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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF NEGOMBO BEACH RESORTS (PVT) LTD

Report on the Financial Statements

We have audited the accompanying financial statements of Negombo Beach Resorts (Pvt) Ltd, ("the Company"), which comprise the statement of financial position as at March 31, 2016, and the income statement, statement of profit and loss and other comprehensive income, statement of changes in equity and, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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.

Auditors' Responsibility

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

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

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

Opinion

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



Report on Other Legal and Regulatory Requirements

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

- a) The basis of opinion and 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, comply with the requirements of section 151 of the Companies Act No. 07 of 2007.

KPMG

CHARTERED ACCOUNTANTS
Colombo

26th May, 2016

NEGOMBO BEACH RESORTS (PVT) LTD
INCOME STATEMENT

For the year ended 31st March

	Notes	2016 <u>Rs.</u>	2015 <u>Rs.</u>
Revenue	5	-	-
Staff costs		(53,045,988)	(9,264,326)
Other operating expenses-indirect		<u>(36,902,175)</u>	<u>(13,754,137)</u>
Loss before taxation	6	(89,948,163)	(23,018,463)
Income tax expense	7	-	-
Loss for the year		<u>(89,948,163)</u>	<u>(23,018,463)</u>

*The notes form an integral part of these financial statements.
Figures in brackets indicate deductions.*

NEGOMBO BEACH RESORTS (PVT) LTD
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March

		2016	2015
	Notes	<u>Rs.</u>	<u>Rs.</u>
Loss for the year		(89,948,163)	(23,018,463)
Other comprehensive income			
Actuarial loss on defined benefit obligations	14.3	(331,548)	(141,282)
Other comprehensive income for the year		(331,548)	(141,282)
Total comprehensive income for the year		(90,279,711)	(23,159,745)

The notes form an integral part of these financial statements.

Figures in brackets indicate deductions.

NEGOMBO BEACH RESORTS (PVT) LTD
STATEMENT OF FINANCIAL POSITION

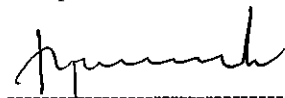
As at 31st March

	Notes	2016 Rs.	2015 Rs.
Assets			
Non-current assets			
Capital work in progress	8	4,778,303,976	3,395,670,582
		<u>4,778,303,976</u>	<u>3,395,670,582</u>
Current assets			
Inventories		2,503,853	-
Deposits and prepayments	9	1,721,352	64,003,520
Value Added Tax recoverable		1,714,662	-
Cash and short-term deposits	10	6,930,113	131,146
		<u>12,869,980</u>	<u>64,134,666</u>
Total assets		<u><u>4,791,173,956</u></u>	<u><u>3,459,805,248</u></u>
Equity and liabilities			
Equity			
Stated capital	11	2,700,000,010	2,200,000,010
Accumulated loss		(149,124,422)	(56,344,411)
		<u>2,550,875,588</u>	<u>2,143,655,599</u>
Non-current liabilities			
Interest bearing loans and borrowings	12	1,969,482,229	665,000,000
Retirement benefit obligations	13	1,161,295	496,364
		<u>1,970,643,524</u>	<u>665,496,364</u>
Current liabilities			
Trade and other payables	14	140,179,133	120,389,602
Amount due to related companies	15	32,515,711	530,263,683
Interest bearing loans and borrowings	12	96,960,000	-
		<u>269,654,844</u>	<u>650,653,285</u>
Total liabilities		<u><u>2,240,298,368</u></u>	<u><u>1,316,149,649</u></u>
Total equity and liabilities		<u><u>4,791,173,956</u></u>	<u><u>3,459,805,248</u></u>

The notes form an integral part of these financial statements.

The above financial statement is to be read in conjunction with the notes to the financial statements.

I certify that the financial statements for the year ended 31st March 2016 are in compliance with the requirements of Companies Act No. 7 of 2007.



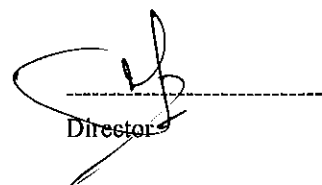
Chief Financial Officer

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

For and on behalf of the Board:



Director



Director

26th May 2016

Colombo, Sri Lanka



NEGOMBO BEACH RESORTS (PVT) LTD
STATEMENT OF CHANGES IN EQUITY

	Stated capital	Accumulated loss	Total
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
Balance as at 1st April 2014	914,000,010	(26,754,366)	887,245,644
Loss for the year	-	(23,018,463)	(23,018,463)
Other comprehensive loss for the year	-	(141,282)	(141,282)
Total comprehensive loss for the year	-	(23,159,745)	(23,159,745)
Issue of shares	1,286,000,000	-	1,286,000,000
Share issue expense	-	(6,430,300)	(6,430,300)
Balance as at 31st March 2015	2,200,000,010	(56,344,411)	2,143,655,599
Balance as at 1st April 2015	2,200,000,010	(56,344,411)	2,143,655,599
Loss for the year	-	(89,948,163)	(89,948,163)
Other comprehensive loss for the year	-	(331,548)	(331,548)
Total comprehensive loss for the year	-	(90,279,711)	(90,279,710)
Issue of shares	500,000,000	-	500,000,000
Share issue expense	-	(2,500,300)	(2,500,300)
Balance as at 31st March 2016	2,700,000,010	(149,124,422)	2,550,875,588

The notes form an integral part of these financial statements.
Figures in brackets indicate deductions.

NEGOMBO BEACH RESORTS (PVT) LTD
STATEMENT OF CASH FLOW

<i>For the year ended 31st March</i>	2016	2015
	<u>Rs.</u>	<u>Rs.</u>
Cash flows from operating activities		
Loss before taxation	(89,948,163)	(23,018,463)
Adjustments for,		
Provision for retirement benefit obligations	333,383	131,991
Operating profit before working capital changes	<u>(89,614,780)</u>	<u>(22,886,472)</u>
(Increase)/ decrease in Value Added Tax recoverable	(1,714,662)	-
(Increase)/ decrease in deposits and prepayments	(71,352)	(300,000)
Increase/(decrease) in trade and other payables	7,155,832	(119,297,565)
Increase/(decrease) in inventories	(2,503,853)	-
Increase/(decrease) in related company payables	(213,787)	-
	<u>2,652,178</u>	<u>(119,597,565)</u>
Cash generated from operations	<u>(86,962,601)</u>	<u>(142,484,037)</u>
Income tax paid	-	-
Retirement gratuity paid	-	-
	<u>(86,962,601)</u>	<u>(142,484,037)</u>
Cash flows from investing activities		
Expenditure incurred on capital work in progress net of retention payable	(1,369,999,697)	(1,598,683,315)
Movement in advance to contractors	62,353,520	57,503,646
Net cash flows from investing activities	<u>(1,307,646,177)</u>	<u>(1,541,179,669)</u>
Cash flows from financing activities		
Share issue expense	(2,500,300)	(6,430,300)
Loan obtained during the year	1,401,442,229	665,000,000
Funds transferred from related companies	2,465,816	1,024,365,175
Net cash flows from financing activities	<u>1,401,407,745</u>	<u>1,682,934,875</u>
Net increase in cash and cash equivalents	6,798,967	(728,830)
Cash and cash equivalents at the beginning of the year	131,146	859,976
Cash and cash equivalents at the end of the year	<u>6,930,113</u>	<u>131,146</u>
Analysis of cash and cash equivalents		
Cash in hand and at bank	6,930,113	131,146
	<u>6,930,113</u>	<u>131,146</u>

Note:

The Company issued 50,000,000 ordinary shares for a consideration of Rs.500,000,000 to its parent Company Browns Beach Hotels PLC against the payable balance.

The notes form an integral part of these financial statements.

Figures in brackets indicate deductions.

NEGOMBO BEACH RESORTS (PVT) LTD
NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

Negombo Beach Resorts (Pvt) Ltd (the 'Company') is a limited liability Company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at No. 315 Vauxhall Street, Colombo 02. The immediate holding Company is Browns Beach Hotels PLC.

1.1 Principal activities and nature of operations

Company is involved in hoteliering and yet to commence operations.

1.2 Responsibility for financial statements

The board of directors of the Company is responsible for preparation and presentation of these financial statements.

1.3 Reporting date

The financial statements of the Company are prepared from a common financial year, which ends on 31st March.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards (herein referred to as SLFRSs/LKASs) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirement of the Companies Act No. 07 of 2007 and Sri Lanka Accounting and Auditing Standards Act No.15 of 1995.

2.2 Approval of financial statements

The financial statements were authorised for issue by the Board of Directors on 26th May 2016.

2.3 Basis of measurement

The financial statements of the Company have been prepared on the historical cost basis.

2.4 Functional and presentation currency

These financial statements are presented in Sri Lankan rupees, which is the Company's functional currency. All financial information presented has been rounded to the nearest rupee.

2.5 Use of Estimates and judgments

The preparation of the financial statements of the Company in conformity with SLFRSs/LKAS's requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

NEGOMBO BEACH RESORTS (PVT) LTD
NOTES TO THE FINANCIAL STATEMENTS

2.6 Going concern

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the financial statement of the Company

3.1 Foreign currency

3.1.1 Foreign currency transactions

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

Non-monetary assets and liabilities in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to reporting currency using the exchange rate that was prevailing on the date the fair value was determined. The resulting gains or losses on translations are dealt with in the income statement. Foreign currency differences arising on retranslation are recognised in income statement, except for differences arising on the retranslation of available for sale equity investments. Foreign currency gains and losses are reported on a net basis in the income statement.

3.2 Financial Instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. The classification of financial instruments at initial recognition is dependent on their purpose and characteristics and the management's intention in acquiring them. Financial instruments are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets or financial liabilities other than financial instruments recognised as fair value through profit and loss, are added to or deducted from the fair value of the financial instruments. Transaction costs, which are insignificant are expensed immediately to the income statement.

3.2.1 Non-derivative financial assets

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

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company classifies its non-derivative financial assets into following categories:

- Loans and receivables

NEGOMBO BEACH RESORTS (PVT) LTD
NOTES TO THE FINANCIAL STATEMENTS

Loans and receivables

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

Loans and receivables comprise trade and other receivables.

3.2.2 Non –derivative financial liabilities

The Company initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Company classifies its non-derivative financial liabilities into following categories

- Other financial liabilities

Other financial liabilities

All financial liabilities other than those at fair value through profit and loss are classified as other financial liabilities

All other financial liabilities are recognised initially at fair value plus directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method. The financial liabilities include trade and other payables, bank overdrafts, loans and borrowings.

Derecognition of financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

3.2.3 Stated capital

Ordinary shares

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

3.2.4 Impairment

3.2.4.1 Financial assets

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

The Company considers evidence of impairment for receivables and held-to-maturity investments at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specific impaired are then collectively assessed

NEGOMBO BEACH RESORTS (PVT) LTD

NOTES TO THE FINANCIAL STATEMENTS

for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of the profitability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are that the actual losses are likely to be greater or less than suggested by historical trends.

An Impairment loss in respect of a financial asset measured at amortised cost is calculated as the differences between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in income statement and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When an event occurring after the impairment loss was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through income statement.

Impairment losses on available-for-sale investment securities are recognised by transferring the losses accumulated in the fair value in equity, to profit or loss. The cumulative loss that is removed from equity to profit or loss, is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in income statement. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available for sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in income statement, then the impairment loss is reversed, with the amount of the reversal recognised in income statement. However, any subsequent recovery in the fair value of an impaired available for sale equity security is recognised in other comprehensive income.

3.2.4.2 Non financial assets

The carrying amounts of the Company's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets that have indefinite useful lives or that are not yet available for use are tested annually for impairment.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. 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. For the purpose of impairment testing assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash generating unit or CGU). For the purpose of goodwill impairment testing, goodwill acquired in a business combination is allocated to the group of CGU's that is expected to benefit from the synergies of the combination, The allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is amortised for internal reporting purposes.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in income statement. Impairment losses recognised in respect of CGU's are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

NEGOMBO BEACH RESORTS (PVT) LTD
NOTES TO THE FINANCIAL STATEMENTS

3.5.2 Provisions

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

3.5.3 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

3.5.4 Employee benefits

3.5.5.1 Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions to a separate entity and will have no legal or constructive obligations to pay further amounts. All employees of the Company are members of the Employees' Provident Fund and Employees' Trust Fund, to which their employers contribute 12% - 15% and 3% respectively of such employees' basic or consolidated wage or salary, cost of living and all other allowances. Obligations for contributions to defined benefit plans, EPF & ETF, are recognised as an employee benefit expense in income statement in the periods during which services are rendered by employees.

3.5.5.2 Defined benefit obligation – retiring gratuities

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

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

However, according to the Payment of Gratuity Act No. 12 of 1983, the liability for payment to an employee arises only after the completion of 5 years continued service.

The liability is not externally funded.

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

3.5.5.3 Short-term benefits

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

NEGOMBO BEACH RESORTS (PVT) LTD
NOTES TO THE FINANCIAL STATEMENTS

3.6 Expense

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

For the purpose of presentation of Statement of Other Comprehensive Income, the Directors are of the opinion that "function of expenses method" presents fairly the elements of the entity's performance and hence such presentation method is adopted.

3.7 Financing income /(expense)

Finance income comprises interest income on funds invested, including the income from investment categorised under available for sale financial assets. Gains on the disposal of interest generating investment classified under available for sale financial assets is recognised under finance income.

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

Finance expenses comprise interest expense on borrowings, preference dividends of preference shares classified as debt and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in income statement using the effective interest method.

3.8 Income tax expense

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

3.9 Cash flow statement

The cash flow statement has been prepared using the "Indirect Method".

3.10 Capital commitments and contingencies

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

3.11 Events occurring after the reporting date.

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

3.12 Earnings per share (EPS)

The Company presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares

NEGOMBO BEACH RESORTS (PVT) LTD
NOTES TO THE FINANCIAL STATEMENTS

4. New Standards and interpretations issued but not yet effective

The Institute of Chartered Accountants of Sri Lanka has issued the following standards which become effective for annual periods beginning after the current financial year. Accordingly these standards have not been applied in preparing these financial statements. The Company is currently in the process of evaluating the potential effect of adoption of these standards and amendments on its financial statements. Such impact has not been quantified as at the reporting date. The Company will be adopting these standards when they become effective.

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

SLFRS 14 - Regulatory Deferral Accounts— effective for annual periods beginning on or after 1st of January 2016.

SLFRS 15 - Revenue from Contracts with Customers— effective for annual periods beginning on or after 1st of January 2018.

NEGOMBO BEACH RESORTS (PVT) LTD
NOTES TO THE FINANCIAL STATEMENTS

5 Revenue

Company is involved in hoteliering.

Company commenced it's commercial operation on 2nd April 2016, hence there is no revenue reported during the year.

For the year ended 31st March

2016	2015
<u>Rs.</u>	<u>Rs.</u>

6 LOSS BEFORE TAX

Loss before tax is stated after charging the followings :

Auditors' remuneration	175,000	150,000
Operating lease expenses	5,444,551	4,757,850
Defined contribution plan cost - EPF & ETF	1,371,232	858,377
Defined benefit plan cost - Retirement benefits	325,938	131,991

7 INCOME TAX

The Company is entitled for a tax exemption period of twelve (12) years in terms of the Section 17A of the Inland Revenue Act No.10 of 2006 as amended by the Inland Revenue Act No .8 of 2012. The exemption shall be reckoned from the year in which the entity commences to make profits or any year of assessment not later than two (02) years from the date of commencement of commercial operations, whichever year is earlier.

8 CAPITAL WORK IN PROGRESS

As at 31st March

	2016	2015
	<u>Rs.</u>	<u>Rs.</u>
Cost		
Balance as at 1 st April 2015	3,395,670,581	1,677,289,266
Additions during the year	<u>1,382,633,395</u>	<u>1,718,381,316</u>
Balance as at 31st March 2016	<u><u>4,778,303,976</u></u>	<u><u>3,395,670,582</u></u>

During the year borrowing cost amounting to Rs.81,227,505 was capitalised by the Company. The total interest cost capitalised to date under Capital work in progress amounts to Rs.91,158,938.

NEGOMBO BEACH RESORTS (PVT) LTD
NOTES TO THE FINANCIAL STATEMENTS

<i>As at 31st March</i>	2016	2015
	<u>Rs.</u>	<u>Rs.</u>
9 DEPOSITS AND PREPAYMENTS		
Rent Advance	100,000	100,000
Electricity Board Refundable Deposit	1,250,000	1,250,000
Deposit for New Water Connection - National Water Supply & Drainage Board	300,000	300,000
Advances to contractors (Note 9.1)	-	62,353,520
Hotel prepayments	71,352	-
	<u>1,721,352</u>	<u>64,003,520</u>
9.1 Advances to contractors		
Tudawe Engineering (Pvt) Ltd	-	36,720,000
Micro Construction (Pvt) Ltd	-	15,020,288
Sanken Construction	-	10,613,232
	<u>-</u>	<u>62,353,520</u>
10 CASH AND SHORT-TERM DEPOSITS		
Cash in hand and at bank	6,930,113	131,146
	<u>6,930,113</u>	<u>131,146</u>

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

Cash in hand and at bank	6,930,113	131,146
Cash and cash equivalents	<u>6,930,113</u>	<u>131,146</u>

11 STATED CAPITAL

<i>As at 31st March</i>	2016		2015		
	<u>Note</u>	<u>Number</u>	<u>Rs.</u>	<u>Number</u>	<u>Rs.</u>
11.1 Stated capital					
Fully paid ordinary shares	12.1.1	270,000,001	2,700,000,010	220,000,001	2,200,000,010
		<u>270,000,001</u>	<u>2,700,000,010</u>	<u>220,000,001</u>	<u>2,200,000,010</u>
11.1.1 Fully paid ordinary shares					
Balance at beginning of the year		220,000,001	2,200,000,010	91,400,001	914,000,010
Issue of shares		50,000,000	500,000,000	128,600,000	1,286,000,000
Balance at end of the year		<u>270,000,001</u>	<u>2,700,000,010</u>	<u>220,000,001</u>	<u>2,200,000,010</u>

The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per individual present at the meetings of the company.

NEGOMBO BEACH RESORTS (PVT) LTD
NOTES TO THE FINANCIAL STATEMENTS

As at 31st March

2016
Rs.

2015
Rs.

12 INTEREST BEARING LOANS AND BORROWINGS

12.1 Movement of interest bearing borrowings

Balance as at 1st April	665,000,000	-
Loan Obtained during the year	1,401,442,229	665,000,000
Balance as at 31st March	<u>2,066,442,229</u>	<u>665,000,000</u>

Analysed by Lending Institution

Lending Institution	31.03.2016 Rs.	31.03.2015 Rs.	Borrowing terms
Hatton National Bank PLC	2,066,442,229	665,000,000	Facility - 1 Rs.1 Billion Term Loan repayable in 120 monthly installements commencing from October 2016 for which freehold land and building of the Hotel has been mortgaged. The interest rate is linked to monthly AWPLR. Facility - 2 Rs.1.066 Billion Bridging Loan facility to be settled in full by 31st December 2016. The interest rate is linked to monthly AWPLR.
	<u>2,066,442,229</u>	<u>665,000,000</u>	

12.2 Analysis by capital repayment period

Payable within one year	96,960,000	-
Payable between one to five years	650,160,000	332,500,000
Payable after five years	1,319,322,229	332,500,000
	<u>2,066,442,229</u>	<u>665,000,000</u>

2016
Rs.

2015
Rs.

13 RETIREMENT BENEFIT OBLIGATIONS

Present value of unfunded obligations	1,161,295	496,364
Recognised liability for defined benefit obligations	<u>1,161,295</u>	<u>496,364</u>

13.1 Movement in present value of the defined benefit obligations

Balance at the beginning of the year	496,364	223,091
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Include in income statement

Current service cost	278,783	108,567
Interest cost	54,600	23,425

Include in other comprehensive income

Actuarial loss arising from ;		
- financial assumptions	331,548	141,282
Benefits paid by the plan	-	-
Balance at the end of the year	<u>1,161,295</u>	<u>496,364</u>

13.2 Expenses recognised in income statement

Current service cost	278,783	108,567
Interest cost	54,600	23,425
	<u>333,383</u>	<u>131,991</u>

13.3 Expenses recognised in other comprehensive income

Actuarial loss	331,548	141,282
	<u>331,548</u>	<u>141,282</u>

NEGOMBO BEACH RESORTS (PVT) LTD
NOTES TO THE FINANCIAL STATEMENTS

The provision for retirement benefits obligations for the year is based on the actuarial valuation carried out by professionally qualified actuaries, Messrs. Actuarial & Management Consultants (Pvt) Ltd., as at 31st March 2016. The actuarial present value of the promised retirement benefits as at 31st March 2016 amounted to Rs.1,161,297. The liability is not externally funded.

The principal actuarial assumptions used in determining the cost are given below;

- Discount rate 11%.(2014/15 9.5%)
- Salary increments will range between 7.5% and 11% p.a.(2014/15 7.5% to 11% p.a)
- Retirement age of 55 years.(2014/15 55 years)
- The company will continue in business as a going concern

Assumptions regarding future mortality are based on published statistics and mortality tables.

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 2015/2016

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

	Discount rate		In salary escalation rate	
	1% increase Rs.	1% decrease Rs.	1% increase Rs.	1% decrease Rs.
Impact on statement of comprehensive income	76,244	(89,415)	(94,517)	81,502
Impact on statement of financial position	(76,244)	89,415	94,517	(81,502)

	2016 Rs.	2015 Rs.
14 TRADE AND OTHER PAYABLES		
Retention payable	132,332,357	119,698,658
Accrued expenses	5,618,338	690,944
Advances received from customers	2,228,438	-
	<u>140,179,133</u>	<u>120,389,602</u>
15 AMOUNT DUE TO RELATED COMPANIES		
Browns Beach Hotels PLC	31,616,679	529,177,495
Aitken Spence PLC	899,032	1,086,188
	<u>32,515,711</u>	<u>530,263,683</u>

NEGOMBO BEACH REOSRTS (PVT) LTD
DETAILED STATEMENT OF COMPREHENSIVE INCOME

<i>For the year ended 31st March</i>	2016	2015
	<u>Rs.</u>	<u>Rs.</u>
Revenue	-	-
Less: Expenditure		
Staff cost		
Executive staff salaries and related cost	(34,720,912)	(6,893,346)
Clerical staff salaries and related cost	(12,871,115)	(2,097,706)
Staff welfare	(5,453,960)	(273,274)
	<u>(53,045,988)</u>	<u>(9,264,326)</u>
Other operating expenses		
Office rent expense	(1,500,000)	(1,125,000)
Legal and personnel charges	(783,858)	(224,395)
Audit fee and disbursements	(278,071)	(202,994)
Lease rental	(4,905,000)	(4,757,850)
Other administration expenses	(15,303,492)	(4,135,862)
Marketing expenses	(5,658,061)	(3,267,738)
Bank charges	(68,642)	(40,298)
Training and development expenses	(8,405,051)	-
	<u>(36,902,175)</u>	<u>(13,754,137)</u>
Loss before taxation	(89,948,163)	(23,018,463)
Taxation	-	-
Loss after taxation	<u>(89,948,163)</u>	<u>(23,018,463)</u>