is in comparison to an operating loss of Rs 197 million reported in the previous year. Although Heritance

Negombo was able to record an operating profit in only its second year of operations, the hotel recorded a net loss before tax due to high interest cost on borrowings. The management is confident of maintaining a positive trend to report net profits within a short span of time.

Browns Beach Hotels is a unique blend of a city hotel on the beach, positioned to offer an inimitable experience to capitalize on the expected growth. Towards this end, the property will focus on strengthening its competitive advantages whilst expanding its brand presence of Heritance, the flagship brand of Aitken Spence Hotels, the leading Hotel Management company in Sri Lanka.

The Management is confident of achieving a significant increase in revenue and profits in the coming year by focusing on enhancing yield through its digital marketing initiatives focusing on European markets to

harness the many synergies of being a multi-destination player. We have also actively participated at multiple international trade fairs such as WTM and ITB to promote awareness of our offering. In addition, we aggressively pursue the discerning and specialized MICE segment catering our product to fit their needs. Furthermore, Heritance Negombo has enhanced its F&B offering under the inspiring guidance of Aitken Spence Hotel's F&B Director Michelin star Chef Bjorn van der Horst and Culinary Olympic Champion Chef Dimuthu Kumarasinghe. The hotel has thus crafted a great culinary experience that delights both local and foreign guests.

Outlook

Sri Lanka's tourism industry is expected to return to a double-digit growth in the year ahead. This is well supported by an anticipated high economic growth trajectory. However, I wish to reiterate the importance and the pressing need for a national level initiative. A cohesive and integrated destination marketing campaign befitting the country's unique product offering must be carefully planned and promptly executed in key markets which possess high potential for Sri Lanka. We remain hopeful and are encouraged by signs of such a campaign seeing the light of day and being launched this year. It is also imperative that such a campaign does not become a one-off effort, but is maintained over a long period.

In this intensely competitive industry, your group is well poised to meet challenges, sustain itself, and expand its value creation into the future. Being a member of Aitken Spence, a group that is one of Sri Lanka's

largest in the tourism industry with both accommodation and a tour operator arm which augments the ability of the Group to not just sustain and nurture industry leadership, but to stay firm as a pacesetter in the business, even in the future.

Acknowledgements

I wish to convey my sincere appreciation to the Board of Directors for their guidance, unstinted support and cooperation during the year under review. My thanks also go out to the General Manager and the dedicated staff of Heritance Negombo whose passion and commitment have been the cornerstone of your Group's success.

My heartfelt gratitude also goes to the shareholders of Browns Beach Hotels PLC for their patience and trust placed on us, as we took on the challenge of relaunching this property.

I also appreciate the contribution by numerous other stakeholders, our loyal clients and ever-growing customers for inspiring our journey and propelling us to raise the bar in hospitality in Sri Lanka.



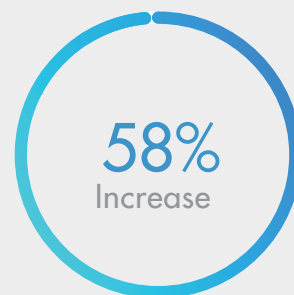
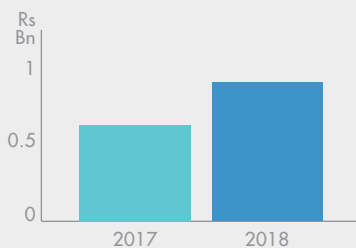
D.H.S. Jayawardena
Chairman
3rd August 2018

GROUP PERFORMANCE HIGHLIGHTS

Performance for the Year ended 31st March		2018	2017	Change
Gross Revenue	Rs. '000	939,230	593,861	58%
Group Profit Before Tax	Rs. '000	(317,610)	(482,909)	34%
Group Profit/(Loss) After Tax	Rs. '000	(319,093)	(482,909)	34%
Group Profit/(Loss) Attributable to Equity Holders of Parent	Rs. '000	(319,093)	(482,909)	34%
Earnings/(deficit) per Share (EPS)	Rs.	(2.46)	(3.73)	34%
Cost of Finance	Rs. '000	368,982	285,804	27%
Interest Cover	Number of Times	0.12	(0.69)	118%
Return on Equity	%	(11.5)	(14.8)	22%
Position as at the Year ended 31st March				
Total Assets	Rs. '000	6,036,189	6,049,281	0%
Long Term Interest Bearing Borrowings	Rs. '000	2,866,320	2,567,670	16%
Total Equity	Rs. '000	2,784,034	3,097,535	-10%
Number of Shares in Issue	Number	129,600,000	129,600,000	0%
Net Assets per Share	Rs.	21.48	23.90	-10%
Gearing - Debt/(Debt+Equity)	%	50.76	45.32	22%
Debt/Total Assets	%	48.45	42.45	14%
Current Ratio		0.72:1	0.07:1	-2%
Quick Asset Ratio		0.64:1	0.06:1	-2%
Market / Shareholder Information as at Year ended 31st March				
Market Price per Share	Rs.	14.60	21.30	-34%
Market Capitalization	Rs. '000	1,892,160	2,760,480	-31%
Price Earnings Ratio	Number of Times	(5.94)	(5.71)	0%
Value Added for the Year				
To Government	Rs. '000	22,896	13,034	76%
To Employees	Rs. '000	142,505	135,040	6%
To Providers of Capital	Rs. '000	353,559	285,804	24%
To Shareholders	Rs. '000	445,900	173,627	157%
Retained for Reinvestment and Future Growth	Rs. '000	(73,060)	(260,251)	-72%
Total Value Added	Rs. '000	445,900	173,627	157%
Sustainability Indicators				
Total Energy Consumption	GJ	15,013	15,214	-1%
Energy Consumption per Guest Night	MJ	252.80	401.35	-37%
Water Consumption	m ³	68,279	52,217	31%
Water Consumption per Guest Night	Litres	1,354	1,377	-2%
Waste to Landfill - per Guest Night	Kg	17,476	15,249	15%
Average Training hours per Employee	Hours	63.00	64.00	-2%
Community Engagement - Persons Impacted per week	Number	6,300	6,500	-3%

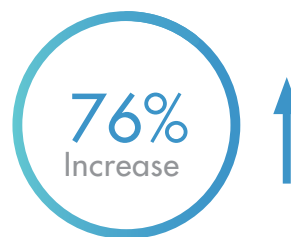
GROSS REVENUE

939 Mn



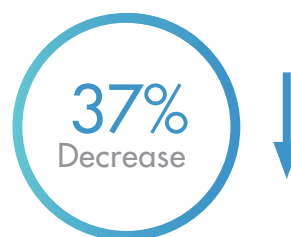
76% increase

VALUE ADDED TO GOVERNMENT



37% reduction

ENERGY CONSUMPTION PER GUEST NIGHT



34% improvement

PROFIT BEFORE TAX

34% improvement

PROFIT AFTER TAX

34% improvement

EARNINGS PER SHARE

THE BOARD OF DIRECTORS



1



2



3



4



5



6



7

1. Deshamanya D.H.S. Jayawardena
2. Mr. J.M.S. Brito
3. Ms. D.S.T. Jayawardena
4. Mr. N.J. de S. Deva Aditya
5. Mr. A.L. Gooneratne
6. Mr. R.N. Asirwatham
7. Mr. C.R. Stanislaus

Deshamanya D.H.S. Jayawardena

Deshamanya Harry Jayawardena is one of Sri Lanka's most successful businessmen and heads many successful enterprises in very diverse fields of activity. He is the Founder Director and current Chairman/ Managing Director of the Stassen Group of Companies – a diversified group in the import and export trade, and the Chairman of Lanka Milk Foods (CWE) PLC. He is also the Chairman of the Distilleries Company of Sri Lanka PLC, Browns Beach Hotels PLC, Balangoda Plantations PLC, and Madulsima Plantations PLC. In addition to being the Chairman of Lanka Bell Ltd., Melstacorp PLC, Milford Exports (Ceylon) (Pvt) Ltd., Ambewela Livestock Company Ltd., Ambewela Products (Pvt) Ltd., Lanka Dairies (Pvt) Ltd., Periceyl (Pvt) Ltd., Texpro Industries Ltd., Ceylon Garden Coir (Pvt) Ltd. He is also the Chairman/ Managing Director/ Director of several other successful and reputable companies. He is a former Director of Hatton National Bank PLC, the largest listed bank in Sri Lanka. Mr. Jayawardena was the former Chairman of Ceylon Petroleum Corporation and Sri Lankan Airlines.

Mr. Jayawardena is presently the Honorary Consul for Denmark and on 9th February 2010, was knighted by Her Majesty the Queen of Denmark with the prestigious honour of "Knight Cross of Dannebrog".

He has also been awarded in November 2005, the title, "Deshamanya" in recognition of his services to the Motherland.

Mr. Jayawardena has been Chairman of Aitken Spence PLC since 25th April 2003.

Mr. J.M.S. Brito

Mr. Rajan Brito joined the Board of Aitken Spence PLC, in April 2000. Together with his multi-disciplined knowledge from being a Bachelor of Law and a Chartered Accountant, he brought with him a wealth of thirty five years of international experience working with several International organizations. He was then appointed as the Deputy Chairman and Managing Director of Aitken Spence PLC in 2002 and presently continues in these roles.

Mr. Brito is an acclaimed senior professional in both private and public sector industries of Sri Lanka. He is a former Chairman of DFCC Bank, Employers' Federation of Ceylon and has also served on the Board of the Sri Lanka Insurance Corporation. He holds a LLB degree from University of London, MBA degree from London City Business School and is a Fellow of the Institutes of Chartered Accountants of both Sri Lanka and England & Wales.

Ms. D.S.T. Jayawardena

Ms. Stasshani Jayawardena was appointed to the Board of Browns Beach Hotels PLC in January 2016. She is the head of Tourism Sector of Aitken Spence Group where she leads a team of international professionals in strengthening the service foundations and formulating a strategic road map for the Tourism Sector of Aitken Spence Group.

Ms. Jayawardena joined the Aitken Spence Group in January 2010 as a management trainee. After gaining experience in several of its key strategic business units and Group Companies, she was appointed to the Board of Aitken Spence PLC., in December 2013 and to the Board of Aitken Spence Hotel Holdings PLC., in July 2014. She was appointed

as Chairperson of Aitken Spence Hotel Managements (Private) Limited in January 2016 and as Director of Aitken Spence Aviation (Pvt) Ltd. in July 2017. Ms. Jayawardena is overall responsible for the Tourism Sector of the Group that includes hotels, destination management and overseas travel.

A graduate of St. James' & Lucie Clayton College and Keele University in the United Kingdom, Ms. Jayawardena was the youngest intern to work under US Senator Hilary Rodham Clinton and the Former US President Bill Clinton in 2003. She is the Sri Lankan Ambassador for EY NextGen Club. Ms. Jayawardena was recently recognized with the Hotel & Hospitality Sector Gold Award at the Top 50 Professional & Career Women Awards in Sri Lanka.

Mr. N.J. de S. Deva Aditya

Mr. Niranjan Deva Aditya, born in Sri Lanka, was educated in England with a Degree in Aeronautical Engineering and a Post Graduate Research Fellowship in Economics. He has had an illustrious career as one of the most recognised and long serving politicians in the U.K. with over 35 years in public service.

Among his many inspirational and pivotal achievements are being the first Asian to be elected as a Conservative Member of the British Parliament, the first Asian MP to serve in the British Government, the first Asian to be appointed as Her Majesty's Deputy Lord Lieutenant for Greater London, and the first Asian born MP to be elected to the European Parliament, where he serves in a number of key posts, among the most notable being his Chairmanship of the Delegation for Relations with the Korean Peninsula and his Vice-Presidency of the Development Committee. As a

THE BOARD OF DIRECTORS

recognition of his accomplishments he was nominated as a candidate for Secretary General to the UN in 2006 and has been honoured for his public and international services by the UK, the Vatican, Sri Lanka, India and China. Mr. Deva Aditya joined the Company in 2006 as an Independent Non- Executive Director and holds the post to date as a Non- Executive Director. He is a Fellow of the Royal Society for Arts, Manufacture and Commerce (Est. 1765).

Mr. A.L. Gooneratne

Mr. Gooneratne has held several senior positions at Commercial Bank of Ceylon PLC and served as the Managing Director from 1996 to April 2012. He is a Fellow Member of The Institute of Chartered Accountants, United Kingdom and Wales and a Fellow member of The Institute of Chartered Accountants, Sri Lanka. He was the Founder Chairman of the Financial Ombudsman Sri Lanka (Guarantee) Ltd., and former Chairman of Sri Lanka Banks' Association (Guarantee) Ltd. He was also the Managing Director of Commercial Development Company PLC, and was the Chairman of Commercial Insurance Brokers (Pvt) Limited. He was also nominated to the Board of Sri Lankan airlines during 2002–2004 by the Government of Sri Lanka.

On his retirement, Mr. Gooneratne, assumed duties as Managing Director of Melstacorp Limited, which was the strategic investment arm of the Distilleries Company of Sri Lanka PLC, which subsequent to a restructure of the Group is now the Holding Company and is listed on the Colombo Stock Exchange. He is on the boards of several subsidiary Companies of Melstacorp PLC..

He is an Independent Director of Lanka IOC and Commercial Development Company Limited.

He is also an Alternate Director on the Boards of Distilleries Company of Sri Lanka and Aitken Spence PLC..

Mr. R.N. Asirwatham

Mr. Asirwatham was appointed to the Board of Browns Beach Hotels PLC., in March 2016. At present, he is the Chairman of the Audit Committee, Related Party Transactions Review committee and Remuneration Committee.

He was the Senior Partner and Country Head of KPMG from 2001 to 2008. Further, he was the Chairman of the Steering Committee for the Sustainable Tourism Project funded by the World Bank for the Ministry of Tourism and was also a member of the Presidential Commission on Taxation, appointed by His Excellency the President of Sri Lanka. He is presently the Chairman of the Financial Systems Stability Committee of the Central Bank of Sri Lanka.

Mr. Asirwatham is a fellow member of the Institute of Chartered Accountants of Sri Lanka and the Chairman of the Audit Committee. He also serves on the Boards of Aitken Spence PLC, Aitken Spence Hotel Holdings PLC, Dilmah Tea Services PLC., Royal Ceramics PLC., Mercantile Merchant Bank., Dankotuwa Porcelain PLC., Colombo City Holdings PLC., and several other companies.

Mr. C.R. Stanislaus

Mr. Christie Ranjan Stanislaus is a graduate from Hotelfachshule Hannover West Germany in Hotel operations and Gastronomy, Alumnus of Cornell University, School of Hotel Administration USA, and L'école hôtelière de Lausanne, Switzerland. He is a career hotelier, with over two decades of management experience in various aspects of hotel business in Asia, Middle East, Africa and Europe.

He has had his corporate associations with international hotel chains like Moevenpick, Starwood and fairly long stint with the Taj Hotels, Resorts, and Palaces during which he has undergone extensive management development programs and managed all their three properties in Sri Lanka.

His relationship with Browns Beach Hotels PLC started in the year 2010, with the redevelopment of Heritage Negombo where he spearheaded the conceptualisation, execution of the project and managed the pre- opening of the property.

CORPORATE GOVERNANCE

Chairman's Introduction

Dear Stakeholder

I am pleased to have the opportunity once again to introduce the Group's Corporate Governance report. This section of the Annual Report sets out the rules, practices and processes that directs and controls your Company and the Group.

A strong Corporate Governance framework that is appropriate to the Company's size, nature, complexity and the risk profile enables Browns Beach Hotels PLC to manage the businesses, the needs of stakeholders, regulators and the market. This framework supports the prudent management of the Company to preserve its reputation and ensure the fair and equitable value creation for shareholders, investors, business partners and other stakeholders.

The Corporate Governance framework is based on five key principles.

Leadership

The Board is the ultimate authority responsible to shareholders and other stakeholders for the long-term sustainable delivery of the Company's strategy, activities and financial performance; including the efficient use of resources and maintaining social, environmental and ethical standards. Further, the Board recognizes its responsibility to present a fair, balanced and understandable assessment of the Company's position and prospects and assess the principal risks affecting its operations, and to ensure that effective systems of risk management and internal control are in place to protect and enhance the shareholder value by ensuring sustainable, long term growth.

Culture and Ethics

The Board stresses the importance of promoting a healthy workplace environment, which includes ethics and compliance through established policies based on the values of integrity, leadership and innovation. The correct tone is set from the top with the Directors leading by example to ensure that good standards of behaviour permeate throughout all levels of the Company.

Good Governance practices are enshrined in the Company's Code of Conduct and are cascaded down through policies and procedures that must be followed by Directors, managers and employees in their day-to-day, legal, administrative and operational activities. The Company has a formal anti-bribery and corruption policy that does not tolerate or condone corruption or bribery in any of the business dealings. This policy continues to be strictly implemented throughout the Company and is supported by employee training and regular compliance reviews.

Risk Management and Internal Control

Risk Management and Internal Control are critical components of the Corporate Governance Framework. The Board is responsible for determining the nature and the extent of principal risks the Company is willing to take in achieving strategic objectives. The strategic and operational risk management unit of the Company focuses on various risks that could affect its customer experience, operational agility, cost competitiveness and stakeholder confidence. This is done through a

robust risk assessment methodology that analyses not only what the company does, but also how it is done, thereby ensuring sustainable economic viability of operations in line with the overall strategic direction.

The internal control systems are designed to provide the Board with reasonable assurance as to the efficiency and the effectiveness of the Company's operations and to ensure the quality of internal and external reporting is maintained while complying with applicable laws and regulations. As part of its internal control mechanism, there is a whistle-blowing policy in place to encourage employees to report in good faith any genuine suspicions of fraud, bribery or malpractice to identify any problems within the company at an early stage. The policy has been designed to ensure that any employee who raises a genuine concern is protected.

Accountability

In seeking to remain accountable to stakeholders, the Board strives to disclose the performance (financial and non-financial) accurately, consistently and transparently, and in compliance with all applicable regulations as well as through the voluntary adoption of globally accepted best practices for transparent reporting.

Shareholder Communication

The Board recognizes and values the importance of maintaining healthy and open communications with our shareholders to ensure mutual understanding of the strategy, objectives, governance and performance. The Annual General Meeting is considered a crucial time for interaction with

CORPORATE GOVERNANCE

shareholders and on behalf of the Board I urge all the shareholders to attend and actively participate in the proceedings of this years' Annual General Meeting to be held on the 29th of August 2018.

Conclusion

On behalf of the Board, I must reiterate that good corporate governance remains an essential part

of running our business effectively, in order to meet the expectations of our shareholders and other stakeholders. Accordingly, we will strive to evolve our governance policies and processes in line with changes to local and international regulations as well as globally accepted good governance practices that may become relevant from time to time.

Compliance Statement

On behalf of the Browns Beach Hotels PLC Board, I declare that the principles of good corporate governance are well applied across the Company and I am pleased to report that the Company has complied with all relevant provisions of the Code of Best Practice of Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.



Deshamanya D H S Jayawardena

Chairman

Colombo

3rd August 2018

Corporate Governance

Corporate Governance signifies the manner in which Companies are directed and controlled. Good governance is an essential ingredient in corporate success and sustainable economic growth. The Board of Directors of Browns Beach Hotels PLC is committed to maintain high standards of integrity, accountability, transparency and business ethics in the governance of the Group.

The Group is primarily guided by the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka, the Listing Rules of the Colombo Stock Exchange and other codes of Professional Institutes, Chambers of Commerce and Industry Associations. The report below sets out the Corporate Governance principles practiced by the organization.

Annual General Meeting

The Company welcomes active participation by its shareholders and allows opportunity for shareholder participation. The Board considers the AGM as an opportunity to communicate and maintain appropriate dialogue with its shareholders and welcomes their suggestions.

The notice of the Annual General Meeting and the relevant documents are published and dispatched to the shareholders at least 15 working days prior to the Annual General Meeting as per the Companies Act No. 07 of 2007.

Decisions taken at the 2017 Annual General Meeting are as follows:

Received and considered the Annual Report of the Board of Directors on the affairs of the Company and the

financial statements for the year ended 31st March 2017 and the report of the Auditors thereon.

Deshamanya D. H. S. Jayawardena was re-appointed to the Board of the Company by passing the following resolution:

“the age limit stipulated in section 210 of the Companies Act No 7 of 2007 shall not apply to Deshamanya D. H. S. Jayawardena who has attained the age of 75 years and that he be re-appointed a Director of the Company”.

Mr. R. N. Asiriwatham was re-appointed to the Board of the Company by passing the following resolution:

“the age limit stipulated in section 210 of the Companies Act No 7 of 2007 shall not apply to Mr. R. N. Asiriwatham who has attained the age of 75 years and that he be re-appointed a Director of the Company”.

Mr. J. M. S. Brito was re-appointed to the Board of the Company by passing the following resolution:

“the age limit stipulated in section 210 of the Companies Act No 7 of 2007 shall not apply to Mr. J. M. S. Brito who has attained the age of 71 years and that he be re-appointed a Director of the Company”.

Ms D. S. T. Jayawardena was re-elected as a Director to the Board of the Company pursuant to her retirement in terms of Article 84 and 85 of the Articles of Association of the Company.

The Board of Directors were authorised to determine contribution to charity for the financial year 2017/18.

Messrs KPMG Chartered Accountants were appointed as the Auditors of the Company for the financial year 2017/18 and the Directors were authorised to determine their remuneration.

The Board of Directors

The Board of Directors composed of seven Directors including the Chairman as at the end of financial year 2017/18. The Board has three Directors who are Non-Executive Directors of whom two are independent. The Company believes that the present composition of the Board, which has at its disposal, a vast reservoir of knowledge and experience in all areas of the Company's operations such as Hoteliering, Marketing, Finance, Legal, Commerce and Entrepreneurship enables optimum efficiency and effectiveness. The names and the profiles of the Directors are given on pages 8 to 10 of this Annual Report.

External Auditor

The audit firm Messrs KPMG, Chartered Accountants was re-appointed at the AGM 2017 as external auditors of the Company for the financial year 2017/18. During the year a partner rotation was carried out as per KPMG's policy.

Audit Committee

The Audit Committee of Browns Beach Hotels PLC composed of three Non-Executive Directors and is chaired by an Independent Non-Executive Director. More information on the Audit Committee can be found on pages 38 to 39 of this Annual Report.

Remuneration Committee

The Remuneration Committee of Browns Beach Hotels PLC composed of three Non-Executive Directors and

CORPORATE GOVERNANCE

is chaired by an Independent Non-Executive Director. More information on the Remuneration Committee can be found on page 40 of this Annual Report.

Related Party Transaction Review Committee

The Related Party Transactions Review Committee of Browns Beach Hotels PLC composed of three Non- Executive Directors and is chaired by an Independent Non-Executive Director. More information on the Related Party Transactions Review Committee can be found on pages 41 to 42 of this Annual Report.

Related Party transactions

Related Party Transactions are disclosed on pages 98 to 100 of the Annual Report.

Company Secretaries

All Directors have independent and joint access to the Company Secretaries who act in a professional manner. The Company Secretaries advise the Board on matters relating to the Companies Act, the Listing Rules of the Colombo Stock Exchange regulations and other applicable rules and regulations and ensure that appropriate, timely and accurate information is submitted to the Board and its Committees.

STATEMENT OF COMPLIANCE

The disclosures below reflect conformance to the Code of Best Practice on Corporate Governance which consist of seven (7) fundamental principles, which are as follows:

- A. Directors
- B. Directors' Remuneration
- C. Relations with Shareholders
- D. Accountability and Audit
- E. Institutional Investors
- F. Other Investors
- G. Sustainability Reporting

The structures in place, the conformance to the requirement and expectations are tabulated below under the said seven fundamental principles.

Corporate Governance Principle	Reference to SEC & ICASL Code, CSE Listing Rules	Compliance	Details of Compliance																																																																	
SECTION 1. COMPANY																																																																				
A. DIRECTORS																																																																				
Principle A.1 / Listing Rule 7.10.1(a), 7.10.2(a) and 7.10.3(c-d) - The Board																																																																				
The Board of Directors composed of seven Directors including the Chairman. The Board has three Directors who are Non-Executive Directors of whom two are Independent. The names and profiles are given on page 8.																																																																				
Board Meetings and provision of regular and structured information to the Board	A.1.1	Complied	<p>Board Meetings convened four times during the financial year and was presided over by the Chairman.</p> <p>The Board Meetings are scheduled in advance to enable the Directors to plan their commitments in order to facilitate attendance. In an instance of a Director's non-attendance at the meetings he/she is provided with briefing material for discussion with the Chairman at a later date.</p> <p>Apart from taking decisions at the Board Meetings, the Board also takes decisions by way of Circular Resolutions. The Directors are provided with the Agenda and Board papers at least seven days prior to each meeting giving them adequate time to study the contents. The Board Meetings are arranged in advance and all Directors are informed of the meetings. When decisions are taken by way of circular resolutions, all relevant information are sent together with the circular resolution to enable the Directors to clearly comprehend the purpose for which a resolution is being circulated prior to obtaining their consent.</p> <p>Attendance at these meetings is indicated in the table below;</p> <table border="1"> <thead> <tr> <th>Name of Directors</th> <th colspan="4">Attendance at Board Meetings</th> </tr> <tr> <th></th> <th>25th May 2017</th> <th>30th June 2017</th> <th>30th November 2017</th> <th>08th February 2018</th> </tr> </thead> <tbody> <tr> <td>Executive Directors</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Chairman Deshamanya D H S Jayawardena</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Mr. J M S Brito</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Ms. D S T Jayawardena</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Mr. C R Stanislaus</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Non-Executive/Non-Independent Director</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Mr. A L Gooneratne</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Non-Executive/Independent Directors</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Mr. R N Asirwatham</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Mr. N J de S Deva Aditya</td> <td>✓</td> <td>✓</td> <td>Excused</td> <td>Excused</td> </tr> <tr> <td>✓ = Present</td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Name of Directors	Attendance at Board Meetings					25th May 2017	30th June 2017	30th November 2017	08th February 2018	Executive Directors					Chairman Deshamanya D H S Jayawardena	✓	✓	✓	✓	Mr. J M S Brito	✓	✓	✓	✓	Ms. D S T Jayawardena	✓	✓	✓	✓	Mr. C R Stanislaus	✓	✓	✓	✓	Non-Executive/Non-Independent Director					Mr. A L Gooneratne	✓	✓	✓	✓	Non-Executive/Independent Directors					Mr. R N Asirwatham	✓	✓	✓	✓	Mr. N J de S Deva Aditya	✓	✓	Excused	Excused	✓ = Present				
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CORPORATE GOVERNANCE

Corporate Governance Principle	Reference to SEC & ICASL Code, CSE Listing Rules	Compliance	Details of Compliance
			<p>Further, the Directors are provided with any additional information including the following as and when required in order to effectively execute their duties and responsibilities:</p> <ul style="list-style-type: none"> - financial and operational results including Key Performance Indicators, and a comparison of performance with previous periods, budgets and targets, - impact of risk factors on financial and operating results and actions to mitigate such risks, - forecast for the next period, - confirmation of compliance with laws and regulations as required, - confirmation of satisfactory internal control were in place during the period, - share trading of the Company and related party transactions by Key Management Personnel and any other matters the board should be aware of.
Responsibilities of the Board	A.1.2	Complied	<p>The Board of Directors is responsible for;</p> <ul style="list-style-type: none"> - The formulation and implementation of business strategies with regard to short, medium and long-term goals and objectives of the Company and its subsidiary after taking into consideration the Group's strength, competencies and risks while giving independent opinions on issues of strategy, performance, key appointments, standards of business conduct and all other relevant matters which are considered by the Board. The Board is also responsible for implementing and monitoring such strategies. - Reviewing and ratifying systems in operation relating to risk management, internal control, codes of conduct and strict compliance with the laws, statutes and regulations. <p>In this process, compliance with all applicable laws and regulations both national and international and adherence to the Company's ethical standards and corporate values are of utmost importance in order to ensure that the interests of all stakeholders are taken into consideration in the corporate decision-making process.</p> <ul style="list-style-type: none"> - Reviewing and approving of operational and financial budgets and monitoring actual performance of the individual Strategic Business Units against budget and the approving of quarterly (unaudited) and audited financial statements. - Reviewing, approving and monitoring all capital expenditure, acquisitions and divestitures recommended by the Corporate Management Team.

Corporate Governance Principle	Reference to SEC & ICASL Code, CSE Listing Rules	Compliance	Details of Compliance
			<p>The Board is further responsible for;</p> <ul style="list-style-type: none"> Ensuring that effective information and audit systems are in place, Ensuring that due attention is given to annual and interim financial statements prior to publication by ensuring the adoption of appropriate accounting policies and complying with relevant statutes and accounting regulations, Approving and monitoring financial and other reporting.
Compliance with laws and access to independent professional advice	A.1.3	Complied	In discharging its duties, the Board seeks independent professional advice from external parties when necessary at the Company's expense to ensure that the Company complies with the applicable laws and regulations of the country, regulations of authorities, professional institutes and trade associations as applicable to the Group.
Access to advice from the Company Secretary and duties of the Company Secretary and indemnifying the Board, Directors and key management personnel	A.1.4	Complied	<p>The Company Secretaries advise the Board on matters relating to the Companies Act No. 07 of 2007, the Listing Rules of the Colombo Stock Exchange and other applicable rules and regulations and ensures that appropriate, timely and accurate information is submitted to the Board and its sub-committees. The Company Secretaries play the role of a facilitator ensuring that a healthy relationship is maintained between Directors, Auditors and Board sub-committee members to strengthen accountability and investor confidence.</p> <p>Directors of Browns Beach PLC and the Group are indemnified by the Company.</p>
Independent judgment of the Directors	A.1.5	Complied	<p>Each Director exercises independent judgment in all matters considered by the Board and acts free from any undue influence and bias from other parties. Matters considered include making decisions on issues relating to strategy, implementation of such strategies, financial and operational review, resource allocation, risk management and standards of conduct and business ethics.</p> <p>Two of our Board Members Deshamanaya D.H.S. Jayawardena and Miss D.S.T Jayawardena are related to each other. However, they act in the best interest of the Group in their spirit, intention, purpose and attitude in their decision making.</p>
Dedicating adequate time and effort	A.1.6	Complied	<p>The Board of Directors devotes adequate time to fulfil their duties as Directors of the Company.</p> <p>Further, Board papers are received by the Directors well ahead of Board Meetings enabling the Directors to review the papers and obtain clarifications prior to the meetings</p>

CORPORATE GOVERNANCE

Corporate Governance Principle	Reference to SEC & ICASL Code, CSE Listing Rules	Compliance	Details of Compliance
Call for Resolutions	A.1.7	Complied	One third of the Directors could request for a resolution to be presented to the Board for the best interest of the Company
Training of Directors	A.1.8	Complied	<p>On appointment, Directors receive a Letter of Appointment outlining the terms of appointment, duties and responsibilities and expected time commitments. Additionally, both Executive and Non-Executive Directors are taken through a tailored formal induction programme.</p> <p>Directors are briefed on changes in laws and regulations, tax laws and accounting standards from time to time either during Board Meetings or at specially convened sessions. Directors are further encouraged to participate in workshops and/or seminars in their capacity as speakers, moderators or panellists in their respective areas of proficiency.</p>
A.2. Chairman and the Chief Executive Officer			
<p>There is a clear distinction of responsibilities between the Chairman and the Executive Directors of the Company. The functions performed by the Chairman and the Executive Directors are distinct and separate, which ensures the balance of power and authority within the Company, so that no person has unfettered powers of decision making. The Chairman controls and preserves order at Board Meetings and provides the Board with strategic direction and guidance. The Executive Directors directly oversee the management of the Company and is responsible for the performance of the day-to-day operations of the Company with the support of the Corporate Management Team.</p>			
Decision to combine the posts of Chairman and CEO	A.2.1	Not Applicable	The roles of the Chairman and the Executive Directors are distinct and separate.
A.3 Chairman's Role			
<p>The Chairman of the Company who is one of the most successful and experienced business leaders in the country is responsible for guiding the Board in formulating the appropriate business strategies and giving direction to the Group. He is responsible for preserving good corporate governance in the Company.</p>			
Effective conduct of Board proceedings by the Chairman	A.3.1	Complied	<p>The Chairman provides leadership to the Board whilst facilitating the effective discharge of Board functions and business strategies. He is responsible for;</p> <ol style="list-style-type: none"> Ensuring that the Board adheres to procedures and the relevant statutes whilst being in complete control of the affairs of the Company, Ensuring that the Group's obligations to various stakeholders and regulatory bodies are met,

Corporate Governance Principle	Reference to SEC & ICASL Code, CSE Listing Rules	Compliance	Details of Compliance								
			<p>c. Encouraging effective participation by both Executive and Non-Executive Directors on matters taken up for consideration,</p> <p>d. Ensuring that all Directors are adequately briefed on issues arising at Board Meetings and that they effectively contribute with their respective capabilities for the best benefit of the Company.</p> <p>e. Ensuring that shareholders are given adequate opportunity to make observations, express their views and seek clarifications at meetings of shareholders and that they effectively contribute with their respective capabilities for the best benefit of the Company.</p>								
A.4 Financial Acumen											
Ensuring the availability of sufficient financial acumen within the Board	A.4	Complied	As apparent from the profiles of the Board, the Directors with their academic and/or entrepreneurial, financial skills and business acumen contribute substantial value and independent judgement to decision making on matters concerning financial investment.								
A.5 Board Balance											
Presence of Non-Executive Directors	A.5.1 7.10.1 (a) 7.10.2 (a) 7.10.3 (a)	Complied	<p>The Board composed of the Chairman, three Executive Directors and three Non-Executive Directors of whom two are Independent Directors. The profiles of the Non-Executive Directors are provided on page 8 of this Annual Report.</p> <p>Board Composition</p> <table border="1"> <thead> <tr> <th>Category</th> <th>Count</th> </tr> </thead> <tbody> <tr> <td>Executive</td> <td>4</td> </tr> <tr> <td>Non Executive</td> <td>1</td> </tr> <tr> <td>Independent Non Executive</td> <td>2</td> </tr> </tbody> </table>	Category	Count	Executive	4	Non Executive	1	Independent Non Executive	2
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CORPORATE GOVERNANCE

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			<p>Gender Composition</p> <table border="1"> <thead> <tr> <th>Gender</th> <th>Count</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Male</td> <td>6</td> <td>86%</td> </tr> <tr> <td>Female</td> <td>1</td> <td>14%</td> </tr> </tbody> </table>	Gender	Count	Percentage	Male	6	86%	Female	1	14%
Gender	Count	Percentage										
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Independence of Non-Executive Directors	A.5.2, A.5.3 & A.5.5	Complied	<p>The Board composed of three Non-Executive Directors namely Mr. R. N. Asirwatham, Mr. A. L. Gooneratne and Mr. N. J. de Silva Deva Aditya.</p> <p>Mr. R N Asirwatham is a Director of a company in which a majority of the other Directors of the Company are Directors, and which holds a significant shareholding in the Company. However, in view of the fact that he is an independent Non-Executive Director of the other company, his position as a Director of the other company does not compromise his Independence and objectivity in discharging his functions as a Director of the Company. Hence Mr. R. N. Asirwatham is determined by the Board to be an independent Director.</p> <p>Mr. N J de Silva Deva Aditya is a Director of a company in which a majority of the Directors of the Company are Directors, and which holds a significant shareholding in the Company. He is also a Director of another company which holds a significant shareholding in the Company. However, in view of the fact that he is a Non-Executive Director of the company first referred to, and an Independent Non-Executive Director of the company second referred to, his position as Director of the said companies do not compromise his independence and objectivity in discharging his functions as Director of the Company. Hence, Mr. N J de Silva Deva Aditya is determined by the Board to be an Independent Director.</p>									
Annual Declaration of independence by the Non-Executive Directors	A.5.4 <u>7.10.2(b)</u>	Complied	Each Non-Executive Director submits a signed declaration annually with regard to his independence / non-independence against the specific criteria.									
Alternate Director to a Non-Executive Director	A.5.6	Not applicable	During the year under review, there were no appointments of alternate Directors.									

Corporate Governance Principle	Reference to SEC & ICASL Code, CSE Listing Rules	Compliance	Details of Compliance
Requirement to appoint a 'Senior Independent Director.'	A.5.7 & A.5.8	Complied	A senior Independent Director in the Board who also chairs all the sub-committees attends Board Meetings and Annual General Meetings of the Company and makes himself available for confidential discussions with other Directors who may have concerns which they believe have not been properly considered by the Board.
Chairman's meeting with the Non-Executive Directors	A.5.9	Complied	The Chairman meets with the Non-Executive Directors as and when required.
Recording of concerns	A.5.10	Complied	Any concerns raised by the Directors which cannot be resolved unanimously are recorded in the Board minutes.
A.6 Supply of Information			
Obligation of the Management to provide appropriate and timely information	A.6.1	Complied	The Group has a modern Management Information System in place. All the Board Members receive information regarding operation and performance of the Group on a monthly basis. In addition, the Company has a centralized accounting process which is monitored by the respective Group Companies.
Management's obligation to provide appropriate and timely information	A.6.2	Complied	The Board is provided with timely and appropriate information by the management by way of board papers and proposals. The Board members have access to additional information at all times. The Board minutes, agenda and papers are circulated, at least seven days prior to each meeting giving adequate time for individual Directors to study same, thus enabling the active and effective participation of each Board member.
A.7 Appointments to the Board			
Nomination Committee and the assessment of composition of the Board	A.7.1 & A.7.2	Not applicable	The Company has not appointed a Nomination Committee.
Disclosure of Appointment of a New Director	A.7.3 <u>7.10.3.d</u>	Complied	There were no new appointments to the Board of Directors during the year under review. However, upon the appointment of a new Director to the Board, the Company informs the Colombo Stock Exchange with a brief resume of such Director containing the nature of his expertise, other directorships held, memberships in Board Committees and the nature of the appointment.

CORPORATE GOVERNANCE

Corporate Governance Principle	Reference to SEC & ICASL Code, CSE Listing Rules	Compliance	Details of Compliance
A.8 Re-Election			
Re-election of Directors including Chairman	A.8.1 & A.8.2	Complied	All Directors who are retiring by rotation in terms of the Articles of Association of the Company and over the age of seventy years in terms of the Companies Act No. 7 of 2007, submit themselves for re-election/re-appointment by the shareholders of the Company at the Annual General Meeting to be held on 29th Aug 2018.
Resignation	A.8.3	Complied	In the event that a Director wishes to resign from his/her position as a Director, he/she is expected to provide a written communication to the Board formally tabling his/her resignation along with reasons for such resignation.
A.9 Appraisal of Board performance			
Appraisals of the Board and the sub committees	A.9.1, A.9.2, A.9.3 & A.9.4	Complied	The annual assessment of the performance of the Board, its Committees and the individual Directors is done on a self-appraisal basis. The self-appraisal provides an avenue to highlight areas for improvement and remedial action as well as evaluation of the progress of such areas identified. It also ensures that any gaps pertaining to investor relations and Board administration and processes are rectified.
A.10 Disclosure of information in respect of Directors			
Profiles of the Board of Directors and other related information	A.10.1 <u>7.10.3(c-d)</u>	Complied	<p>The names and qualifications of the Directors of the Board and their profiles are disclosed on pages 8 to 10 of this report.</p> <p>Directors' interest in transactions are disclosed in Note 29.4 of this Annual Report. The number of Board Meetings attended by the Directors is given on page 15 of this report.</p> <p>Executive, Non-Executive and Independent composition of Directors are given on page 45.</p> <p>Names of the Chairmen and the members of the Board Sub-Committees are provided in the respective reports and in the Corporate Information on page 113 of the Annual Report.</p>
A.11 Appraisal of Chief Executive Officer			
Setting of the annual targets and the appraisal of the CEO/MD	A.11.1 & A.11.2	Complied	The performance evaluation of the Executive Directors are carried out by the Chairman, in line with the financial and non-financial objectives set out in consultation with the Board at the commencement of every financial year.

Corporate Governance Principle	Reference to SEC & ICASL Code, CSE Listing Rules	Compliance	Details of Compliance
B.1 Remuneration Procedure			
Establishment of a remuneration committee and its composition	B.1.1, B.1.2 & B.1.3 <u>7.10.5 (a)</u> <u>7.10.5 (b)</u>	Complied	The board has delegated powers to the Remuneration Committee to formulate and review remuneration package of Executive Directors and key management personal according to their responsibilities and performance. The evaluation of performance is conducted bi-annually and at the end of the financial year. The Remuneration Committee consists of three non-Executive Directors and is chaired by an Independent Non-Executive Director. The names of the members of the committee are listed on page 40 of this Annual Report.
Determination of the remuneration of the Non-Executive Directors	B.1.4 & B.2.10	Complied	The Board determines the fees and expenses payable to Non-Executive Directors as per the Articles of Association of the Company. Their fees and reimbursable expenses are paid in consideration of the basis of contribution and services performed at the Board and committee meetings. Refer the Report of Remuneration Committee on page 40 of this Annual Report.
Consultation with the Chairman and the CEO	B.1.5	Complied	The Remuneration Committee consults the Chairman regarding the remuneration proposal to Executive Director and the Corporate Management Team. No Director is involved in determining his own remuneration.
B.2 The Level and make up of Remuneration			
The level and make up of the Remuneration of Directors and comparison of remuneration with other companies	B.2.1, B.2.2, B.2.3 & B.2.4	Complied	The Remuneration Committee is responsible for evaluating the performance of the Board of Directors and the Senior Management. The Committee structures remuneration packages to attract, retain and motivate Directors and the senior management. The remuneration packages are based on cost of living, inflation rates, comparative industry norms and the contribution of the individual to the Group and the respective subsidiary to which such individual is attached in order for the long-term success of the Company.
Performance based Remuneration	B.2.5	Complied	The Remuneration Committee reviews the performance of the Executive Directors and senior management and the performance bonus is based upon the achievement of goals and targets by the individual and the respective subsidiary to which such individual is attached.
Executive share options	B.2.6	Not applicable	As at date, the Company has no share option available to its Directors.
Designing schemes of performance based remuneration	B.2.7	Complied	Refer the Report of the Remuneration Committee on page 40 of this Annual Report.
Early Termination of Directors	B.2.8, B.2.9	Complied	The Remuneration Committee determines the remuneration of Directors in the event of early termination.

CORPORATE GOVERNANCE

Corporate Governance Principle	Reference to SEC & ICASL Code, CSE Listing Rules	Compliance	Details of Compliance
B.3 / 7.10.5 (c) Disclosure of Remuneration			
Disclosure of remuneration	B.3.1 <u>7.10.5 (c)</u>	Complied	The report of the Remuneration Committee is given on page 40 along with the names of the members of the Committee. Refer note 18.2 and 29.4 to the financial statements for the details of remuneration paid to Board of Directors.
C. RELATIONS WITH SHAREHOLDERS			
C.1 Constructive use of the Annual General Meeting and Conduct of General Meetings			
Dispatch of Notice of AGM and related papers to shareholders	C.1.1	Complied	The notice and the agenda for the Annual General Meeting together with the Annual Report of the Company are circulated to the shareholders within the stipulated time in accordance with the Articles of Association.
Separate resolution for substantially separate issues	C.1.2	Complied	Separate resolutions are proposed for all substantially separate issues to provide shareholders with the opportunity to deal with each significant matter separately. This mechanism promotes better stewardship while assuring transparency in all activities of the Company.
Accurate recording and counting valid proxy appointments received for general meetings	C.1.3	Complied	All proxy appointments received are duly recorded and counted in respect of each resolution, where a vote has been taken on a show of hands. In the event the appropriate numbers of shareholders give their intimation in writing and request for a poll, the procedure involved in voting would be circulated. In the absence of such intimation, all issues at the general meeting will be passed by a show of hands.
Availability of Chairmen of Board Committees at the Annual General Meeting	C.1.4	Complied	At the Annual General Meeting, the Chairmen of the respective Committees are present to answer queries of the shareholders directed to them by the Chairman of the Company.
Summary of Notice of General Meetings and procedures governing voting at General Meetings	C.1.5	Complied	In the event the appropriate numbers of shareholders give their intimation in writing and request for a poll, the procedures involved in voting would be circulated. In the absence of such intimation all issues at the General Meeting will be passed by show of hands.

Corporate Governance Principle	Reference to SEC & ICASL Code, CSE Listing Rules	Compliance	Details of Compliance
C.2 COMMUNICATION WITH SHAREHOLDERS			
Effective communication with shareholders	C.2.1, C.2.2 & C.2.3	Complied	The Company encourages effective communication with the shareholders and answers queries and concerns of shareholders through the Company Secretaries, Registrars and/or Corporate communications team. Any matters relating to the shareholders are effectively and efficiently dealt by the Group Company Secretarial Division and the Registrars of the Company.
Contact person in relation to shareholders matters.	C.2.4 & C.2.6	Complied	Persons to contact in relation to shareholders is the Group Company Secretarial Division and/or the Registrars.
Process to make Directors aware of the issues and concerns of Shareholders and disclosing same and the process responding to shareholder matters	C.2.5 & C.2.7	Complied	<p>The Company Secretaries maintain a record of all correspondence received and will deliver such correspondence to the Board or individual Director as applicable.</p> <p>The Board or individual Director, as applicable, will generate an appropriate response to all validly received shareholder correspondence and will direct the Company Secretaries to send the response to the particular shareholder.</p>
C.3 Major and material transaction			
Disclosure of major transactions	C.3.1 & 3.2	Complied	<p>During the financial year, there were no major transactions which materially altered the Company's net asset base or the consolidated Group's net asset base.</p> <p>In the unlikely event that the net assets of the Company fall below half of shareholders' funds, the shareholders of the Company would be notified, and an Extraordinary General Meeting would be called to propose the way forward in terms of the necessary statutory and regulator requirements.</p>

CORPORATE GOVERNANCE

Corporate Governance Principle	Reference to SEC & ICASL Code, CSE Listing Rules	Compliance	Details of Compliance
D. ACCOUNTABILITY AND AUDIT			
D.1 FINANCIAL AND BUSINESS REPORTING			
Board responsibility to present the financial statements	D.1.1, D.1.2	Complied	<p>The Board recognizes its responsibility to present a balanced and understandable assessment of the Group's financial position.</p> <p>The Board of Directors confirms that the financial statements of the Company and its subsidiaries have been prepared in accordance with the Companies Act No. 7 of 2007, the Sri Lanka Financial Reporting Standards/Sri Lanka Accounting Standards and the Listing Rules of the Colombo Stock Exchange. The Company has duly complied with all the relevant laws and reporting requirements of regulatory authorities. The consolidated financial statements and the financial statements of the Company were audited by Messrs KPMG, Chartered Accountants.</p>
Declaration made by the Chief Executive Officer and Chief Financial Officer in maintaining accurate financial records and in compliance with the appropriate accountant standards	D.1.3	Complied	The Statement of Financial Position on page 64 of this Annual Report contain a declaration by the Managing Director and the Assistant Vice President Finance.
Responsibility statement by the Directors and Auditors for the preparation and presentation of Financial Statements	D.1.4 & D.1.5	Complied	<p>The Statement of the Directors and Auditors are on pages 43 and 59 respectively of this Annual Report.</p> <p>The Statement on Internal Controls is on page 49 of this Annual Report.</p>
Contents of the Discussion & Analysis	D.1.6	Complied	The Management Discussion and Analysis is given on pages 34 to 37 and pages 80 to 104.
Requirement for an Extraordinary General Meeting in a situation of serious loss of capital	D.1.7	Complied	In the unlikely event that the net assets of the Company fall below half of the shareholders' funds, the shareholders of the Company would be notified and an Extraordinary General Meeting would be called to propose the way forward.

Corporate Governance Principle	Reference to SEC & ICASL Code, CSE Listing Rules	Compliance	Details of Compliance
Disclosure of Related Party transactions	D.1.8	Complied	Refer the Related Party Transactions Committee Report on pages 41 to 42.
D.2 Risk Management & Internal Control			
Directors to maintain and review a sound system of Internal Control	D.2.1	Complied	Refer the Board of Director's Statement on Internal Control on page 49 of the Annual Report.
Confirmation by the Directors on carrying out a robust assessment of the principal risks faced by the company	D.2.2	Complied	Refer the Board of Directors' Statement on Internal Control on page 49 of this Annual Report.
Presence of an Internal Audit function	D.2.3	Complied	Internal Audit of the parent company of the Managing Agent assist in the maintenance of a sound system of internal control for purposes of protecting stakeholder investment and assets.
Review the process and effectiveness of risk management and internal control by the Audit Committee	D.2.4	Complied	Refer Audit Committee Report on page 38 of this Annual Report.
The Statement of Internal Control	D.2.5	Complied	The Statement on Internal Control is set out on page 49 of this Annual Report
D.3 / 7.10.6 AUDIT COMMITTEE			
Composition of the Audit Committee	D. 3.1 <u>7.10.6(a)</u>	Complied	Refer Audit Committee Report on pages 38 to 39 of this Annual Report
Duties of the Audit Committee	D.3.2 <u>7.10.6(b)</u>	Complied	Refer Audit Committee Report on pages 38 to 39 of this Annual Report
Disclosures	D.3.3 <u>7.10.6(c)</u>	Complied	Refer Audit Committee Report on pages 38 to 39 of this Annual Report

CORPORATE GOVERNANCE

Corporate Governance Principle	Reference to SEC & ICASL Code, CSE Listing Rules	Compliance	Details of Compliance
D.4 Related Party Transactions Review Committee			
Composition of Related Party Review Committee	D.4.1 & D.4.2	Complied	Refer the report of the Related Party Transactions Review Committee on pages 41 to 42 of this Annual Report.
Duties of the Committee	D.4.3	Complied	Refer the report of the Related Party Transactions Review Committee on pages 41 to 42 of this Annual Report.
D.5 Code of Business Conduct and Ethics			
Disclosure of the presence of code of business conduct and ethics for Directors and Key Management Personnel and declaration of compliance	D.5.1	Complied	The Group has a Code of Ethics which includes the code of conduct and is circulated to Directors and all employees. The Board ensures that the Directors and the employees strictly adhere to the Code of Ethics of the Company in their duties so as not to adversely affect the brand of Brown Beach Hotels Plc in any manner. The violation of the code of ethics is an offence which is subject to disciplinary action.
Presence of a process to identify and report material and price sensitive information	D.5.2	Complied	The Company ensures that material and price sensitive information is promptly identified and reported in accordance with the requirements of the Listing Rules of the Colombo Stock Exchange.
Policy, process for monitoring and disclosure of share transactions made by related parties	D.5.3	Complied	Refer the report of the Related Party Transactions Review Committee on pages 41 to 42 of this Annual Report.
Chairman's affirmation that he is not aware of any violation of the provision of the code of business conduct and ethics	D.5.4	Complied	The Chairman affirms that there has not been any violation of any of the provisions of the Code of Ethics. Please refer The Board of Directors' Statement on Internal Controls on page 49 of this report.
D.6 Corporate Governance Disclosures			
Disclosures of Corporate Governance	D.6.1	Complied	The Company aims to achieve greater year-on-year growth and value creation, improve stakeholder satisfaction and relationships in all its business activities whilst adhering to highest standards of corporate governance as is evident in this report from pages 11 to 12.

Corporate Governance Principle	Reference to SEC & ICASL Code, CSE Listing Rules	Compliance	Details of Compliance
SECTION 2. SHAREHOLDERS			
E. INSTITUTIONAL INVESTORS			
E.1 Shareholder voting			
Regular and structured dialogue with shareholders	E.1.1	Complied	The Company conducts regular discussions with Institutional Investors. Existing and prospective investors are given a balanced report that enables them to make well-informed decisions in their dealings with the Company. Shareholders are provided an opportunity to comment, discuss and seek clarifications on any relevant issues with the Chairman and the Board of Directors at the Annual General Meeting. Further, shareholders are free to informally meet with the Directors at the conclusion of general meetings.
E.2 Evaluation of Governance Disclosures			
Institutional investors should be encouraged to give due weight to all relevant factors when evaluating the Company's governance arrangements	E. 2	Complied	The Institutional Investors are encouraged to give due weight on matters relating to the Board structure and composition of the Board structure. The Annual Report gives the shareholders sufficient information on such related matters which allows them to evaluate same.
F. OTHER INVESTORS			
F.1 Investing and Divesting Decision			
Encouraging shareholders to carry out adequate analysis and seek independent advice	F.1	Complied	The Company has no restriction with regards to investors carrying out adequate analysis and obtaining independent advice regarding their investment in the Company and encourages any shareholder to do so.
F.2 Shareholder Voting			
Encouraging shareholders to participate at general meetings	F.2	Complied	All shareholders are encouraged to be present, actively participate and vote at general meetings. The Annual General Meeting provides an opportunity for shareholders to seek and obtain clarifications and information on the performance of the Company and to meet with the Directors informally after the meeting.

CORPORATE GOVERNANCE

Corporate Governance Principle	Reference to SEC & ICASL Code, CSE Listing Rules	Compliance	Details of Compliance
G. INTERNET OF THINGS AND CYBER SECURITY			
Process to identify how the external IT devices could connect to the organization's network	G.1	Complied	Refer Risk Management on pages 52 to 57 of this Annual Report.
Appointment of a Chief Information Security Officer (CISO)	G.2	Complied	The functions of the CISO is carried out by IT Division of the Group to which the Management Agents belong to.
Allocation of adequate time on the board meeting agenda for discussions on cyber risk management	G.3	Complied	Refer Risk Management on pages 52 to 57 of this Annual Report.
Independent periodic review of the effectiveness on the cyber security risk management and the scope and the frequency of the review	G.4	Complied	Refer Risk Management on pages 52 to 57 of this Annual Report
Cyber security process	G.5	Complied	Refer Risk Management on pages 52 to 57 of this Annual Report.
H. ENVIRONMENT, SOCIETY AND GOVERNANCE (ESG)			
H.1 ESG Reporting			
Reporting of ESG factors	H.1.1	Complied	Refer environmental management systems on pages 34 to 36 of this Annual Report
Environmental Factors	H.1.2	Complied	Refer environmental management systems on pages 34 to 36 of this Annual Report
Social Factors	H.1.3	Complied	Refer environmental management systems on pages 34 to 36 of this Annual Report
Governance	H.1.4	Complied	Refer the Corporate Governance Report on pages 11 to 12 of this Annual Report
Board's role on ESG Factors	H.1.5	Complied	The Browns Beach Hotels PLC board understands its role and responsibility in ESG reporting and ensures that the Company adheres to the ESG reporting requirements

LISITNG RULES OF THE COLOMBO STOCK EXCHANGE (7.6) – CONTENTS OF THE ANNUAL REPORT

Sections/ Rule	Requirement	Compliance	Details of Compliance
7.6	Contents of the Annual Report		
i)	Names of Directors of the entity	Complied	Refer Corporate Information on page 109 of this Annual Report.
ii)	Principal activities of the entity and its subsidiaries during the year under review	Complied	Refer Annual Report of the Board of Directors on page 44 of this Annual Report.
iii)	20 largest holders of voting and non-voting shares and the percentage of shares	Complied	Refer Investor Information on page 105 of this Annual Report.
iv)	The Public Holding percentage, float adjusted market capitalisation, the options of compliance with the Minimum Public Holding requirement	Complied	Refer Investor Information on page 105 of this Annual Report.
v)	Director's and CEO's holding in shares of the entity at the beginning and end of each year	Complied	Refer Investor Information on page 105 of this Annual Report.
vi)	Information pertaining to material foreseeable risk factors	Complied	Refer Risk Management on pages 52 to 57 of this Annual Report.
vii)	Details of material issues pertaining to employees and industrial relations	Complied	Refer page 37 of this Annual Report
viii)	Extents, locations, valuations and the number of buildings of the entity's land holdings and investment properties	Complied	Refer notes to accounts on page 85 of this Annual Report.
ix)	Number of shares representing the stated capital	Complied	Refer Investor Information on page 105 of this Annual Report.
x)	Distribution schedule of the number of holders and the percentage of their total holding	Complied	Refer Investor Information on page 105 of this Annual Report.
xi)	Ratios and market price information	Complied	Refer Investor Information on page 105 of this Annual Report.
xii)	Significant changes in the entity's or its subsidiaries fixed assets and the market value of land	Complied	Refer notes to the Financial Statements on page 84 of this annual report.
xiii)	If during the year the entity has raised funds either through a public issue, rights issue and private placement	Complied	The Company had no public issue, rights issue or private placement during the year under review.
xiv)	Employee share option/purchase schemes	Complied	As at date, the Company has no share option/purchase schemes made available to its Directors or employees.
xv)	Corporate Governance Disclosures	Complied	Refer Corporate Governance on pages 11 to 12 of this Annual Report.
xvi)	Related Party Transactions	Complied	Refer Note 29 to the Financial Statements on pages 98 to 100.





ENVIRONMENTAL MANAGEMENT SYSTEMS AT BROWNS BEACH HOTELS

Aitken Spence Hotels adopt a two pronged approach to conceive the environment; we ensure minimum impact to our environmental footprint and proactively seek ways in which we can add value to enhance or sustain the natural capital. A foundation for minimizing our print is an EMS (Environment Management System) at every property, with internal audits conducted regularly and corrective and preventive action implemented where required. The diagram below depicts the EMS that Aitken Spence Hotels follows in line with the PDCA Cycle (Plan–Do–Check–Act) which ensures strict controls and continual improvement of our management processes.

The Group monitors the impact of its operations and internally evaluates

and prioritizes the operational aspects according to the degree of impact they have or may have based on the following points; a) the specific environmental impact b) the frequency of the impact c) whether a response / action is a legal requirement, industry requirement or a requirement of a voluntary standard d) risk emanating from action e) public perception about the potential impact of the activity. Action is then taken based on the outcome of the evolution to control, reduce or eliminate the impacts.

Furthermore, an overarching energy conservation policy applies to our entire portfolio, based on the ISO 50001:2011 EnMS (Energy Management System) Certification incorporating standard operating procedures and best practices which

are expanded upon each year; these include the following;

- Key card control and master switch turn off in 90% of the rooms, to ensure that no power is consumed when the room is unoccupied.
- Lights on outside locations are timer controlled to ensure they are switched of at a given time.
- Preventive and regular maintenance albeit costing more.
- The use of low energy consuming LED or plasma bulbs at our new properties and replacement of Halogen bulbs with these at our older properties.
- Monitoring of fuel consumption by stand alone generators on a daily basis.



THE 7R APPROACH PIONEERED BY AITKEN SPENCE

This internally developed method by Aitken Spence encourages reuse before recycling and is aimed at reaching the status of zero waste to land fill. The hotels segregates waste by type, and thereafter different waste is dealt with in the most effective and suitable manner. For example, food waste is either used for compost or handed over to pig farms as animal feed or converted to Bio Gas. Water used in our bathrooms are aerated and used for gardening and other outdoor activities; kitchen waste is treated to trap the oils and fats and used for fertilizer whilst human waste is sundried and converted to fertilizer.

2. REDUCE

The use of resources, especially those based on non-biodegradable material that cannot be rejected. Use technologies such as Cleaner Production (CP) and Green Productivity (GP). Includes reducing Energy usage – "Switching Off" policy Water Usage - "Closing Taps" policy



4. RECLAIM

What cannot be totally reused.



6. REPAIR

Repair broken items if possible without purchasing new items



1. REJECT

All non-biodegradable material, such as packaging material and plastics wherever possible.



3. REUSE

Every possible resource especially those that cannot be rejected or reduced such as paper, plastic packaging material, construction material etc. Eg: Durables against Disposables



5. REPLACE

What cannot be rejected, reduced or reused with more environmentally friendly options. Eg: Oil based paints with water based. Plastic with other biodegradable options.



7. RECYCLE

Every material, so that nothing goes to waste. Eg: Waste water, cooking oil, engine oil, metal cans, plastic containers, PET bottles etc. (In short, all materials that cannot be rejected, reduced, reused, reclaimed, replaced, or repaired.)



Watch the video for more details

ENVIRONMENTAL MANAGEMENT SYSTEMS AT BROWNS BEACH HOTELS

At our Sri Lankan properties, 100% of the waste water generated and close to 90% of the total water withdrawn is treated and recycled.

WASTE MANAGEMENT

Emissions, effluence and solid waste make up the output of the Group's operations. Aware of the risk that these wastes can pose to habitats and environments if not properly disposed of and in states which are not harmful; the Group adheres to stringent standards across all its properties to minimize waste and to treat effluence before their discharge.

Management and reduction of waste across all our properties is guided by the Group's own in-house developed 7 R approach – an expanded version of the 3 R's approach launched at the earth summit in 1992. The 7 R's principle commits our organization to work towards achieving zero waste dumping through operational changes as well as by seeking to convert whatever waste that is generated to a resource as much as possible.

THE 7R APPROACH PIONEERED BY AITKEN SPENCE GROUP

- Stocks of goods required by the properties are bought in bulk to minimize packaging at point of purchase.
- All waste generated at hotel properties, from a bottle cap to a fruit peel are segregated so that they can either be sold for reuse, handed over for recycling, re used for other purposes at the hotel itself or used to manufacture fertilizer by our fertilizer plant or disposed off in line with CEA requirements.
- We eliminated the use of single use plastic straws and replaced them with paper straws at all our properties,
- The plastic butter sachets for individual use at the restaurants were replaced with carved butter of butter cubes served at the guest table or at the buffet and some of the ongoing practices to support our journey towards zero waste include the following:
- All our hotels are equipped with secondary treatment plants to treat their wastewater and the totality is used for washing of vehicles, flushing of back of house sanitary facilities and irrigation of lawns and gardens.

HUMAN RIGHTS AT THE WORKPLACE

As a signatory to the United Nations Global Compact (UNGC), we have made a commitment to protect human rights at the workplace. Accordingly, the Company's policies, practices and procedures were assessed vis-a-vis the Human Rights Protection Matrix of the UNGC and the Business Leaders Initiative on Human Rights. A network of support givers for human rights at the workplace has been appointed across all SBU's by our Holding Company and a Peer Forum was launched among

the Human Rights Support Givers to enable increased awareness of human rights at the workplace. We nominated 7 support givers to this network with representation from across different levels of management and operational divisions. The support givers work with the human resource partners of the sector to ensure human rights at the workplace are protected.

Aitken Spence Hotels complies with the labour laws applicable in the

jurisdictions it operates in and ratifies the core conventions of the ILO with respect to employment of persons, including in the areas of freedom of association, forced labour, discrimination and child labour. The Group also follow a policy of equal employment opportunity irrespective of gender, race or religion. The Group facilitates both formal as well as informal channels of engagement.

Whistle Blowing Process

The group has a whistle blowing policy whereby staff members can forward any grievances, complaints or feedback to a private email address monitored by an independent third party. Full confidentiality is offered to employees who provide feedback. Issues brought up are communicated to the highest governance body and necessary action is taken according to each individual case. Social media and the Aitken Spence blog are monitored by the Group Business Development Division and feedback is conveyed to the Board of Management.

Performance Appraisal

All executives have to conduct performance appraisals which has been added to the online Human Resources Information System (HRIS). In these appraisals, the performance is evaluated in a three step process; Goal Planning, Mid-year Review and Annual Goal Evaluation. These evaluations include the analysis of work, workload, responsibilities, accountabilities and expectations as well as grievances.

Open Door Policy

Aitken Spence Hotels has given numerous chances and opportunities to employees to voice out their concerns to top management and as a company with a friendly work culture we do maintain an open-door policy to employees. The top management conducts frequent visits to our hotels and therefore can address any innovative idea or grievance of employees on importance basis. If necessary, employees are able to email the Managing Directors with any grievances or feedback.

Employee Satisfaction Surveys

Employee satisfaction surveys are conducted frequently to strategically identify and project the employee viewpoint in a variety of areas which are considered to be equally important to both the employee and employer. This creates a forum where employees can communicate any grievance/suggestions to the management..

AUDIT COMMITTEE REPORT

Browns Beach Hotels PLC together with its subsidiary signifies the necessity of achieving best practices in financial reporting, internal control and risk management in the Group.

COMPOSITION OF THE COMMITTEE

The Audit Committee comprises of three Non-Executive Directors of whom, two are Independent. The Committee is chaired by an Independent Non-Executive Director.

Audit Committee Members	
Chairman	Mr. R. N. Asirwatham*
Members	Mr. A L Gooneratne**
	Mr. N. J. de Silva Deva Aditya*
Secretary	Mr. H K A Rathnaweera - Chief Internal Auditor of the Managing Agent
Attendance by invitation	Mr. C R Stanislaus - Executive Director, Browns Beach Hotels PLC Mr. D. G. P. Ekanayake, Assistant Vice President – Finance of the Managing Agent

* Independent Non-Executive Director

** Non-Independent Non-Executive Director

COMMITTEE MEETINGS

The Audit Committee functioned throughout the financial year and held four formal meetings.

Attendance of Members					
Dates of Meetings		24.05.2017	08.08.2017	29.08.2017	07.02.2018
Chairman	Mr. R. N. Asirwatham	✓	✓	✓	✓
Members	Mr. N. J. de Silva Deva Aditya	✓	✓	Excused	Excused
	Mr. A. L. Gooneratne	✓	✓	✓	✓

✓ Present

ATTENDANCE BY INVITATION

Mr. C. R. Stanislaus, Executive Director and Mr. D. G. P. Ekanayake, Assistant Vice President – Finance of the Managing Agent attended the meetings by invitation.

A comprehensive description of the Audit Committee's activities during the year under review is set out in the table below:

Responsibility	Activity
Risk Management and Internal Control	<ul style="list-style-type: none"> • Scrutinized the adequacy and effectiveness of the Group's internal controls and risk management activities and suggested recommendations to the Board. • Ensured that the Group adheres to and complies with all relevant laws, rules and regulations of the country, international laws, and codes of ethics and standards of conduct required by regulatory authorities, professional bodies and trade associations.
Financial Reporting and Financial Control	<ul style="list-style-type: none"> • Reviewed the Group's Quarterly and Annual financial statements, adequacy of disclosures, uniformity and appropriateness of the accounting policies adopted, major judgemental areas and ensured that they were in compliance with the Companies Act No. 7 of 2007, applicable Sri Lanka Accounting Standards and requirements of other regulatory bodies as applicable for the Group and suggested recommendations in line with those requirements. • Reviewed the operational and other management information reports submitted by the Group's management to the Audit Committee and made recommendations for improvements.
External Audit	<ul style="list-style-type: none"> • Assessed the performance and effectiveness of the external auditors, their independence and professional capabilities and made recommendations to the Board. • Reviewed the audit plan presented by the external auditors, provided advice and support regarding the execution of the plan. • Discussed the audited financial statements with external auditors and ensured that they were in conformity with the Sri Lanka Accounting Standards and other regulatory requirements. • Reviewed and discussed the management letter of the external auditors for the Group and instructed the management to take appropriate and follow up action on matters highlighted therein. • Reviewed the fees and out of pocket expenses proposed by external auditors and suggested recommendations to the Board.
Internal Audit	<ul style="list-style-type: none"> • Reviewed and evaluated the independence and effectiveness of the Group's Internal Audit Department, their resource requirements and made recommendations for any required changes. • Reviewed and approved the Annual Internal Audit Plan together with the Information Technology (IT) Security Plan and Strategic Risk Plan and made appropriate recommendations for improvements. • Reviewed and discussed the periodic reports submitted by the Internal Audit Department with management responses, on financial and operational audits, IT Security and risk assessments carried out in line with approved annual internal audit plan. • The Audit Committee continued to ensure the co-ordination between Group internal audit and external auditors.

Re-appointment of Auditors

The Audit Committee having evaluated the performance of the external auditors, recommends to the Board the re-appointment of Messrs KPMG, Chartered Accountants as the auditors of the Company for the current year, subject to the approval of the shareholders at the forthcoming Annual General Meeting.



R. N. Asirwatham
Chairman
Audit Committee
Colombo
3rd August 2018

REMUNERATION COMMITTEE REPORT

Composition of the Committee	
Chairman	Mr. R. N. Asirwatham*
Members	Mr. A L Gooneratne**
	Mr. N. J. de Silva Deva Aditya*

* Independent Non-Executive Director
 ** Non-Independent Non-Executive Director

- Deciding on overall individual packages, including compensation on termination of employment.

COMPOSITION OF THE COMMITTEE

The Committee is currently composed of three Non-Executive Directors of whom, two are Independent. The Committee is chaired by an Independent Non-Executive Director. The members of the Committee have wide experience and knowledge of finance, business and industry.

The Committee formally met once during the year under review.

INDEPENDENCE OF THE COMMITTEE

The members of the Committee are independent of management and are completely free from any business, personal or other relationships that may interfere with the exercise of their independent, unbiased judgement.

KEY OBJECTIVE

The Committee advises the Board on the policy to be followed on Executive remuneration packages for individual Directors and Senior Management.

RESPONSIBILITIES

The Committee is responsible to the Board for;

- Determining the policy of the remuneration package of the Directors and the Board of Management,
- Evaluating performance of the Managing Directors, Executive Directors as well as the individual and collective performance of Directors and Senior Management of the Strategic Business Units,

THE SCOPE OF THE COMMITTEE

- Remuneration policy and its specific application to the Executive Directors and general application to the Key Management Personnel below the Main Board,
- Performance evaluation of the management development and succession planning,
- Reviewing, monitoring and evaluating performance of Key Management Personnel as well as their management development and succession planning.

KEY FUNCTIONS OF THE COMMITTEE

The Group's Remuneration Policy which was reviewed by the Committee remained unchanged during the year under review.

The Remuneration Committee operates with the key objective of attracting the most suitable talent and retaining them in the Group in order to enhance the performance of the Strategic Business Units. Performance of employees is evaluated using a well-structured performance evaluation mechanism that is accepted by all employees thereby ensuring that they are treated equally. The Remuneration Committee approved promotions and the revision of individual remuneration packages after evaluating performance of the Group, and the contribution of employees to his/her respective Business Unit. Cost of living, inflation and comparative industry norms are also given the due consideration in determining the remuneration packages.

No Director was involved in deciding his/her remuneration.

The Remuneration Committee's decisions were made in keeping with these policies.



R. N Asirwatham
 Chairman
 Remuneration Committee
 Colombo
 3rd August 2018

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

COMPOSITION OF THE COMMITTEE

The Related Party Transactions Review Committee which was formed in conformity with the Listing Rules of the Colombo Stock Exchange is entrusted with the responsibility of ensuring compliance with the rules and regulations governing Related Party Transactions for Listed Entities. The Company's Related Party Transaction Review Committee is composed of three Non-Executive Directors, of whom, two are Independent. The Committee is chaired by Mr. R.N. Asirwatham who is an Independent Non-Executive Director.

Related Party Transactions Review Committee Members	
Chairman	Mr. R. N. Asirwatham*
Members	Mr. A L Gooneratne**
	Mr. N. J. de Silva Deva Aditya*
Attendance by invitation	Mr. C R Stanislaus - Executive Director, Browns Beach Hotels PLC
	Mr. D. G. P. Ekanayake, Assistant Vice President – Finance of the Managing Agent

* Independent Non-Executive Director

** Non-Independent Non-Executive Director

COMMITTEE MEETINGS

The Committee held four formal meetings during the year under review. Mr. C. R. Stanislaus, Executive Director, Browns Beach Hotels PLC and Mr. D. G. P. Ekanayake, Assistant Vice President – Finance of the Managing Agent attended the meetings by invitation.

Attendance of Members					
Dates of Meetings		24.05.2017	08.08.2017	29.08.2017	07.02.2018
Chairman	Mr. R. N. Asirwatham	✓	✓	✓	✓
Members	Mr. N. J. de Silva Deva Aditya	✓	✓	Excused	Excused
	Mr. A. L. Gooneratne	✓	✓	✓	✓

✓ Present

SUMMARY OF RESPONSIBILITIES OF THE COMMITTEE

The Committee's key focus is to review all proposed Related Party Transactions prior to the completion of the transaction according to the procedures laid down by Section 9 of the Listing Rules of the Colombo Stock Exchange and its responsibilities are as follows:

- Evaluate any proposed Related Party Transactions on a quarterly basis,
- Review any post quarter confirmations on Related Party Transactions,
- Obtain approval from the Board wherever necessary,
- Review the threshold for Related Party Transactions which require either shareholders' approval or immediate market disclosures,
- Review the criteria of Key Management Personnel,
- Regularly report to the Board on the Committee's activities.

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

KEY MANAGEMENT PERSONNEL

Browns Beach Hotels PLC considers its Board of Directors as the Key Management Personnel (KMPs) of the Company. Directors of the subsidiary company are considered as KMPs of the Company to establish greater transparency and governance. Declarations were obtained from each KMP of the Company and its subsidiary for the purpose of identifying related parties and for the purpose of annual disclosure.

KEY FUNCTIONS PERFORMED DURING THE YEAR UNDER REVIEW

The Committee reviewed all proposed Related Party Transactions as well as post quarter confirmations and the activities of the Committee have been communicated to the Board quarterly through tabling the minutes of the meeting of the Committee at Board Meetings.

NON-RECURRENT TRANSACTIONS REVIEWED BY THE COMMITTEE

Consequent to the Financial Year 2016/17, the Company's subsidiary, Negombo Beach Resorts (Private) Limited (NBR) obtained a Term Loan from three major shareholders of the Company, which was a non-recurrent transaction that required disclosure in terms of Rule 9.3.1 of the Listing Rules.

The Related Party Transactions Review Committee reviewed this prior to the transaction being entered into, and upon its recommendation, the approval of the Board of Directors was obtained to enter into the transaction. Upon the said Term Loan being obtained by NBR the Company made an immediate disclosure to the Colombo Stock Exchange, as required by Rule 9.3.1 of the Listing Rules.



R.N. Asirwatham
Chairman
Related Party Transactions Review
Committee
Colombo
3rd August 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act No.7 of 2007 requires the Directors of the Company to be responsible for the preparation and presentation of the financial statements and other statutory reports. The responsibilities of the Directors, in relation to the Financial Statements of Browns Beach Hotels PLC and the Consolidated Financial Statements of the Group are set out in this Report.

The Directors confirm that the Financial Statements and other statutory reports of the Company and its subsidiary for the year ended 31st March 2018 incorporated in this Report have been prepared in accordance with the Companies Act No. 7 of 2007, the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Listing Rules of the Colombo Stock Exchange.

The Directors have taken appropriate steps to ensure that the Company and its subsidiary maintain adequate and accurate records which reflect the true financial position of the Company and the Group. The Directors have taken appropriate and reasonable steps to safeguard the assets of the Company and the Group. The Directors have instituted appropriate systems of internal control in order to minimise and detect fraud, errors and other irregularities. The Directors in maintaining a sound system of internal control and in protecting the assets of the Company, have further adopted risk management strategies to identify and evaluate the risks which the Company could be exposed and its impact to the Company.

The Directors having considered the Group's business plans, and a review of its current and future operations, are of the view that the Company and

the Group have adequate resources to continue in operation. The Directors have adopted the going concern basis in preparing the Financial Statements.

The Financial Statements presented in this Annual Report for the year ended 31st March 2018, have been prepared based on the Sri Lanka Accounting Standards (SLFRS/LKASs) which came into effect from 1st January 2012. The Directors have selected the appropriate accounting policies and such policies adopted by the Group are disclosed and explained in the Financial Statements.

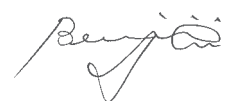
The Board of Directors confirm that the Company and the Group's Consolidated Statements of Financial Position as at 31st March 2018 and the Comprehensive Income Statements for the Company and the Group for the financial year ended 31st March 2018 reflect a true and fair view of the Company and the Group.

The Directors have provided the Auditors with every opportunity to carry out any reviews and tests that they consider appropriate and necessary for the performance of their duties. The responsibility of the Independent Auditors in relation to the Financial Statements is set out in the Independent Auditors Report.

The Directors confirm that to the best of their knowledge all payments to employees, regulatory and statutory authorities due and payable by the Company and its subsidiary have been either duly paid or adequately provided for in the financial statements. The Directors further confirm that they promote the highest ethical, environmental and safety standards

within the Group. The Directors also ensure that the relevant national laws, international laws and codes of regulatory authorities, professional institutes and trade associations have been complied with by the Group.

By order of the Board
Browns Beach Hotels PLC



Aitken Spence Corporate Finance
(Private) Limited
Secretaries
Colombo
3rd August 2018

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of Browns Beach Hotels PLC, has pleasure in presenting the Annual Report and the audited financial statements for the year ended 31st March 2018 which were approved by the Board of Directors on 3rd August 2018. The details set out herein provide the pertinent information required by the Companies Act No. 07 of 2007, the Colombo Stock Exchange Listing Rules and the best accounting practices.

1. PRINCIPAL ACTIVITIES

The principal activity of the Company is hoteliering through its fully owned subsidiary, Negombo Beach Resorts (Pvt) Ltd. which engages in the business of hoteliering and there has been no change in the nature of such activities during the year.

2. REVIEW OF OPERATION

A review of operational and financial performance, the future plans of the Company and its Group are described in greater detail in the Chairman's review of the Annual Report. These reports together with the audited financial statements of the Company and the Group reflect the respective state of affairs of the Company and the Group.

3. ACCOUNTING POLICIES AND CHANGES DURING THE YEAR

The Company and the Group prepared the financial statements in accordance with Sri Lanka Accounting Standards (SLFRSs/LKASs). The significant accounting policies adopted in the preparation of the financial statements of the Company and the Group are given in pages 67 to 79. Negombo Beach Resorts (Private) Limited, the fully owned subsidiary of the Company adopted LKAS 40 to recognize investment properties in accordance with accounting standards.

4. SYNOPSIS OF THE INCOME STATEMENT OF THE COMPANY AND THE GROUP

4.1 Group Revenue and Profits

Revenue generated by the Group during the year amounted to Rs. 939 million. (2016/2017 - Rs. 534 million). The Detailed analysis of Group revenue based on business segments is disclosed in notes 5 to the financial statements on page 80.

The loss before tax of the Group was Rs. 318 million (2016/2017 Rs. 483 million). The Group's

losses attributable to the equity shareholders of the Parent Company for the year was Rs. 320 million (2016/2017 - Rs. 483 million).

4.2 Donations

No donations were made during the year, by either the Company or its subsidiary.

4.3 Taxation

A detailed statement of the income tax rates applicable to the Company and its subsidiary and a reconciliation of the accounting profits with the taxable profits are given in note 12 to the financial statements.

It is the policy of the Group to provide for deferred taxation on all known timing differences on the liability method. The deferred tax balances of the Group are given in notes 12.4 to the financial statements.

4.4 Dividends

No dividends were recommended by the Board for the financial year 2017/18.

For the year ended 31st March

	2018 Rs. '000	2017 Rs. '000
Net loss before tax	(317,610)	(482,909)
Provision for taxation including deferred tax	(1,483)	(91)
Net loss after tax	(319,093)	(483,000)
Other comprehensive income	5,862	137,468
Total comprehensive income attributable to equity shareholders	(313,231)	(345,532)
Balance brought forward from the previous year	714,086	1,059,618
Amount available for appropriations	400,855	714,086
Total reserves and earnings	400,855	714,086
Stated Capital	2,383,449	2,383,449
Balance attributable to equity holders of the Company at the end of the year	2,784,304	3,097,535

5 SYNOPSIS OF THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY AND THE GROUP

5.1 Stated Capital and Reserves

As at 31st March 2018 the Company had issued 129,600,000 ordinary shares and the stated capital of the Company was Rs.2,383,448,970/-. The Company's reserves as at 31st March 2018 were Rs. 1,403,129,000/- (2016/2017- Rs. 1,385,597,000/-) whereas the Group's total reserves as at 31st March 2018 were Rs.400,034,000 /- (2016/2017 - Rs. 714,086,334/-). The movement in these reserves is shown in the Statement of Changes in Equity - Group on page 65.

amounts. Revaluation of land is performed with sufficient regularity so that the carrying value of the land does not differ materially to its market value. Revaluation was performed by professionally qualified independent valuers having appropriate experience in valuing properties in the locality of the land being revalued. If the fair value of land does not change other than by an insignificant amount at each reporting date the Group revalues such land every five years.

Details of the revalued land, revaluation surplus, and the original cost are given in note 14.5 of the financial statements. The Group records all other assets at cost and

7. GOING CONCERN

The Board of Directors is satisfied that the Company and the Group have adequate resources to continue their operations without any disruption in the foreseeable future. The Company's and the Group's financial statements are therefore prepared on a going concern basis.

8. INFORMATION ON THE BOARD OF DIRECTORS AND THE BOARD SUB-COMMITTEES

8.1 Board of Directors

The names of the Directors of the Company who held office during the financial year is given in the following table and their brief profiles are given on pages 8 to 10 of the Annual Report.

Name of Director	Executive	Non-Executive	Independent Non- Executive
Deshamanya D. H. S. Jayawardena - Chairman	x		
Mr. J. M. S. Brito	x		
Ms. D. S. T. Jayawardena	x		
Mr. C. R. Stanislaus	x		
Mr. N. J. de Silva Deva Aditya		x	x
Mr. R. N. Asirwatham		x	x
Mr. A. L. Gooneratne		x	

5.2 Property, Plant and Equipment

The carrying value of property plant and equipment for the Company and the Group as at 31st March 2018 was to Rs. Nil and Rs. 5,762 million respectively. The total expenditure on the acquisition of property, plant and equipment during the year in respect of new assets acquired by the Group amounted to Rs.94 million respectively.

check for any impairment of these assets when the Group identifies any trigger for impairment

All of the above Directors held office during the entire year.

5.3 Market Value of Freehold Properties

Land recognised as property, plant and equipment in the financial statements in the Group is recorded at either fair value or revalued

5.4 Contingent Liabilities

The details of contingent liabilities are disclosed in note 32 of the financial statements on page 100.

6. EVENTS OCCURRING AFTER THE REPORTING DATE

No event of material significance that requires adjustments to the financial statements has arisen other than that disclosed in note 31 to the financial statements on page 100.

8.2 Board Sub-Committees

The following Directors of the Company serve as members of Audit, Remuneration and Related Party Transactions Review Committees of the Company:

Audit Committee

Mr. R. N. Asirwatham (Chairman)
Mr. A. L. Gooneratne
Mr. N. J. de Silva Deva Aditya

Remuneration Committee

Mr. R. N. Asirwatham (Chairman)
Mr. A. L. Gooneratne
Mr. N. J. de Silva Deva Aditya

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Related Party Transactions Review Committee

Mr. R. N. Asirwatham (Chairman)
Mr. A. L. Gooneratne
Mr. N. J. de Silva Deva Aditya

8.3 Recommendation for re-election/ appointment

It is recommended that Deshamanya D. H. S. Jayawardena, Mr. R. N. Asirwatham, Mr. J. M. S. Brito and Mr. N. J. de S Deva Aditya who are over 70 years of age and who vacate office in terms of Section 210 (2) (b) of the Companies Act, be re-appointed as Directors, in terms of Section 211 of the Companies Act, specially declaring that the age limit stipulated in Section 210 of the Companies Act shall not apply to the said Directors. Resolutions to this effect will be proposed at the forthcoming Annual General Meeting.

Mr. C R Stanislaus retires by rotation in terms of Article 85 of the Articles of the Company and being eligible offers himself for re-election.

8.4 Directors' Shareholding and their Interests

Shareholdings of Directors in Browns Beach Hotels PLC are tabled below:

Name of Director	As at	As at
	31.03.2018	31.03.2017
	No of Shares	No of Shares
Deshamanya D. H. S. Jayawardena - Chairman	-	-
Mr. J. M. S. Brito	-	-
Ms. D. S. T. Jayawardena	-	-
Mr. C. R. Stanislaus	-	-
Mr. N. J. de Silva Deva Aditya	-	-
Mr. R. N. Asirwatham	-	-
Mr. A. L. Gooneratne	-	-

8.5 Interest Register

An Interest Register is maintained by the Company and the Group as per the Companies Act No. 07 of 2007.

8.6 Directors Remuneration

The Directors remuneration and fee in respect of the Company and the Group for the financial year ended 31st March 2018 are disclosed on page 100 note 29.4 of the Annual Report.

8.7 Related Party Transactions

Related Party Transactions of the Company and the Group are disclosed in note 29 to the Financial Statements. These are Recurrent and Non-Recurrent Related Party Transactions, which required disclosure in the Annual Report in accordance with the Sri Lanka Accounting Standard No 24. Related Party Disclosures. However, there were no Recurrent Related Party Transactions which in aggregate value exceeded 10% of the Consolidated Revenue of the Group as per the Audited Financial Statements as at 31st March 2017.

Non-Recurrent Related Party Transactions that occurred during the year under review are disclosed in note 29.2 on page 99 of the Annual Report as required by Rule

9.3.2(a) of the Listing Rules of the Colombo Stock Exchange.

The Key Management Personnel of the Company and its subsidiary have disclosed on a quarterly basis, the proposed transactions (if any) falling under the ambit of Rule 9 of the Listing Rule of the Colombo Stock Exchange which were to be entered into with the Company and or with its subsidiary and or with any other 'related party' as defined in the Sri Lanka Accounting Standards (as applicable). The disclosures so made were tabled at the meetings of the Related Party Transactions Review Committee held on a quarterly basis, in compliance with the requirements of the above-mentioned Rule.

The Directors declare that the Company is in compliance with Rule 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the financial year ended 31st March 2018.

8.8 Board of Directors of the Subsidiary

The names of Directors of the subsidiary company who held office as at 31st March 2018 are set out on page 109 of this Annual Report.

9. HUMAN RESOURCES

Our Human Resources strategies and practices have translated into the creation of a dynamic and competent human resource team with sound succession planning and a remarkably low attrition rate. Our employment strategies are reviewed periodically by the relevant Committees and the Board of Directors.

10. CORPORATE GOVERNANCE

The Group has not engaged in any activity, which contravenes the national and international laws.

The Group rigidly adheres to relevant national and international laws and the regulations of Professional Institutes and Associations, Industrial Associations, Chambers of Commerce and Regulatory Bodies. The Group complies with the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka. The Group applies very high standards to protect and nurture the environment in which it operates and ensures strict adherence to all environment laws and practices.

The Company has no restrictions with regard to shareholders carrying out analysis or obtaining independent advice of a non-price sensitive nature regarding their investment in the Company and has made all endeavors to ensure the equitable treatment of shareholders. The Company's corporate governance practices are set out on pages 11 to 30 of this Annual Report.

11. MINIMUM PUBLIC HOLDING

As per Rule 7.13.1 (a) of the Listing Rules of the Colombo Stock Exchange, a Listed Entity on the Main Board is required to maintain a minimum public holding as specified in the said Rule. The Company being an entity listed in the Main Board does not at present satisfy the minimum public holding requirement and has been making the necessary announcement to the CSE on a monthly basis as required by Rule 7.13.2. (a) of the Listing Rules of the Colombo Stock Exchange. Due to non-compliance by the Company the shares of the Company were transferred to the Watch List with effect from 01st July 2018.

However, the major shareholders of the Company have already set in place the following rectification plan which has been announced from time to time:

- a. Melstacorp PLC, Aitken Spence Hotel Holdings PLC and Stassen Exports (Private) Limited, the three largest shareholders of the Company, have given instructions to Acuity Stock Brokers (Pvt) Ltd. the Stockbrokers to the said shareholders to divest a minimum of 0.78% of the issued shares amounting to 1,010,880 proportionate to their shareholding, on the trading floor of the CSE in order that the Public Holding percentage of the Company could be increased to 10% of the issued shares, and
- b. upon completion of the transfer of shares as aforesaid which results in the Public Holding being increased to 10% of the issued shares, the Company will request the CSE to transfer the Company's shares to the

Diri Savi Board of the CSE,

The Company is required to carry out the remedial action already adopted within a period not exceeding twenty (20) months from the date of transferring the Securities of the Company to the Watch List.

In the event the Company fails to complete the remedial action already adopted within the specified time period, the Securities of the Company is liable to be suspended from trading.

In the event such trading suspension continues for a period of excess of six (06) months, such matter will be referred to the Board of Directors of the CSE for a determination in terms of Rule 10.3 (a) of the Listing Rules of the Colombo Stock Exchange.

12. RISK MANAGEMENT

The Directors have established and adhere to a comprehensive risk management framework at both Strategic Business Units and Group levels to ensure the achievement of their corporate objectives. The categories of risks faced by the Group are identified, the significance they pose are evaluated and mitigating strategies are adopted by the Group. The Board of Directors reviews the Risk Management Process through the Audit Committee. The Risk Management Report of the Group is on pages 52 to 57 of this Report.

13. INTERNAL CONTROLS

The Board of Directors ensures that the Group has an effective internal control system which ensures that the assets of the Company and the Group are safeguarded, and

ANNUAL REPORT OF THE BOARD OF DIRECTORS

appropriate systems are in place to minimise and detect fraud, errors and other irregularities. The system ensures that the Group adopts procedures which result in financial and operational effectiveness and efficiency.

Board of Director's Statement on Internal Controls is on page 49, the Statement of Directors' Responsibilities on page 43 and the Audit Committee Report set out on pages 38 to 39 of this Report provide further information in respect of the above.

14. STATUTORY PAYMENTS

The Directors to the best of their knowledge and belief are satisfied that all statutory financial obligations to the Government and to the employees have been either duly paid or adequately provided for in the financial statements. A confirmation of same is included in the Statement of Directors' Responsibilities on page 43 of this Annual Report.

15. CORPORATE SUSTAINABILITY

The Board of Directors guides and supports the Group's sustainability strategy. It welcomes the implementation of the structured and dynamic integrated sustainability framework. Awards and recognition received during the year and previous years are a testament to our commitment as we continue to benchmark our practices against global standards and best practices

in a myriad of aspects that affect or potentially affect delivery of growth.

16. SHAREHOLDER INFORMATION

There were 2,331 shareholders as at 31st March 2018. The distribution schedule of the number of shareholders and their shareholdings are detailed on page 105 of the Annual Report.

The names of the twenty largest shareholders, together with their shareholdings as at 31st March 2018 are given on page 107 of the Annual Report. The percentage of the shares held by the public as at 31st March 2018 was 9.22% held by 2,323 shareholders.

17. AUDITORS

The independent auditors' report on the financial statements is given on page 59 of the Annual Report. The retiring auditors Messrs KPMG, Chartered Accountants have communicated their willingness to continue in office and a resolution to re-appoint them as auditors and grant authority to the Board to determine their remuneration will be proposed at the Annual General Meeting.

The fees payable to the Company auditors Messrs KPMG, Chartered Accountants was Rs. 184,000/- (2016/17 - Rs.175,000/-). In addition to the above Rs.160,000/- (2016/17 - Rs.148,000/-) was payable by the Company for permitted non-audit related services including

tax advisory services. The amount payable by the Group to Messrs KPMG Chartered Accountants as audit fees was Rs. 454,000/- (2016/17 - Rs. 425,000/-) while a further Rs. 599,000/- (2016/17 - Rs. 486,000/-) was payable for permitted non-audit related services. Messrs KPMG, Chartered Accountants the auditors of the Company are also the auditors of the subsidiary of the Group.

As far as the Directors are aware the auditors neither have any other relationship with the Company nor its subsidiary that would have an impact on their independence.



D. H. S. Jayawardena
Chairman



J. M. S. Brito
Director



Aitken Spence Corporate Finance (Pvt) Ltd.
Secretaries
Colombo
3rd August 2018

THE BOARD OF DIRECTORS' STATEMENT ON INTERNAL CONTROLS

The Board of Directors is responsible for formulating and implementing a sound system of internal controls and for periodically reviewing its effectiveness and integrity in terms of mitigating any risks associated with such, safeguarding the Group assets and prevention of their misused or unauthorized disposal.

The Board is of the opinion that the system of internal controls is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external stakeholders and that they are in accordance with acceptable accounting principles and the applicable regulatory requirements.

INTERNAL AUDIT

Any internal control system has its inherent limitations. However, the Board believes that adequate internal controls are in place to mitigate such limitations. We have a fully-equipped Internal Audit Department to assist the maintenance of our sound system of internal control for purposes of protecting all stakeholder interests and the Group assets.

The Group's Internal Audit function is an independent function that reports directly to the Audit Committee.

It undertakes regular reviews of the Group's operations and system of internal controls based on annual audit plans approved by the Audit Committee. The Internal Audit function carries out the reviews with impartiality, proficiency and due professional care. The Internal Audit findings are discussed at management level and actions are agreed in response to the Internal Audit function's recommendations. The progress of implementation of the agreed actions is reviewed and verified by the Internal Audit function

through its follow-up reviews. The Audit Committee reviews all internal audit findings, management responses and the adequacy and effectiveness of the internal controls.

REVIEW ADEQUACY AND EFFECTIVENESS

The Board and the Audit Committee have reviewed the effectiveness of the financial, operational, and compliance controls, and internal control systems, including risk management for the period and have taken appropriate remedial steps where necessary.

In this connection, the Board and the Audit Committee concludes that an effective system of risk management and internal control is in place to safeguard the shareholders' investment and the Group's assets.

Policies, Procedures and Budgets

Policies and procedures to ensure compliance with internal controls and the relevant laws and regulations are set out in operations manuals, which are updated from time to time.

Annual budgets are approved by the respective Boards and the subsidiaries' performance are assessed against the approved budgets and explanations are provided for significant variances periodically to the respective Boards.

WHISTLE BLOWING POLICY

The Group has implemented a whistle blowing policy which aims to provide an avenue for employees to raise concerns about possible irregularities in financial reporting, internal controls or other matters within the Group. Proper arrangements have been put in place to facilitate fair and independent investigation for such matters (if any). The effectiveness of this policy will be monitored and reviewed regularly by the Audit Committee.

CODE OF BUSINESS CONDUCT AND ETHICS

The Group's Code of Ethics, which is articulated to Directors and all employees includes a strong set of corporate values and required conduct. The Board ensures that Directors and employees strictly comply with the Group's Code of Ethics at all levels in the performance of their official duties, communications, role modelling and in any other circumstances, so as to prevent the tarnishing of the Group's image in any manner. The violation of the Code of Ethics is an offence that is subject to disciplinary action.

GOING CONCERN

The Statement of Going Concern is set out in the 'Annual Report of Board of Directors' on page 45 of this report.

RISK MANAGEMENT

An overview of the Group's framework for identifying and managing risk, both at an operational and strategic level, is set out on pages 52 to 57 of this report.

ANNUAL REPORT

The Board of Directors is responsible for the preparation of the Annual Report and confirm that the quarterly reports, Annual Financial Statements and the annual review of operations of the Company and its subsidiary that are incorporated in this Annual Report have been prepared and presented in a reliable manner, based on a balanced and comprehensive assessment of the financial performance of the entire Group.


CONFIRMATION

All financial statements are prepared in accordance with the requirements of the Companies Act No. 7 of 2007, Sri Lanka Accounting and Auditing Standards Act, Listing Rules of the Colombo Stock Exchange and other

THE BOARD OF DIRECTORS' STATEMENT ON INTERNAL CONTROLS

regulatory bodies as applicable for the Group.

We have duly complied with all the requirements prescribed by the regulatory authorities including the Colombo Stock Exchange and the Registrar of Companies. The consolidated financial statements and the Company's financial statements for the year ended 31st March 2018 have been audited by Messrs. KPMG, Chartered Accountants,



Deshamanya D H S Jayawardena
Chairman



J M S Brito
Director



R N Asirwathem
Chairman Audit Committee

Colombo
3rd August 2018



RISK MANAGEMENT

The Company employs a structured approach in managing uncertainty and threats through a sequence of activities including risk assessment, risk evaluation and risk mitigation. The Risk Management system is reviewed periodically to ensure adequacy and effectiveness.

There are several key risks to which the Company is exposed due to our business activities. The assessment of such risks their impact and related responses are as follows.

The Group's major risks are categorized in terms of three facets as follows:

Business and strategic risk

Uncertainties and untapped opportunities embedded in group strategic intent and how well they are executed. As such, they

are key matters for the board and have effect on the whole business.

- Business risk
- Socio-economic, political & environmental risk
- Competitive risk

Operational risk

Risks that directly affect the business operations with a potential impact on financial position and business performance or the external activities which affect day to day activities of the group.

- Reputation risk
- Fraud risk
- Debtors risk
- Operations risk
- Employee risk
- Technology risk

- Legal risk
- Data Protection & Cyber Security

Financial risk

Risks faced by the Group relate to the availability of funds to meet business needs and ability to deliver adequate return to the group.

Risks of losses arising from the adverse movements in market prices, risks that the Company may not have sufficient funds to meet financial obligations and failure of a customer to meet its contractual obligations

- Credit risk
- Foreign exchange risk
- Interest rate risk
- Liquidity risk

BUSINESS AND STRATEGIC RISKS		
01 . Business Risk	Impact	Risk Management Strategies
Failure to implement strategic plans, for Revenue improvement & cost saving initiatives and undertaking of profitable investments.	Reduced revenue, cash flow and profitability.	Integrating risk awareness directly into strategic decision making by holding regular meetings of the Board of Directors and members of the Management committee in order to formalize future strategies and plans and to revise and update plans, taking into consideration the changing circumstances of the group.
The inability of the group to achieve its business objectives.	Hinder future growth.	A sophisticated and streamlined management information system, using the latest Property Management and Enterprise Resource Planning Software, and the preparation of detailed operational and capital expenditure budgets enables the group to assess actual performance against planned and take remedial action wherever necessary.
	Damages investor confidence.	Focus on strategic resiliency by considering how strategic decisions can affect resiliency, incorporate resiliency into all decision making, and always be on the lookout for more strategically resilient alternatives in order to build greater corporate agility. All members of the Board attend regular workshops, seminars and professional training programs in order to update their skills and knowledge. Thorough due diligence and project feasibility studies are conducted for all major investments. In addition, professional advices are obtained from outside sources when necessary. The Group monitors its main competitor's in order to lower the response time needed to counter any new strategies implemented by them. Implementation of cost control procedures and innovative cost saving initiatives particularly with regard to energy costs.

02 Socio-Economic Political & Environmental Risk	Impact	Risk Management Strategies
<p>Major events affecting either economic or political stability on a global and local level which exposure to the Company.</p> <p>Risk from natural or man-made disasters.</p>	<p>Lowering the competitiveness of the group's product offering on the national and international market.</p> <p>Loss of assets resulting in significant losses to the group.</p>	<p>The group works closely with lobby groups, relevant authorities and trade associations to ensure the best interests of the tourism industry are fulfilled at all times.</p> <p>Appropriate disaster recovery and business continuity plans are in place to safeguards the assets of the group.</p> <p>Transferring risks to third parties through insurance policies. The adequacy of insurance covers is regularly reviewed and adjusted when necessary.</p>
03 . Competitive Risk	Impact	Risk Management Strategies
<p>Risks from competitive actions from existing market participants and new entrants</p>	<p>Reduced market share and rates reducing revenue, cash flow and profitability.</p> <p>Increased promotional expenditure.</p> <p>The Positive correlation between cost of resources and competition</p>	<p>The group's service excellence, committed and award winning staff, uniqueness of properties, innovative product and service developments and the strength of its brands enables the group to counter threats from new and existing players via sustainable competitive advantage.</p> <p>Leveraging the group's long-term relationship with major tour operators, and the strength of the sister company in the travel industry (Aitken Spence Travels Ltd.) gives the group a significant advantage over its competitors.</p> <p>Maintaining a positive relationship with employees with a better remuneration and performance appraisal scheme.</p>
OPERATIONAL RISK		
04. Reputation Risk	Impact	Risk Management Strategies
<p>Risks to the Group's reputation and Brand image.</p>	<p>Decline in the customer base and difficulties in securing future management contracts resulting in reduced market share, revenues, cash flow and profitability.</p> <p>Deterioration of corporate image.</p> <p>The group may have to face litigation which can be costly.</p>	<p>The group employs a well defined hygiene quality assurance system to ensure the highest quality of service. At operational level, systems are in place to promptly address any issues / complaints brought about by the clients and to take proactive steps to mitigate similar occurrences in the future. Ensuring all statutory and legal obligations are met in all transactions.</p> <p>Regular training sessions are held to educate staff on quality standards and new developments in the hospitality industry ensuring the quality of the group's product offering and to maintain our trusted reputation.</p> <p>Deployment of an effective compliance system, The group is committed to best environmental practices to ensure strict compliance with local regulations and maintains harmonious relationships with the localities in which the hotel operate.</p> <p>The Board ensures that the company strictly complies with all relevant laws and codes of best practices and is not involved in any unethical business practices. A group code of ethics booklet is given to all executives of the group and they confirm their acceptance of the same.</p>

RISK MANAGEMENT

05 . Fraud Risk	Impact	Risk Management Strategies
<p>Risks from break down of internal controls, processes and procedures.</p>	<p>Wastage of management time and resources.</p> <p>Possible loss of data.</p> <p>Increased possibility of fraud and misuse.</p> <p>Disruptions to the normal course of operations.</p> <p>Lack of ability to track performance against budgets, forecasts and schedules.</p> <p>Illegal transactions include theft or misappropriation of assets by employees.</p>	<p>Regular reviews of the effectiveness of internal controls are performed by the corporate internal audit department supplemented by regular management audits carried out by internal teams with in the group ensure the robustness and adequacy of internal controls.</p> <p>The Group uses comprehensive general & specific reporting and monitoring systems to identify, assess and manage risks.</p> <p>Making each employee accountable for ethical behavior, high standards for business conduct and adherence to laws.</p> <p>Ensures that transactions occur in a reliable manner. Staff rotation & Special verification audits across the group.</p> <p>External auditors are also engaged as and when required to carry out special reviews wherever necessary.</p> <p>The group uses comprehensive general & specific reporting and monitoring systems to identify, assess and manage risks.</p> <p>Ensuring that only trained, trustworthy, knowledgeable and competent personnel perform critical tasks in order to prevents errors, irregularities and fraud. The group has implemented a whistle blowing policy, where any staff member can report potential frauds and misappropriations anonymously.</p>
06 . Debtors	Impact	Risk Management Strategies
<p>Risk of default by debtors.</p>	<p>Reduced cash flow and profitability.</p>	<p>Thorough credit policies and stringent controls to check credit worthiness prior to granting credit. Comprehensive systems are in place to monitor and review debtors. The group conducts excellent working capital practices and take legal or industrial action where appropriate.</p> <p>The Group has implemented a thorough credit appraisal procedure prior to granting a credit facility</p>
07 . Operations Risk	Impact	Risk Management Strategies
<p>Project Implementation Risk.</p>	<p>Unbudgeted spending, cost over runs and delays in project implementation may have a significant impact on the estimated profit margins.</p>	<p>Project timelines decided should be realistic and achievable after consulting all required stake holders. Communicating the strategic planning messages and associated data to middle and first line managers helps them educate their personnel. Well informed employees are most likely to commit to and support the plan.</p> <p>Standardized processes have been set up to cover project consultancy, project award and material procurement.</p> <p>Dedicated teams monitor the project progress against the defined timelines and check whether the achievements comply with the group sustainability credentials.</p>

Health and Safety Risk.	Affect group reputation and brand image.	Increase food and hygiene standards through obtaining ISO 22000 and HACCP certifications. The group's centralized security division constantly reviews and monitors security status of individual resorts. Conducting quality audits and risk management reviews, guest satisfaction surveys, intelligence gathering.
Risk of Fire.	Damage to the Property and clients.	Adequate automatic and manual fire detection and suppression systems are in place and are tested frequently.
Supply Chain Risk.	Hinders operational efficiencies leading to the inability to meet guest's demands.	An effective group wide supply chain risk management (SCRM) is practiced to ensure that supply chain risks are kept at minimal level. Adequate inventory levels are maintained at all hotels to compensate for any unforeseen supply disruptions.
Contractual Risk arising from third party service providers.	May result in claims and loss of reputation of the hotel, if service standards are not met by these third party service providers.	The hotel has adequate contractual risk transfer clauses built in to the agreements. Where necessary, insurance policies have been obtained from service providers to cover potential claims arising due to poor service standards.
Risk of increasing energy cost.	Significant impact on profit margins due to fluctuations in fuel/energy prices.	Implement and energy purchase strategy, offer utility bill management, and continually monitor the market to advise Hotels on purchase opportunities.
08 . Employee Risk	Impact	Risk Management Strategies
Risk from not being able to attract and retain skilled and experienced staff.	Reduced productivity. Reduced quality of service resulting in reduced market share and Group's image.	Significant resources are invested in strengthening our human capital through the deployment of the latest Human Resource Information Systems, regular staff training & development, succession planning and fostering a performance-based culture. Maintaining cordial relationships with Labor Unions and adopting interest-based negotiations for win-win solutions. Rewards and Recognition (e.g.: Employee of the month and extra miler).
Risk of organized labor activities and Trade Union actions.	Adverse impact on service levels, expected quality standards, operational efficiency and group's reputation. Loss of revenue	Maintain cordial relationship with Trade Unions and adopting interest-based negotiations for win-win solutions. Development of a Multi-skilled work force through structured and focused training programmes. Standardization of polices, procedures and practices in order to achieve ease of work. Practice an open door policy where employees are free to express their concerns openly.

RISK MANAGEMENT

09 . Technology Risk	Impact	Risk Management Strategies
Risks relating to Information Technology and security.	<p>Loss of revenue and business opportunities due to outdated software resulting in reduction in cash flow and profitability.</p> <p>Loss of key confidential information to competitors resulting in reduced market share.</p> <p>Loss of data and transactions.</p> <p>Increasing number of Online Travel Agents (OTAs).</p>	<p>The group has implemented the latest in Property Management and Reservation software, along with the group-wide Enterprise Resource Planning software, facilitating faster, more accurate information for decision making. Regular review of systems and upgrades where appropriate.</p> <p>Implementation of a comprehensive IT policy within the group, supported by adequate systems and controls, ensure the safety and security of data. Contingency plans are in place to mitigate any short term loss on IT services.</p> <p>All employees are bound by the group code of ethics to safeguard the group's information, irrespective of it's physical form.</p> <p>The group allocating significant proportion of its marketing budget for non-traditional tools such as online search engines and loyalty programmes and mobile apps.</p> <p>The Group continues to aim to be fully compliant with payment card industry-Data security standards using tools and services from a leading specialized third party provider with respect to payment card processing.</p> <p>A dedicated central IT team is in place to support all IT related aspects of the group.</p>
10 . Legal Risk	Impact	Risk Management Strategies
Risk of legal action due to non performance of legal and statutory requirements.	<p>High cost of legal and penalty fees resulting in reduced profitability.</p> <p>Adverse impact to the group's reputation and Brand image.</p>	<p>A comprehensive internal control system is in place supplemented by regular audit from the corporate internal audit department in collaboration with the corporate legal division.</p> <p>Ensuring all statutory and legal obligations are met in all transactions.</p>
11 .Data Protection & Cyber Security	Impact	Risk Management Strategies
Failure to keep pace with developments in the technology sphere could impair our competitive position and operation. Risk of cyber attacks	<p>Adverse impact on efficiency of operations, guest satisfaction and loss of competitive advantage.</p> <p>Data theft loss of competitive advantage.</p>	<p>Reservation, property management, material management and financial information systems were upgraded for greater alignment with business needs, making it easier to respond to change in business strategy. The IT division of the group have implemented procedures to safeguard the computer installations of the Company to ensure continuity of operations. The Group's centralized Information Technology (IT) Division was awarded the Information Security Management Systems (ISMS) ISO 27001:2005 in 2014. This was upgraded to ISO 27001:2013 in 2015 which the division continues to maintain. This would be the governing practice for the entire Group for IT services.</p>

FINANCIAL AND MARKET RISKS		
12 . Credit Risk		
Risks from high operational gearing.	Significantly reduced cash flow and profitability during low occupancy periods.	<p>Increased flexibility of the group's operational cost structure through seasonal recruitments, using rental agreements as opposed to outright purchase and outsourcing non-core operations.</p> <p>Sound capital structure and availability of adequate funding options in the group.</p> <p>Actively monitor and review debtors.</p> <p>Entering into guaranteed performance contracts with travel agents and tour operators. All the assigned rates, credit limits, settlement procedures, termination and penalties imposed for delayed payments are incorporated into the agreements.</p>
13 . Foreign Exchange Risk		
Risks from adverse exchange rate fluctuations.	Reduced cash flow and profitability.	<p>Negotiation of room rates in stronger currencies. Strong counter party backing and use of sophisticated financial instruments where appropriate.</p> <p>Matching outflows with inflows of the same currency to the extent that is permitted by the prevailing laws.</p> <p>Considering the possibility of contracting in local currency with local travel agents instead of foreign currency, in order to transfer the possible exchange rate risk.</p> <p>Apply a bottom-up approach to identifying consolidated foreign currency exposures. Determine in what currencies each foreign subsidiary collects receivables and makes payments.</p> <p>Develop a strategy to manage consolidated exposure.</p>
14 . Interest Rate Risk		
Risk arising due to the volatility of fair value or future cash flows of a financial instrument fluctuating because of changes in market interest rates.	Reduced cash flow and profitability.	<p>Entering in to loans with interest rate caps mitigated this risk and other instruments to minimize the volatility of cash flows.</p> <p>Working closely with the company's banks to negotiate favorable terms and conditions for loan facilities obtained.</p>
15 . Liquidity Risk		
Risk of not being able to meet financial commitments as and when they fall due.	Penalty charges and unfavorable terms when obtaining future loans resulting in reduced profitability.	<p>Preparation of regular cash flow forecasts in line with projected occupancy fluctuations in order to assess the liquidity position of the group in the short term.</p> <p>Strong capital structure of the group with sustainable growth in operating earnings.</p> <p>Making optimum use of cash inflows with the help of the corporate treasury division, ensuring the group-wide interest exposure is kept to a minimum.</p> <p>Regular review of actual performance against planned to ensure achievement of budgeted targets.</p>



FINANCIAL CALENDAR

Events / Information	2018
Interim Statements for the first quarter ended 30th June	First half of August
Twenty Sixth Annual General Meeting	29th August
Interim Statements for the second quarter ended 30th September	First half of November
	2019
Interim Statements for third quarter ended 31st December	First half of February
Interim Statements for the fourth quarter ended 31st March	Last week of May

INDEPENDENT AUDITOR'S REPORT



KPMG
(Chartered Accountants)
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To the Shareholders of Browns Beach
Hotels PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Browns Beach Hotels PLC ("the Company") and the consolidated financial statements of the Company and its subsidiary ("the Group"), which comprise the statement of financial position as at 31 March 2018, and the income statement, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information as set out on pages 63 to 102.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matters

Restatements of comparative balances
We draw our attention to Note 37 of the company's financial statements, which states that amounts reported in the previously issued 31 March 2017 company's financial statements have been restated and disclosed as comparatives in this financial statements. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the company financial statements and the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the company financial statements and the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG, a Sri Lankan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

M.R. Mihular FCA
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Karunaratne FCA
R.H. Rajan ACA
P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyrathne FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel ACA
C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA
Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA

INDEPENDENT AUDITOR'S REPORT



Valuation of Freehold Land and Investment Property	
Refer note 14 and 15 to the consolidated financial statements	
Risk Description	Our response
<p>As at the reporting date land carried at fair value, classified as property, plant and equipment (The Group financial statements) and investment properties (The Company financial statements) amounted to Rs. 1,000 Mn and Rs. 1,000 Mn respectively. The group has engaged external professional valuers with appropriate expertise in valuing properties, in locations of properties being valued to determine the fair value of the freehold land and investment properties in accordance with recognized industry standards.</p> <p>We identified this as a key audit matter because of the significant judgment and estimates involved in assessing the fair value of the freehold land and investment property.</p>	<p>Our audit procedures included,</p> <ul style="list-style-type: none"> Assessing the objectivity, independence, competence and qualifications of the external valuers. Assessing the key assumptions applied and conclusion made by the external valuer in deriving the fair value of the properties and comparing the same with evidence of current market values and consultation with our own internal specialist. Assessing the adequacy of disclosures in relation to fair value of freehold land investment property in the financial statements.
Recoverability of investments in subsidiaries	
Refer note 16 to the consolidated financial statements	
Risk Description	Our response
<p>The company hold investments in subsidiaries amounting to Rs. 2,700 Mn as at 31 March 2018.</p> <p>The carrying amount of investment in subsidiary has been tested for impairment as individual Cash Generating Unit. The carrying amount of these investment could be materially misstated if inappropriate judgments and estimates were used by the Directors in calculating the recoverable amount for cash generating unit ('CGU') as part of their impairment assessment.</p> <p>Investment which does not generate adequate returns may be an indication of impairment. Due to the investment being material it will have a significant impact on financial performance of the company.</p> <p>We have identified the Recoverability of investment in subsidiary as a key audit matter since that is based on forecasting and discounting cash flows, which are inherently judgemental.</p>	<p>Our audit procedures included,</p> <ul style="list-style-type: none"> Assessing the impairment indications of investments made in subsidiaries and assessing the reasonableness of the discounted cash flow models, principles and accuracy of the forecasts. Reviewing the Value in Use computations for investments with impairment indications and discussion with management of component. Assessing the adequacy of disclosures in the financial statements.



Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2599.

A handwritten signature in black ink, appearing to be 'K. M. M.', written over a light blue horizontal line.

CHARTERED ACCOUNTANTS

Colombo, Sri Lanka
3rd August 2018

INCOME STATEMENT

For the year ended 31st March	Note	Group		Company	
		2018	2017	2018	2017 Restated
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Revenue	5	939,230	593,861	-	-
Revenue taxes		(20,614)	(13,034)	-	-
Net revenue		918,616	580,827	-	-
Other income	6	11,990	2,222	23,973	152,473
Staff costs	7	(142,713)	(135,040)	(120)	(729)
Depreciation		(246,577)	(222,658)	(17)	(463)
Other operating expenses - direct	8	(171,040)	(131,982)	-	-
Other operating expenses - Indirect	9	(327,053)	(290,973)	(6,304)	(5,700)
Profit / (loss) from operations		43,223	(197,604)	17,532	145,581
Finance Income	10.1	8,149	499	-	-
Finance expense	10.2	(368,982)	(285,804)	-	-
Net financing income / (expense)		(360,833)	(285,305)	-	-
Profit/(loss) before taxation	11	(317,610)	(482,909)	17,532	145,581
Income tax expense	12	(1,483)	(91)	-	-
Profit/(loss) for the year attributable to the equity holders of the parent Company		(319,093)	(483,000)	17,532	145,581
Earnings/(loss) per share (Rs.) (Basic / diluted)	13	(2.46)	(3.73)	0.14	1.12

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March	Note	Group		Company	
		2018	2017	2018	2017 Restated
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Profit/(loss) for the year		(319,093)	(483,000)	17,532	145,581
Other Comprehensive Income					
Items that will never be reclassified to profit or loss					
Revaluation of property, plant and equipment		6,250	137,250	-	-
Actuarial gains/(losses) on defined benefit obligations	22.2	(388)	218	-	-
		5,862	137,468	-	-
Other comprehensive income for the year, net of tax		5,862	137,468	-	-
Total comprehensive income for the year, net of tax		(313,231)	(345,532)	17,532	145,581
Attributable to:					
Equity holders of the parent company		(313,231)	(345,532)	17,532	145,581
Non-controlling interests		-	-	-	-
		(313,231)	(345,532)	17,532	145,581

The Notes on pages 67 to 102 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

STATEMENT OF FINANCIAL POSITION

As at 31st March	Note	Group			Company	
		2018	2017	2018	2017	2016
		Rs. '000	Rs. '000	Rs. '000	Restated Rs. '000	Restated Rs. '000
ASSETS						
Non-Current Assets						
Property, plant and equipment	14	5,762,395	5,906,680	-	17	480
Investment Property	15	-	-	1,000,000	993,750	856,500
Investments in subsidiary	16	-	-	2,700,000	2,700,000	2,700,000
		5,762,395	5,906,680	3,700,000	3,693,767	3,556,980
Current Assets						
Inventories	17	30,180	22,429	-	-	-
Trade and other receivables	18	84,915	32,042	61,907	51,589	41,272
Deposits and prepayments		19,733	14,392	2,057	2,145	2,206
Amounts due from related companies	19	10,219	31,614	470	33,549	31,617
Cash and cash equivalents	20	128,747	42,124	35,156	392	6,205
		273,794	142,601	99,590	87,675	81,300
TOTAL ASSETS		6,036,189	6,049,281	3,799,590	3,781,442	3,638,280
EQUITY AND LIABILITIES						
Equity						
Stated capital	21.1	2,383,449	2,383,449	2,383,449	2,383,449	2,383,449
Revaluation reserve		984,307	978,057	840,807	840,807	840,807
General reserve		10,000	10,000	10,000	10,000	10,000
Retained earnings/(Accumulated losses)		(593,452)	(273,971)	562,321	544,789	399,208
Total equity attributable to						
Equity holders of the Company		2,784,304	3,097,535	3,796,577	3,779,045	3,633,464
Non-Current Liabilities						
Employee benefits	22	4,264	2,260	351	351	351
Interest bearing loans and borrowing	23.3	2,866,320	968,700	-	-	-
		2,870,584	970,960	351	351	351
Current Liabilities						
Trade & other payables	24	255,271	283,927	1,420	1,513	2,207
Amount due to related companies	25	15,054	1,457	1,225	516	2,204
Interest bearing loans and borrowings	23.3	62,880	1,598,970	-	-	-
Income tax payable		1,500	108	17	17	54
Bank overdraft		46,596	96,324	-	-	-
		381,301	1,980,786	2,662	2,046	4,465
TOTAL LIABILITIES		3,251,885	2,951,746	3,013	2,397	4,816
TOTAL EQUITY AND LIABILITIES		6,036,189	6,049,281	3,799,590	3,781,442	3,638,280

The above Statement of Financial Position is to be read in conjunction with Notes to the Financial Statements on pages 67 to 102.

I certify that the financial statements for the year ended 31st March, 2018 are in compliance with the requirements of the Companies Act No.07 of 2007.



D. G. P. Ekanayake
Asst. Vice President - Finance

The Board of Directors are responsible for the preparation and presentation of these financial statements.
Approved and Signed on behalf of the Board.



D.H.S. Jayawardena
Chairman

3rd August 2018.
Colombo.
Sri Lanka



J.M.S. Brito
Director

STATEMENT OF CHANGES IN EQUITY

Group	Attributable to the Equity Holders of the parent						
	Stated Capital	Revaluation Reserve	General Reserve	Retained Earnings/ (Accumulated losses)	Total	Non Controlling Interests	Total Equity
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1st April 2016	2,383,449	840,807	10,000	208,811	3,443,067	-	3,443,067
Net Loss for the year	-	-	-	(483,000)	(483,000)	-	(483,000)
Other comprehensive income	-	137,250	-	218	137,468	-	137,468
Total comprehensive income for the year	-	137,250	-	(482,782)	(345,532)	-	(345,532)
Balance as at 31st March 2017	2,383,449	978,057	10,000	(273,971)	3,097,535	-	3,097,535
Net Loss for the year	-	-	-	(319,093)	(319,093)	-	(319,093)
Other comprehensive income	-	6,250	-	(388)	5,862	-	5,862
Total comprehensive income for the year	-	6,250	-	(319,481)	(313,231)	-	(313,231)
Balance as at 31st March 2018	2,383,449	984,307	10,000	(593,452)	2,784,304	-	2,784,304
Company		Stated Capital	Revaluation Reserve	General Reserve	Retained Earnings		Total Equity
		Rs. '000	Rs. '000	Rs. '000	Rs. '000		Rs. '000
Balance as at 1st April 2016		2,383,449	840,807	10,000	357,937		3,592,193
Adjustments		-	-	-	41,271		41,271
Restated Balance as at 01 April 2016		2,383,449	840,807	10,000	399,208		3,633,464
Net Profit for the year		-	-	-	145,581		145,581
Other comprehensive income		-	-	-	-		-
Total comprehensive income for the year		-	-	-	145,581		145,581
Balance as at 31st March 2017		2,383,449	840,807	10,000	544,789		3,779,045
Net Profit for the year		-	-	-	17,532		17,532
Other comprehensive income		-	-	-	-		-
Total comprehensive income for the year		-	-	-	17,532		17,532
Balance as at 31st March 2018		2,383,449	840,807	10,000	562,321		3,796,577

The notes on pages 67 to 102 form an integral part of these financial statements.

Figures in brackets indicate deductions.

STATEMENT OF CASH FLOWS

For the year ended 31 st March	Group		Company	
	2018	2017	2018	2017
	Rs. '000	Rs. '000	Rs. '000	Restated Rs. '000
Profit/(Loss) before taxation	(317,610)	(482,909)	17,532	145,581
Adjustments for,				
Depreciation on property, plant and equipment	246,577	222,658	17	463
Fair value gain on investment property	-	-	(6,250)	(137,250)
Interest income	(8,149)	(499)	-	-
Interest expense	368,982	285,804	-	-
Provision for retiring benefit obligations	1,616	965	-	-
Profit on sale of property plant & equipment	(2,500)	-	(2,500)	-
Operating profit/(loss) before working capital changes	288,916	26,019	8,799	8,794
(Increase)/decrease in inventories	(7,751)	(19,925)	-	-
(Increase)/decrease in trade and other receivables	(52,873)	(32,042)	(10,318)	(10,318)
(Increase)/decrease in deposits and prepayments	(5,341)	(8,750)	88	61
(Increase)/decrease in amount due from related companies	21,395	(31,614)	-	-
Increase/(decrease) in trade and other payables	(28,656)	141,540	(93)	(693)
Increase/(decrease) in amount due to related companies	13,597	(1,646)	709	(1,688)
Cash generated / (used) from operations	229,287	73,582	(815)	(3,844)
Interest expense paid	(368,982)	(285,804)	-	-
Income tax paid	(91)	(36)	-	(36)
Retiring benefit obligation paid	-	-	-	-
Net cash flow from operating activities	(139,786)	(212,258)	(815)	(3,880)
Cash flows from investing activities				
Investment in Capital Work In Progress net of retention payable	-	(356,804)	-	-
Acquisition of property, plant & equipment	(96,042)	-	-	-
Proceed from disposal of property, plant and equipment	2,500	-	2,500	-
Settlement by Negombo Beach Resorts (Pvt) Ltd.	-	-	33,079	(1,933)
Interest Income Received	8,149	499	-	-
Net cash generated/(used) in investing activities	(85,393)	(356,305)	35,579	(1,933)
Cash flow from financing activities				
Proceeds from interest bearing loans and borrowings	1,400,000	503,558	-	-
Repayments from interest bearing loans and borrowings	(1,038,470)	(2,330)	-	-
Net cash generated/(used) in financing activities	361,530	501,228	-	-
Net increase/(decrease) in cash and cash equivalents	136,351	(67,335)	34,764	(5,813)
Cash and cash equivalents at the beginning of the year	(54,200)	13,135	392	6,205
Cash and cash equivalents at the end of the year	82,151	(54,200)	35,156	392
Analysis of cash and cash equivalents at the end of the year				
Cash at bank and in hand	128,747	42,124	35,156	392
Bank overdraft	(46,596)	(96,324)	-	-
	82,151	(54,200)	35,156	392

The Notes on pages 67 to 102 form an integral part of these Financial Statements.
 Figures in brackets indicate deductions.

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

1.1 Domicile and legal form

Browns Beach Hotels PLC, (the "Company") is a Public Limited Company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The registered office of the Company is located at No. 315, Vauxhall Street, Colombo 02 and the principal place of the business is at No.175, Lewis Place, Negombo.

The consolidated financial statements of the Company as at and for the year ended 31 March 2018 comprise the Company and its Subsidiary.

1.2 Principal activities and nature of operations

The principal activities of the company are that of an investment holding company and hoteliering, and the subsidiary company is also engaged in the business of hoteliering, and there has been no change in the nature of such activities during the year.

1.3 Parent entity and ultimate parent entity

The immediate parent of Browns Beach Hotels PLC is Melstacorp PLC and its ultimate Parent entity is Milford Exports Ceylon (Pvt) Limited.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The Consolidated financial statements of the Group and the separated financial statements of the Company which comprise of the Income Statement, Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and Notes thereto have been prepared in accordance with Sri Lanka Accounting Standards (herein referred to as SLFRSs/LKASs), laid down by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the requirement of the Companies Act No. 07 of 2007 and Sri Lanka Accounting and Auditing Standards Act No.15 of 1995. These Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting.

The Group did not adopt any inappropriate accounting treatment, which is not in compliance with the requirements of the SLFRSs and LKASs, regulations governing the preparation and presentation of the Financial Statements.

2.2 Responsibility for financial statements

The Board of Directors of the Company acknowledges their responsibility for the Financial Statements, as set out in the "Annual Report of the Board of Directors", "Statement of Directors' Responsibilities for Financial Statements" and the "certification on the Statement of Financial Position".

2.3 Reporting date

The financial statements of both companies in the Group are prepared for common financial year, which ends on 31 March.

2.4 Approval of financial statements

The financial statements of the Group and the Company for the year ended 31 March 2018 were approved and authorised for issue by the Board of Directors on 3rd August 2018.

2.5 Basis of measurement

The Consolidated financial statements have been prepared on the historical cost basis, except for the following material items stated in the statement of financial position.

Items	Basic of Measurement	Note Number
Land	Measured at cost at the time of acquisition and subsequently at revalued amounts which are the fair value at the date of revaluation.	Note 14.5
Retirement benefit obligations	Measure at present value of the defined benefit obligation.	Note 22

2.6 Functional and presentation currency

These financial statements are presented in Sri Lankan Rupees, which is the Group's functional currency. All financial information presented has been rounded to the nearest thousand unless indicated otherwise.

2.7 Use of Estimates and judgements

The preparation of the financial statements of the Group and the Company in conformity with SLFRSs / LKASs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported values of assets, liabilities, income and expenses, accompany

NOTES TO THE FINANCIAL STATEMENTS

disclosures (including contingent liabilities). Those which management has assessed to have the most significant effect on the amounts recognised in the consolidated financial statements have been discussed in the individual notes of the related financial statement line items. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making a judgment about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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 also described in the individual notes of the related financial statement line items below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

2.8 Materiality and aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard - LKAS 1 on 'Presentation of Financial Statements' and amendments to the LKAS 1 on 'Disclosure Initiative' which was effective from January 01, 2016.

Notes to the Financial Statements are presented in a systematic manner which ensures the understandability and comparability of Financial Statements of the Group and the Company. Understandability of the Financial Statements is not

compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

2.9 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position, only when there is a legally enforceable 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. Income and expenses are not offset in the income statement, unless required or permitted by Sri Lanka Accounting Standards and as specifically disclosed in the Significant Accounting Policies of the Group.

2.10 Going concern

The Directors have made an assessment of the Group's ability to continue as a going concern, and being satisfied that it has the resources to continue in business for the foreseeable future, confirm that they do not intend either to liquidate or to cease operations of any business unit of the Group. The financial statements are prepared on the going concern basis.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the financial statements by the Group and the Company.

3.1 Basis of consolidation

The group's financial statements comprise consolidation of the financial statements of the company and its subsidiary prepared in terms of Sri Lanka Accounting standard (SLFRS -10) - Consolidated Financial Statements.

3.1.1 Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

As per the requirements of Sri Lanka Accounting Standard (SLFRS 3) - Business Combinations. When the Group acquires a business it assesses the financial assets and liabilities assumed under classifications or designations on the basis of the contractual terms, economic conditions, its operating

or accounting policies and other pertinent conditions existing at the acquisition date, which is the date on which control is transferred to the Group. Control exists when the Company has the power, directly or indirectly to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable, and other contractual arrangements.

The Group measures goodwill at the acquisition date, as excess of the fair value of the consideration transferred, plus the recognised amount of any non-controlling interests in the acquiree, the fair value of the pre-existing interest in the acquiree if the business combination is achieved in stages, and the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, measured at the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in the income statement.

The goodwill arising on acquisition of subsidiaries is presented as an intangible asset.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity acquired exceed the cost of the acquisition of the entity, the surplus, which is a gain on bargain purchase is recognised immediately in the consolidated income statement.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

3.1.2 Subsidiary

Subsidiary is the entity that is controlled by the Group. Control is achieved when the Group is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The group controls an investee if and only if, the Group has

- * Power over the investee (ie; existing rights that give it the current ability to direct the relevant activities of the investee)
- * Exposure or rights to variable returns from its involvement with the investee
- * The ability to use its power over the investee to affect the amount of the investor's returns

When assessing control of an investee, an investor shall consider the purpose and design of the investee in order to identify the relevant activities, how decision about the relevant activities are made, who has the current ability to direct those activities and who receives returns from those activities.

When an investee's purpose and design are considered, it may be clear that an investee is controlled by means of equity instruments that give the holder proportionate voting rights, such as ordinary shares in the investee. In this case in the absence of any additional arrangements that alter decision making, the assessment of control focuses on which party, if any, is able to exercise voting rights sufficient to determine the investee's operating and financing policies. The investor that holds a majority of those voting rights, in the absence of any other factors, controls the investee.

Therefore Group considers all relevant facts and circumstances in assessing whether it has power over an investee including:

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- * The contractual arrangement with the other vote holders of the investee
- * Rights arising from other contractual arrangements
- * The Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the above.

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

3.1.3 Transaction eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of transactions. Monetary assets and liabilities denominated in foreign currency at the reporting date are retranslated to the functional currency at the exchange rate at reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured

at fair value are re-translated to reporting currency using the exchange rate that was prevailing on the date the fair value was determined. The resulting gains or losses on translations are dealt with in the income statement.

Foreign currency differences arising on retranslation are recognised in income statement, except for differences arising on the retranslation of available for sale equity investments which was recognized in other comprehensive income. Foreign currency gains and losses are reported on a net basis in the income statement.

3.3 Financial Instruments

Financial assets and financial liabilities are recognised when the Group/Company becomes a party to the contractual provisions of the instrument.

The classification of financial instruments at initial recognition is dependent on their purpose and characteristics and the management's intention in acquiring them.

Financial instruments are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets or financial liabilities other than financial instruments recognised as fair value through profit and loss, are added to or deducted from the fair value of the financial instruments. Transaction costs, which are insignificant are expensed immediately to the income statement.

3.3.1 Non-derivative financial assets

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets.

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group determines the classification of its financial assets at initial recognition.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the

contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets at fair value through profit or loss

A financial asset is recognised at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and make purchases and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which takes into account any dividend income, are recognised in income statement.

Financial assets at fair value through profit or loss comprise of its portfolio of investments in treasury bills and treasury bonds.

The Group has not classified any financial assets as fair value through profit or loss as of the reporting date and during the reporting period.

Held-to-maturity financial assets

If the Group has the positive intent and ability to hold debt securities until maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investment not closed to their maturity would result in the reclassification of all held-to-maturity investments as available for sale, and prevent the Group from

classifying investments securities as held-to-maturity for the current and the following two financial years.

The Group has not classified any financial assets as held-to-maturity of the reporting date and during the reporting period.

Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest rate method (EIR) less any impairment losses.

Loans and receivables comprise cash and cash equivalents, trade and other receivables.

Available for sale financial assets

Available for sale financial assets are non derivative financial assets that are designated as available for sale or are not classified in any of the previous categories. The Group investments in equity securities and certain debt securities are classified as available for sale financial assets.

Available for sale financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available for sale debt instruments are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised the gain or loss accumulated in equity is reclassified to income statement.

The Group recognizes listed and unlisted equity investments that are not held for trading purposes as available for sale financial assets

3.3.2 Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that is impaired. A financial asset is impaired if, there is objective evidence as a result of one or more events that has occurred after the initial recognition of the financial asset (an incurred 'loss event') and the

NOTES TO THE FINANCIAL STATEMENTS

estimated future cash flows of the investment have been affected.

Loan & Receivables

The objective evidence of impairment of loans & receivables could include; significant financial difficulty of the issuer or counter party, breach of contract such as default in interest or principal payments, or it becomes probable that the borrower will enter bankruptcy or financial reorganization.

The Group considers impairment of trade receivables at both a specific significant individual debtor level and collectively. Any Group company which has any individually significant debtors assesses them for specific impairment. All individually insignificant debtors that are not specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified by grouping together based on similar risk characteristics. In assessing collective impairment the Group uses historical trends of the probability of default, the timing of recoveries, the amount of loss incurred and adjusted for the management's judgment. The carrying amount of the trade receivables is reduced through the use of the bad debt provision account and the amount of the loss is recognised in the income statement. If there is no realistic prospect of future recovery of a debt, the amount is written off.

An impairment loss in respect of other financial assets measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the income statement to the extent that the carrying amount of the financial asset at the date the impairment is reversed, does not exceed what the amortised cost would have been had the impairment not been recognized.

3.3.3 Non- derivative financial liabilities

The Group initially recognises subordinated liabilities and debt securities issued on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the date at which the

group becomes a party to the contractual provisions of the instrument.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit loss.

Gains or losses on liabilities held for trading are recognised in the income statement.

The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Other financial liabilities

All financial liabilities other than those at fair value through profit or loss are classified as other financial liabilities. All other financial liabilities are recognized initially at fair value plus directly attributable transaction costs. Subsequent to initial recognition these financial liabilities re measured at amortised cost using effective interest rate method. The financial liabilities include trade and other payables, loan and borrowings and bank overdrafts.

3.3.4 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated 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.

3.3.5 Fair value of financial instruments

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.

3.4 Stated capital

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

3.5 Property, plant and equipment

3.5.1 Recognition and measurement

Items of property, plant and equipment other than land, are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to working condition for its intended use and borrowing costs if the recognition criteria is met. This also includes costs dismantling and removing the items and restoring the site on which they are located.

All items of property plant and equipment are recognized initially at cost.

The Group recognised land owned by it in the statement of financial position at their revalued amount. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of reporting period. If the fair value of the land does not change other than by insignificant amount at reporting period the group will revalue such land every 5 years.

Any surplus arising on the revaluation is recognized in other comprehensive income except to the extent that the surplus reverses a previous revaluation deficit on the same asset recognized in income statement, in which case the credit to that extent is recognized in income statement. Any deficit on revaluation is recognized in income statement except to the extent that it reverses a previous revaluation surplus on the same asset, in which case the debit to that extent is recognized in other comprehensive income. Therefore, revaluation increases and decreases cannot be offset, even within a class of assets.

External, independent qualified valuers having appropriate experience in valuing properties in locations of properties being valued, value the land owned by the Group based on market values, this 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.

Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to Retained earning and is not taken into account in arriving at the gain or loss on disposal. The details of land valuation are disclosed in note 14.5 to the financial statements.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property plant and equipment and depreciated separately based on their useful life.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal of with the carrying amount of property, plant and equipment and are recognized net within other income in income statement.

3.5.2 Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied with the item will flow to the Group, and the cost of the item can be measured reliably. The costs of the day-to-day servicing and any other costs are recognised in the income statement as incurred.

3.5.3 Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in the income statement on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment. Depreciation is provided proportionately in the year of purchase and in the year of disposal of the asset. Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale or on the date that the asset is disposed. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonable certain that Group will obtain ownership by the end of the lease term.

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The estimated useful lives are as follows:

Buildings	08-50 years
Plant & Machinery	10-20 years
Kitchen Equipment	20 years
Office Equipment	10-20 years
Sports Equipment	05-10 years
Motor Vehicles	04-06 years
Swimming Pool Equipment	15-30 years
Furniture & Fittings	10-20 years
Crockery, Cutlery & Glassware	03-05 years
Soft Furnishing	05-10 years

Depreciation is not provided on land and assets under construction.

The depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

3.6 Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. The owner occupied property acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses if any.

3.7 Intangible assets

3.7.1 Computer Software

All computer software cost incurred, licensed for use by the Group, which does not form an integral part of related hardware and which can be clearly identified, reliably measured and it is probable that they will lead to future economic benefits are included under intangible assets and carried at cost less accumulated amortization and any accumulated impairment losses.

Subsequent measurement

Expenditure incurred on software is capitalized only when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standards of performance and this expenditure can be measured and attributed to the asset reliably.

Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognized in the income statement on a straight line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are three years.

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate

3.7.2 Website costs

Costs incurred on development of websites are capitalized when the entity is satisfied that the web site will generate probable economic benefits in the future. The estimated useful lives for the current and comparative periods are three years.

3.8 Investment properties

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of the business, use in the production or supply of goods or services or administrative purpose. Investment properties are initially measured at its cost including related transaction costs and subsequently at fair value with any change therein recognized in profit or loss.

3.9 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on a weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses, based on normal operating capacity.

3.10 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and short term deposits with original maturity of three months or less. Bank overdrafts are shown within borrowings in current liabilities. For purpose of Cash flow Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as components of cash and cash equivalent.

3.11 Liabilities and Provisions

3.11.1 Liabilities

Liabilities classified as current liabilities on the statement of financial position are those which fall due for payment on demand or within one year from the reporting date. Non-current liabilities are those balances payable after one year from the reporting date.

All known liabilities are accounted for in the statement of financial position.

3.11.2 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflect current market assessments of the time value of money and the risks specific to the liability. The unwinding of discount is recognised as finance cost.

3.12 Employee Benefits

3.12.1 Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions to a separate entity and will have no legal or constructive obligations to pay further amounts. All employees of the Company are members of the Employees' Provident Fund and Employees' Trust Fund, to which their employers contribute 12% and 3% respectively of such employees' basic or consolidated wage or salary, cost of living and all other allowances. Obligations for contributions to defined benefit plans, EPF & ETF, are recognised as an employee benefit expense in income statement in the periods during which services are rendered by employees.

3.12.2 Defined Benefit Plans - Retiring gratuities

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. 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 annually 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.

The defined benefit plan is valued by a professionally qualified external actuary.

Provision has been made in the financial statements for retiring gratuities from the first year of service for all employees.

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.

The Group recognises all actuarial gains and losses arising from defined benefit plans in other comprehensive income and all expenses related to defined benefit plans in staff costs in income statement.

3.12.3 Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service rendered by the employee and the obligation can be measured reliably.

3.13 Revenue

Group revenue represents sales to customers outside the Group and excludes Value Added Tax. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless

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of when the payment is being received. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts, Value Added Taxes and intra-group revenue. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

The following specific criteria are used for the purpose of recognition of revenue:

- Apartment revenue is recognised for the room occupied on a daily basis, whilst food and beverage sales are accounted for at the time of sale. All revenues are recognised on an accrual basis and matched with the related expenditure.
- Dividend income is recognised in income statement when the right to receive dividends is established.
- Interest income is recognised as it accrues. Interest income is included under finance income in the income statement.

3.14 Expenses

All expenditure incurred in the running of the business and in maintaining the property, plant & equipment in a state of efficiency has been charged to income statement in arriving at the profit for the year.

3.15 Financing income/(expenses)

Finance income comprises interest income on funds invested, including the income from investment categorized under available for sale financial assets.

Gains on the disposal of interest generating investment classified under available for sale financial assets is recognised under finance income.

Interest income is recognised as it accrues in income statement, using the effective interest method.

Finance expenses comprise interest expense on borrowings, preference dividends of preference shares classified as debt and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in income statement using the effective interest method. However, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of the asset.

Foreign currency gains and losses are reported on a net basis.

3.16 Income tax expenses

Income tax expense comprises both current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case is recognised in equity or other comprehensive income or statement of changes in equity in which case it is recognised directly in the respective statements.

3.16.1 Current taxes

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Taxation for the current and previous periods to the extent unpaid is recognised as a liability in the financial statements. When the amount of taxation already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset in the financial statements.

Provision for current tax for companies has been computed in accordance with the Inland Revenue Act No. 10 of 2006 and section 17A of BOI Law No.04 of 1978 amendments thereto.

3.16.2 Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for temporary differences arising on initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits and differences relating to investment in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities recognised by individual companies within the Group are disclosed separately as assets and liabilities in the Group statement of financial position and are not offset against each other.

3.17 Economic Service Charge (ESC)

As per the provisions of the Economic Service Charge Act No. 13 of 2006, ESC is payable on the liable turnover at specified rates. ESC is deductible from the income tax liability. Any unclaimed liability can be carried forward and set off against the income tax payable as per the relevant provisions in the Act.

3.18 Statement cash flow

The statement of Cash Flows has been prepared using "indirect method" of preparing cash flows in accordance with the Sri Lanka Accounting standard - LKAS 7 on "Statement of Cash Flow", whereby operating activities, investing activities and financing activities are separately recognized.

3.19 Capital commitments and contingencies

Contingencies are possible assets or obligations that arise from a past event and would be confirmed only on the occurrence or non occurrence of uncertain future events, which are beyond the Group's control. Capital commitments and contingent liabilities of the Company are disclosed in notes 30 and 32 to the financial statements.

3.20 Events occurring after the reporting period

All material events after the reporting date have been considered and where appropriate adjustment to or disclosures have been made in the financial statements.

3.21 Earnings/(deficit) per share (EPS)

The Group presents basic and diluted earnings/(deficit) per share for its ordinary shares. Basic earnings/(deficit) per share is calculated by dividing the profit or loss attributable to ordinary shareholders

of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.22 Determination of fair values

Fair value of financial assets

A number of the Group's accounting policies and disclosures require the determination of fair values, for both financial and non-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.

When measuring fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

- Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 inputs are inputs that are not based on observable market data (unobservable inputs).

If inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Fair values have been determined for measurement and disclosure purposes based on the following methods. Where applicable further information about the assumptions made in determining fair value is disclosed in the notes specific to that asset or liability.

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Fair value of non-financial assets

The fair value used by the Group in the measurement of non-financial assets is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market that is accessible by the Group for the asset or liability.

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

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

4 New Accounting Standards issued but not effective as at the reporting date

The Institute of Chartered Accountants of Sri Lanka has issued the following standards which become effective for annual periods beginning after the current financial year. Accordingly these standards have not been applied in preparing these financial statements and the Group plans to apply these standards on the respective effective dates. The Group is currently in the process of evaluating the potential effect of adoption of these standards and amendments on its financial statements. Such impact has not been quantified as at the balance sheet date.

4.1 SLFRS 9 - Financial Instruments - effective for annual periods beginning on or after 1 January 2018

The final version of SLFRS 9 Financial Instruments that replaces LKAS 39 Financial Instruments: Recognition and Measurement and all previous versions of SLFRS 9. SLFRS 9 brings together all three aspects of the accounting for the financial instruments project: classification and measurement; impairment; and

hedge accounting. SLFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions

The Group plans to adopt the new standard on the required effective date. During 2016/17, the Group has performed a high-level impact assessment of all three aspects of SLFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group expects no significant impact to its income statement or statement of financial position due to this standard.

4.2 SLFRS 15 - Revenue from Contracts with Customers- effective for annual periods beginning on or after 1 January 2018

SLFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under SLFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under SLFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. During 2016/17, the Group performed a preliminary assessment of SLFRS 15, which is subject to changes arising from a more detailed ongoing analysis.

4.3 SLFRS 16 - Leases - effective for annual periods beginning on or after 1 of January 2019

SLFRS 16 replaces LKAS 17 Leases and related interpretations (IFRIC 4 Determining whether an arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease). SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account

for all leases under a single on-balance sheet model similar to the accounting for finance leases under LKAS 17. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right of use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under SLFRS 16 is substantially unchanged from the current requirements under LKAS 17. Lessors will continue to classify all leases using the same classification principle as in LKAS 17 and distinguish between two types of leases: operating and finance leases.

SLFRS 16 also requires lessees and lessors to make more extensive disclosures than under LKAS 17.

SLFRS 16 is effective for annual periods beginning on or after 1st January 2019. Early application is permitted, but not before an entity applies SLFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is currently in the process of assessing the potential effect of SLFRS 16 on its consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

5 REVENUE

	Group		Company	
	2017/2018	2016/2017	2017/2018	2016/2017
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Apartment	563,942	326,267	-	-
Restaurant	258,019	176,501	-	-
Bar	59,573	38,553	-	-
Tobacco Income	731	505	-	-
Banquets	42,472	43,375	-	-
Laundry and Others	14,493	8,660	-	-
	939,230	593,861	-	-

6 OTHER INCOME

	Group		Company	
	2017/2018	2016/2017	2017/2018	2016/2017
	Rs. '000	Rs. '000	Rs. '000	Restated Rs. '000
Lease land rental	-	-	15,223	15,223
Gain from changes in fair value of investment property (Note 15)	-	-	6,250	137,250
Sundry income	800	481	-	-
Net of foreign exchange gain	8,690	1,741	-	-
Profit on sale of property, plant and equipment	2,500	-	2,500	-
	11,990	2,222	23,973	152,473

7 STAFF COSTS

	Group		Company	
	2017/2018	2016/2017	2017/2018	2016/2017
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Salaries and wages	91,527	86,358	-	635
Defined contribution plan cost - EPF and ETF	13,616	10,540	-	-
Defined benefit plan cost - Retirement benefit (Note 22.3)	1,616	965	-	-
Other Payroll related expenses	35,954	37,177	120	94
	142,713	135,040	120	729

8 OTHER OPERATING EXPENSES - DIRECT

	Group		Company	
	2017/2018	2016/2017	2017/2018	2016/2017
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Apartment	30,001	19,654	-	-
Restaurant	116,586	97,017	-	-
Bar	20,868	12,986	-	-
Banquet	2,053	1,707	-	-
Laundry & other costs	1,532	618	-	-
	171,040	131,982	-	-

Direct operating expenses disclosed in the income statement refers to the cost of material and services other than staff cost, which are directly related to revenue.

9 OTHER OPERATING EXPENSES - INDIRECT

	Group		Company	
	2017/2018 Rs. '000	2016/2017 Rs. '000	2017/2018 Rs. '000	2016/2017 Rs. '000
Administration and establishment	136,402	119,491	6,304	5,700
Repairs and maintenance expenses	22,485	4,846	-	-
Energy cost	99,148	104,264	-	-
Selling and marketing expenses	69,018	62,372	-	-
	327,053	290,973	6,304	5,700

10 NET FINANCE INCOME /(EXPENSE)

10.1 Finance Income

	Group		Company	
	2017/2018 Rs. '000	2016/2017 Rs. '000	2017/2018 Rs. '000	2016/2017 Rs. '000
Interest income	8,149	499	-	-
	8,149	499	-	-

10.2 Finance Expense

	Group		Company	
	2017/2018 Rs. '000	2016/2017 Rs. '000	2017/2018 Rs. '000	2016/2017 Rs. '000
Interest expense	368,982	285,804	-	-
	368,982	285,804	-	-
Net finance income /(expense)	360,833	285,305	-	-

11 PROFIT / (LOSS) BEFORE TAXATION

Profit/(loss) before taxation is stated after charging all expenses including the following:

	Group		Company	
	2017/2018 Rs. '000	2016/2017 Rs. '000	2017/2018 Rs. '000	2016/2017 Rs. '000
Auditors remuneration				
- Audit	454	425	184	175
- Non Audit	599	486	160	148
Depreciation of property, plant and equipment	246,577	222,658	17	463
Legal fees	330	94	64	52

Non audit fee consist of tax consultancy fee and computation of self assessment and filling returns. The above service is provided by KPMG tax advisory.

NOTES TO THE FINANCIAL STATEMENTS

12 INCOME TAX EXPENSE

	Group		Company	
	2017/2018 Rs. '000	2016/2017 Rs. '000	2017/2018 Rs. '000	2016/2017 Rs. '000
Current Tax				
Taxation on current year profit (Note 12.2)	1,483	91	-	-
Under provision in respect of previous year	-	-	-	-
	1,483	91	-	-

12.1 Taxation on profits

The business profit and income of the company arising from leasing out land, is liable for income tax at standard rate of 28% as per Inland Revenue Act No. 10 of 2006

The business profits of Negombo Beach Resorts (Pvt) Ltd, would be exempt from income tax under section 17A of Inland Revenue (amendment) Act No. 08 of 2012 for a period of 12 years from either the first year the company makes profits or not later than two years from the commencement of commercial operations.

12.2 Reconciliation of the accounting profit and to Income Tax Expense

	Group		Company	
	2017/2018 Rs. '000	2016/2017 Rs. '000	2017/2018 Rs. '000	2016/2017 Rs. '000
Profit/(loss) before taxation	(317,610)	(482,909)	17,532	145,581
Income not liable for taxation	(10,649)	(499)	(19,067)	(147,567)
Aggregate disallowed expenses	275,919	239,123	17	463
Aggregate allowable expenses	(864,067)	(780,767)	-	(53)
Statutory income /(loss) from business	(916,407)	(1,025,052)	(1,518)	(1,576)
Taxable income from the business	-	-	-	-
Non business income	8,149	499	-	-
Tax loss utilised during the year	(2,852)	(175)	-	-
Taxable income	5,297	324	-	-
Income tax @ 28%	1,483	91	-	-
Current year tax	1,483	91	-	-

12.3 Reconciliation of tax loss

Tax loss brought forward	1,024,877	-	1,576	-
Tax loss for the year	916,407	1,025,052	1,518	1,576
Tax loss utilised during the year	(2,852)	(175)	-	-
Tax loss carried forward	1,938,432	1,024,877	3,094	1,576

12.4 Deferred Tax

A deferred tax asset has not been recognised in respect of tax losses carried forward and other temporary differences as it is currently not possible that future taxable profits will be available against which the Company can utilise the benefits thereon.

13 EARNINGS / (LOSS) PER SHARE

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

The following reflects the income and share data used in the basic earnings / (loss) per share computations.

	Group		Company	
	2017/2018	2016/2017	2017/2018	2016/2017 Restated
Net Profit / (loss) attributable to ordinary shareholders of the parent (Rs.)	(319,093,284)	(483,000,126)	17,532,146	145,581,032
Weighted average number of ordinary shares in issue	129,600,000	129,600,000	129,600,000	129,600,000
Earnings / (loss) per share (Rs.)	(2.46)	(3.73)	0.14	1.12

There were no potentially dilutive ordinary shares at any time during the year, hence diluted earnings per share is equal to the basic earnings per share.

NOTES TO THE FINANCIAL STATEMENTS

14 Property, Plant & Equipment

14.1 Group

Group	Freehold Land	Buildings	Plant, Machinery and Office Equipment	Furniture and Fittings	Crockery, Cutlery & Linen	Motor Vehicles	Capital Work-in progress	Total 31.03.2018	Total 31.03.2017
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost/Valuation									
Balance as at 01st April 2017	993,750	3,522,149	1,186,628	166,399	98,468	4,905	162,463	6,134,762	5,640,708
Additions	-	2,607	37,592	13,480	30,063	12,300	-	96,042	356,804
Surplus on Revaluation	6,250	-	-	-	-	-	-	6,250	137,250
Disposals	-	-	-	-	-	(4,905)	-	(4,905)	-
Transfers	-	105,548	56,915	-	-	-	(162,463)	-	-
Balance as at 31st March 2018	1,000,000	3,630,304	1,281,135	179,879	128,531	12,300	-	6,232,149	6,134,762
Accumulated Depreciation									
Balance as at 01st April 2017	-	116,942	72,404	11,323	22,508	4,905	-	228,082	5,424
Disposals	-	-	-	-	-	(4,905)	-	(4,905)	-
Charge for the year	-	123,055	78,906	12,129	31,650	837	-	246,577	222,658
Balance as at 31st March 2018	-	239,997	151,310	23,452	54,158	837	-	469,754	228,082
Carrying Value									
As at 31st March 2018	1,000,000	3,390,307	1,129,825	156,427	74,373	11,463	-	5,762,395	-
As at 31st March 2017	993,750	3,405,207	1,114,224	155,076	75,960	-	162,463	-	5,906,680

14.2 Company

	Plant, Machinery and Office Equipment	Furniture and Fittings	Motor Vehicles	Soft furnishing Cutlery, Crockery & Glassware	Total 31.03.2018	Total 31.03.2017 Restated	Total 31.03.2016 Restated
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost/ Valuation							
Balance as at 01st April 2017	-	927	72	4,905	-	5,904	5,904
Additions	-	-	-	-	-	-	-
Disposals	-	-	-	(4,905)	-	(4,905)	-
Balance as at 31st March 2018	-	927	72	-	-	999	5,904
Accumulated Depreciation							
Balance as at 01st April 2017	-	911	71	4,905	-	5,887	5,424
Charge for the year	-	16	1	-	-	17	463
Disposals	-	-	-	(4,905)	-	(4,905)	-
Balance as at 31st March 2018	-	927	72	-	-	999	5,887
Carrying Value							
As at 31st March 2018	-	-	-	-	-	-	-
As at 31 March 2017 - Restated	-	16	1	-	-	-	17
As at 31 March 2016 - Restated	-	68	5	407	-	-	480

- 14.3** The gross carrying amount of fully depreciated property, plant and equipment that is still in use for the Group and Company as at 31st March 2018 - is Rs.997,347/- (2017-Rs. 589,902/-).

The total interest cost capitalised to date under property plant and equipment amounts to Rs. 113,236,213/-.

Property plant and equipment that are pledged for long term borrowings are disclosed in Note 23.1 to the Financial Statements.

Capital work in progress represents the amount of expenditure recognised under property, plant and equipment during the construction of capital assets.

14.4 Impairment of property plant and equipment

There is no permanent fall in value of property plant and equipment which require a provision for impairment.

14.5 Revaluation details of land

- 14.5.1** Freehold Land at No.175, Lewis Place, Negombo of Browns Beach Hotel PLC was revalued by Mr.K.C.B.Condegama, (A.I.V. Sri Lanka) an independent professional valuer on 30th September 2017 on " Current Fair Market Value" basis.

- 14.5.2** The carrying value of freehold land if they were carried at cost is as follows:

Company	Location	Last revalued Date	Land extent perches	Carrying value Rs. '000	Land revaluation surplus Rs. '000	Carrying amount as at cost as at 31.03.2018 Rs. '000
Browns Beach Hotels PLC	No. 175 Lewis Place, Negombo	30/09/2017	1027.73	1,000,000	984,307	15,693

- 14.5.3** The freehold and leasehold land of the Company was leased out to the subsidiary Company for the construction of the new Hotel. A lease agreement has been executed between the Companies for 99 years for an annual lease rent of Rs. 4,905,000/-. The lease rent shall be increased by 50% annually every five years for the first 20 years and remain unchanged subsequently.

- 14.5.4** The Hotel complex consist three buildings and, Swimming pool. The floor area and survey details as follows,
- Main Hotel Building -Basement, Ground and + 4 floors - Total Floor area 20,204 Sq.m - Survey Plan No. 3692
 - Banyan Tree Building Ground and +1 Floor - Total floor area 1196.6 Sq.m - Survey Plan No. 3692
 - Pump house Building - Ground and +1 Floor Total Floor area - 310.60 Sq.m Survey Plan No. 3693
 - Swimming total floor area 21,711.2 Sq.m - Survey Plan No 3692

14.6 Leasehold Land

- 14.6.1** Part of the land of Browns Beach Hotels PLC has been acquired on a 30 year lease from the Government of Sri Lanka until the year 2030. (Extent 216.7 perches). This is classified as an operational lease.

A sum of LKR 2,160,000 has been charged to the Income statement for 2017/18 on account of annual lease rent for this property.

NOTES TO THE FINANCIAL STATEMENTS

14.6.2 Unexpired Lease period of Leasehold Land	31.03.2018 12 years	31.03.2017 13 years
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14.6.3 Lease Commitments

	31.03.2018	31.03.2017
Lease Rental payable within one year	2,160,000	2,160,000
Lease Rental payable within one to five years	15,120,000	14,040,000
Lease Rental payable after five years	27,540,000	30,780,000

15 INVESTMENT PROPERTY

	31.03.2018 Rs,'000	Company 31.03.2017 Restated Rs,'000	31.03.2016 Restated Rs,'000
Balance at the beginning of the year	993,750	856,500	856,500
Change in fair value	6,250	137,250	-
Balance at the end of the year	1,000,000	993,750	856,500

16 INVESTMENT IN SUBSIDIARY

Name of the Subsidiary	Principal Activity	Group Holding %
Negombo Beach Resorts (Pvt) Ltd	Own and Operate Tourist Resort	100

	31.03.2018		31.03.2017	
	No of Shares	Rs	No of Shares	Rs
Ordinary Shares				
Balance at beginning of the year	270,000,001	2,700,000,010	270,000,001	2,700,000,010
Investment during the year	-	-	-	-
Balance at end of the year	270,000,001	2,700,000,010	270,000,001	2,700,000,010

17 INVENTORIES

	Group		Company	
	31.03.2018 Rs. '000	31.03.2017 Rs. '000	31.03.2018 Rs. '000	31.03.2017 Rs. '000
Food	8,605	5,281	-	-
Beverage	9,761	8,384	-	-
House Keeping & General	8,255	6,115	-	-
Printing & Stationery	1,235	845	-	-
Gas & Fuel	2,324	1,804	-	-
	30,180	22,429	-	-

There were no inventories pledged as security for bank facilities as at 31st March, 2018.

18 TRADE AND OTHER RECEIVABLES

18.1

	Group		Company		
	31.03.2018	31.03.2017	31.03.2018	31.03.2017	31.03.2016
	Rs. '000	Rs. '000	Rs. '000	Restated Rs. '000	Restated Rs. '000
Trade receivables	79,571	32,042	-	-	-
Impairment	-	-	-	-	-
Tax receivables	3,909	-	-	-	-
Other receivables	1,435	-	61,907	51,589	41,272
	84,915	32,042	61,907	51,589	41,272

18.2 No loans were given to employees of the Company/Group.

18.3 No loans have been given to Directors of the Company/Group.

19 AMOUNT DUE FROM RELATED COMPANIES

	Group		Company	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Aitken Spence PLC	-	2,452	-	-
Aitken Spence Hotel Management (Pvt) Ltd	2,096	16,566	-	-
Negombo Beach Resorts (Pvt) Ltd	-	-	470	33,549
Aitken Spence Travels Ltd	7,880	12,596	-	-
DBS Logistics Ltd	93	-	-	-
Elevators (Pvt) Ltd	124	-	-	-
Hethersett Hotels Ltd	26	-	-	-
	10,219	31,614	470	33,549

20 CASH AND CASH EQUIVALENTS

	Group		Company	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash at bank and in hand	48,747	42,124	35,156	392
Term deposits	80,000	-	-	-
	128,747	42,124	35,156	392

NOTES TO THE FINANCIAL STATEMENTS

20.1 For the purpose of the statement of cash flows, cash and cash equivalents comprise the following;

	Group		Company	
	31.03.2018 Rs. '000	31.03.2017 Rs. '000	31.03.2018 Rs. '000	31.03.2017 Rs. '000
Cash at bank and in hand	48,747	42,124	35,156	392
Term deposits	80,000	-	-	-
Bank Overdraft	(46,596)	(96,324)	-	-
Cash and cash equivalents as in the statement of cash flows	82,151	(54,200)	35,156	392

21 STATED CAPITAL AND RESERVES

21.1 Stated Capital

	Group		Company	
	31.03.2018 Rs. '000	31.03.2017 Rs. '000	31.03.2018 Rs. '000	31.03.2017 Rs. '000
Issued and fully paid ordinary share capital				
Balance at the beginning of the year	2,383,449	2,383,449	2,383,449	2,383,449
Share issues during the year	-	-	-	-
Balance at the end of the year	2,383,449	2,383,449	2,383,449	2,383,449
Number of shares	129,600,000	129,600,000	129,600,000	129,600,000

The holders of ordinary share are entitled to receive dividends as declared from time to time and are entitled to one vote per individual present at the meeting of shareholders or one vote per share in case of a poll.

21.2 Reserves

Revaluation reserve

The revaluation comprises of the gain arisen from the revaluation of land. The reserve is realised upon the derecognition of the revalued land.

General reserve

The general reserve relates to the amount the group has reserved over the years from its earnings.

22 EMPLOYEE BENEFITS

22.1 Retirement Benefit obligations

	Group		Company	
	31.03.2018 Rs. '000	31.03.2017 Rs. '000	31.03.2018 Rs. '000	31.03.2017 Rs. '000
Present value of unfunded obligations	4,264	2,260	351	351
Recognised liability for defined benefit obligations	4,264	2,260	351	351

22.2 Movement in present value of the defined benefit obligations

	Group		Company	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Defined benefit obligations at the beginning of the year	2,260	1,513	351	351
Recognised in the income statement	1,616	965	-	-
Recognised in other comprehensive income	388	(218)	-	-
Benefits paid	-	-	-	-
Defined benefit obligations at the end of the year	4,264	2,260	351	351

22.3 Expenses recognised in comprehensive Income

	Group		Company	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Recognised in the income statement				
Current service cost	1,377	838	-	-
Interest cost	239	127	-	-
	1,616	965	-	-
Recognised in other comprehensive income				
Net actuarial (gains)/losses	388	(218)	-	-
	388	(218)	-	-

22.4 Sensitivity Analysis

The following table demonstrate the sensitivity to a reasonable possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement, in respect of the year 2017/18.

The sensitivity of the comprehensive income statement and statement of financial position is the effect of the assumed changes in discount rate and salary increment rate on the profit or loss for the year and employment benefit obligations as at 31st March 2018.

	Effect on comprehensive income (reduction)/increase Rs. '000	Effect on retirement benefit liability (reduction)/increase Rs. '000
Increase /(decrease) in discount rate		
+1%	409	(409)
-1%	(480)	480
Increase /(decrease) in salary escalation rate		
+1%	(504)	504
-1 %	435	(435)

NOTES TO THE FINANCIAL STATEMENTS

22.5 The principal actuarial assumptions used in determining the liability were:

- (i) Discount rate of 10.5% (2016/17 -12.5%)
- (ii) Salary increment rate - 7.5% - 11% (2016/17 - 7.5% - 11%)
- (iii) Retirement age of 55 years.
- (iv) The Company will continue in business as a going concern.
- (v) Staff turnover rates at each age category

	2017/18	2016/17
- 20 years	0.07	0.07
- 25 years	0.05	0.05
- 30 years	0.05	0.05
- 35 years	0.04	0.04
- 40 years	0.03	0.03
- Above 40 years	0.00	0.00
	0.00	0.00

22.6 The actuarial valuation was made on 31st March 2018. It is proposed that a valuation is obtained every year.

22.7 The liability is not externally funded.

22.8 The actuarial valuation was carried out by professionally qualified actuaries, Mr. Poopalanathan of M/s Actuarial Management Consultants (Pvt) Ltd using projected unit credit (PUC) method.

23 INTEREST BEARING BORROWINGS

23.1 Analysed by Lending Institution

	Group		Company	
	31.03.2018 Rs. '000	31.03.2017 Rs. '000	31.03.2018 Rs. '000	31.03.2017 Rs. '000
Lending Institution				
Hatton National Bank PLC Term Loan 1	968,700	997,670	-	-
Hatton National Bank PLC - Term Loan 2	560,500	1,570,000	-	-
Melstacorp PLC - Shareholder Loan	657,112	-	-	-
Aitken Spence Hotel Holdings PLC - Shareholder Loan	588,752	-	-	-
Stassen Exports (Pvt) Ltd - Shareholder Loan	154,136	-	-	-
	2,929,200	2,567,670	-	-

Borrowing terms

Term Loan 1

Rs.1 Billion Term Loan repayable in 120 monthly installements commencing from March 2017, Company's Freehold Land and Building of the Hotel has been mortgaged as Security. Interest linked to AWPLR+1%.

Term Loan 2

Rs.1.70 Billion Bridging Loan facility settled in full by 31st August 2017.

Term Loan Rs. 570Mn Obtained and Repayable in 120 monthly installments, Company's Freehold Land and Building of the Hotel has been mortgaged as Security. Interest linked to AWPLR+1%.

Shareholder Loans - Melstacorp PLC, Aitken Spence Hotel Holdings PLC and Stassen Exports (Pvt) Ltd

Shareholder Loans are Repayable in 7 years with a grace period of two years. Interest linked to AWPLR+1%. No security provided. Date of loan disbursement was 24th July 2017.

23.2 Movement of Interest bearing borrowings

	Group		Company	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01st April	2,567,670	2,066,442	-	-
Loan obtained during the year	1,400,000	503,558	-	-
Capital repayments during the year	(1,038,470)	(2,330)	-	-
Balance as at 31st March	2,929,200	2,567,670	-	-

23.3 Analysis by Capital repayment period

	Group		Company	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Current Liabilities				
Payable with in one year	62,880	1,598,970	-	-
	62,880	1,598,970	-	-
Non Current Liabilities				
Payable between one to five year	775,790	326,820	-	-
Payable after five year	2,090,530	641,880	-	-
	2,866,320	968,700	-	-

24 TRADE AND OTHER PAYABLES

	Group		Company	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Trade Creditors	29,039	55,755	-	-
Reservation Advance Received from Customers	10,135	54,736	-	-
Retention payable	95,446	109,502	-	-
Other payables and accrued expenses	120,651	63,934	1,420	1,513
	255,271	283,927	1,420	1,513

25 AMOUNT DUE TO RELATED COMPANIES

	Group		Company	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Aitken Spence Hotel Managements (Pvt) Ltd.	5,851	516	516	516
Aitken Spence PLC	1,253	-	709	-
Kandalama Hotels (Pvt) Ltd.	43	-	-	-
Stassen Exports (Pvt) Ltd.	7,826	-	-	-
Elpitiya Plantations PLC	81	941	-	-
	15,054	1,457	1,225	516

NOTES TO THE FINANCIAL STATEMENTS

26 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are measured on an ongoing basis at either fair value or amortised cost. The following table analyses the carrying amount of financial assets and liabilities by category as defined in LKAS 39- Financial Instruments: Recognition and measurement under headings reported in the statement of financial position.

Group 2017/18					
		Financial Assets Available for Sale	Financial Assets Loans and Receivables	Other Financial Liabilities	Total
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets					
Trade and other receivables	18	-	81,006	-	81,006
Amount due from related parties	19	-	10,219	-	10,219
Cash and cash equivalents	20	-	128,747	-	128,747
Total financial assets		-	219,972	-	219,972
Total non-current		-	-	-	-
Total current		-	219,972	-	219,972
		-	219,972	-	219,972
Financial Liabilities					
Interest bearing borrowings	23	-	-	2,929,200	2,929,200
Bank overdraft		-	-	46,596	46,596
Trade and Other payables	24	-	-	245,136	245,136
Amount due to related parties	25	-	-	15,054	15,054
Total financial liabilities		-	-	3,235,986	3,235,986
Total non-current		-	-	2,866,320	2,866,320
Total current		-	-	369,666	369,666
		-	-	3,235,986	3,235,986

Group 2016/17					
		Financial Assets Available for Sale	Financial Assets Loans and Receivables	Other Financial Liabilities	Total
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets					
Trade and other receivables	18	-	32,042	-	32,042
Amount due from related parties	19	-	31,614	-	31,614
Cash and cash equivalents	20	-	42,124	-	42,124
Total financial assets		-	105,780	-	105,780
Total non-current		-	-	-	-
Total current		-	105,780	-	105,780
		-	105,780	-	105,780
Financial Liabilities					
Interest bearing borrowings	23	-	-	2,567,670	2,567,670
Bank overdraft		-	-	96,324	96,324
Trade and Other payables	24	-	-	229,191	229,191
Amount due to related parties	25	-	-	1,457	1,457
Total financial liabilities		-	-	2,894,642	2,894,642
Total non-current		-	-	968,700	968,700
Total current		-	-	1,925,942	1,925,942
		-	-	2,894,642	2,894,642

26.1 Financial Instruments

Company 2017/18					
		Financial Assets Available for Sale	Financial Assets Loans and Receivables	Other Financial Liabilities	Total
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets					
Trade and other receivables	18	-	61,907	-	61,907
Amount due from related parties	19	-	470	-	470
Cash and cash equivalents	20	-	35,156	-	35,156
Total financial assets		-	97,533	-	97,533
Total non-current		-	-	-	-
Total current		-	97,533	-	97,533
		-	97,533	-	97,533
Financial Liabilities					
Other payables	24	-	-	1,420	1,420
Amount due to related parties	25	-	-	1,225	1,225
Total financial liabilities		-	-	2,645	2,645
Total non-current		-	-	-	-
Total current		-	-	2,645	2,645
		-	-	2,645	2,645

Company 2016/17					
		Financial Assets Available for Sale	Financial Assets Loans and Receivables	Other Financial Liabilities	Total
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets					
Trade and other receivables	18	-	51,589	-	51,589
Amount due from related parties	19	-	33,549	-	33,549
Cash and cash equivalents	20	-	392	-	392
Total financial assets		-	85,530	-	85,530
Total non-current		-	-	-	-
Total current		-	85,530	-	85,530
		-	85,530	-	85,530
Financial Liabilities					
Other payables	24	-	-	1,513	1,513
Amount due to related parties	25	-	-	516	516
Total financial liabilities		-	-	2,029	2,029
Total non-current		-	-	-	-
Total current		-	-	2,029	2,029
		-	-	2,029	2,029

NOTES TO THE FINANCIAL STATEMENTS

26.2 Fair values

The fair value of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position as at the reporting dates are as follows:

	Group 2017/18		Company 2017/18	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets				
Trade and other receivables	81,006	81,006	61,907	61,907
Amount due from related parties	10,219	10,219	470	470
Cash and cash equivalents	128,747	128,747	35,156	35,156
Total financial assets	219,972	219,972	97,533	97,533
Financial Liabilities				
Interest bearing loans and borrowings	2,929,200	2,929,200	-	-
Trade and other payables	245,136	245,136	1,420	1,420
Amount due to related parties	15,054	15,054	1,225	1,225
Bank overdraft	46,596	46,596	-	-
Total financial liabilities	3,235,986	3,235,986	2,645	2,645

	Group 2016/17		Company 2016/17	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets				
Trade and other receivables	32,042	32,042	51,589	51,589
Amount due from related parties	31,614	31,614	33,549	33,549
Cash and cash equivalents	42,124	42,124	392	392
Total financial assets	105,780	105,780	85,530	85,530
Financial Liabilities				
Interest bearing loans and borrowings	2,567,670	2,567,670	-	-
Trade and other payables	229,191	229,191	1,513	1,513
Amount due to related parties	1,457	1,457	516	516
Bank overdraft	96,324	96,324	-	-
Total financial liabilities	2,894,642	2,894,642	2,029	2,029

Carring values of the financial assets and financial liabilities are a reasonable approximation of their fair values.

26.3 Determination of fair value hierarchy

There were no financial instruments carried at fair value by valuation methods to include under different levels in fair value hierarchy.

The Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and disclosure purposes based on the following methods.

Property plant and equipment / Investment Property

The fair value of land is determined based on market values.

The market value of property, plant and equipment is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

The fair value of the land classified as level 3 within the fair value hierarchy.

Trade and other receivables

Fair value of trade receivables is determined at amount estimated to be realised after making provision for impairment which is computed based on a loss rate using past three years receivables data. Fair value of other receivables are determined based on the amount estimated to be reasonably realised

Financial Liabilities

Fair value of trade and other payable are determined based on the amount estimated to be reasonably incurred in the foreseeable future.

27 FINANCIAL RISK MANAGEMENT

27.1 Overview

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

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital.

27.2 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investments.

Credit risk exposure

The Group's maximum exposure to credit risk as at the year end based on the carrying value of financial assets in the statement of financial position is given below.

	Group 31.03.2018 Rs. '000	% Allocation Rs. '000	Company 31.03. 2018 Rs. '000	% Allocation Rs. '000
Trade and other receivables	81,006	37%	61,907	63%
Amount due from related parties	10,219	5%	470	1%
Cash and cash equivalents	128,747	58%	35,156	36%
Total credit exposure	219,972	100%	97,533	100%

Cash and cash equivalents

The Group limits its exposure to credit risk by investing only in liquid instruments with reputed banking Institutions. The Group also uses broad investment portfolios and limit investments with a single counterparty.

NOTES TO THE FINANCIAL STATEMENTS

27.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial assets. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk to the Group.

The table below analyses the group's non-derivative financial liabilities into relevant maturity grouping based on the maturity of liabilities as at the reporting date.

As at 31.03.2018

	Carrying amount Rs. '000	Group		Payable on demand Rs. '000
		Current Rs. '000	Non-current Rs. '000	
Financial Liabilities				
Interest bearing borrowings	2,929,200	62,880	2,866,320	-
Bank overdraft	46,596	46,596	-	-
Other provisions and payables	245,136	245,136	-	-
Amount due to related parties	15,054	15,054	-	-
Total	3,235,986	369,666	2,866,320	-

As at 31.03.2018

	Carrying amount Rs. '000	Company		Payable on demand Rs. '000
		Current Rs. '000	Non-current Rs. '000	
Financial Liabilities				
Other payables	1,420	1,420	-	-
Amount due to related parties	1,225	1,225	-	-
Total	2,645	2,645	-	-

"Current" represents financial liabilities which are due to mature within one year.

27.4 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices that will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return.

27.5 Equity prices

The Group does not carry quoted/non quoted investments in their consolidated statement of Financial Position, and there is no risk on changes in equity prices.

27.6 Foreign exchange risk

The Group has no risk on foreign currency fluctuations as there are no financial assets and liabilities denominated in foreign currency as at the reporting date.

27.7 Interest rate

Interest rate risk is the risk of fluctuation of the value or cash flows of an instrument due to change in market interest rates.

The Group has borrowings with variable interest rate AWPLR and would expose the group to cashflow/profits as the amount of interest paid would be changed depending on market interest rate

Financial Year 2017/18	Increase/ Decrease in basis points	Effect on Profit before Tax	
		Group Rs. '000	Company Rs. '000
Term Loan	+100	20,504	-
Shareholder Loan	+100	9,593	-
Term Loan	-100	(20,504)	-
Shareholder Loan	-100	(9,593)	-

The above demonstrate the sensitivity to a reasonably possible change in interest rate on loans where floating rates are applicable by 100 basis points for loans with all other variables held constant.

Constant monitoring of market interest rates is carried out to ensure appropriate steps are taken to maximise the return on financial management and to minimise the cost of borrowings. Group very strongly negotiate with banks and obtains best possible interest rates for the Group's borrowings. Listed below are steps adopted by the group to minimise the effect of interest rate risks:

- 1 Entering into loans with interest rate caps and fixed rates.
- 2 Re negotiating with banks on interest rates when ever there is favourable fluctuations in the market rates.

28 CAPITAL MANAGEMENT

The Groups objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of the capital.

The capital of the company consists ordinary share capital .

The following factors are also objectively taken into consideration in managing the capital of the group.

1. Maintain sufficient capital to meet minimum regulatory requirements. (Companies Act).
2. Maintain strong equity base as opposed to debt capital.
3. Group's future developments, investments and business strategies.
4. Group cash flow projections and ability to pay higher returns to shareholders.

29. RELATED PARTY TRANSACTIONS

The Companies in the Group carries out transactions with related Companies as defined in the Sri Lanka Accounting Standard LKAS 24, Related party disclosures in the ordinary course of business. The pricing policy applicable to such transactions are comparable with those that would have been charged from unrelated companies.

29.1 The names of the Related Companies, the Common Directors and their relationship, the nature of transactions, terms of the transactions and the balance outstanding as at 31st March 2018 are as follows.

Name of the Related Party	Relationship	Nature of transaction	Terms of the Transaction	Group		Company	
				Transaction Value	Amount outstanding as at 31.03.2018	Transaction Value	Amount outstanding as at 31.03.2018
		Rs. '000		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Melstacorp PLC	Immediate Parent Company	Shareholder Loan	Market terms	57,971	(657,112)	-	-
Aitken Spence PLC	Related Company	Fees paid for services	Market terms	58,594	(1,253)	1,870	(709)
Aitken Spence Hotel Holdings PLC	Related Company	Shareholder Loan	Market terms	51,311	(588,752)	-	-
Aitken Spence Hotel Managements (Pvt) Ltd.	Related Company	Sale of hotel rooms	Short term	80,950	2,096	-	-
		Fees paid for services	Market terms	-	(5,851)	-	-
Aitken Spence Printing & Packaging (Pvt) Ltd	Related Company	Printing & typesetting hotel promotional literature and Annual Reports	Market terms	1,216	2	1,216	(516)
Stassen Exports (Pvt) Ltd	Other related Company	Purchases of goods	Market terms	62,433	(7,826)	-	-
Elpitiya Plantations PLC	Related Company	Shareholder Loan	Market terms	13,598	(154,136)	-	-
Helheriset Hotels Ltd	Related Company	Purchases of goods	Market terms	1,295	(81)	-	-
Aitken Spence Travels Ltd	Related Company	Sale of hotel Rooms	Market terms	26	26	-	-
		Sale of hotel Rooms	Market terms	59,223	7,880	-	-
Aitken Spence Insurance Brokers (Pvt) Ltd.	Related Company	Purchase of service	Market terms	309	-	-	-
		Insurance charges	Market terms	9,157	-	-	-
Distilleries Company of Sri Lanka PLC	Other related Company	Purchase of goods	Market terms	6,692	1,586	-	-
Aitken Spence Cargo (Pvt) Ltd	Related Company	Cargo clearance charges	Market terms	136	-	-	-
DBS Logistic Ltd	Related Company	Sale of hotel rooms	Market terms	93	93	-	-
Elevators (Pvt) Ltd	Related Company	Sale of hotel rooms	Market terms	124	124	-	-
Kandalama Hotels (Pvt) Ltd	Related Company	Purchase of services	Market terms	1,145	-	-	-
Splendor Media (Pvt) Ltd	Other Related Company	Purchase of goods	Market terms	592	(43)	-	-
Periceyl (Pvt) Ltd	Other Related Company	Purchase of services	Market terms	33	-	-	-
Lanka Milk Foods (CWE) PLC	Other Related Company	Purchase of goods	Market terms	402	-	-	-
Lanka Dairies (Pvt) Ltd	Other Related Company	Purchase of goods	Market terms	6,692	150	-	-
Negombo Beach Resorts (Pvt) Ltd	Subsidiary	Purchase of goods	Market terms	402	77	-	-
		Lease rental	lease agreement	-	-	15,223	470

Related party disclosures should be read in conjunction with Note No. 19 and Note No. 25

29.2 Non-recurrent Related party Transactions

Name of the Related Party	Relationship	The rationale for entering into the transaction	Value of the related party transactions entered Rs. '000	Value of the related party transactions as a % of equity	Value of the related party transactions as a % of total assets	Terms and conditions of the related party transaction
Aitken Spence Hotel Holdings PLC	Related Company	Term loan for part finance the bridging loan obtain from HNB	588,752	16%	15%	Repayable in 7 years with a grace period of two years. Interest AWPLR+ 1%
Melstacorp PLC	Immediate Parent Company	Term loan for part finance the bridging loan obtain from HNB	657,112	17%	17%	Repayable in 7 years with a grace period of two years. Interest AWPLR+ 1%
Stassen Exports (Pvt) Ltd.	Other related Company	Term loan for part finance the bridging loan obtain from HNB	154,136	4%	4%	Repayable in 7 years with a grace period of two years. Interest AWPLR+ 1%

The above loan obtained from three major shareholders and no guarantee provided as security.

29.3 Recurrent Related party Transactions

Name of the Related Party	Relationship	Value of the related Party Transactions entered Rs. '000	Value of the related Party Transactions as a % of Revenue	Terms and Condition of Related Party Transactions	The Rationale for entering in to the transaction
Stassen Exports (Pvt) Ltd.	Other related Company	62,433	7%	Market Terms	Purchase of Goods
Aitken Spence Travels Ltd	Related Company	59,223	6%	Market Terms	Sale of Hotel services

NOTES TO THE FINANCIAL STATEMENTS

29.4 Transactions with Key Management Personnel

Browns Beach Hotels PLC, considers its Board of Directors as the Key Management Personnel of the Company.

There were no transactions with Key Management Personnel and their close family members during the year, which require disclosure as per LKAS-24 - Related Party disclosures.

Employment benefits of Key Management Personnel are as detailed below:

As at 31st March	Group		Company	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Short Term employment benefits	-	-	-	-
Post employment benefits	-	-	-	-
	-	-	-	-

30 CAPITAL EXPENDITURE COMMITMENTS

There were no material capital commitments which require disclosure in the financial statements as at reporting date.

31 EVENTS OCCURRING AFTER THE REPORTING DATE

There were no material events occurred since the reporting date which require adjustment to, or disclosure in the Financial Statements of Browns Beach Hotels PLC.

32 CONTINGENT LIABILITIES

There were no significant contingent liabilities as at reporting date.

33 PARENT COMPANY

Melstacorp PLC is the Immediate Holding Company of Browns Beach Hotels PLC.

34 AVERAGE NUMBER OF EMPLOYEES

The average number of employees as at 31st March 2018 was 273 (2016/17 - 282).

35 LITIGATIONS AND CLAIMS

In the opinion of board of directors and the Company lawyers, there were no pending litigation against the company for the accounting period.

36 DIRECTORS' RESPONSIBILITY

Board of Directors is responsible for the preparation and fair presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

37 RESTATEMENT

The Company has restated its financial statements as per Sri Lanka Accounting Standard (LKAS) 8 - "Accounting Policies, changes in Accounting Estimates and Errors" to comply with the requirements provided by relevant Sri Lanka Accounting Standards.

Financial Statements have been restated retrospectively to recognize the impact from following items;

37.1 Classification from Property, Plant Equipment to Investment Property

Adjustment to recognize land under investment property (LKAS 40) which has been erroneously recognized as Property, Plant & Equipment (LKAS 16) in previous financial statements.

	31.03.2017			31.03.2016		
	As previously reported Rs,'000	Adjustments Rs,'000	As restated Rs,'000	As previously reported Rs,'000	Adjustments Rs,'000	As restated Rs,'000
Statement of Financial Position						
Non Current Assets						
Property, plant & equipment	993,767	(993,750)	17	856,980	(856,500)	480
Investment Property	-	993,750	993,750	-	856,500	856,500

Transfer of Revaluation Gain on Land to Comprehensive income statement.

Adjustment to transfer of revaluation gain recorded in revaluation reserve through OCI to statement of comprehensive income .

	2016/17		
	As previously reported Rs,'000	Adjustments Rs,'000	As restated Rs,'000
Income Statement			
Other Income - Gain from changes in fair value of investment property	-	137,250	137,250
Other Comprehensive income	137,250	(137,250)	-

	31.03.2017			31.03.2016		
	As previously reported Rs,'000	Adjustments Rs,'000	As restated Rs,'000	As previously reported Rs,'000	Adjustments Rs,'000	As restated Rs,'000
Statement of Financial Position						
Equity						
Revaluation Reserves	978,057	(137,250)	840,807	840,807	-	840,807

NOTES TO THE FINANCIAL STATEMENTS

37.2 Straight Lining of Lease rental Income

Adjustment to recognize lease rental income from investment property on straight line basis as per LKAS 40.

	2017		
	As previously reported	Adjustments	As restated
	Rs,'000	Rs,'000	Rs,'000
Income Statement			
Other income - Lease land rental	4,905	10,318	15,223

	31.03.2017			31.03.2016		
	As previously reported	Adjustments	As restated	As previously reported	Adjustments	As restated
	Rs,'000	Rs,'000	Rs,'000	Rs,'000	Rs,'000	Rs,'000
Statement of Financial Position						
Current Assets						
Other Receivables	-	51,589	51,589	-	41,272	41,272

37.3 Cash flows

From above restatements disclosed in note 37.1 and 37.2 there is no impact on the total operating, investing or financing cashflows for the year ended 31 March 2017.

37.4 Earnings / (loss) per share

	31.03.2017		
	As previously reported	After restatement	Change
	Rs,'000	Rs,'000	Rs,'000
Basic/Diluted earnings per share attributable to ordinary shareholders of the parent	(0.02)	0.14	0.16

37.5 From restatement disclosed in note 37.1 and 37.2 , the impacts on company's financial statements are as follows,

	31.03.2017		
	As previously reported	After restatement	Change
	Rs,'000	Rs,'000	Rs,'000
Other income	4,905	152,473	147,568
Profit / (Loss) from operation	(1,987)	145,581	147,568
Other Comprehensive income	137,250	-	(137,250)
Total current assets	36,087	87,675	51,589
Total assets	3,729,854	3,781,442	51,589
Retained earnings	355,950	544,789	188,839
Total equity attributable to equity holders of the company	3,727,456	3,779,045	51,589
Total equity and liabilities	3,729,854	3,781,442	51,589

STATEMENT OF VALUE ADDED

As at 31st March	31.03.2018		31.03.2017		31.03.2016		31.03.2015		31.03.2014	
	Rs,'000	%	Rs,'000	%	Rs,'000	%	Rs,'000	%	Rs,'000	%
Total Revenue	939,230		593,861		-		-			
Purchase of goods & services	(498,093)		(422,955)		(39,140)		(16,538)		(11,082)	
	441,137		170,906		(39,140)		(16,538)		(11,082)	
Other income	11,990		2,721		188		21,973		165,379	
Total value added	453,127		173,627		(38,952)		5,435		154,297	
Distributed as follows										
To government										
(Income tax)	22,097	5	13,125	8	7,466	(19)	3,675	68	43,117	28
To employees										
(Salaries & other)	142,713	31	135,040	78	57,252	(147)	16,524	304	17,049	11
To lenders of capital										
(interest on loan capital)	361,708	80	285,804	165	-	-	-	-	-	-
Retained for reinvestment & future growth										
(Depreciation, impairment loss & retained profits)	(72,516)	(16)	(260,342)	(150)	(103,670)	266	(14,764)	(272)	94,131	61
	453,127	100	173,627	100	(38,952)	100	5,435	100	154,297	100
Value added per ordinary share (Rs.)	3.44		1.34		(0.30)		0.04		1.19	

Value added is a measure of wealth created. The statement above shows the Group's value added from 2013/14 to 2017/18 and its distribution by way of payments to Employees, Government and to those who have provided capital. It also indicates the Portion retained in the business.

DECADE AT A GLANCE

Year ended 31st March	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
	Rs,'000	Rs,'000	Rs,'000	Rs,'000	Rs,'000	Rs,'000	Rs,'000	Rs,'000	Rs,'000	Rs,'000
Trading Results										
Turnover	918,616	580,827	-	-	-	-	-	317,837	250,407	233,411
Profit/(Loss) before taxation	(317,610)	(482,909)	(97,111)	(11,996)	136,366	263,636	181,729	(925)	21,571	1,007
Income tax expense	(1,483)	(91)	(7,466)	(3,675)	(43,117)	(75,892)	(53,120)	(846)	(3,909)	789
Profit/(Loss) after taxation	(319,093)	(483,000)	(104,577)	(15,671)	93,249	187,744	128,609	(1,771)	17,662	218
SHAREHOLDER'S FUNDS										
Stated capital	2,383,449	2,383,449	2,383,449	2,383,449	2,383,449	2,383,449	2,383,449	2,383,449	199,449	199,449
Reserves/Retained earnings	400,855	714,086	1,059,618	1,167,027	1,189,297	1,098,106	912,432	308,066	320,479	302,817
LIABILITIES										
Current liabilities	381,301	1,980,786	242,503	124,391	12,127	26,295	54,449	39,624	73,928	66,136
Non Current liabilities	2,870,584	970,960	1,970,995	665,848	471	695	518	1,618	14,153	12,030
ASSETS										
Property, plant & equipment	5,762,395	5,906,680	5,635,284	4,253,558	2,536,602	1,638,371	985,825	385,012	520,372	510,095
Deterred tax asset	-	-	-	38	26	79	60	243	-	-
Current assets	273,794	142,601	21,281	87,119	1,048,716	1,869,577	2,364,455	2,732,757	87,637	70,337
RATIOS										
Return on average shareholder's funds (%)	76.89	(15.59)	(2.99)	(0.44)	2.64	5.54	4.30	(0.07)	3.46	0.04
Interest cover (Times)	0.10	(0.69)	-	-	-	-	-	-	-	-
SHARE INFORMATION										
Earnings/(loss) per ordinary share (Rs.)	(2.46)	(3.73)	(0.81)	(0.12)	0.72	1.45	0.99	(0.04)	0.58*	0.02
Net assets per ordinary share (Rs.)	21.48	23.90	26.57	27.4	27.57	26.86	25.43	20.76	4.01*	52.32

* Adjusted for Right Issue and subsequent subdivision of shares.

SHAREHOLDER AND INVESTOR INFORMATION

1. STOCK EXCHANGE LISTING

Company Name Browns Beach Hotels PLC
 Stock Symbol..... BBH.N0000
 ISIN LK02040004
 Security Type in Issue Quoted Ordinary Shares
 Listed Exchange Colombo Stock Exchange (CSE) - Main Board
 Market Sector Public Quoted Company
 Featured Stock Indices All Share Price Index (ASPI), S&P (SL) 20 Index, Diversified Holdings Index

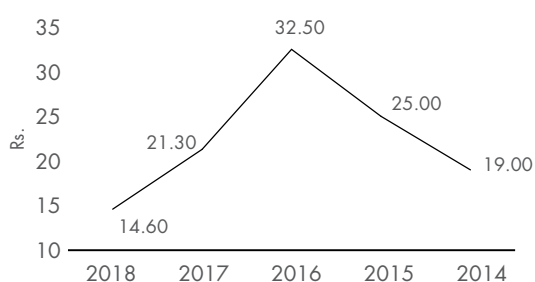
Browns Beach Hotels PLC, is a Public Quoted Company, the issued ordinary shares of which have been listed with the Colombo Stock Exchange.

2. SHAREHOLDERS

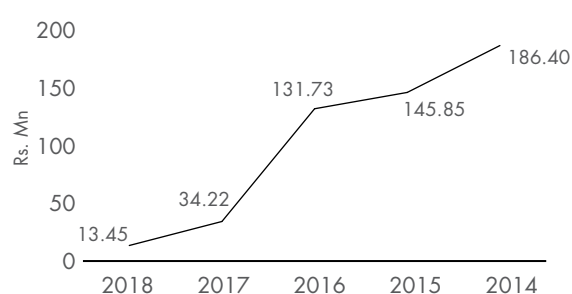
There were 2,323 registered shareholders as at 31.03.2018 distributed as follows:

Shareholder Category	31st March 2018			31st March 2017		
	No. of shareholders	No. of shares	%	No. of shareholders	No. of shares	%
1 to 1,000	1,686	379,373	0.29	1675	392,801	0.30
1,001 to 10,000	502	1,621,159	1.25	511	1,663,616	1.28
10,001 to 100,000	115	3,253,296	2.51	115	3,223,454	2.49
100,001 to 1,000,000	23	6,925,010	5.34	23	6,916,419	5.34
1,000,001 & Above	5	117,421,162	90.60	5	117,403,710	90.59
TOTAL	2,331	129,600,000	100.00	2,329	129,600,000	100.00

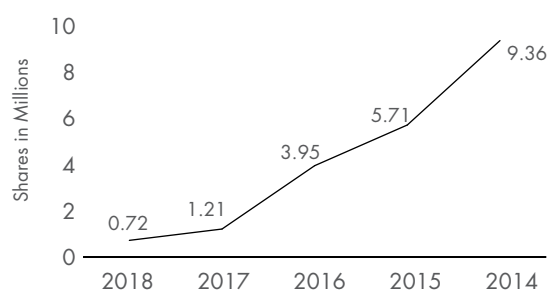
Market Value Per Share



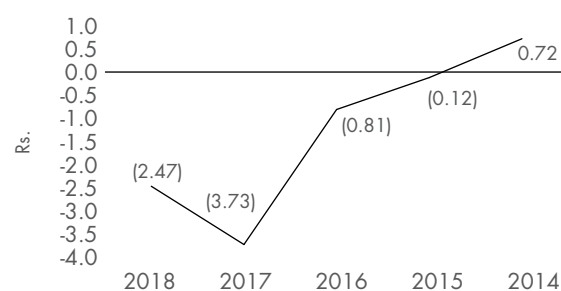
Value of Shares Traded



Number Of Shares Traded



Earnings/(loss) Per Share



SHAREHOLDER AND INVESTOR INFORMATION

3. SHAREHOLDER AND INVESTOR INFORMATION

1. Category	31.03.2018		31.03.2017	
	No. of Shares	%	No. of Shares	%
Nationals	126,751,839	97.80	126,767,891	97.81
Non-Nationals	2,848,161	2.20	2,832,109	2.19
Total issued share capital	129,600,000	100.00	129,600,000	100.00

2. Category	31.03.2018		31.03.2017	
	No. of Shares	%	No. of Shares	%
Individuals	8,953,915	6.91	9,286,869	7.17
Other Institutions	120,646,085	93.09	120,313,131	92.83
Total issued share capital	129,600,000	100.00	129,600,000	100.00

Percentage of the shares held by the public as at 31st March, 2018 was 9.22%

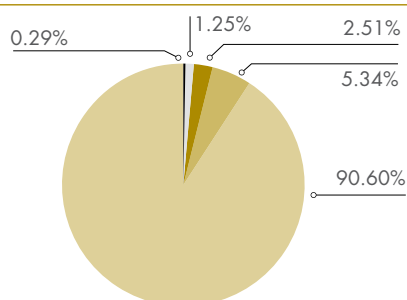
4. SHARE TRADING

	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
Number of shares traded during the year	722,646	1,206,557	3,951,977	5,712,528	9,361,753
value of shares traded during the year (Rs.)	13,449,316	34,215,570	131,733,464	145,849,038	186,402,473
Number of transactions	1,266	1,951	3,007	4,144	4,997

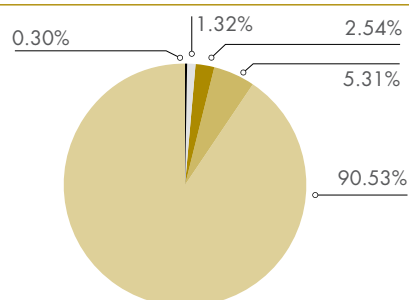
5. RATIOS

	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
Earnings / (Deficit) per share (Rs.)	(2.47)	(3.73)	(0.81)	(0.12)	0.72
Price earnings ratio	(5.71)	(5.71)	(40.30)	(206.80)	26.40
Net assets per share (Rs.)	21.48	23.90	26.57	27.40	27.57

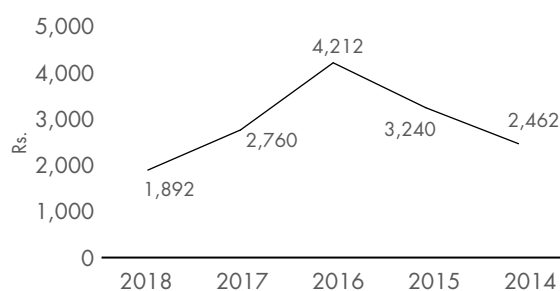
Distribution of Shareholding - 2018



Distribution of Shareholding - 2017



Market Capitalization



6. MARKET VALUE

Financial Year	Highest (Rs.)	Lowest (Rs.)	Year - End (Rs.)
2013 - 2014	22.50	16.30	19.00
2014 - 2015	25.00	17.90	19.00
2015 - 2016	41.80	24.70	32.50
2016 - 2017	36.50	15.00	21.30
2017 - 2018	22.40	14.20	14.60

7. MARKET CAPITALIZATION AS AT 31ST MARCH 2018

	Capital & Reserves Rs'000	Market Capitalization Rs'000
2014	3,572,746	2462400
2015	3,550,476	3240000
2016	3,443,067	4,212,000
2017	3,097,535	2,760,480
2018	2,784,304	1,892,160

The float adjusted market capitalization as at 31st March 2018 was Rs. 174,457,152/-.

The Company is not compliant with rule 7.13.1.(a) of the Listing Rules of the Colombo Stock Exchange on minimum public holding.

8. TWENTY LARGEST SHAREHOLDERS AS AT 31ST MARCH

	2018		2017	
	No. of Shares	%	No. of Shares	%
1 Melstacorp PLC	54,273,234	41.877	54,273,234	41.877
2 Aitken Spence Hotel Holdings PLC	47,455,750	36.617	47,455,750	36.617
3 Stassen Exports (Pvt) Limited	12,730,620	9.823	12,730,620	9.823
4 Elgin Investments Limited	1,710,000	1.319	1,692,548	1.306
5 Lanka Milk Foods (CWE) PLC	1,251,558	0.966	1,251,558	0.966
6 H.W.M. Woodward	1,000,000	0.772	1,000,000	0.772
7 Milford Exports (Ceylon) (Pvt) Limited	768,960	0.593	768,960	0.593
8 Mrs.S.S.A.M. De Silva	470,000	0.363	470,000	0.363
9 Aitken Spence Hotels Limited	432,459	0.334	432,459	0.334
10 Heritance (Private) Limited	432,444	0.334	432,444	0.334
11 Mrs.V.R.Jayasinghe	432,378	0.334	432,378	0.334
12 Ms.F .A .A. Mack	367,500	0.284	367,500	0.284
13 Kandalama Hotels (Pvt) Limited	306,450	0.236	306,450	0.236
14 Hatton National Bank PLC/ A.Sithampalam	274,630	0.212	295,130	0.228
15 Mrs.C S.Silvapulle	258,046	0.199	251,167	0.194
16 Mr. S. D. Weveldeniya	246,603	0.190	223,722	0.173
17 Mr. P. P. Thevarajah	223,722	0.173	222,689	0.172
18 Mr. I. K. Amerasinghe	222,689	0.172	211,173	0.163
19 Mr.W.P.S.Weerasinghe	205,683	0.159	210,832	0.163
20 Mr.P.A.Anil	182,710	0.141	182,710	0.141
	123,245,436	95.098	123,211,324	95.073

GLOSSARY

ACCOUNTING POLICIES

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

ACCRUAL BASIS

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

AMORTISATION

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

AVERAGE WEIGHTED PRIME LENDING RATE (AWPLR)

Reflects rates applicable on loans and advances granted by commercial banks to their most creditworthy customers.

ASSET TURNOVER

Total revenue divided by average total asset.

CAPITAL EMPLOYED

Total shareholders' funds plus debt and minority interest.

CASH EQUIVALENTS

High liquid investments that are readily convertible to know amounts of cash and which are subject to an insignificant risk of change in value.

CONTINGENT LIABILITIES

A condition or situation at the Balance Sheet events, date of which the financial effect will be determined only on the occurrence, or nonoccurrence of one or more uncertain future events.

COLLATERAL

Monetary or non-monetary asset pledged or received as security in lieu of a loan or credit terms obtained or provided.

CURRENT RATIO

Current assets divided by current liabilities.

DEBT/EQUITY RATIO

Ratio between interest bearing borrowing and shareholder's equity.

DEFERRED INCOME TAX

The net tax effect on items which have been included in the Income Statement, which would only qualify for inclusion on a tax return at a future date.

EARNINGS/(DEFICIT) PER SHARE (EPS)

Profit/(Loss) attributable to Equity Holders of the Company divided by weighted average number of ordinary shares in issue.

EBIT

Earnings before interest and tax.

EBITDA

Earnings before interest, taxes, depreciation and amortisation.

EFFECTIVE RATE OF TAXATION

Income tax over profit before tax

EPS GROWTH

Percentage of increase in the EPS over the previous year.

FINANCIAL LEVERAGE

Total average assets divided by total average equity.

GEARING

Borrowings to capital employed.

IMPAIRMENT

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

INTEREST COVER

This indicates the ability of an entity to cover long-term and short-term interest expenses with EBIT. (Profit before Interest & Taxation divided by total Interest charged for the year).

MARKET CAPITALISATION

The number of ordinary shares in issue multiplied by the market price per share as at the reported date.

NET ASSETS PER SHARE

Shareholders' funds divided by the number of ordinary shares in issue as at the end of the year.

NON-CONTROLLING INTEREST

Part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned, directly or indirectly, through Subsidiaries, by the Parent company.

PRICE EARNINGS RATIO (PER)

Market price per share divided by the earnings per share.

PRICE TO BOOK VALUE RATIO (PBV)

Market price per share divided by net assets per share.

RETURN ON CAPITAL EMPLOYED

Profit before Tax divided by total shareholder's funds, minority interest, noncurrent interest bearing borrowings and differed taxation.

RETURN ON EQUITY

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

RETURN ON SHAREHOLDER'S FUNDS

Attributable profits divided by average Shareholders' funds.

SHAREHOLDER'S FUNDS

The sum of Share capital, Capital Reserves and Revenue Reserves.

VALUE ADDED

The wealth created by the operation of the company. The value is distributed among the stakeholders and the balance retained within the business.

YIELD TO MATURITY

The discount rate that equals present value of all expected interest payment and the repayment of principal.

CORPORATE INFORMATION

Name

Browns Beach Hotels PLC

Legal Form

A Public Quoted Company with limited liability, incorporated in Sri Lanka on 4th August 1992

Company Registration Number

PQ 202

Registered Office

315, Vauxhall Street, Colombo 02

Directors

Deshamanya D H S Jayawardena (Chairman)

Mr. J M S Brito LLB, FCA, MBA

Ms. D S T Jayawardena

Mr. N J de Silva Deva Aditya DL, FRSA, MEP

Mr. A L Gooneratne FCA

Mr. R N Asirwatham FCA

Mr. C R Stanislaus

Subsidiary Company

Negombo Beach Resorts (Pvt) Ltd

Directors of Subsidiary Company

Deshamanya D H S Jayawardena, (Chairman)

Ms. D S T Jayawardena

Mr. C M S Jayawickrama FCMA

Mr. C R Stanislaus

Secretaries

Aitken Spence Corporate Finance (Private) Limited

No. 315 Vauxhall Street

Colombo 02

Sri Lanka

Tel : (94 11) 2308308

Fax : (94 11) 2308099

Registrars

Central Depository Systems (Private) Limited,

Ground Floor, M & M Centre,

No. 341/5, Kotte Road,

Rajagiriya.

Tel : (94 11) 2356456

Fax : (94 11) 2440396

Auditors

Messrs. KPMG

Chartered Accountants

32A, Sri Mohamad Macan Markar Mawatha,

P.O. Box 186, Colombo 03.

Bankers

Hatton National Bank PLC

Audit Committee

Mr. R N Asirwatham – Chairman

Mr. A L Gooneratne

Mr. N J de Silva Deva Aditya

Remuneration Committee

Mr. R N Asirwatham – Chairman

Mr. A L Gooneratne

Mr. N J de Silva Deva Aditya

Related Party Transaction Review Committee

Mr. R N Asirwatham – Chairman

Mr. A L Gooneratne

Mr. N J de Silva Deva Aditya

Website

www.aitkenspencehotels.com

Contact Details

Aitken Spence Corporate Finance (Private) Limited

No. 315 Vauxhall Street

Colombo 02

Sri Lanka

Tel : (94 11) 2308308

Fax : (94 11) 2445406

E-Mail : www@aitkenspencehotels.com

NOTICE OF MEETING

Notice is hereby given that the Twenty Sixth Annual General Meeting of Browns Beach Hotels PLC will be held at the Institute of the Chartered Accountants of Sri Lanka, 30A, Malalasekera Mawatha, Colombo 7, at 10.00 am on 29th August 2018, for the following purposes: -

1. To receive and consider the Annual Report of the Board of Directors together with the Financial Statements for the year ended 31st March 2018 with the Report of the Auditors thereon.

2. To re-appoint Deshamanya D.H.S. Jayawardena who is over the age of 70 years, as a Director by passing the following Resolution as an Ordinary Resolution:

"IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Deshamanya D.H.S. Jayawardena who is 76 years of age and that he be re-appointed a Director of the Company."

3. To re-appoint Mr. R.N. Asirwatham who is over the age of 70 years, as a Director by passing the following Resolution as an Ordinary Resolution:

"IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. R.N. Asirwatham who is 76 years of age and that he be re-appointed a Director of the Company."

4. To re-appoint Mr. J.M.S. Brito who is over the age of 70 years, as a Director by passing the following Resolution as an Ordinary Resolution:

"IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. J.M.S. Brito who is 72 years of age and that he be re-appointed a Director of the Company."

5. To re-appoint Mr. N.J. de S. Deva Aditya who attained the age of 70 years on 11th May 2018 as a Director by passing the following Resolution as an Ordinary Resolution:

"IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. N.J. de S. Deva Aditya who attained the age of 70 years on 11th May 2018 and that he be re-appointed a Director of the Company."

6. To re-elect Mr. C. R. Stanislaus who retires in terms of Article 85 of the Articles of Association, as a Director.

7. To authorise the Directors to determine contributions to charities.

8. To re-appoint the retiring Auditors, Messrs. KPMG, Chartered Accountants and authorise the Directors to determine their remuneration.

9. To update the shareholders on the status of compliance with Rule 7.13.1 of the Listing Rules of the Colombo Stock Exchange on minimum public holding of the Company.

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

By Order of the Board
Browns Beach Hotels PLC



Aitken Spence Corporate Finance (Private) Limited
Secretaries

3rd August 2018
Colombo

Note:

1. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend, speak and vote in his/her stead and a Form of Proxy is enclosed for this purpose. A Proxy need not be a member of the Company.
2. The completed Form of Proxy must be deposited at the Registered Office of the Company No. 315, Vauxhall Street, Colombo 2, not less than forty eight hours before the time fixed for the meeting.

FORM OF PROXY

I/We.....
of.....
being a member/members of Browns Beach Hotels PLC hereby appoint
..... of
..... (whom failing)

Don Harold Stassen Jayawardena	(whom failing)
Joseph Michael Suresh Brito	(whom failing)
Don Stasshani Therese Jayawardena	(whom failing)
Christie Ranjan Stanislaus	(whom failing)
Amitha Lal Gooneratne	(whom failing)
Rajanayagam Nalliah Asirwatham	(whom failing)
Niranjan Joseph de Silva Deva Aditya	

as my/our Proxy to represent me/us, to speak and to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on the 29th day of August 2018, and at any adjournment thereof and at every poll which may be taken in consequence thereof.

Signed this day of August Two Thousand Eighteen.

.....
Signature

Note : Instructions as to completion are noted on the reverse hereof

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the form of proxy by filling in legibly your full name and address, signing in the space provided and filling in the date of signature.
2. If the proxy form is signed by an Attorney, the relative power of attorney should also accompany the proxy form for registration, if such power of attorney has not already been registered with the Company.
3. In the case of a company/corporation, the proxy must be under its Common Seal (if required), which should be affixed and attested in the manner prescribed by its Articles of Association.
4. The completed form of proxy should be deposited at the Registered Office of the Company, No. 315, Vauxhall Street, Colombo 02 not later than 10.00 am on 27th August 2018.

INVESTOR FEEDBACK FORM

To request information or submit a comment/query to the Company, please complete the following and return the page to -

Asst. Vice President - Finance

Browns Beach Hotels PLC

No. 315, Vauxhall Street,

Colombo 02.

Sri Lanka

Name :

Permanent Mailing Address :

Contact Number - (Tel) :
Country Code Area Code Number

E-mail :

Name of Company :

(If Applicable) Designation :
(If Applicable)

Company Address :
(If Applicable)

Queries/Comments

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