LAUGFS LEISURE LIMITED

FINANCIAL STATEMENTS

31 MARCH 2017

EY
Building a better working world

Ernst & Young
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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF LAUGFS LEISURE LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of LAUGFS Leisure Limited, ("the Company"), and the financial statements of the Company and its subsidiaries ("Group"), which comprise the statement of financial position as at 31 March 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

(Contd..2/)

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Report on Other Legal and Regulatory Requirements

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

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

- we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,

- the financial statements of the Company gives a true and fair view of its financial position as at 31 March 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards and

- the financial statements of the Company and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.

26 May 2017
Colombo

LAUGFS Leisure Limited

STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2017

	Note	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
Revenue	4.1	416,145,584	355,833,244	337,223,430	355,833,244
Cost of Sales		(158,129,559)	(117,678,597)	(126,112,517)	(117,678,597)
Gross Profit		258,016,025	238,154,647	211,110,913	238,154,647
Other Operating Income	4.2	7,522,830	4,943,801	7,230,689	4,943,801
Selling and Distribution Expenses		(25,359,478)	(10,895,162)	(17,245,125)	(9,751,573)
Administrative Expenses		(443,310,351)	(254,446,137)	(271,762,599)	(250,909,700)
Operating Loss		(203,130,974)	(22,242,851)	(70,666,122)	(17,562,824)
Finance Costs	4.4	(202,269,402)	(88,649,402)	(121,837,238)	(88,617,043)
Finance Income	4.3	689,246	1,625,678	672,951	1,625,678
Profit Loss Before Tax	4.5	(404,711,129)	(109,266,575)	(191,830,409)	(104,554,189)
Income Tax Expense	5.1	1,022,686	(4,155,495)	239,634	(4,155,495)
Profit Loss for the Year		(403,688,443)	(113,422,070)	(191,590,775)	(108,709,684)
Attributable to:					
Equity Holders of the Parent		(403,688,443)	(113,422,070)	(191,590,775)	(108,709,684)
Non-Controlling Interests		-	-	-	-
		(403,688,443)	(113,422,070)	(191,590,775)	(108,709,684)
Basic/Diluted Earnings Per Share:	6	(2.93)	(0.87)	(1.39)	(0.84)

The accounting policies and notes on pages 08 to 43 form an integral part of these financial statements.

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STATEMENT OF OTHER COMPREHENSIVE INCOME

Year ended 31 March 2017

		Group		Company	
		2017	2016	2017	2016
	Note	Rs.	Rs.	Rs.	Rs.
Loss for the Year		(403,688,443)	(113,422,070)	(191,590,775)	(108,709,684)
Other Comprehensive Income					
Other Comprehensive Income/(Loss) to be Reclassified to Profit or Loss in Subsequent Periods					
Exchange Differences on Translation of Foreign Operations		(41,248)	-	-	-
Other Comprehensive Income/(Loss) to be Reclassified to Profit or Loss in Subsequent Periods		(41,248)	-	-	-
Other Comprehensive Income/(Loss) Not to be Reclassified to Profit or Loss in Subsequent Periods					
Actuarial Gains/(Losses) on Defined Benefit Plans	4.6	(2,164,008)	683,811	(2,119,690)	683,811
Income Tax Effect	5.2	217,288	(68,381)	211,969	(68,381)
Net Other Comprehensive Income/(Loss) Not to be Reclassified to Profit or Loss in Subsequent Periods		(1,946,720)	615,430	(1,907,721)	615,430
Other Comprehensive Income for the Year Net of Tax		(1,987,968)	615,430	(1,907,721)	615,430
Total Comprehensive Income for the Year Net of Tax		(405,676,411)	(112,806,640)	(193,498,496)	(108,094,254)
Attributable to:					
Equity Holders of the Parent		(405,676,411)	(112,806,640)	(193,498,496)	(108,094,254)
Non-Controlling Interests		-	-	-	-
		(405,676,411)	(112,806,640)	(193,498,496)	(108,094,254)

The accounting policies and notes on pages 08 to 43 form an integral part of these financial statements.

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LAUGFS Leisure Limited

STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

		Group		Company	
ASSETS		2017	2016	2017	2016
Non-Current Assets	Note	Rs.	Rs.	Rs.	Rs.
Property, Plant and Equipment	7	5,069,180,439	4,287,799,250	1,972,198,390	2,049,729,629
Intangible Assets	8	2,109,445	2,159,995	1,082,671	2,159,995
Prepayments	9	75,034,172	79,164,493	-	-
Investments in Subsidiaries	10	-	-	2,310,119,196	610,100,000
Deferred Tax Assets	5.4	2,805,443	1,564,391	2,017,072	1,564,391
		5,149,129,499	4,370,688,129	4,285,417,330	2,663,554,015
Current Assets					
Inventories	11	97,762,668	79,320,761	70,211,555	79,312,731
Trade and Other Receivables	12	179,244,183	439,838,867	54,377,446	643,351,461
Income Tax Recoverable		2,849,310	1,343,007	2,848,930	1,343,008
Cash and Short-Term Deposits	13.1	47,286,508	90,028,343	22,650,221	89,510,913
		327,142,669	610,530,978	150,088,152	813,518,112
Total Assets		5,476,272,168	4,981,219,107	4,435,505,482	3,477,072,127
EQUITY AND LIABILITIES					
Equity					
Stated Capital	14	3,000,000,070	1,300,000,070	3,000,000,070	1,300,000,070
Foreign Currency Translation Reserve		(41,248)	-	-	-
Retained Earnings		(741,537,534)	(335,902,371)	(521,340,838)	(327,842,342)
Equity attributable to Equity Holders of the Parent		2,258,421,288	964,097,699	2,478,659,232	972,157,728
Non-Controlling Interests		-	-	-	-
Total Equity		2,258,421,288	964,097,699	2,478,659,232	972,157,728
Non-Current Liabilities					
Interest Bearing Loans and Borrowings	15.1	1,728,997,800	1,749,617,840	916,997,800	869,617,840
Employee Benefits Liability	16	6,382,650	1,253,027	5,781,920	1,253,027
		1,735,380,450	1,750,870,867	922,779,720	870,870,867
Current Liabilities					
Trade and Other Payables	17	1,163,624,491	2,011,472,345	891,402,161	1,400,950,474
Interest Bearing Loans and Borrowings	15.1	318,845,939	254,778,196	142,664,369	233,093,058
		1,482,470,430	2,266,250,541	1,034,066,530	1,634,043,532
Total Equity and Liabilities		5,476,272,168	4,981,219,108	4,435,505,482	3,477,072,127

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

....
Head of Finance

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

.... Director

.... Director

The accounting policies and notes on pages 08 to 43 form an integral part of these financial statements.

ERNST & YOUNG
Chartered Accountants
COLOMBO
26 May 2017
Colombo

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2017

Group

	Attributable to Equity Holders of the Parent					
	Stated Capital Rs.	Foreign Currency Translation Reserve Rs.	Retained Earnings Rs.	Total Rs.	Non-Controlling Interests Rs.	Total Equity Rs.
As at 01 April 2015	1,300,000,070	-	(223,095,730)	1,076,904,340	-	1,076,904,340
Loss for the Year	-		(113,422,070)	(113,422,070)	-	(113,422,070)
Other Comprehensive Income	-	-	615,430	615,430	-	615,430
Total Comprehensive Income	-	-	(112,806,640)	(112,806,640)	-	(112,806,640)
As at 31 March 2016	1,300,000,070	-	(335,902,371)	964,097,699	-	964,097,699
Loss for the Year	-	-	(403,688,443)	(403,688,443)	-	(403,688,443)
Other Comprehensive Income	-	(41,248)	(1,946,720)	(1,987,968)	-	(1,987,968)
Total Comprehensive Income	-	(41,248)	(405,635,163)	(405,676,411)	-	(405,676,411)
Issue of shares	1,700,000,000	-	-	1,700,000,000	-	1,700,000,000
As at 31 March 2017	3,000,000,070	(41,248)	(741,537,534)	2,258,421,288	-	2,258,421,288

Company

	Stated Capital Rs.	Retained Earnings Rs.	Total Rs.
As at 01 April 2015	1,300,000,070	(219,748,088)	1,080,251,982
Loss for the Year	-	(108,709,684)	(108,709,684)
Other Comprehensive Income	-	615,430	615,430
Total Comprehensive Income	-	(108,094,254)	(108,094,254)
As at 31 March 2016	1,300,000,070	(327,842,342)	972,157,728
Loss for the Year	-	(191,590,775)	(191,590,775)
Other Comprehensive Income	-	(1,907,721)	(1,907,721)
Total Comprehensive Income	-	(193,498,496)	(193,498,496)
Issue of shares	1,700,000,000	-	1,700,000,000
As at 31 March 2017	3,000,000,070	(521,340,838)	2,478,659,232

The accounting policies and notes on pages 08 to 43 form an integral part of these financial statements.

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LAUGFS Leisure Limited

STATEMENT OF CASH FLOWS

Year ended 31 March 2017

	Note	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
Cash Flows Generated from/(Used in) Operating Activities					
Loss Before Tax		(404,711,129)	(109,266,575)	(191,830,409)	(104,554,189)
Non-Cash Adjustment to Reconcile Profit Before Tax to Net Cash Flows:					
Depreciation of Property, Plant and Equipment	7	145,692,919	89,495,722	90,683,674	89,339,263
Amortization of Intangible Assets	8	1,282,676	1,076,246	1,077,324	1,076,248
(Profit)/Loss on Disposal of Property, Plant and Equipment		49,431	-	49,431	-
Finance Costs	4.4	202,269,402	88,648,047	(121,837,238)	88,617,043
Finance Income	4.3	689,246	(1,625,678)	(672,951)	(1,625,678)
Provision for Employee Benefit Liability	16.1	3,202,115	440,818	2,645,703	440,818
Assets Transferred to Inventories		39,905,929	-	-	-
Exchange Differences		(41,248)	-	-	-
Operating Profit/(Loss) before Working Capital Changes		(11,660,659)	68,768,579	(219,884,466)	73,293,505
Working Capital Adjustments:					
(Increase)/ Decrease in Inventories		(18,441,908)	10,998,089	9,101,176	10,996,300
(Increase)/ Decrease in Trade and Other Receivables		264,725,006	(88,675,266)	588,974,015	(201,392,825)
Increase/ (Decrease) in Trade and Other Payables		(847,847,854)	839,349,297	(509,548,313)	266,423,172
Cash Generated from/(Used in) Operating Activities		(613,225,415)	830,440,699	(131,357,589)	149,320,152
Finance Costs Paid	4.4	(202,269,402)	(88,648,047)	121,837,238	(88,617,043)
Income Tax Paid		(1,507,382)	(592,976)	(1,507,001)	(592,973)
Defined Benefit Plan Costs Paid	16.2	(236,500)	-	(236,500)	-
Net Cash Flows Generated from/Used in) Operating Activities		(817,238,699)	741,199,676	(11,263,851)	60,110,136
Cash Flows from/(Used in) Investing Activities					
Acquisition of Property, Plant & Equipment	7	(967,039,468)	(1,179,404,553)	(13,211,866)	(18,587,811)
Acquisition of Intangible Assets	8	(1,232,125)	(17,143)	-	(17,143)
Finance Income	4.3	(689,246)	1,625,678	672,951	1,625,678
Proceeds from Disposal of Property, Plant & Equipment		10,000	-	10,000	-
Investment in Subsidiaries	10	-	-	(1,700,019,196)	-
Net Cash Flows Used in Investing Activities		(968,950,840)	(1,177,796,018)	(1,712,548,112)	(16,979,276)
Cash Flows from/(Used in) Financing Activities					
Proceeds from Interest Bearing Liabilities	15	51,150,000	1,012,975,000	51,150,000	7,975,000
Repayment of Interest Bearing Liabilities	15	(119,320,040)	(532,462,120)	(99,320,040)	(7,462,120)
Proceeds from Issue of Shares		1,700,000,000	-	1,700,000,000	-
Net Cash Flows from Financing Activities		1,631,829,960	480,512,880	1,651,829,960	512,880
Net Increase/(Decrease) in Cash and Cash Equivalents		(154,359,578)	43,916,538	(71,982,003)	43,643,740
Cash and Cash Equivalents at the Beginning of the Year	13	(19,854,813)	(63,771,351)	(18,687,105)	(62,330,845)
Cash and Cash Equivalents at the End of the Year	13	(174,214,391)	(19,854,813)	(90,669,108)	(18,687,105)

The accounting policies and notes on pages 08 to 43 form an integral part of these financial statements.

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1. CORPORATE INFORMATION

1.1 General

LAUGFS Leisure Limited ("Company") is a public limited liability Company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at No. 101, Maya Aveneue. Colombo 06 and the principal places of business is "Ananthaya Resorts & Spa", Bangadeniya, Karukupone, Chillaw.

1.2 Principal Activities and Nature of Operations

Group is engaging in Leisure and Hospitality industry relating businesses. During the year, the principal activities of the Company and the Subsidiaries were operation and construction of hotels.

1.3 Parent Entity and Ultimate Parent Entity

The Company's parent entity is LAUGFS Gas PLC. In the opinion of the Directors, the Company's ultimate parent undertaking and controlling party is LAUGFS Holdings Ltd, which is incorporated in Sri Lanka.

1.4 Directors' Responsibility Statement

The Board of Directors is responsible for preparation and presentation of financial statements.

1.5 Date of Authorization for Issue

The financial statements of LAUGFS Leisure Limited and its Subsidiaries (collectively, the Group) for the year ended 31 March 2017 were authorized for issue in accordance with a resolution of the Board of Directors on 26 May 2017.

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2. ACCOUNTING POLICIES

2.1 Basis of Preparation of Financial Statements

The financial statements of the Group have been prepared in compliance with Sri Lanka Accounting Standards comprising of SLFRS and LKAS (hereafter referred as "SLFRS"), as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

2.1.1 Basis of Measurement

The financial statements have been prepared on a historical cost basis, except for available-for-sale financial assets that have been measured at fair value.

The financial statements are presented in Sri Lankan Rupees.

2.1.2 Statement of Compliance

The financial statements of LAUGFS Leisure Limited and its Subsidiaries (the Group) have been prepared in accordance with SLFRS.

The preparation and presentation of these financial statements are in compliance with the Companies Act No. 07 of 2007.

2.2 BASIS OF CONSOLIDATION

The financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2017.

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. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., 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 its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- 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 re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. 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 financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Anantaya Wadduwa (Pvt) Ltd. and Anantaya Passekudah (Pvt) Ltd. being two subsidiary companies that have been acquired by the Group during the years ended 31 March 2012 and 31 March 2013 respectively, have been accounted for considering the actual interests of the Board of Directors of the Group. Namely, the said two companies have been accounted for based on the substance of the acquisition, being an acquisition of a free hold land and a lease hold land respectively. No goodwill has been recognized pertaining to these acquisitions since those have not been considered as business acquisitions.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Group in preparing its financial statements.

(a) Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

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.

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 disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

(b) Current Versus Non-Current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities

(c) Fair Value Measurement

The Group measures financial instruments such as investments in equity securities, and non-financial assets such as investment properties, at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarised in the following notes:

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- Disclosures for valuation methods, significant estimates and assumptions (Notes 3 and 11)
- Quantitative disclosures of fair value measurement hierarchy (Note 11)
- Investment properties
- Financial instruments (including those carried at amortised cost) (Note 11)

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

- In the principal market for the asset or liability

Or

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

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

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

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

The 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.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, as described in Note 11.

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

External valuers are involved for valuation of significant assets, such as investment properties and significant liabilities, such as retirement benefit liability.

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

(d) Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue and associated costs incurred or to be incurred can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and sales taxes. The following specific recognition criteria are used for the purpose of recognition of revenue.

a) Room Revenue

Revenue is recognized on the rooms occupied on daily basis.

b) Food & Beverage Revenue

Food & beverage revenue is recognized at the time of sale.

c) Other Hotel Related Revenue

Other hotel related revenue is accounted when such services are rendered.

d) Interest Income

Interest Income is recognized as the interest accrued unless collectability is in doubt. Interest income is included in finance income in the income statement.

e) Dividends

Revenue is recognized when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

f) Others

Other income is recognized on an accrual basis.

(e) Taxes

Current Income Tax

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

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Withholding tax on dividends received from Subsidiaries is recognized as a tax expense in the statement of profit or loss.

Deferred Tax

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

a) When the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
b) In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax liabilities arising from investment properties at fair value are measured based on the tax consequence of the presumption that the carrying amount of the investment properties measured at fair value will be recovered entirely through sale. This presumption is consistent with the management's business model for the Group's investment properties.

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

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

Sales Tax

Revenues, expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or service is not recoverable from the taxation authorities, in which case, the sales tax is recognized as a part of the cost of the asset or part of the expense items, as applicable or/and
- When receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from or payable to, the taxation authorities is included as a part of receivables or payables in the statement of financial position.

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(f) Foreign Currency Translation

The Group's financial statements are presented in Sri Lanka Rupees, which is the Group's functional and presentation currency.

Transactions and Balances

Transactions in foreign currencies are initially recorded by the Group at the functional currency spot rate at the date the transaction first qualifies for recognition.

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

(g) Property, Plant and Equipment

Property, plant and equipment is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the property, plant and equipment when that cost is incurred, if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

When a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the profit or loss as incurred.

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

Depreciation is calculated on a straight line basis over the useful life of the assets is disclosed in Note 7.4

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

(h) Leases

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

Group as a Lessee
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

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

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

Group as a Lessor
Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(i) Borrowing Costs

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

(j) Intangible Assets

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

The useful lives of intangible assets are assessed to be finite. It is the company's policy to amortize intangible assets over a useful life of 4 years.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category consistent with the function of the intangible asset.

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

Research and Development Costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development.

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Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

(k) Financial Instruments - Initial Recognition and Subsequent Measurement

(i) Financial Assets

Initial Recognition and Measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Purchase or sale of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include trade and other receivables and cash and short term deposits.

Subsequent Measurement

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

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by LKAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognized in finance income or finance costs in the statement of profit or loss.

The Group did not have any held-to-maturity investments during the years ended 31 March 2016 and 31 March 2017.

Loans and Receivables

This category is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of profit or loss. The losses arising from impairment are recognized in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

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Held-to-Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of profit or loss. The losses arising from impairment are recognized in the statement of profit or loss in finance costs.

The Group did not have any held-to-maturity investments during the years ended 31 March 2016 and 31 March 2017.

AFS Financial Assets

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

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized in OCI and credited in the AFS reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition

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

- The rights to receive cash flows from the asset have expired,

Or

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

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

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

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

Impairment of Financial Assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortised Cost

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

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

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

AFS Financial Assets

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

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In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of profit or loss - is removed from OCI and recognized in the statement of profit or loss. Impairment losses on equity investments are not reversed through the statement of profit or loss; increases in their fair value after impairments are recognized in the OCI.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

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

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

(ii) Financial Liabilities

Initial Recognition and Measurement

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

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

The Group's financial liabilities include trade and other payables, bank overdrafts and loans and borrowings.

Subsequent Measurement

The measurement of financial liabilities depends on their classification as follows:

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 or loss.

Financial liabilities are classified as held-for-trading if they are acquired for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by LKAS 39. Separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held-for-trading are recognized in the statement of profit or loss.

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Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in LKAS 39 are satisfied. The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Loans and Borrowings

This is the category most relevant to the Group. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process.

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

Derecognition

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

(iii) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a current enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Fair Value of Financial Instruments

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

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 15.2 and Note 15.3.

(l) Inventories

Inventories are valued at the lower of cost and net realizable value.

Costs incurred in bringing inventories to its present location and condition is accounted for as follows:

Food & Beverages	-	At actual cost on weighted average cost basis
Other Inventories	-	At actual cost on weighted average cost basis
Goods in Transit	-	At purchase cost

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Inventory represents property held by the Group intended for resale and costs connected with projects.

The project under development comprises acquisition costs, purchase taxes and any directly attributable costs to bring the asset to intended sale. Administrative expenses are not included unless these can be directly attributed to specific projects, directly attributable costs are costs incurred for bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management.

(m) Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculations on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for a property previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognized in OCI up to the amount of any previous revaluation.

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

Goodwill is tested for impairment annually as at 31 March and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

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

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(n) Cash and Short-Term Deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of statement of cash flows, cash and cash equivalents consist of cash in hand short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

(o) Provisions

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

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

(p) Employee Benefits

a) Defined Benefit Plan – Gratuity

Group measure the cost of defined benefit plan-gratuity; every financial year using the Projected Unit Credit Method with the advice of an actuary.

The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

Actuarial gains and losses are recognized in the statement of comprehensive income (OCI) in the period in which it arises.

The item is stated under Employee Benefit Liability in the statement of financial position.

This is not an externally funded defined benefit plan.

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

All employees who are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions are covered by relevant contribution funds in line with respective statutes and regulations. The Group contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

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2.4 EFFECT OF SRI LANKA ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following SLFRS have been issued by the Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these financial statements. Those SLFRS will have an effect on the accounting policies currently adopted by the Group and may have an impact on the future financial statements.

2.4.1 SLFRS 9 -Financial Instruments: Classification and Measurement

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

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

2.4.2 SLFRS 15 – Revenue from Contracts with Customers

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

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

Pending the completion of the detailed impact analysis, possible Impact from SLFRS 9 and SLFRS 15 is not reasonably estimable as of the reporting date.

The following amendments and improvements are not expected to have a significant impact on the Company's/Group's financial statements.

- Accounting for Acquisitions of Interests in Joint Operations (Amendments to SLFRS 11).
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to LKAS 16 and LKAS 38).
- Equity Method in Separate Financial Statements (Amendments to LKAS 27).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to SLFRS 10 and LKAS 28).
- Annual Improvements to SLFRS 2012–2014 Cycle – various standards.
- Investment Entities: Applying the Consolidation Exception (Amendments to SLFRS 10, SLFRS 12 and LKAS 28).
- Disclosure Initiative (Amendments to LKAS 1).

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3. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:

- Capital management (Note 21)
- Financial risk management and policies (Note 21)

Estimates and Assumptions

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

Impairment of Non-Financial Assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Taxes

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

Defined Benefit Plans

The cost as well as the present value of defined benefit plans - gratuity is determined using Actuarial Valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

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The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are excluded from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality corporate bonds.

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

Further details about pension obligations are given in Note 16.

Useful Lives of Property, Plant and Equipment

The Group reviews the assets' residual values, useful lives and methods of depreciation at each reporting date; judgment by management is exercised in the estimation of these values, rates and methods.

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4. REVENUE/OTHER INCOME AND EXPENSES

4.1 Revenue

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Accommodation Income	205,781,850	174,268,590	166,264,576	174,268,590
Food Income	147,887,483	120,600,470	116,135,978	120,600,470
Beverage Income	22,501,579	18,548,672	17,907,638	18,548,672
Banquet Hall Income	16,910,876	23,023,733	16,718,183	23,023,733
Spa Income	10,394,023	9,042,044	8,460,718	9,042,044
Others	12,669,772	10,349,735	11,736,337	10,349,735
	416,145,584	355,833,244	337,223,430	355,833,244

4.2 Other Operating Income

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Exchnage Gain	7,396,019	4,943,801	7,230,689	4,943,801
Sundry Income	126,811	-	-	-
	7,522,830	4,943,801	7,230,689	4,943,801

4.3 Finance Income

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Interest Income	687,643	1,625,678	672,951	1,625,678
REPO interest	1,603	-	-	-
	689,246	1,625,678	672,951	1,625,678

4.4 Finance Costs

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Interest on Bank Over Drafts	14,070,991	6,990,632	9,043,265	6,958,272
Interest Expense on Loans and Borrowings	188,198,411	81,658,770	112,793,973	81,658,770
	202,269,402	88,649,402	121,837,238	88,617,043

4.5 Profit/(Loss) Before Income Tax

	Group		Company	
	2017	2016	2017	2016
Stated after Charging/(Crediting)	Rs.	Rs.	Rs.	Rs.
Included in Administration Expenses				
Directors' Fees and Emoluments	-	3,904,197	-	3,904,197
Audit Fee - Current Year	425,000	310,000	175,000	150,000
Depreciation of Property, Plant & Equipments	145,692,919	89,495,724	90,683,674	89,339,263
Personnel Costs including the following;				
- Wages ,Salaries and Staff Expenses	132,472,766	72,790,725	85,986,888	71,279,630
- Employee Benefit Plan Costs - Gratuity	3,202,115	440,818	2,645,703	440,818
- Defined Contribution Plan Costs - EPF & ETF	15,815,525	9,564,368	10,988,512	9,397,221
Donations	249,054	276,913	180,000	276,913
Included in Selling and Distribution Expenses				
Marketing Expenses	2,497,137	1,376,373	2,317,617	1,376,373
Complimentary	3,703,692	1,283,571	2,105,565	1,283,571
Business Developments/Promotion - Local	4,130,299	1,696,573	859,576	996,390
Business Promotion - Overseas	8,028,210	4,925,502	4,962,228	4,482,096

4.6 Components of Other Comprehensive Income

Employee Benefit Liability				
Actuarial Gains/(Losses) arising during the Year	(2,164,008)	683,811	(2,119,690)	683,811

5. INCOME TAX

5.1 Statement of Profit or Loss

	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
Current Income Tax Expense (Note 5.3)	1,079	10,427	1,079	10,427
Under/(Over) Provision of Current Taxes in respect of Prior Years	-	-	-	-
	1,079	10,427	1,079	10,427
Deferred Income Tax:				
Deferred Taxation Charge/(Reversal) (Note 5.5)	(1,023,765)	4,145,068	(240,713)	4,145,068
Income Tax Expense reported in the Statement of Profit or Loss	(1,022,686)	4,155,495	(239,634)	4,155,495

5.2 Statement of Comprehensve Income

	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
Deferred Income Tax:				
Deferred Taxation Charge/(Reversal) (Note 5.5)	(217,288)	68,381	(211,969)	68,381
Income Tax Expense Reported in the Statement of Comprehensve Income	(217,288)	68,381	(211,969)	68,381

5.3 A Reconciliation between Tax Expense and the Product of Accounting Profit Multiplied by the Statutory Tax Rate for the Years Ended 31 March 2017 and 31 March 2016 are as follows:

		Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
Accounting Profit/(Loss) before Tax		(404,711,129)	(109,266,575)	(191,830,409)	(104,554,189)
Adjustments in respect to Current Income Tax					
BOI Exempt Profit/(Loss)		(400,902,145)	(110,371,225)	(191,157,459)	(106,179,867)
Other Sources of Income		(689,246)	(1,625,678)	(672,951)	(1,625,678)
Liable Business Profit		-	-	-	-
Total Statutory Income		5,927	57,291	5,927	57,291
Less : Allowable Deductions		(2,074)	(20,052)	(2,074)	(20,052)
Total Taxable Income		3,853	37,239	3,853	37,239
At the Statutory Income Tax Rate	- Business Profit	Exempt - 12%	Exempt - 12%	Excempt	Excempt
	- Other Income	28%	28%	28%	28%
Current Income Tax Expenses	- Business Profit	-	-	-	-
	- Other Income	1,079	10,427	1,079	10,427
Income Tax Expense reported in the statement of profit or loss		1,079	10,427	1,079	10,427

5.4 Deferred Tax Assets, Liabilities and Income Tax relate to the following:

Group/Company	Statement of Financial Position 2017 Rs.	Statement of Financial Position 2016 Rs.	Statement of Profit or Loss 2017 Rs.	Statement of Profit or Loss 2016 Rs.	Statement of Other Comprehensive Income 2017 Rs.	Statement of Other Comprehensive Income 2016 Rs.
Deferred Tax Assets						
Capital Allowances for Tax Purposes	-	-	-	3,869,059	-	-
Employee Benefit Liability	650,280	125,303	(307,689)	(14,161)	(217,288)	68,381
Tax Losses Carried Forword	2,155,163	1,439,088	(716,075)	290,170	-	-
	2,805,443	1,564,391	(1,023,765)	4,145,068	(217,288)	68,381
Deferred Income Tax Expense/(Reversal)			(1,023,765)	4,145,068	(217,288)	68,381
Net Deferred Tax Asset	2,805,443	1,564,391				

Company	Statement of Financial Position 2017 Rs.	Statement of Financial Position 2016 Rs.	Statement of Profit or Loss 2017 Rs.	Statement of Profit or Loss 2016 Rs.	Statement of Other Comprehensive Income 2017 Rs.	Statement of Other Comprehensive Income 2016 Rs.
Deferred Tax Assets						
Capital Allowances for Tax Purposes	-	-	-	3,869,059	-	-
Employee Benefit Liability	578,192	125,303	(240,920)	(14,161)	(211,969)	68,381
Tax Losses Carried Forword	1,438,880	1,439,088	208	290,170	-	-
	2,017,072	1,564,391	(240,713)	4,145,068	(211,969)	68,381
Deferred Income Tax Expense/(Reversal)			(240,713)	4,145,068	(211,969)	68,381
Net Deferred Tax Asset	2,017,072	1,564,391				

5.5 Reconciliation of Net Deferred Tax Asset

	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
As at 1 April	1,564,391	5,777,840	1,564,391	5,777,840
Tax (Expense)/Reversal during the Year recognised in the Statement of Profit or Loss	1,023,765	(4,145,068)	240,713	(4,145,068)
Tax (Expense)/Reversal during the Year recognised in Other Comprehensive Income	217,288	(68,381)	211,969	(68,381)
As at 31 March	2,805,443	1,564,391	2,017,072	1,564,391

5. INCOME TAX (Contd.)

5.6 Current Taxes

5.6.1 LAUGFS Leisure Limited

(a) In accordance with and subject to the powers conferred on the Board of Investment under Section 17 of the said Law No. 04 of 1978 and regulations, the Company was exempted from income tax for a period of ten (10) years reckoned from the year of assessment as may be determined by the Board of Investment ("the tax exemption period"), the provisions of the Inland Revenue Act No. 10 of 2006 relating to the imposition payment and recovery of income tax shall not apply in respect of the profits and income of the enterprise.

(b) After the expiration of the aforesaid tax exemption period referred to in sub-clause (i) of the agreement with the Board of Investment, the profits and income of the enterprise shall be charged at the rate of ten percent (10%) for a period of two (02) years immediately succeeding the last date of the tax exemption period during which the profits and income of the enterprise is exempted from the income tax ("the concessionary tax rate of ten percent (10%)).

(c) After the expiration of the aforesaid concessionary tax rate of ten percent (10%) referred to in sub-clause (ii) of the agreement with the Board of Investment, the profits and income of the enterprise shall be charged for any year of assessment at the rate of twenty percent (20%).

5.6.2 Anantaya Wadduwa (Pvt) Ltd.

(a) Pursuant to agreement dated 19 July 2006 entered into with Board of Investment, the imposition, payment and recovery of income tax shall not apply for a period of five (05) years from 10 October 2007. This exemption expired on 09 December 2012.

(b) After the said tax exemption period, the company would become liable for income tax at the rate of 10% for a period of two (02) years and at the rate of 20% thereafter.

5.6.3 Anantaya Passekudah (Pvt) Ltd.

(a) The Company was exempt from income tax for a period of fifteen (15) years reckoned from the year of assessment as may be determined by the Board of Investment ("the tax exemption period"), the provision of the Inland Revenue Act No. 10 of 2006 relating to the imposition, payment and recovery of income tax shall not apply in respect of the profits and income of the enterprise.

(b) After the expiration of the aforesaid tax exemption period referred to in sub-clause (i) of the agreement with the Board of Investment, the profits and income of the enterprise shall be payable in terms of the provisions of the Inland Revenue Act.

5.6.4 LAUGFS Hotel Management Services (Pvt) Ltd.

Since the company has engaged in the industry of leisure & hospitality, the principal source of income is taxed at the rate of twelve percent (12%) while other sources of income is taxed at twenty eight percent (28%).

6. EARNINGS/(LOSSES) PER SHARE

Basic/Diluted Earnings Per Share is calculated by dividing the net profit/(loss) for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding, without a corresponding change in the resources such as a bonus issue or a share split.

The following reflects the income and share data used in the Basic/Diluted Earnings Per Share computations.

	Group		Company	
	2017	2016	2017	2016
Amount Used as the Numerator:	Rs.	Rs.		Rs.
Net Profit/(Loss) attributable to Ordinary Equity Holders of the Parent for Basic Earnings	(403,688,443)	(113,422,070)	(191,590,775)	(108,709,684)
Number of Ordinary Shares Used as the Denominator:	**Number**	**Number**	**Number**	**Number**
Weighted Average Number of Ordinary Shares for Basic/Diluted Earnings Per Share	137,917,815	130,000,007	137,917,815	130,000,007

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorization of these financial statements.

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7. PROPERTY, PLANT AND EQUIPMENT

7.1 Group

7.1.1 Gross Carrying Amounts

	Balance As at 01.04.2016 Rs.	Additions during the Year Rs.	Transfers In/(Out) Rs.	Disposals during the Year Rs.	Balance As at 31.03.2017 Rs.
At Cost					
Freehold Land	616,152,906	-	-	-	616,152,906
Immprovements on Leasehold Land	-	-	100,102,704	-	100,102,704
Freehold Building	1,592,556,002	1,540,144	-	-	1,594,096,145
Buildings on Leasehold Land	-	17,209,672	2,088,249,990	-	2,105,459,662
Plant and Machinery	130,680,665	825,121	137,375,660	-	268,881,446
Furniture and Fittings	136,210,266	8,842,550	84,151,071	-	229,203,887
Office Equipment	95,962,773	772,780	61,421,617	-	158,157,170
Kitchen Equipment	45,719,389	840,283	36,224,462	-	82,784,134
Gym Equipment	5,910,674	-	5,721,893	-	11,632,567
Electrical Equipment	41,027,872	276,338	33,901,691	-	75,205,901
Medical Equipment	20,400	-	-	-	20,400
Motor Vehicles	14,539,407	100,000	20,386,184	(95,089)	34,930,502
Computers Equipment	53,627,838	77,500	8,469,713	-	62,175,051
Name Board	108,550	-	-	-	108,550
Total Value of Depreciable Assets	2,732,516,741	30,484,388	2,576,004,985	(95,089)	5,338,911,025
In the Course of Construction					
Capital Work-in-Progress	1,737,514,604	938,889,836	(2,615,910,914)	-	60,493,526
	1,737,514,604	938,889,836	(2,615,910,914)	-	60,493,526
Total Value of Assets	4,470,031,345	969,374,224	(39,905,929)	(95,089)	5,399,404,551

7.1.2 Depreciation

	Balance As at 01.04.2016 Rs.	Charged for the Year Rs.	Transfers In/(Out) Rs.	Disposals during the Year Rs.	Balance As at 31.03.2017 Rs.
At Cost					
Immprovements on Leasehold Land	-	2,334,757	-	-	2,334,757
Freehold Building	64,038,862	31,866,997	-	-	95,905,860
Buildings on Leasehold Land	-	28,072,796	-	-	28,072,796
Plant & Machinery	26,868,335	22,266,566	-	-	49,134,901
Furniture and Fittings	27,030,213	19,931,141	-	-	46,961,354
Office Equipment	19,961,264	13,737,087	-	-	33,698,351
Kitchen Equipment	9,451,288	7,028,712	-	-	16,480,000
Gym Equipment	1,251,768	972,529	-	-	2,224,297
Electrical Equipment	8,343,621	6,369,739	-	-	14,713,360
Medical Equipment	4,321	2,040	-	-	6,360
Motor Vehicles	2,844,189	3,525,699	-	(35,658)	6,334,229
Computers Equipment	22,363,911	11,892,474	-	-	34,256,385
Name Board	74,324.68	27,138	-	-	101,463
Total Depreciation	182,232,095	145,692,919	-	(35,658)	327,889,356

7.1.3 Net Book Value

	2017 Rs.	2016 Rs.
At Cost		
Freehold Land	616,152,906	616,152,906
Immprovements on Leasehold Land	97,767,947	-
Freehold Building	1,498,190,286	1,528,517,139
Buildings on Leasehold Land	2,077,386,867	-
Plant and Machinery	219,746,546	103,812,331
Furniture and Fittings	182,242,533	109,180,053
Office Equipment	124,458,819	76,001,509
Kitchen Equipment	66,304,134	36,268,101
Gym Equipment	9,408,270	4,658,906
Electrical Equipment	60,492,540	32,684,251
Medical Equipment	14,040	16,079
Motor Vehicles	28,596,272	11,695,218
Computers Equipment	27,918,666	31,263,927
Name Board	7,087	34,225
	5,008,686,912	2,550,284,646
In the Course of Construction		
Capital Work-in-Progress	60,493,526	1,737,514,604
	60,493,526	1,737,514,604
Total Net Carrying Amount of Property, Plant and Equipment	5,069,180,439	4,287,799,250

7. PROPERTY, PLANT AND EQUIPMENT (Contd.)

7.2 Company

7.2.1 Gross Carrying Amounts

	Balance As at 01.04.2016 Rs.	Additions during the Year Rs.	Disposals during the Year Rs.	Balance As at 31.03.2017 Rs.
At Cost				
Freehold Land	116,060,077	-	-	116,060,077
Freehold Building	1,592,556,002	1,540,144	-	1,594,096,146
Plant and Machinery	130,530,665	762,271	-	131,292,937
Furniture and Fittings	136,136,626	8,842,550	-	144,979,176
Office Equipment	95,962,773	772,780	-	96,735,553
Kitchen Equipment	45,719,389	840,283	-	46,559,672
Gym Equipment	5,910,674	-	-	5,910,674
Electrical Equipment	41,027,872	276,338	-	41,304,210
Medical Equipment	20,400	-	-	20,400
Motor Vehicles	14,539,407	100,000	(95,089)	14,544,318
Computers Equipment	53,126,698	77,500	-	53,204,198
Total Value of Depreciable Assets	2,231,590,582	13,211,866	(95,089)	2,244,707,359

7.2.2 Depreciation

	Balance As at 01.04.2016 Rs.	Charged for the Year Rs.	Disposals during the Year Rs.	Balance As at 31.03.2017 Rs.
At Cost				
Freehold Building	64,038,862	31,866,997	-	95,905,860
Plant and Machinery	26,730,835	13,092,437	-	39,823,272
Furniture and Fittings	27,004,517	14,302,655	-	41,307,173
Office Equipment	19,961,263	9,642,318	-	29,603,582
Kitchen Equipment	9,451,288	4,613,747	-	14,065,035
Gym Equipment	1,251,768	591,070	-	1,842,838
Electrical Equipment	8,343,621	4,109,626	-	12,453,247
Medical Equipment	4,321	2,040	-	6,360
Motor Vehicles	2,844,189	1,826,851	(35,658)	4,635,381
Computers Equipment	22,230,289	10,635,931	-	32,866,221
	181,860,953	90,683,674	(35,658)	272,508,969

7.2.3 Net Book Value

	2017 Rs.	2016 Rs.
At Cost		
Freehold Land	116,060,077	116,060,077
Freehold Building	1,498,190,286	1,528,517,140
Plant and Machinery	91,469,665	103,799,831
Furniture and Fittings	103,672,004	109,132,108
Office Equipment	67,131,971	76,001,510
Kitchen Equipment	32,494,637	36,268,101
Gym Equipment	4,067,836	4,658,906
Electrical Equipment	28,850,962	32,684,251
Medical Equipment	14,040	16,079
Motor Vehicles	9,908,936	11,695,218
Computers Equipment	20,337,977	30,896,409
Total Net Carrying Amount of Property, Plant and Equipment	1,972,198,390	2,049,729,629

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7. PROPERTY, PLANT AND EQUIPMENT (Contd.)

7.3 During the financial year, the Group and Company acquired property, plant and equipment to the aggregate value of Rs.969,374,224/- and Rs.13,211,866/- respectively. (2016 - Rs.1,183,534,874/- and Rs.18,587,811/-) Cash payments amounting to Rs.967,039,468/- and Rs.13,211,866/- (2016 - Rs.1,179,404,553/- and Rs.18,587,811/-) respectively were made during the year for purchase of property, plant and equipment.

7.4 The useful lives of the assets are estimated as follows;

	Group		Company	
	2017	**2016**	**2017**	**2016**
Immprovements on Leasehold Land	28 Years	-	-	-
Freehold Building	50 Years	50 Years	50 Years	50 Years
Buildings on Leasehold Land	28 Years	-	-	-
Plant and Machinery	4-10 Years	4-10 Years	10 Years	10 Years
Furniture and Fittings	4-10 Years	4-10 Years	10 Years	10 Years
Office Equipments	10 Years	10 Years	10 Years	10 Years
Kitchen Equipments	10 Years	10 Years	10 Years	10 Years
Gym Equipments	10 Years	10 Years	10 Years	10 Years
Electrical Equipments	10 Years	10 Years	10 Years	10 Years
Medical Equipments	10 Years	10 Years	10 Years	10 Years
Motor Vehicles	8 Years	8 Years	8 Years	8 Years
Computers Equipments	4-5 Years	4-5 Years	5 Years	5 Years
Name Board	4 Years	4 Years	4 Years	4 Years

8. INTANGIBLE ASSETS

	Group		Company	
	2017	**2016**	**2017**	**2016**
	Rs.	**Rs.**	**Rs.**	**Rs.**
Cost				
As at 1 April	4,309,277	4,292,134	4,309,277	4,292,134
Additions	1,232,125	17,143		17,143
As at 31 March	5,541,402	4,309,277	4,309,277	4,309,277
Amortization and Impairment				
As at 1 April	2,149,281	1,073,033	2,149,281	1,073,033
Amortization	1,282,676	1,076,248	1,077,324	1,076,248
As at 31 March	3,431,958	2,149,281	3,226,606	2,149,281
Net Book Value	2,109,445	2,159,995	1,082,671	2,159,995

9. PREPAYMENTS

	Group		Company	
	2017	**2016**	**2017**	**2016**
	Rs.	**Rs.**	**Rs.**	**Rs.**
Prepayments*	75,034,172	79,164,493	-	-
	75,034,172	79,164,493	-	-

* This includes consideration paid by LAUGFS Leisure Ltd. for the acquisition of Anantaya Passekudah (Pvt) Ltd. which has been accounted for as an acquisition of leasehold right of the land at Passekudah considering the substance of the transaction.

10. INVESTMENTS IN SUBSIDIARIES

	2017	**2016**
Company	**Rs.**	**Rs.**
As at 1 April	610,100,000	610,100,000
Acquisition of Investments	1,700,019,196	-
As at 31 March	2,310,119,196	610,100,000

10.1 Investments in Subsidiaries

Non-Quoted	Country of Incorporation	Holding % 2017	Holding % 2016	Cost 2017 Rs.	Director's Valuation 2017 Rs.	Cost 2016 Rs.	Director's Valuation 2016 Rs.
Anantaya Passekudah (Pvt) Ltd.	Sri Lanka	100%	100%	1,810,000,000	1,810,000,000	110,000,000	110,000,000
Anantaya Wadduwa (Pvt) Ltd	Sri Lanka	100%	100%	500,000,000	500,000,000	500,000,000	500,000,000
LAUGFS Hotel Management Services (Pvt) Ltd	Sri Lanka	100%	100%	100,000	100,000	100,000	100,000
LAUGFS Maldives (Pvt) Ltd	Maldives	100%	-	19,196	19,196	-	-
Total Non-Quoted Investments in Subsidiaries				2,310,119,196	2,310,119,196	610,100,000	610,100,000

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11. INVENTORIES

	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
Food and Beverages	13,646,588	7,301,005	6,549,305	7,301,005
House Keeping & Maintenance	5,359,154	3,335,102	1,876,530	3,335,102
Staff Uniform and Other Stock	1,876,530	721,381	3,028,694	721,381
Crockery, Linen and Glassware	24,957,672	21,653,768	19,947,110	21,653,768
Kitchen Utensils	14,147,228	12,646,838	12,768,094	12,646,838
Maintenance Tools	5,781,259	5,235,605	5,546,005	5,235,605
Gym and Sports Items	707,287	706,617	706,617	706,617
Linen Stock	47,210,078	34,370,401	33,143,269	34,370,401
Sundry Stock	279,933	8,030	41,000	-
	113,965,728	85,978,749	83,606,624	85,970,719
Provision for Stocks	(16,203,060)	(6,657,988)	(13,395,069)	(6,657,988)
Total Inventories at the lower of Cost and Net Realisable Value	97,762,668	79,320,761	70,211,555	79,312,731

12. TRADE AND OTHER RECEIVABLES

	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
Trade Receivables - Related Party (Note 12.1)	1,275,762	1,698,246	1,275,762	1,698,246
- Others	51,514,843	60,034,875	35,244,402	60,034,875
Less: Provision for bad & doubtful debts	(3,141,351)	-	(3,141,351)	-
	49,649,254	61,733,121	33,378,813	61,733,121
Other Receivables - Related Party (Note 12.2)	60,400	36,452,394	60,400	548,281,112
- Others	49,949,479	30,430,233	2,747,943	22,056,987
	99,659,134	128,615,748	36,187,157	632,071,220
Advances and Prepayments	79,585,049	311,223,120	18,190,289	11,280,241
	179,244,183	439,838,867	54,377,446	643,351,461

12.1 Trade Receivables from Related Parties

	Relationship	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
LAUGFS Holdings Ltd.	Ultimate Parent	-	1,604,863	-	1,604,863
LAUGFS Gas PLC	Parent Company	-	46,582	-	46,582
LAUGFS Lubricants Ltd.	Group Company	141,533	46,800	141,533	46,800
LAUGFS International (Pvt) Ltd.	Group Company	273,339	-	273,339	-
LAUGFS Supermarkets (Pvt) Ltd.	Group Company	113,226	-	113,226	-
LAUGFS Engineering (Pvt) Ltd.	Group Company	84,920	-	84,920	-
LAUGFS Beverages (Pvt) Ltd.	Group Company	56,613	-	56,613	-
LAUGFS Salt & Chemicals Ltd.	Group Company	56,613	-	56,613	-
LAUGFS Solution Ltd.	Group Company	28,307	-	28,307	-
LAUGFS Car Care Ltd.	Group Company	28,307	-	28,307	-
LAUGFS Eco Sri (Pvt) Ltd.	Fellow Subsidiary	28,307	-	28,307	-
LAUGFS Corporation (Rubber) Ltd.	Group Company	113,226	-	113,226	-
LAUGFS Bussiness Solutions (Pvt) Ltd.	Group Company	141,533	-	141,533	-
LAUGFS Wellness (Pvt) Ltd.	Group Company	56,613	-	56,613	-
LAUGFS Power Ltd.	Fellow Subsidiary	96,613	-	96,613	-
Lfinity (Pvt) Ltd.	Group Company	28,307	-	28,307	-
LAUGFS Terminal Ltd.	Fellow Subsidiary	28,307	-	28,307	-
		1,275,762	1,698,246	1,275,762	1,698,246

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12.2 Other Receivables from Related Parties

	Relationship	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
LAUGFS Engineering (Pvt) Ltd.	Group Company	-	36,452,394	-	36,452,394
Anantaya Resort & Spa (Pvt) Ltd	Group Company	60,400	-	60,400	-
Anantaya Passekudah (Pvt) Ltd.	Subsidiary	-	-	-	511,828,718
		60,400	36,452,394	60,400	548,281,112

Trade receivables are non-interest bearing and are generally on terms of 1-45 days.

As at 31 March, the ageing analysis of trade receivables, is as follows:

Group

	Total	Neither Past Due nor Impaired	Past Due and Impaired < 30 Days	31-60 Days	61-90 Days	> 90 Days
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
2017	52,790,605	22,922,863	19,628,455	4,109,575	2,199,036	3,930,676
2016	61,733,121	-	26,950,075	22,765,904	6,221,015	6,221,015

Company

	Total	Neither Past Due nor Impaired	Past Due and Impaired < 30 Days	31-60 Days	61-90 Days	> 90 Days
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
2017	36,520,164	16,792,766	9,999,026	3,843,106	2,182,386	3,702,880
2016	61,733,121	-	26,950,075	22,765,904	6,221,015	5,796,126

Above to be read in conjunction with Note 21 on credit risk of trade receivables, which discusses how the Group/Company manages and measures credit quality of trade receivables that are neither past due nor impaired.

13. CASH AND SHORT TERM DEPOSITS

	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
13.1 Favorable Cash & Cash Equivalent Balances				
Bank Guarantee	140,000	40,000	140,000	40,000
Fixed Deposits	-	3,192,383	-	3,192,383
Cash and Bank Balances	47,146,508	86,795,960	22,510,221	86,278,530
	47,286,508	90,028,343	22,650,221	89,510,913
13.2 Unfavorable Cash & Cash Equivalent Balances				
Bank Overdraft (Note 15.1)	(221,500,899)	(109,883,156)	(113,319,329)	(108,198,018)
Total Cash and Cash Equivalents For the Purpose of Cash Flow State	(174,214,391)	(19,854,813)	(90,669,108)	(18,687,105)

14. STATED CAPITAL

Group/Company	2017 Number	2017 Rs.	2016 Number	2016 Rs.
14.1 Ordinary Shares				
As at 1 April	130,000,007	1,300,000,070	130,000,007	1,300,000,070
Issue of Shares during the Year	170,000,000	1,700,000,000	-	-
As at 31 March	300,000,007	3,000,000,070	130,000,007	1,300,000,070

14.2 Rights, Preference and Restrictions of Classes of Capital

The holders of ordinary shares confer their right to receive dividends as declared from time to time and are entitled to one vote per share at a meeting of the Company. All shares rank equally with regard to the Company's residual assets.

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15. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

15.1 Other Financial Liabilities

15.1.1 Interest Bearing Loans and Borrowings

Group	Amount Repayable Within 1 Year 2017 Rs.	Amount Repayable After 1 Year 2017 Rs.	Total 2017 Rs.	Amount Repayable Within 1 Year 2016 Rs.	Amount Repayable After 1 Year 2016 Rs.	Total 2016 Rs.
Term Loans	97,345,040	1,728,997,800	1,826,342,840	144,895,040	1,749,617,840	1,894,512,880
Bank Overdrafts (Note 13.2)	221,500,899	-	221,500,899	109,883,156	-	109,883,156
	318,845,939	1,728,997,800	2,047,843,739	254,778,196	1,749,617,840	2,004,396,036

Term Loans	As at 01.04.2016 Rs.	Loans Obtained Rs.	Repayments Rs.	As at 31.03.2017 Rs.
Sampath Bank PLC - Loan 1	592,800,000	30,730,000	(58,255,000)	565,275,000
Sampath Bank PLC - Loan 2	395,200,000	20,420,000	(39,470,000)	376,150,000
Sampath Bank PLC - Loan 3	900,000,000	-	(20,000,000)	880,000,000
Commercial Bank of Ceylon PLC	6,512,880	-	(1,595,040)	4,917,840
	1,894,512,880	51,150,000	(119,320,040)	1,826,342,840

Company	Amount Repayable Within 1 Year 2017 Rs.	Amount Repayable After 1 Year 2017 Rs.	Total 2017 Rs.	Amount Repayable Within 1 Year 2016 Rs.	Amount Repayable After 1 Year 2016 Rs.	Total 2016 Rs.
Term Loans	29,345,040	916,997,800	946,342,840	124,895,040	869,617,840	994,512,880
Bank Overdrafts (Note 13.2)	113,319,329	-	113,319,329	108,198,018	-	108,198,018
	142,664,369	916,997,800	1,059,662,169	233,093,058	869,617,840	1,102,710,898

Term Loans	As at 01.04.2016 Rs.	Loans Obtained Rs.	Repayments Rs.	As at 31.03.2017 Rs.
Sampath Bank PLC - Loan 1	592,800,000	30,730,000	(58,255,000)	565,275,000
Sampath Bank PLC - Loan 2	395,200,000	20,420,000	(39,470,000)	376,150,000
Commercial Bank of Ceylon PLC	6,512,880	-	(1,595,040)	4,917,840
	994,512,880	51,150,000	(99,320,040)	946,342,840

	Interest Rate	Repayment Terms
Sampath Bank PLC		
Loan 1	AWPLR* + 1% per annum	Repayable by 99 monthly installments up to June 2025.
Loan 2	AWPLR* + 1% per annum	Repayable by 99 monthly installments up to June 2025.
Loan 3	AWPLR* + 1% per annum	Repayable by 07 monthly installments of Rs. 4,000,000/- followed by 12 monthly installments of Rs. 8,000,000/-, 87 monthly installment of Rs. 11,400,000/- and the final installment of Rs. 9,800,000/-.
Commercial Bank of Ceylon PLC	8% per annum	Repayable by 48 monthly instalments of Rs. 132,290/- and the final instalment of Rs. 132,720/-.

* AWPLR - Average Weighted Primary Lending Rate

15. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Contd.)

15.2 Fair Values

Set out below is a comparison of the carrying amounts and fair values of the Group's/Company's financial instruments by classes, that are not carried at fair value in the financial statements. This table does not include the fair values of non-financial assets and non-financial liabilities.

Group	Note	Carrying Amount		Fair Value	
		2017	2016	2017	2016
		Rs.	Rs.	Rs.	Rs.
Financial Assets					
Trade and Other Receivables	A	99,659,134	128,615,748	99,659,134	128,615,748
Cash & Short Term Deposits	A	47,286,508	90,028,343	47,286,508	90,028,343
		146,945,642	218,644,091	146,945,642	218,644,091
Financial Liabilities					
Interest Bearing Liabilities (Non-Current)	B	1,728,997,800	1,749,617,840	1,728,997,800	1,749,617,840
Interest Bearing Liabilities (Current)	A	318,845,939	254,778,196	318,845,939	254,778,196
Trade and Other Payables	A	1,129,964,149	1,904,910,125	1,129,964,149	1,904,910,125
		3,177,807,888	3,909,306,161	3,177,807,888	3,909,306,161

Company	Note	Carrying Amount		Fair Value	
		2017	2016	2017	2016
		Rs.	Rs.	Rs.	Rs.
Financial Assets					
Trade and Other Receivables	A	36,187,157	632,071,220	36,187,157	632,071,220
Cash & Short Term Deposits	A	22,650,221	89,510,913	22,650,221	89,510,913
		58,837,378	721,582,133	58,837,378	721,582,133
Financial Liabilities					
Interest Bearing Liabilities (Non-Current)	B	916,997,800	869,617,840	916,997,800	869,617,840
Interest Bearing Liabilities (Current)	A	142,664,369	233,093,058	142,664,369	233,093,058
Trade and Other Payables	A	864,559,389	1,362,977,909	864,559,389	1,362,977,909
		1,924,221,559	2,465,688,806	1,924,221,559	2,465,688,806

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values;

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

B. Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the Company based on parameters such as interest rates, risk characteristics of the financed project etc. As at 31 March 2017, the carrying amounts of such borrowings are not materially different from their calculated fair values.

15.3 Fair Value Hierarchy

For all financial instruments where fair values are determined by referring to externally quoted prices or observable pricing inputs to models, independent price determination or validation is obtained. In an active market, direct observation of a trade price may not be possible. In these circumstances, the Group / Company uses alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

Fair value are determined according to the following hierarchy.

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2: Other valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: Valuation techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market

As at 31 March 2017, the Group /Company held the following financial instruments carried at fair value on the statement of financial position.

Group	2017	Level 1	Level 2	Level 3
	Rs.	Rs.	Rs.	Rs.
Assets Measured at Fair Value				
Employee Benefits Liability	6,382,650	-	-	6,382,650
	6,382,650	-	-	6,382,650

During the reporting period ending 31 March 2017, there were no transfers between Level 1 and Level 2 fair value measurements.

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16. EMPLOYEE BENEFIT LIABILITY

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
16.1 Net Benefit Expense				
Current Service Cost	3,089,343	298,696	2,532,931	298,696
Interest Cost on Benefit Obligation	112,772	142,122	112,772	142,122
Total Expenses	3,202,115	440,818	2,645,703	440,818
16.2 Employee Benefit Liability				
As at 1 April	1,253,027	1,496,020	1,253,027	1,496,020
Current Service Cost	3,089,343	298,696	2,532,931	298,696
Interest Cost on Benefit Obligation	112,772	142,122	112,772	142,122
Actuarial Losses / (Gain) on Obligation	2,164,008	(683,811)	2,119,690	(683,811)
Benefits Paid	(236,500)	-	(236,500)	-
As at 31 March	6,382,650	1,253,027	5,781,920	1,253,027

16.3 Messrs. Smiles Global (Pvt) Ltd, Actuaries, carried out an actuarial valuation of the defined benefit plan - gratuity on 31 March 2017. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used as at 31.03.2017 are as follows:

	Group		Company	
	2017	2016	2017	2016
Method of Actuarial Valuation:	Projected Unit Credit method	Projected Unit Credit method	Projected Unit Credit method	Projected Unit Credit method
Discount Rate:	11.75% - 12%	9.0%	11.75%	9.0%
Salary Increment Rate:	10%	10%	10%	10%
Retirement Age:	55 years	55 years	55 years	55 years
Staff Turnover Ratio:	33% - 64%	56%	64%	56%
Mortality Table:	A67/70 Mortality Table	A67/70 Mortality Table	A67/70 Mortality Table	A67/70 Mortality Table

16.4 Sensitivity of Assumptions Employed in Actuarial Valuation

The following table demonstrates 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.

The sensitivity of the Statement of Profit or Loss and Statement of Financial Position is the effect of the assumed changes in discount rate and salary increment rate on the profit or loss and employment benefit obligation for the year is as follows.

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16. EMPLOYEE BENEFIT LIABILITY (Contd.)

16.4 Sensitivity of Assumptions Employed in Actuarial Valuation (Contd.)

Increase/(Decrease) in Discount Rate	Increase/(Decrease) in Rate of Salary Increment	Group: Effect on Income Statement (Reduction)/Increase in Results for the Year	Group: Effect on Statement of Financial Position (Reduction)/ Increase in the Liability as at the Year End	Group: Present Value of Defined Benefit Obligation	Company: Effect on Income Statement (Reduction)/Increase in Results for the Year	Company: Effect on Statement of Financial Position (Reduction)/ Increase in the Liability as at the Year End	Company: Present Value of Defined Benefit Obligation
					Rs.	Rs.	Rs.
+1%	-	86,152	(86,152)	6,296,498	72,658	(72,658)	5,709,262
-1%	-	(89,422)	89,422	6,472,072	(75,170)	75,170	5,857,090
-	+1%	(112,930)	112,930	6,495,580	(96,571)	96,571	5,878,491
-	-1%	110,645	(110,645)	6,272,005	94,905	(94,905)	5,687,015

16.5 Following payments are expected contributions to the defined benefit plan obligation on the future years:

	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
Within the next 2 Years	5,855,624	1,185,889	5,781,920	1,185,889
Between 2 and 5 Years	527,026	67,138	-	67,138
Total Expected Payments	6,382,650	1,253,027	5,781,920	1,253,027

The average duration of the defined benefit plan obligating of Company at the end of the reporting period is years 1.51 (2016 - 0.93 years).

17. TRADE AND OTHER PAYABLES

	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
Trade Payables - Related Parties (Note 17.1)	901,017	506,621	901,017	506,621
- Others	21,296,899	12,259,112	13,585,068	11,648,765
	22,197,916	12,765,734	14,486,085	12,155,387
Other Payables - Related Parties (Note 17.2)	956,182,629	1,807,595,825	839,693,354	1,326,266,098
- Others	151,583,604	84,548,567	10,379,950	24,556,424
	1,129,964,149	1,904,910,125	864,559,389	1,362,977,909
Advances and Prepayments	13,286,729	10,583,255	12,077,273	10,583,255
Sundry Creditors including Accrued Expenses	20,373,613	95,978,965	14,765,499	27,389,311
	1,163,624,491	2,011,472,345	891,402,161	1,400,950,474

17.1 Trade Payables to Related Parties

	Relationship	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
LAUGFS Petroleum (Pvt) Ltd.	Group Company	233,892	178,973	233,892	178,973
LAUGFS Holdings Ltd.	Ultimate Parent	667,125	-	667,125	-
LAUGFS Supermarkets (Pvt) Ltd.	Group Company	-	80,505	-	80,505
LAUGFS Restaurants (Pvt) Ltd	Group Company	-	4,460	-	4,460
LAUGFS Beverages (Pvt) Ltd.	Group Company	-	242,683	-	242,683
		901,017	506,621	901,017	506,621

17. TRADE AND OTHER PAYABLES (Contd.)

17.2 Other Payables to Related Parties

Other Payables to Related Parties	Relationship	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
LAUGFS Petroleum (Pvt) Ltd.	Group Company	-	17,232	-	-
LAUGFS Hotel Management Services	Subsidiary	-	-	201,326,651	201,522,141
LAUGFS Gas PLC	Parent	953,478,063	1,806,843,331	93,478,063	585,063,821
Gas Auto Lanka Ltd.	Group Company		7,420	-	1,230
LAUGFS Holdings Ltd.	Ultimate Parent	1,034,228	563,802	-	549,290
LAUGFS Property Developers (Pvt) Ltd	Group Company	1,546,408	-	1,546,408	-
Southern Petroleum (Pvt) Ltd.	Group Company	-	4,853	-	-
LAUGFS Beverages (Pvt) Ltd.	Group Company	-	159,187	-	-
SLOGAL Energy DMCC	Fellow Subsidiary	123,930	-	123,930	-
Anantaya Passekudah (Pvt) Ltd	Subsidiary	-	-	5,688,105	-
Anantaya Wadduwa (Pvt) Ltd.	Subsidiary	-	-	537,530,197	539,129,616
		956,182,629	1,807,595,825	839,693,354	1,326,266,098

As at 31 March, the ageing analysis of trade payables, is as follows:

Group

	Total Rs.	< 30 Days Rs.	31-90 Days Rs.	91-120 Days Rs.	> 120 Days Rs.
2017	22,197,916	14,486,794	5,734,631	649,120	1,327,371
2016	12,765,734	10,450,803	1,392,665	20,084	902,182

Company

	Total Rs.	< 30 Days Rs.	31-90 Days Rs.	91-120 Days Rs.	> 120 Days Rs.
2017	14,486,085	11,074,617	2,036,388	140,964	1,234,116
2016	12,155,387	10,450,803	1,392,665	20,084	291,835

18. COMMITMENTS AND CONTINGENCIES

18.1 Capital Expenditure Commitments

The Group and Company have commitments for acquisition of property, plant and equipment incidental to the ordinary course of business as at 31 March 2017 are as follows;

Group

	2017 Rs.
Contracted but not Provided for	
Buildings on Leasehold Land	46,814,420
	46,814,420

Company

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

18.2 Contingencies

The Group does not have significant contingencies as at the reporting date.

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19. ASSETS PLEDGED

Group

The following assets have been pledged as security for liabilities.

Nature of Assets	Nature of the Liability	Carrying Amount Pledged 2017 Rs.	Carrying Amount Pledged 2016 Rs.	Included Under
Land and Building	Primary and Secondary mortgage over Land and Building	1,041,425,000	1,100,000,000	Property, Plant and Equipment
Motor Vehicle	Mortgage bond	4,917,840	7,975,000	Property, Plant and Equipment
Immovable Properties	Primary and Secondary Mortgage Bond	880,000,000	900,000,000	Property, Plant and Equipment

Company

The following assets have been pledged as security for liabilities.

Nature of Assets	Nature of the Liability	Carrying Amount Pledged 2017 Rs.	Carrying Amount Pledged 2016 Rs.	Included Under
Land and Building	Primary and Secondary mortgage over Land and Building	1,041,425,000	1,100,000,000	Property, Plant and Equipment
Motor Vehicle	Mortgage bond	4,917,840	7,975,000	Property, Plant and Equipment

20. RELATED PARTY DISCLOSURES

The following table provides the information pertaining to significant transactions that have been entered into with related parties for the relevant financial year. (for information regarding outstanding balances at 31 March 2017 and 31 March 2015, refer to Notes 13 and 17).

20.1 Group

20.1.1 Transactions with the Related Parties

	Ultimate Parent		Parent		Other Group Companies		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Nature of Transactions								
As at 1 April	1,041,061	-	(1,806,796,748)	(1,073,441,121)	35,803,881	27,972,322	(1,769,951,806)	(1,045,468,799)
Sale of Goods/Services	1,783,388	1,889,429	1,276,407	902,383	1,765,074	808,877	4,824,869	3,600,689
Purchase of Goods/Services	-	-	(17,541)	-	(10,325,741)	(6,596,004)	(10,343,282)	(6,596,004)
Settlement of Trade Debtors	-	(284,566)	-	-	(334,278)	(762,077)	(334,278)	(1,046,643)
Settlement Payment	11,726	-	(1,322,990)	1,556,779,510	(35,894,238)	-	(37,205,502)	1,556,779,510
Settlement of Trade Payables	2,786	-	-	-	9,015,485	6,589,261	9,018,271	6,589,261
Fund Transfers Received	-	-	(33,000,000)	(2,290,964,454)	-	-	(33,000,000)	(2,290,964,454)
Share Issued	-	-	1,700,000,000				1,700,000,000	-
Fund Transfers Given	-	-	-	-	-	-	-	-
Share Issued	-	-	-	-	-	-	-	-
Intercompany Expenses to	(2,082,660)	(9,012)	1,028,059	-	(598,251)	7,791,502	(1,652,852)	7,782,490
Intercompany Expenses from	(2,457,655)	(554,790)	(814,645,250)	(73,065)	-	-	(817,102,905)	(627,855)
Advance Payments	-	-	-	-	-	-	-	-
As at 31 March	(1,701,353)	1,041,061	(953,478,063)	(1,806,796,748)	(568,068)	35,803,881	(955,747,484)	(1,769,951,806)

20. RELATED PARTY DISCLOSURES (Contd.)

20.2 Company

20.2.1 Transactions with the Related Pa

	Ultimate Parent		Parent		Subsidiaries		Other Group Companies		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Nature of Transactions										
As at 1 April	1,055,573	-	(585,017,237)	(1,073,441,121)	(228,823,040)	350,576,225	35,991,343	27,984,702	(776,793,361)	(694,880,194)
Sale of Goods/Services	1,783,388	1,889,429	1,276,407	902,383	-	-	1,765,074	808,877	4,824,869	3,600,689
Settlement of Trade Debtors	-	(284,566)	-	-	-	-	(334,278)	(762,077)	(334,278)	(1,046,643)
Purchase of Goods/Services	-	-	(17,541)	-	-	-	(9,926,772)	(6,420,921)	(9,944,313)	(6,420,921)
Settlement of Trade Payables	-	-	-	-	-	-	8,987,210	6,589,261	8,987,210	6,589,261
Settlement Payment	-	-	(1,322,990)	1,556,779,510	-	-	(36,452,394)	-	(37,775,383)	1,556,779,510
Fund Transfers Received	-	-	(33,000,000)	(1,069,184,944)	(13,650,000)	(1,556,899,510)	-	-	(46,650,000)	(2,626,084,454)
Fund Transfers Given	-	-	-	-	-	963,600,000	-	-	-	963,600,000
Share Issued	-	-	1,700,000,000	-	(1,700,000,000)	-	-	-	-	-
Balances Transfer To	-	-	(1,176,424,760)	-	1,197,928,086	-	(598,251)	-	20,905,075	-
Intercompany Expenses To	(2,082,660)	5,500	1,028,059	-	-	13,920,929	-	7,791,502	(1,054,601)	21,717,931
Intercompany Expenses From	(1,423,426)	(554,790)	-	(73,065)	-	(20,684)			(1,423,426)	(648,539)
Advance Payments	-	-	-	-	-	-	-	-	-	-
As at 31 March	(667,125)	1,055,573	(93,478,063)	(585,017,237)	(744,544,954)	(228,823,040)	(568,068)	35,991,343	(839,258,209)	(776,793,361)

20.2.2 The parent of the company is LAUGFS Gas PLC and ultimate parent is LAUGFS Holdings Ltd.

20.2.3 Subsidiaries include following Companies;

LAUGFS Hotel Management Services (Pvt) Ltd.
Anantaya Wadduwa (Pvt) Ltd.
Anantaya Passekudah (Pvt) Ltd.

20.2.4 Other Group Companies include following Companies;

LAUGFS Lubricants Ltd.
LAUGFS Engineering (Pvt) Ltd.
LAUGFS Petroleum (Pvt) Ltd.
LAUGFS Supermarkets (Pvt) Ltd.
Gas Auto Lanka Ltd.
LAUGFS Restaurants (Pvt) Ltd
Southern Petroleum (Pvt) Ltd.
LAUGFS Beverages (Pvt) Ltd.
LAUGFS International (Pvt) Ltd.
Anantaya Resort & Spa
SLOGAL Energy DMCC
LAUGFS Property Developers (Pvt) Ltd
LAUGFS Salt & Chemicals Ltd.
LAUGFS Solution Ltd.
LAUGFS Car Care Ltd.
LAUGFS Eco Sri (Pvt) Ltd.
LAUGFS Corporation (Rubber) Ltd.
LAUGFS Business Solutions (Pvt) Ltd.
LAUGFS Wellness (Pvt) Ltd.
LAUGFS Power Ltd.
Lfinity (Pvt) Ltd.
LAUGFS Terminal Ltd.

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20. RELATED PARTY DISCLOSURES (Contd.)

20.3 Terms and Conditions of Transactions with Related Parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year end are unsecured and interest free. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 March 2017, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

20.4 Transactions with Key Management Personnel of the Company or its Parent

Key Management Personnel (KMPs) are defined as those persons such as directors, chief executive officers and other senior executives etc. who have authority and responsibility for planning, directing and controlling the activities of the Company as well as the subsidiaries, direct or indirectly.

Compensation of Key Management Personnel

Group/Company	**2017 Rs.**	**2016 Rs.**
Directors' Emoluments (Cash Benefits)	-	3,904,197
Non-cash Benefits	-	-
	-	3,904,197

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel.

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

21.1 Introduction

Financial risk management of the Company is carried out based on guidelines established by its Group treasury department which comes under the preview of the Board of Directors. Group Treasury identifies, evaluates and hedges financial risk in close co-operation with the relevant subsidiary Companies. The Board of Directors provides guidelines for overall risk management.

The Group has established guidelines for risk controlling procedures and for the use of financial instruments, including a clear segregation of duties with regard to financial activities, settlements, accounting and related controlling. The guide lines and systems are regularly reviewed and adjusted accordingly to changes in markets and products. The Group is mainly exposed to;

a. Credit risk
b. Liquidity risk
c. Interest rate risk
d. Foreign currency risk

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

The Group's exposure to credit risk is influenced mainly by individual characteristics of each customer. However management also considers various statistics of the group's customer base. Including the default risk ,business relationships with due attention given to past performance ,stability in the industry and creditworthiness.

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

b) Liquidity Risk

Liquidity risk is the risk that will encounter difficulty in meeting the obligation associated with it's financial liabilities that are delivering cash or another financial assets The Group 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 risking damage to Company's reputation.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its out side liabilities when due, under both normal stressed conditions, without incurring unacceptable losses or risking damages to its reputations.

c) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. Central Treasury department monitors the fluctuations on regular basis and ensure such risks are managed on a timely manner.

d) Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has exposure to foreign currency risk where it has cash flows in overseas receipts and foreign currency translations, which are affected by foreign exchange movements.

Across the industry, the hotel rates targeting the foreign tourists are quoted in US Dollar terms. However a fluctuation in the exchange rate will not have a significant impact since majority of the quotes are converted to local currency at the point of invoicing.

21.2 Capital Management

The Board of Directors reviews the capital structures of the Companies of the Group on regular basis. The intention of Board of Directors is to maintain an optimum capital structure while minimizing cost of financing and safeguarding key stakeholders' interests.

22. EVENTS OCCURRING AFTER THE REPORTING DATE

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

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