

Annual Report 2015/16

### TIMELESS ACCLAIM



The Kingsbury PLC Abridged Annual Report





The Kingsbury PLC Annual Report



The Kingsbury PLC Detailed T Annual Report



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### TIMELESS ACCLAIM

The Kingsbury was launched in 2013, making it one of the youngest five-star hotels in Colombo today. Yet in just a few years, we have taken the Kingsbury to the top of the hospitality sector as an awardwinning hotel, globally recognised for excellence in accommodation, fine dining and service standards. The Kingsbury is now a solidly established brand not just in the hospitality industry but in the hearts and minds of our thousands of stakeholders as well; most importantly our guests, many of who return to us year after year.

People are our business and it is the tireless efforts of our team that has brought us to where we are today. Here, we pay tribute to all of them. This annual report showcases our corporate achievements; documenting another year of sustainable value creation and the good results that continue to bring us the timeless acclaim of every stakeholder we serve.



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# THE DETAILSTHAT MATTER



### BVLGARI

Eau Parfumée au thé blanc

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### BVLGARI

Eau Parfumée au thé blanc

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Lotion pour le Corps Body Lotion BVLGARI



## A LUXURIOUS EXPERIENCE



## AN ECLECTIC CUISINE

### A DISTINCTIVE STYLE





## THE KINGSBURY PLC

The Kingsbury is the newest five star hotel in the city of Colombo - the commercial capital of Sri Lanka. Located on the banks of the Indian Ocean with stunning ocean views from every room, The Kingsbury also has unparalleled views of Colombo city, Colombo harbour and its "Sky Lounge" is regarded as the best location to experience the tropical sun sets. The Kingsbury's location is actually very enviable as it's centrally located among business and entertainment centres with the World Trade Centre, Central Bank of Sri Lanka, shopping malls, clubs, pubs, restaurants as well as historic sites all being located across the road.

According to public opinion, The Kingsbury is considered the culinary capital of Sri Lanka with renowned chefs from around the globe creating culinary magic at its many restaurants to offer you world class gourmet meals. Visitors to Colombo can certainly look forward to being pampered with luxurious amenities and services that comes from genuine Sri Lankan warmth at The Kingsbury.

## THE ROYAL SALUTE GOES TO THE KINGSBURY

During the year under review, we catered to a colossal number of both Sri Lankan and foreign guests that enjoyed the best of accommodation and culinary art at our speciality restaurants and offered the best of services that brought in many accolades.



International Hotel Awards - Best City Hotel Asia Pacific 2016/17 International Hotel Awards - Highly Commended Classic/Heritage Hotel Sri Lanka 2016/17 International Hotel Awards - Best City Hotel Sri Lanka 2016/17 International Hotel Awards - Best Large Hotel Sri Lanka 2016/17

### THE ROYAL SALUTE GOES TO THE KINGSBURY



#### International Five Star Hotel Awards 2015

Lalin Samarawickrema, Managing Director of The Kingsbury and Amaya Resorts and Denesh Silva, Director/Head of Sales and Marketing of The Kingsbury and Amaya Resorts, receiving the awards at The International Hotel Awards 2015. They are the only international 5-star standard of hotel ratings and determines the finest hotels and hospitality establishments in the world. The awards were held in association with Rolls-Royce Motor Cars at a gala event in London's Park Lane Hilton.

#### World Luxury Hotel Awards 2015

Dinithi Somarathne, Director Communications, receiving the 'Best Luxury Business Hotel - Continent Winner – Indian Ocean'' award at the World Luxury Hotel Awards 2015 held at the Harbour Grand – Hong Kong. Awards are presented to luxury hotels in the categories of country, continent and global basis. The awards judging criteria are based upon facilities and service excellence provided by hotels.





#### Chairman's Award 2015 Leisure Sector Winner

Proud recipients are the Heads of Departments at The Kingsbury for their entry titled "Elegance meets Respect".

#### Chef's Guild - Culinary Art Competition 2015

This is an annual event initiated in 1988 with 75 competitors and today has around 1000 chefs competing for gold, silver and bronze awards in one platform. This has resulted in achieving culinary excellence and nurturing the creativity of individual chefs by participating in a team setting thus providing an opportunity to display skills, techniques and sharing of knowledge. The Kingsbury won – Three (03) Gold, Ten (10) Silver & Twelve (12) Bronze medals at this

The Kingsbury won - Three (03) Gold, Ten (10) Silver & Twelve (12) Bronze medals at this competition.



## FINANCIAL HIGHLIGHTS

				Change %
		2015/16 Rs. '000	2014/15 Rs. '000	
Earnings Highlights and Ratios				
Revenue	(Rs.'000)	2,616,489	2,335,727	12
Earnings Before Interest & Tax (EBIT)	(Rs.'000)	546,144	445,907	22
Profit Before Tax (PBT)	(Rs.'000)	357,861	300,121	19
Profit After Tax (PAT)	(Rs.'000)	293,368	291,423	1
Earnings per Share (Basic)	(Rs.)	1.21	1.20	1
Return on Capital Employed	%	12	10	21
Return on Assets	%	8	7	17
Gross Profit Margin	%	55	54	2
Financial Position Highlights and Ratios				
Shareholders Fund	(Rs.'000)	2,181,984	1,963,212	11
Total Assets	(Rs.'000)	4,640,424	4,568,942	2
Total Debt	(Rs.'000)	1,877,207	2,203,962	15
Return on Equity	%	16	15	7
Gearing	%	46	54	15
Debt / Equity	%	86	112	23
Net Assets per Share (Rs.)	(Rs.)	9.02	8.11	11
Quick Asset Ratio	No: of Times	0.83	0.81	2
Equity Asset Ratio	No: of Times	0.47	0.43	9
Current Ratio	No: of Times	0.90	0.91	(1)
Market/Shareholder Information				
Market Value (Year ended)	(Rs.)	15.00	16.00	(6)
Market Capitalisation (Rs.000)	(Rs.'000)	3,630,000	3,872,000	(6)
Price Earnings Ratio	No: of Times	12	13	(7)
V				







#### Shareholders' Funds and Market Capitalisation



613,843

Food & Beverage Covers 2014/15 - 514,996

71%

Occupancy 2014/15 - 75%

95,177

No of Guests 2014/15 - 99,805

### PEOPLE WHO MAKE A DIFFERENCE

St. Colde



## A SOLIDLY ESTABLISHED BRAND

### CHAIRMAN'S REVIEW

A. M. Pandithage Chairman



"This is our third full year of operation under the brand "The Kingsbury," and I am very pleased that the Hotel in this short span of time, has made its way to be one of the most sought after city hotels in Colombo. Dear Shareholder,

It's my pleasure to present the Annual Report and Financial Statements of "The Kingsbury PLC" for the year ending 31st March 2016.

This is our third full year of operation under the brand "The Kingsbury," and I am very pleased that the Hotel in this short span of time, has made its way to be one of the most sought after city hotels in Colombo.

#### **Operating Environment**

It was another good year for Sri Lanka's tourism industry. In 2015 the industry expanded by 22% for the year, while arrivals, topping the previous years record by 271,000 to reach 1.798 million arrivals for the twelve months ending 31st December 2016. India continued to be the largest source market accounting for 18% of the arrivals, while China came in a close second with 12%, with UK, Germany, France and The Maldives rounding off the key source markets.

It was amidst this backdrop that attracted international hotel brands to set up operations in Sri Lanka, all of which has increased the competitive challenges in Colombo's city hotel market.

#### **Company Performance**

I am extremely pleased to note that The Kingsbury has once again performed exceptionally well denoted by a growth in both the top line as well as the bottom line.

I believe this is the result of being consistent in everything we do, be it branding, marketing, guest services etc., with our single-minded focus to create luxury experiences for our guests and clients. Our strategic thrust for the year was to reinvent through innovative ideas that capture current trends, while at the same time still be a distinctive reflection of The Kingsbury.

We also looked at avenues to strengthen our team and sharpen their skills on par with international standards.

During the year under review, we leveraged on our tie up with the William Angliss – Specialist Centre for Hospitality, Tourism and Culinary Arts Training in Australia,

Further, we have continued to maintain high standards in every aspect of our business, from ethics and human rights,

### C H A I R M A N ' S M E S S A G E



environmental and social sustainability to diversity and inclusion. In fact I am proud to say that we have used our success to give back to the community, via our National Apprentice and Industrial Training (NAITA) accredited internship programme and industrial trainees where we enlisted over 57 interns in the 2015/16.

#### Awards and Accolades

In 2015, the "World Luxury Hotel Awards" honoured us for the second time, with the prestigious title of 'Best Luxury Business Hotel' in the Indian Ocean. Further, we were also recognized by LMD as the most respected hospitality brand in Sri Lanka for 2015.

#### **Moving Forward**

I look to the future with optimism as I believe that the hotel is well positioned to benefit from the growth of Sri Lanka's hospitality industry. However, I believe it is important that we continue to be proactive in reinforcing our brand to meet the challenges that lie ahead. It is also

### 293Mn

#### Profit After tax

The Kingsbury has once again performed exceptionally well denoted by a growth in both the top line as well as the bottom line.

important to remember that we may need to realign our value proposition, from time to time, to ensure that we always stay a step ahead. "I look to the future with optimism as I believe that the hotel is well positioned to benefit from the growth of Sri Lanka's hospitality industry. It is important that we continue to be proactive in reinforcing our brand to meet the challenges that lie ahead.

#### Acknowledgements

On behalf of the Board, I would like to thank the management and staff of The Kingsbury, for their continued diligence and dedication to deliver the commendable results realised during the year. I also acknowledge, with much appreciation, the invaluable support which I continue to receive from my colleagues on the Board, which has helped to steer business activities and strategies successfully.

I wish to express my sincere thanks for the support, confidence and trust that we have continued to receive from our valued customers and guests. In conclusion, I take this opportunity to thank our shareholders, customers, and other stakeholders within the industry for their valued patronage and seek your invaluable support in the coming years as well.

A. M. Pandithage Executive Chairman

Colombo 18th May 2016

## WINNING TIMELESS ACCLAIM

### MANAGING DIRECTOR'S REVIEW

L. T. Samarawickrama Managing Director



At the Kingsbury, it is our commitment to quality, innovation and the consistency in our marketing efforts that has propelled The Kingsbury to the forefront of Sri Lanka's hospitality sector and gained invaluable consumer confidence. We penetrated into key emerging markets such as India, China and the Middle East and our strategic brand positioning has enabled us to build a distinctive brand persona that has became the most reputed and the most respected hospitality brand in Sri Lanka.

With a passionate team of professionals the hotel continued to live and breathe the brand attributes of timeless elegance and refinement. To this extent, the extensive staff training by way of soft skills as well as industry skills resulted in offering our valuable guests the best of services at all times.

During the year under review, we catered to a colossal number of both Sri Lankan and foreign guests that enjoyed the best of accommodation and culinary delights at our speciality restaurants and offered the best of services that brought in many accolades. For this, we are very much indebted to our internationally qualified personnel and proud of the high standards we maintain. Further more it was evident, that the increase in both accommodation and food revenue was as a result of the acceptability of our products offered at The Kingsbury. "With a passionate team of professionals the hotel continued to live and breathe the brand attributes of timeless elegance and refinement. For this, we are very much indebted to our internationally qualified personnel and proud of the high standards we maintain. I am pleased to announce that the Kingsbury once again fulfilled its performance beyond expectations, recording strong growth and achieving all financial goals during the year under review. The company recorded a Revenue of Rs. 2.6 billion for the financial year ending 31st March 2016, up 12 % from the previous financial year and registered a profit before tax of Rs. 358 million as against last year's Rs. 300 million.

In the future too, we are very much focused in improving our overall performance and enhancing our brand equity in order to maintain and gain an even a larger share of the market by continuing to innovate and re-engineer our processes.

Finally, I wish to thank the Kingsbury Team for their unstinted support and commitment in delivering best of results. Further more, I would like to thank our valued stakeholders for their confidence and thank my fellow board members for their continued advice during the year under review.

L. T. Samarawickrama Managing Director

Colombo 18th May 2016

# R E L A XA N DR E J U V E N A T E



## BOARD OF DIRECTORS

#### A. M. PANDITHAGE

Executive Chairman

Mr. Pandithage is the Chairman & Chief Executive of Hayleys PLC. Appointed to the Board of The Kingsbury PLC in 2010. Fellow of the Chartered Institute of Logistics and Transport (UK). Honorary Consul of United Mexican States (Mexico) to Sri Lanka. Committee Member of the Ceylon Chamber of Commerce. Council Member of the Employers' Federation of Ceylon. Member of the Maritime Advisory Council of the Ministry of Ports & Shipping. Member of the Advisory Council of the Ceylon Association of Ships' Agents. Member of the National Steering Committee on Skills Sector Development of the Department of National Planning. Corporate Excellence Leadership Recognition by the Institute of Chartered Accountants of Sri Lanka in 2015.

#### DHAMMIKA PERERA\*

Co-Chairman - Non-Executive

Mr. Dhammika Perera is the quintessential business leader, with interests in a variety of key industries including Hydropower generation, Manufacturing, Hospitality, Entertainment, Banking and Finance. He is with over 27 years of experience in building formidable businesses through unmatched strategic foresight.

Mr. Perera is the Chairman of Sampath Bank PLC, Vallibel One PLC, Vallibel Power Erathna PLC, Royal Ceramics Lanka PLC, The Fortress Resorts PLC and Delmege Limited. He is the Co-Chairman of Hayleys PLC, Executive Deputy Chairman of LB Finance PLC and Deputy Chairman of Horana Plantations PLC and Lanka Ceramic PLC. He is the Executive Director of Vallibel Finance PLC. He also serves on the Boards of Amaya Leisure PLC, Lanka Tiles PLC, Haycarb PLC, Hayleys Fabric PLC, Sun Tan Beach Resorts Ltd, Dipped Products PLC & Hayleys Global Beverages (Pvt) Ltd.

#### L. T. SAMARAWICKRAMA

Managing Director

Mr. Samarawickrama is an internationally qualified Hotelier having gained most of his Management experience in UK, working for large international hotel chains over a long period of time. The first Sri Lankan Manager to be appointed by the Beaufort International Chain of Hotels to run the first seaside boutique resort.

He is a member of the Institute of Hospitality, UK(formerly HCIMA) and of the Royal Society of Health, London. He has several years of experience in the trade, having specialised in Hotel designs and development, he has been responsible for the careful planning and execution of Amaya Resorts & Spas refurbishment and rehabilitation programmes.

Executive Director of Hayleys PLC and serves as the Managing Director of Amaya Leisure PLC, Hunas Falls and Sun Tan Beach Resorts, Hayleys Tours Pvt Ltd, He is a Director of Royal Ceramics Lanka PLC, The Fortress Resorts PLC, and Kelani Valley Plantations PLC, Royal Porcelain (Private) Limited, Royal Ceramics Distributors (Pvt) Ltd, Rocell Bathware Limited, Culture Club Resorts (Pvt) Ltd and Kandyan Resorts (Pvt) Ltd. And Board Member of Sri Lanka Tourism Development Authority.

#### N. J. DE S. DEVA-ADITYA\*\*

Mr. Deva-Aditya was the First Asian MP elected to Conservative Party in the House of Commons and Bachelor Technology (Honours) Upper Second, Aeronautical Engineering and Design, Research Fellow, University of Louhborough, Graduate of the Royal Aeronautical Society and Institute of Mechanical Engineers and he holds directorships in six companies.

#### S. C. GANEGODA\*

Mr. Ganegode joined Hayleys in March 2007 and was appointed to the Hayleys Group Management Committee in July 2007. Appointed to the Hayleys Board in September 2009. Fellow of the Institute of Chartered Accountants of Sri Lanka and a Member of the Institute of Management Accountants of Australia. Holds a MBA from the Postgraduate Institute of Management, University of Sri Jayawardanapura. Worked for the Hayleys Group between 1987 and 2002. Subsequently he held several Senior Management Positions in large private sector entities in Sri Lanka and Overseas. Has responsibility for the Strategic Business Development unit of the Hayleys Group and the Fentons Group.

#### S. J. WIJESINGHE\*

Mr. Wijesinghe joined the Group in 2008 and was appointed to the Group Management Committee in 2011. Currently serves as Managing Director of Hayleys Leisure Holdings and Alufab PLC and Executive Director of S & T Interiors (Pvt) Ltd. Mr. Wijesinghe holds an MBA from the University of Leicester (UK) and is a Member of the Chartered Institute of Marketing (UK). He has over 20 years' experience in the Aviation industry with the National Carrier SriLankan Airlines. Prior to joining Hayleys, served as the Head of Worldwide Cargo at SriLankan Airlines responsible for the entire air freight business sector of the organisation. Held several senior positions for the airline including management positions in Europe, Middle East and the Far East and at the Head Office in Colombo. Possesses over 5 years' experience in the Hotel industry, having served as the Director, Marketing and Sales at The Lanka Oberoi. He is responsible for the Aviation, Travels and Hotel development in Leisure & Aviation Sector. Is also responsible for the Aluminum fabrication and interior fitout business of the Group.

### **BOARD OF DIRECTORS**

#### L. N. DE S. WIJEYERATNE\*\*

Mr. Wijeyeratne is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, and counts over 30 years' experience in finance and general management, both locally and overseas. He was the former Group Finance Director of Richard Pieris & Company PLC and is presently a Director of several listed and unlisted companies.

#### MS. R. N. PONNAMBALAM\*\*

Ms. Ponnambalam has held several senior management positions in large private sector entities.

She has served as a Director of Mclarens Holdings Limited & GAC Shipping Limited. She currently serves as Director of Amaya Leisure PLC, Alliance Finance Co. PLC, Mcbolon Polymer (Pvt) Ltd and Pidilite Lanka (Pvt) Ltd.

She is presently the Managing Director of Macbertan (Pvt) Ltd. She has also been in roles of international and local business development and negotiation.

Ms. Ponnambalam was also appointed as a Founder Member of the Commonwealth Business Women's Leadership Group (Sri Lanka) on 13th November 2013.

#### NIMAL PERERA\*

Mr. Nimal Perera serves on the Boards of Pan Asia Banking Corporation PLC, Lanka Tiles PLC, Lanka Walltiles PLC, Lanka Ceramics PLC, Horana Plantations PLC, Swisstek Ceylon PLC, Swisstek Aluminum Limited, Vallibel Plantations Limited, Uni Dil Packaging Limited, N P Capital Ltd & N Capital (Pvt) Ltd as The Chairman, Royal Ceramics Lanka PLC as The Managing Director, Vallibel One PLC as The Deputy Chairman, L B Finance PLC as an Executive Director, Vallibel Power Erathna PLC and The Fortress Resorts PLC as an Alternate Director.

He is a Director of Hayleys PLC, Haycarb PLC, Amaya Leisure PLC & Tangalle Bay Hotels Pvt Ltd.

He is a renowned business magnate, stock trader and shareholder of many companies in the country.

#### J. P. VAN TWEST\*\*

Mr. Van Twest currently serves as the Director / General Manager of The Fortress PLC. He counts over 35 years experience in the hospitality industry in senior management positions in Sri Lanka, Europe, Australia and the South Pacific.

Graduated from the Ceylon Hotel School, Sri Lanka in Hotel & Catering Operations and Advanced Hotel and Catering Operations from the Carl Duisburg Centre in Munich, Germany. He is a Certified Hotel Trainer with the Chamber of Commerce for Munich and Upper Bavaria and also a graduate of the Technical University of Munich. He is presently a Director of Hunas Falls Hotels PLC.

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

#### D. E. SILVA

Mr. Silva is a Fellow Graduate Member from the Ceylon Hotel School and School of Tourism (FCHSGA) in Hotel and Catering Operations with a specification in Front Office operations. He was awarded the Management Diploma in Hotel and Catering Operations with a Second Class Upper Division and is a Member of the Institute of Hospitality (UK).

He is a Director of Amaya Leisure PLC, The Fortress Resorts PLC, Maalu Maalu Resorts and Spa, Hunas Falls Hotels PLC, Delair Travels (Pvt) Ltd, Sun Tan Beach Resorts Ltd, Culture Club Resorts (Pvt) Ltd and Kandyan Resorts (Pvt) Ltd.

Mr. Silva currently functions as the Head of the Marketing Sub-Committee and Committee Partner of the Hotels Association of Sri Lanka. He is the immediate Past President and current Committee Member of the Travel Trade Sports Club, Vice Chairman of the Pacific Asia Travel Association-Sri Lanka Chapter and an active Member of SKAL International, Colombo. He is additionally an All Island Justice of the Peace.

#### MS. I. JAMALDEEN\*

(Alternate Director to Mr. Dhammika Perera)

Ms. Isabel Jamaldeen has extensive experience in the hospitality industry, previously leading all corporate events for Bloomberg in London. Her main focus was the planning and execution of high profile events for leaders in politics and finance. Prior to Bloomberg, Ms. Jamaldeen worked as an events manager for Mint, one of London's most renowned events and catering business, focusing on high profile events in and around London. Furthermore,

Ms. Jamaldeen has a track record of working in various departments of leading hotels throughout Europe. There she developed extensive knowledge of the overall operational aspects of the hotel business. Ms. Jamaldeen is the founder of Gem Atelier London, an online jewelery business that mainly sells to the European market. She has also developed an exclusive jewelery business focusing on bespoke pieces for high profile clients.

Ms. Jamaldeen is the managing director of W15 and W15 Escape, two beautiful boutique properties in Weligama and Ahangama, located on the southern coast of Sri Lanka.

Ms. Jamaldeen has a very strong background in the hospitality industry with a Diploma in Hotel Operations and Management from Glion Hotel School in Switzerland. She holds a Bachelor of Business from Victoria University of Technology in Melbourne, Australia as well as an MBA from the International University of Applied Sciences in Bad Honnef, Germany.

### ENJOY SUMPTUOUS ACCOMMODATION



## SUSTAINABLITY REPORT

At the Kingsbury, sustainable and responsible behavior is a major priority. In fact it is how we wish to present ourselves.

Our commitment to sustainability is absolute and extends to managing the environmental, financial and social aspects of our business. With this triple-bottom line approach in mind, we continue to seek innovative ways to "do more with less" in a manner that makes business sense for the Company. Our aim is to use sustainability as a key driver to become a more resilient business in the long term. Hence our efforts are expansive and encompass all our major stakeholders, where the goals and targets we set for each stakeholder group come together as a cohesive strategy to integrate sustainability as part of the day-to-day activities of the Hotel.

#### Environment

#### Management Philosophy

In conducting our business, The Kingsbury, an ethical and equal opportunity employer, remains committed to comply with all relevant national environmental laws and regulations applicable to the hotel industry. Further we will strive to improve our performance through continuous review of our policies and practices and make necessary changes as and when needed.


These strategies formulated by the top management are then cascaded down to the day-to-day activities of the business through the relevant divisional heads whom have been tasked with meeting environmental objectives and targets. In doing so, we will always look for the most efficient and sustainable solution, which in some cases may call for collaborative partnerships to be formed with other key stakeholders.

### Key Initiatives for the Year:

### **Basement Project**

The largest undertaking for the year was the basement revamp project, which was partly aimed at streamlining the environmental impact resulting from the day-to-day operations of the Hotel. Under the project, a number of important changes were made, key among them being the overhaul of the laundry equipment and the boiler room.

In the laundry room, the out-of-date machinery was fully replaced and new state-of-the-art laundry equipment was installed to reduce water wastage. Meanwhile, in the boiler room, the old furnace oil boiler was replaced with a more efficient Diesel-powered steam boiler.

The industrial Chiller was also replaced with a new energy efficient model. A new wet-garbage management process was introduced to better manage the food and beverage refuse, while a new automatic diluter pump was commissioned.

#### **Ongoing Improvements**

- Installation of energy-efficient lighting solutions in all guest floors, corridors (chandeliers, picture lights and wall brackets), other public areas, the linen room and main kitchen.
- Commissioning waterless-urinals for common toilets
- Introduction of eco-friendly chemical wash in the kitchen

### **Awareness Campaigns**

- Earth-Hour celebrations
- Guest awareness cards

#### Employees

### Management Philosophy

We are committed to honouring the human rights of all employees and as such do not tolerate any form of harassment on the basis of age, sex, religion, marital status, opinions or any other status protected by law.

We are fully compliant with all national labour laws and regulations an as such condemn child labour and forced or compulsory labour. Further, we are an equal opportunity employer and seek to promote diversity in all aspects of our business, while our non-discriminatory policy ensures that all employees are treated fairly with regard to remuneration, benefits and working hours. Moreover, we remain committed to nurture our employees by providing them with the training and development tools needed for them to advance their careers within the company.

### *Key Initiatives for the Year:* Special Benefits

A number of new benefits were introduced during the year, including a concessionary lifestyle loan scheme for executives and managers. Meanwhile through tie-ups with some banks, employees can now obtain housing loans, credit cards etc. at a discounted special rate.

### **Training and Development**

A total of Rs. 1.8mn was invested on staff training and development activities during the year resulting in 12,891 training hours distributed among 3,555 participants. The key focus areas were;

• Customer Care and Service -

To help front-end employees understand the importance of customer service and how a single customer service experience can change a customer's perception forever

Orientation and Product Knowledge -

To integrate employees into The Kingsbury work ethic and help them become ambassadors of the brand.

### SUSTAINABILITY REPORT



At the Kingsbury, sustainable and responsible behaviour is a major priority. In fact is how we wish to present ourselves. Our sustainability efforts are expansive and encompass all our major stakeholders, where the goals and targets we set for each stakeholder group come together as a cohesive strategy to integrate sustainability as part of the day-to-day activities of the hotel.





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## THE BASEMENT PROJECT



The largest undertaking for the year was the basement renovation project, which was partly aimed at streamlining the environmental impact resulting from the day-to-day operations of the hotel. Under the project, a number of important changes were made, key among them being the overhaul of the laundry equipment and the boiler room.

### SUSTAINABILITY REPORT

#### Language Skills -

To develop critical language skills needed to communicate effectively with customers and guests

• Train the Trainer Programme -

To help in-house trainers to be more effective trainers and to enable managers to refine their skills as mentors.

• Supervisory Skills Training -

To help those in supervisory roles to understand the responsibilities of a supervisor in the hotel industry.

• HACCP and Food Safety -

To improve the overall food safety management and handling procedures in order to minimise contamination of food.

• Fire Safety Training -

To reinforce awareness among employees regarding their own safety and that of their colleagues, guests and customers and ensure they will practice the "Safety First" concept at all times.

Technical Training -

Mainly for lower level staff of the Hotel such as waiters, cooks, room boys and

receptionists, to provide them with specialised knowledge, expertise and Techniques relevant to their job scope.

#### Customers

### Management Philosophy

At The Kingsbury, we believe in creating experiences for our customers and guests. In doing so, our goal is never to say no and we have decreed that The Kingsbury experience should always be personalised and respectful, where patrons will be treated like royalty in keeping with the promise of bringing back 'good-old fashioned' hospitality.

In this context, we take a holistic view and have prioritised three key areas that require continuous attention, namely, food quality and diversity, service quality and overall presentation. At the same time we will work to continuously engage with our customers and guests, in order to inspire them to keep coming back.

### *Key Initiatives for the Year:* Assurance of Food Safety Standards

To assure the highest food safety standards are maintained at all times, the Company commenced the process of obtaining the HACCP Food Safety Standards certification.

#### **Guest Engagement**

 Special credit card promotions and seasonal discount offers in collaboration with leading banks  Special privileges extended to members of the International Expatriate Association, ASEAN Ladies Circle and British Residents Association

### Suppliers

### Management Philosophy

We expect all our suppliers and other business partners with whom we work, to be fully compliant with their legal obligations. In addition, we expect them to align themselves to The Kinsgbury's employment and environmental guidelines. To ensure conformity, we will carry out regular supplier evaluation to determine the continuation of the relationship.

The recent decision to obtain the HACCP certification, further expands our supplier assessment criteria, which now includes a broader range of health and safety parameters

#### Community

#### Management Philosophy

As a responsible corporate citizen, The Kingsbury extends its commitment to the community by conducting special programmes aimed at improving the socio-economic conditions of selected communities as well as providing medical assistance and spectacles to underprivileged senior citizens of our country. This programme has been held every year and to date the beneficiaries amount to over 500 persons.



In this regard, the Company's core focus is the youth internship programme in collaboration with the National Apprentice and Industrial Training Authority (NAITA), where community youth are provided with the opportunity to intern at the Hotel.

In addition, the company will from time to time, undertake other social welfare projects involving community capacity building and activities towards the upliftment of local cultural heritage.



# EXPLORE A WORLD OFSERENITY



### Transforming Towards Enterprise Governance

The Kingsbury Hotel has evolved from an era of Corporate Governance to one of Enterprise Governance. This holistic approach has been embedded into every aspect of our business processes and has given us an advantage, making The Kingsbury one that is striving for honesty, transparency and accountability through policies and practices at every level.

Our approach is to ensure that our strategic goals are aligned and that good management is achieved through an integrated framework that helps to focus on both the value-creating drivers that move the business forward and those that ensure adequate control.

We identify with the concept of Enterprise Governance in that the responsibilities and actions exercised by the Board and Executive Management are essentially towards providing a strategic direction to the organisation, ensuring achievement of set objectives, managing risks and uncertainty, and responsible use of resources.

Our lifestyle encapsulates every aspect of the service spectrum and the core values of quality, integrity and honesty flows through The Kingsbury team, creating a culture and ambiance that is secure, comfortable and welcoming. A Code of Ethics defines the ethical expectations from the team and most importantly, constant and consistent reference to the Code inculcates these practices and principles continuously.

### The Constituents of Our Governance Practice

Enterprise Governance constitutes the entire accountability framework of our organisation through the two dimensions of conformance and performance that are in balance. Whilst conformance covers issues such as Board structures and roles and Executive Remuneration, the performance dimension focuses on strategy and value creation. The focus is on helping the Board to make strategic decisions and understanding the gamut of risk and the key drivers of performance. Recognising that performance does not lend itself easily to a regime of standards and audit, we have developed a range of best practice tools and techniques that can be applied intelligently within different areas of the organisation.

We account the successful infusion of conformance and performance measures to a conscious decision to take good Governance seriously, recognising it as imperative as opposed to requirements of formal codes of practice. Conformance and performance measures are not merely viewed as "policing" tools but as an avenue for us as a corporate to work better and yield better.

### The Foundation of Our Governance Practice

The Kingsbury PLC is committed to the highest level of Governance and makes every effort to cultivate a culture that values and rewards exemplary ethical standards, personal and corporate integrity, and respect for others.

The very premise of our Governance practice, the foundation upon which it is based and nurtured, is by way of our commitment to the corporate values and the Code of Conduct prevalent within our holding company, the Hayleys Group. As with our holding company, The Kingsbury PLC has a firm commitment to transparency and integrity in our Corporate Governance practices.

As such, The Board of Directors, senior management, and employees are expected to strictly adhere and follow in performing official duties, ensuring that the Group image remains at the highest levels.

The Corporate Governance practice adopted by the Company is in line with the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and the Listing Rules of the Colombo Stock Exchange. The Corporate Governance Principles, along with the Charters of each of the Board Committees and the by-laws of the Board provide the framework for Corporate Governance at The Kingsbury PLC. **Code of Governance and Business** 

**Conduct:** Operating under the guidance of the Hayley's Group Code of Conduct, the Company has been practicing an exemplary standard of business conduct. Clearly communicated to employees across the organisation, in a relevant and consistent manner, the Code of Conduct together with a Code of Ethics has been embedded in the daily functioning of the organisation. Addressing issues such as bribery and corruption, charitable contributions, conflict of interest, entertainment and gifts, insider dealing, inside information and corporate opportunity, political contribution, money laundering and whistleblowing, the Code demands compliance at all levels through formal commitment from each and every employee.

The Code of Ethics defines the ethical expectations from the team and most importantly, constant and consistent reference to the Code inculcates these practices and principles continuously. A reward and recognition scheme in place serves as the main catalyst in perpetuating the service values and the Code of Ethics. This programme recognises the achievements and dedication of the team made towards the realisation of service excellence.

**Compliance Control:** Self-assessment against policies and key controls is the usual practice at The Kingsbury. Policies relating to rights and privileges of personnel, whistleblowing, information and IT security are clearly laid out and communicated to staff at all levels. The security and safety of staff is a key priority. Our employment principles for which compliance is continuously monitored include: principles of fairness and dignity at work, principles against exploitation, standards of business conduct, proper use of company systems, performance and environmental responsibility, active role in local/business community, business information security, personal development and supplier relations.

**Compliance with National Laws and Regulations:** National Laws and Regulations have been scrutinised and categorised in a manner whereby each department is able to ascertain which legal requirements are specific and relevant to their operations. This ensures compliance at an operational level, minimising the need to reverse engineer the compliance function.

Regulatory payments such as EPF, ETF, excise and sales related taxes are reviewed as a part of the Audit Committee process. Product and service guidelines, food safety, and consumer rights are used as the primary level benchmarks in compliance.

**Risk Review & Management:** Risk and Control continues to be an allencompassing activity, permeating across the business with a view to creating a greater cross-functional acceptance and aptitude of the function. Training programmes aimed at increasing the awareness of the risk and control function are conducted to indoctrinate new recruits with the key principal and focus given towards initiatives to create risk and control awareness.

**Culture of Communication:** The culture at The Kingsbury PLC is open, honest and one of integrity. It is one in which unhindered dialogue and engagement take priority. Across the Board, the Company has a culture of involving people; be it employees or stakeholders. Employee engagement on business objectives and execution of these objectives creates a workplace in which total commitment is fostered by communication; value and goal congruency is achieved.

### **Right Elements for Governance**

Role and Composition of the Board: The Board is responsible to the Company's shareholders for the success of the entity and for its overall strategic direction, values and Governance. The Board is responsible for the overall system of internal control for the Company and its subsidiaries and for reviewing the effectiveness of the system. It carries out such a review at least annually, covering all material controls including financial, operational and compliance controls and risk management systems, reporting to shareholders that it has done so.

A balance of Executive and Non-Executive member representation on the Board ensures impartiality. The Board of The Kingsbury PLC comprises of eleven Directors: an Executive Chairman, a Non-Executive Co-Chairman, two Executive Directors and seven Non-Executive Directors of which four are Independent. The names of the Directors and their profiles are available on page 28 of this report. The Board determines the degree of independence of each member, based on criteria such as independence of character and judgment, and assessment of relationships or circumstances that affect or are likely to affect the Director's judgment. Independent Directors are free of any business or other relationship with the Company that can materially affect their performance on the Board towards this effect; Independent Board members make an annual determination of their independence through a signed and dated declaration to that effect.

The Governance approach towards the appointment of Alternate Directors stipulates that any Alternate Director appointed by a Non-Executive Director should not be an Executive of the Company, and an Alternate Director appointed by an Independent Director should meet the criteria of Independence laid out above.

The Board gives direction to the long term strategy, seeking and contributing views and opinions on strategic options proposed by the Executive Management. All members of the Board have fiduciary duty and statutory liability, regardless of whether they are Executive or Non-Executive. The positions of Chairman and MD are kept separate in line with good Governance practices.

All meetings of the Board and its subcommittees were well attended during the year. All Board members have specific responsibilities in controlling and setting direction through the various Board Committees.

The Board responsibilities can be broadly listed as follows:

- Enhancing shareholder value, formulating, communicating, implementing and monitoring of business policies and strategies.
- Ensuring due compliance with applicable legal, ethical, health, environment and safety standards and regulations.
- Ensuring that due attention is given to appropriate accounting policies and practices and to setting priorities and communicating values and ethical standards for management.
- Ensuring that appropriate systems of internal controls are in place to safeguard the assets of the Company.

- Reviewing and approving annual budgets and periodic monitoring of performance against the budgets.
- Approving of major investments on business proposals and adopting annual and interim Financial Statements prior to publication.
- Evaluating and monitoring the performance of the Company on a regular basis and initiating remedial action where necessary.
- Adopting annual and interim accounts and recommending dividend for approval by the shareholders.

The Board regularly reviews and agrees on the training and development needs of the Board members, to ensure Directors are fully able to make appropriate decisions with regard to the current and future performance of the business.

The ultimate responsibility of the Company's financial performance lies with its Board of Directors and is in control of the Company's affairs and conscious of its obligation to all stakeholders.

**Performance of the Board:** Annually, the performance of the Board members are reviewed against the recommended checklist of the Institute of Chartered Accountants of Sri Lanka.

The Board, as a body, is fully and equally accountable to shareholders for Governance and all operations and assets of the Company including the preparation and presentation of the Financial Statements in accordance with Sri Lanka Accounting Standards and the convergence with International Financial Reporting Standards.

The Board appoints some of its members to serve on sub-committees of the Board, with specific responsibilities, namely: Nominations Committee, Audit Committee, and Remuneration Committee.

The Board meets quarterly as a practice and ad hoc meetings are held whenever necessary. During the financial year under review, the Board met on eight occasions. The attendance of these meetings is given below:

Name of Director	Executive/Non-Executive/ Independent Non-Executive	Attendance
Mr. A. M. Pandithage - Executive Chairman	Executive	8/8
Mr. Dhammika Perera* - Co-Chairman - Non-Executive	Non-Executive	1/8 Refer note below.
Mr. L. T. Samarawickrama - Managing Director	Executive	8/8
Mr. N. J. De S. Deva-Aditya	Independent Non-Executive	7/8
Mr. S. C. Ganegoda	Non-Executive	7/8
Mr. S. J. Wijesinghe	Non-Executive	7/8
Mr. L. N. De S. Wijeyeratne	Independent Non-Executive	6/8
Ms. R. N. Ponnambalam	Independent Non-Executive	7/8
Mr. Nimal Perera	Non-Executive	4/8
Mr. J. P. Van Twest	Independent Non-Executive	4/8
Mr. D. E. Silva	Executive	8/8
Ms. I. Jamaldeen (Alternate Director to Mr. Dhammika Perera)	Non-Executive	6/8
Note: * Ms. I. Jamaldeen represented Mr. Dhammika Perera as his Alternate Director.		

**Company Secretary:** The service and advice of the Company Secretary are made available to Directors as necessary. The Company Secretary keeps the Board informed of new laws, regulations and requirements coming into effect, which are relevant to them as individual Directors and collectively to the Board.

**Board Balance:** The composition of the Executive and Non-Executive Directors (the latter are over one third of the total number of Directors) satisfies the requirements laid down in the Listing Rules of the Colombo Stock Exchange.

The balance of Executive and Non-Executive Directors on the Board are essential in ensuring that decision making is transparent and not dominated by any individual or small group.

As at 31st March 2016, the Board consisted of 11 Directors comprising of:

3 Executive Directors (ED)

4 Non-Executive Directors (NED)

4 Non-Executive Independent Directors-(NED/ID)

The Board profiles reflect the calibre of members and the weight their views carry in Board deliberations.

The Board seeks individuals with independence based on their proven

capabilities and their potential to contribute to the company. Non-Executive Board members perform an important role in providing an external perspective to the business. The Independent Non-Executive Directors are free from any relationship that can interfere with the affairs of the Company.

The Board has determined that the Directors: Mr. N. J. De S. Deva-Aditya, Ms. R. N. Ponnambalam, Mr. L. N. De S. Wijeyeratne and Mr. J. P. Van Twest satisfy the criteria for 'independence' set out in the Listing Rules.

The Chairman of The Kingsbury PLC is also the Chairman of Hayleys PLC. Chief Executive Authority is vested in the Managing Director of the Company and the distinction between the Chairman and Officers wielding executive powers in the Company ensures the balance of power and authority.

Financial Acumen: The Board includes two senior Chartered Accountants who possess the necessary knowledge and competence to offer the Board guidance on matters of finance.

Supply of Information: Directors are provided with quarterly reports on performance and appropriate documentation in advance of each Board meeting for individual directors to study matters under discussion. Appointments to the Board: The Board as a whole decides on the appointment of Directors in accordance with the Articles of Association of the Company.

**Re-election of Directors:** The provisions of the Company's Articles require a Director appointed by the Board to hold office until the next Annual General Meeting and seek re-appointment by the shareholders at that meeting.

The Articles call for one third of the Directors in office to retire at each Annual General Meeting. The Directors who retire are those who have served for the longest period after their appointment/ re-appointment. Retiring Directors are generally eligible for re-election. The Managing Director does not retire by rotation.

Remuneration Committee: The Remunerations Committee membership comprises of Mr. L. N. De. S. Wijeyeratne (Chairman) - Independent Non-Executive Director and Ms. R. N. Ponnambalam -Independent Non-Executive Director.

The Committee determines the framework and policy in terms of engagement and remuneration of the Chairman, the Board of Directors, the Executive Management and all compensation structures.

The Remuneration Committee of Hayleys PLC, the holding company of The Kingsbury PLC is responsible for laying down guidelines and parameters for the compensation structures of all management staff within the Group.

The Remuneration Committee of The Kingsbury PLC is guided to work within the above given parameters and design compensation levels appropriate for the Company within the Group and commensurate with each employee's level of expertise and contributions, bearing in mind the business's performance and shareholder returns.

The Total Value of Directors' remuneration is reported in Note 6 to the Financial Statements.

**Relations with Shareholders:** The Notice of Meeting is included in the Annual Report. The Notice contains the Agenda for the Annual General Meeting as well as instructions on voting, including appointments of proxies. A Form of Proxy is enclosed with the Annual Report. The period of notice prescribed by the Companies Act No. 07 of 2007 has been met.

**Constructive use of the Annual General Meeting:** The Annual General Meeting is considered by the Board of Directors as a means of continuing effective dialogue with shareholders and encourages their active participation.

The Board offers clarifications and responds to concerns shareholders have

over the content of the Annual Report as well as other matters, which are important to them.

The Annual General Meeting is also used to adopt the Financial Statement for the year.

### Communication with Shareholders:

Shareholders are provided with the Annual Report and also with Quarterly Financial Statements via the Colombo Stock Exchange website, which the company considers as its principal forum for communication with stakeholders.

Shareholders may voice concern or raise queries with the Chairman, Directors or the Company Secretary as appropriate. The Company maintains an appropriate dialogue and provides feedback and interaction.

### Accountability and Audit

**Financial Reporting:** The Board places great emphasis on complete disclosure of financial and non-financial information within the bounds of commercial reality and on the adoption of sound reporting practices. Financial information is disclosed in accordance with the Sri Lanka Accounting Standards. Revisions to existing Accounting Standards and adoption of new standards are carefully monitored.

The Statement of Directors' Responsibilities for the Financial Statements is given in page 64 of this report. Going Concern: The Directors, after making necessary inquiries and reviews including reviews of the Company budget for the ensuing year, capital expenditure requirements, future prospects, and risk, cash flows and borrowing facilities, have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore, the going concern basis has been adopted in the preparation of the Financial Statements.

Internal Controls: The Board is responsible for the Company's internal controls and its effectiveness. Internal control is established with emphasis placed on safeguarding assets, making available accurate and timely information and imposing greater discipline on decision making. It is important to state that any system can ensure only reasonable and not absolute assurance that errors and irregularities are prevented or detected within a reasonable time.

Holding company resources by way of the Hayleys Group's Management Audit & System Review Department are utilised in assessing the effectiveness and successful implementation of the existing controls and strengthening these and establishing new controls where necessary.

The Board has reviewed the effectiveness of the System of financial controls for the period, up till the date of signing the Financials.

**Information Technology:** The Company has implemented a fully integrated property management and financial information IT system which has increased the effectiveness and efficiency in the provision of management information, and has implemented a comprehensive IT policy which strengthens controls of the organisation's IT System and ensures unauthorised access and data loss is prevented.

Hayleys Group's Disaster Recovery Policy ensures that daily backups are taken in a timely manner and stored in remote locations ensuring reduction of downtime and continuity of operations during a disaster.

Audit Committee: The Audit Committee is chaired by Mr. L. N. De. S. Wijeyeratne, a Fellow Member of the Institute of Chartered Accountants of Sri Lanka. The Managing Director, General Manager, Director Finance and the Chief Accountant attend the meetings of the Audit Committee by invitation.

The Audit Committee has written terms of reference and is empowered to examine any matters relating to the financial affairs of the Company and its Internal and External Audits. It helps the Company to strike the proper balance between conformance and performance.

Its key role, therefore, is to monitor the integrity of the Financial Statements of the Company and review the same, and where appropriate make representations to the Board on business risks, internal controls and compliance. The Committee is also responsible for the assessment of the External Auditors, their independence and quality of work. Interacting with external and internal auditors, the Committee ensures that audits are carried out with independence, integrity and objectivity. Close monitoring and control of type and value of non-audit work is carried out to preserve the independence of the external auditors.

Membership of the Audit Committee is as follows:

Mr. L. N. De. S. Wijeyeratne (Chairman) -Independent Non-Executive Director

Ms. R. N. Ponnambalam - Independent Non-Executive Director

Mr. J. P. Van Twest - Independent Non-Executive Director The Audit Committee report appears on page 66 of this report.

Levels of compliance with the CSE's Listing Rules - Section 7.10, Rules on Corporate Governance as at 31st March 2016 are given in the table that follows.

"The Company has implemented a fully integrated property management and financial information IT System which has increased the effectiveness and efficiency in the provision of management information.

Rule No.	Subject	Applicable Requirement	Compliance Status	Details
7.10.1(a)	Non-Executive Directors	At least one third of the total number of Directors should be Non-Executive Directors	Compliant	Eight out of the Eleven Directors are Non-Executive Directors
7.10.2(a)	Independent Directors	Two or one third of Non-Executive Directors, whichever is higher should be Independent	Compliant	Four out of the Eight Non- Executive Directors are Independent Directors
7.10.2(b)	Independent Directors	Each Non-Executive Director should submit a declaration of Independence/non-independence in the prescribed format	Compliant	Non-Executive Directors have submitted the declarations as at 31.03.2016
7.10.3(a)	Disclosure relating to Directors	The Board shall annually make a determination as to the independence or otherwise of the Non- Executive Directors and names of Independent Directors should be disclosed in the Annual Report	Compliant	Please refer 'Board of Directors' on pages 28 to 31
7.10.3(b)	Disclosure relating to Directors	The basis for the Board to determine a Director is Independent when the criteria specified for independence is not met	Compliant	Please refer page 46 under the heading of Board Balance
7.10.3(c)	Disclosure relating to Directors	A brief resume of each Director should be included in the Annual Report including areas of expertise	Compliant	Please refer 'Board of Directors' on pages 28 to 31
7.10.3(d)	Disclosure relating to Directors	Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the Exchange	Compliant	A brief resume provided to the Exchange at the time of appointment
7.10.5	Remuneration Committee	A listed company shall have a Remuneration Committee	Compliant	Names of the members of the Remuneration Committee are stated on page 46

Rule No.	Subject	Applicable Requirement	Compliance Status	Details
7.10.5(a)	Composition of Remuneration Committee	Shall comprise of Non-Executive Directors a majority of whom will be Independent	Compliant	The Committee consists of Two Independent Non- Executive Directors
7.10.5(b)	Remuneration Committee Functions	Committee the remuneration of the Chief Executive Officer		Please refer remuneration procedure on page 46 of this Report
7.10.5(c)	Disclosure in the Annual Report relating to Remuneration Committee	Names of Directors comprising the Remuneration Committee Statement of remuneration policy Aggregated remuneration paid to Executive and Non-Executive Directors	Compliant	Please refer page 46 Please refer page 46 Please refer page 60
7.10.6	Audit Committee	The company shall have an Audit Committee	Compliant	Names of the members of the Audit Committee are stated on page 48
7.10.6(a)	Composition of Audit Committee	Shall comprise of Non-Executive Directors a majority of whom will be Independent	Compliant	Audit Committee consists of Three Independent Non- Executive Directors
7.10.6(b)	Audit Committee Functions	A Non-Executive Director shall be appointed as the Chairman of the Committee	Compliant	Chairman of the Audit Committee is an Independent Non-Executive Director
		Chief Executive Officer and Chief Financial Officer should attend Audit Committee meetings	Compliant	Managing Director, General Manager, Director Finance and the Chief Accountant of the company have attended the Audit Committee meetings
		The Chairman of the Audit Committee or one member should be a member of a professional accounting body	Compliant	Chairman of the Audit Committee is a Chartered Accountant

Rule No.	Subject	Applicable Requirement	Compliance Status	Details
7.10.6(b)	Audit Committee Functions	<ul> <li>Functions shall include:</li> <li>Overseeing of the preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Accounting Standards</li> <li>Overseeing the compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements</li> <li>Overseeing processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards</li> <li>Assessment of the independence and performance of the External Auditors</li> <li>Make recommendations to the Board pertaining to appointment, re-appointment and removal of External Auditors, and approve the remuneration and terms of engagement of the External Auditors</li> </ul>	Compliant	The terms of reference of the Audit Committee have been agreed upon by the Board

Rule No.	Subject	Applicable Requirement	Compliance Status	Details
7.10.6(c)	Disclosure in the Annual Report relating to Audit Committee	Names of Directors comprising the Audit Committee	Compliant	Please refer page 48
		The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination	Compliant	Please refer Audit Committee Report on page 66
		The Annual Report shall contain a Report of the Audit Committee setting out of the manner of compliance with their functions	Compliant	Please refer Audit Committee Report on page 66
9.2	Related Party Transactions Review Committee Functions	Functions shall include: Review in advance all proposed related party transactions of the group either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.	Compliant	The Committee of the Parent Company Hayleys PLC which was formed on 10th February 2015 functions as the committee of the Company.
		Seek any information the Committee requires from management, employees or external parties with regard to any transaction entered into with a related party.		
		Obtain knowledge or expertise to assess all aspects of proposed related party transactions where necessary including obtaining appropriate professional and expert advice from suitably qualified persons.		

Rule No.	Subject	Applicable Requirement	Compliance Status	Details
9.2	Related Party Transactions Review Committee Functions	<ul> <li>Recommend, where necessary, to the Board and obtain their approval prior to the execution of any related party transaction.</li> <li>Monitor that all related party transactions of the entity are transacted on normal commercial terms and are not prejudicial to the interests of the entity and its minority shareholders.</li> <li>Meet with the management, Internal Auditors/ External Auditors as necessary to carry out the assigned duties.</li> <li>Review the transfer of resources, services or obligations between related parties regardless of whether a price is charged.</li> <li>Review the economic and commercial substance of both recurrent/non recurrent related party transactions</li> <li>Monitor and recommend the acquisition or disposal of substantial assets between related parties, including obtaining 'competent independent advice' from independent professional experts with regard to the value of the substantial asset of the related party transaction.</li> </ul>	Compliant	The Committee of the Parent Company Hayleys PLC which was formed on 10th February 2015 functions as the committee of the Company.
9.2.2	Composition	Two Independent Non-Executive Directors and one Executive Director	Compliant	The Committee of the Parent Company Hayleys PLC which was formed on 10th February 2015 functions as the committee of the Company.

Rule No.	Subject	Applicable Requirement	Compliance Status	Details
9.2.3	Related Party Transactions Committee	Mandatory from 01.01.2016. If the parent company and the subsidiary Company both are listed entities, the Related Party Transactions re-view Committee of the parent company may be permitted to function as such Committee of the subsidiary.	Compliant	The Committee of the Parent Company Hayleys PLC which was formed on 10th February 2015 functions as the committee of the Company.
9.2.4	Related Party Transactions Review Committee- Meetings	Shall meet once a calendar quarter	Compliant	The Committee of the Parent Company Hayleys PLC which was formed on 10th February 2015 functions as the committee of the Company.
9.3.2	Related Party Transactions Review Committee- Disclosure in the Annual Report	Report by the related party transactions review Committee A declaration by the Board of Directors	Compliant	Page 65 Page 60

# **RISK MANAGEMENT**

### Managing risks in a changing environment

When operating in a highly competitive and dynamic environment the changes in political, economic, social, technological, legal and environmental aspects do impact our business. However, we see the global macroeconomic conditions though volatile, markets being resilient and bouncing back time after time. We see the Hayleys Group's business model, diversity of its leisure portfolio and wide geographical spread contributing to our resilience and corporate stature.

The following aspects are perceived as the most dynamic risks and are therefore proactively managed and monitored by senior management.

### Exchange Rate Risk

Movements in foreign currency exchange rates could have an adverse impact resulting in exchange losses. This risk is due to a major portion of long term borrowings consisting of foreign borrowings. Therefore the Company obtains the services of the Hayleys PLC Treasury Department to continuously monitor exchange rates and financial markets.

The room revenue, which now stands at 45% of the Company's revenue is pegged on the US Dollar rate hence it works as a natural hedge for the loan interest and capital payments to be made in US Dollars.

Liquidity Risk

Long term funds are utilised to meet the expenses of the upgrading program. Short term funds such as overdrafts would be obtained to meet losses, if any, which are not met by internally generated funds. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of short-term and long term funding streams.

The Company's Treasury policies and procedures are set out by the Treasury Department of the Hayleys Group and sourcing funding options from Banks and other Financial Institutions are advised by the Group Treasury Department.

### Risk Level - Moderate / High

#### IT Systems Risk

### Channel management and technology platforms

Travellers now have access to far more information through comparison of websites, search engines and online travel agents. Booking channels and technological systems are a key part of the guest journey and an important value driver. This is also an area where there is rapid change in terms of technology, guest expectations and relationships with online travel agents and other intermediaries. Threats to information security, from payment card information to other information held in IT systems or, in paper format and other media, remain of concern. We effectively manage and keep under review our channels, information technology infrastructure and technological systems to optimise performance and resilience against any ITC threat that may impact on the company's revenue and delivery channels, guest experience and return for our owners and investors.

### Control and mitigation activities

The company recognizes that technological advances and changing guest expectations mean that we must continually invest in and improve our systems and reservations channels. We have in place a multi-channel management strategy that focuses across the entire guest journey and encourages guests to book directly with the company or via our own website and reservation systems. The company proactively manages and seeks to improve terms and conditions of our relationships with these partners.

The Finance and IT departments of the company works collaboratively with specialist third-party technology partners to continuously monitor, manage and optimise our systems and channels, including their resilience through backup systems and business continuity practices, to enhance all aspects of the guest journey and optimise the revenue to the company.

### **RISK MANAGEMENT**

The company takes information security very seriously and has applied riskbased methods to build capability and resilience into our systems and processes. The Hayleys group plays a critical role in managing the data security to contain the risk and reduce the company's exposure, tightly controlling sensitive data through limited and monitored access.

### Risk Level - Moderate

#### **Competition Risk**

The performance of the Company could be critically affected due to penetration by the existing competition and by new competitors expected to enter the market.

The Hotel initiates the drive to achieve service excellence and continuous improvements in all services rendered to its customers.

To keep up with the competitive properties that are coming up in the city of Colombo, the Company will have to invest and maintain the required standards of service and provide all amenities to its guests.

Prevailing gazette minimum room rates minimise the risk of price competition.

Regular innovative food and beverage event promotions differentiates the hotel from its competitors, not only sustaining and strengthening the loyalty and patronage of regular customers but also enticing and attracting new ones.

The Company closely monitors industry trends and competitors' activities and strategies by reviewing respective market share and performance. Plans and promotions are then developed and implemented to ensure that the Company holds a competitive advantage and is able to offer customers value and differentiation.

Striving towards reaching 100% customer satisfaction via continual improvement, the Company continuously reviews guest feedback and responds promptly to any issues.

The Company places a strong focus on participating in international travel trade exhibitions such as ATM, OTM, ITB, WTM in established markets and in emerging markets such as, thereby exploiting new opportunities and generating new business. The company also closely collaborates with local tourism authorities in marketing initiatives such as arranging FAM tours, bloggers conferences and destination promotions.

Risk level - Moderate / High

#### Government Policy Risk

The change in government has been viewed positively by the corporate segment and the leisure segment. There have been changes in the highest levels in Sri Lanka Tourism authority propelling the industry's growth trajectory to a positive state.

The Company anticipates the return of a GSP+ facility through which many avenues will open up and will keep the industry on an upbeat.

Factors such as change in electricity tariffs and fuel rates will adversely affect the performance of the hotel, which is difficult to transfer to the customers in the short term.

If the minimum rates are increased, it may be a challenge to attract new clients especially during the off-season.

The Company maintains a strong relationship with the regulatory bodies through Hayleys PLC and other lobby groups. Through them the Company campaigns for clear and indisputable laws to facilitate business operations.

Risk Level - Moderate

### Brand Image & Reputation Risk

The brand and reputation of the hotel may be adversely affected as a result of any event or action and by adverse comments made by the media and through social media networks.

As a routine practice, guest feedback is obtained from restaurants / bars / lounges / banquet functions / rooms through comprehensive feed-back forms and social media platforms such as Trip Advisor and Facebook and the results are analysed in order to focus on service standards.

Benchmarking against competitor standards including pricing is carried out on a monthly basis.

Emphasis on training and overseas exposure to staff is carried out regularly.

Employment of qualified experts in the senior management and key positions ensures best practices and continuous improvement in all aspects of the hotel operation.

The Housekeeping & Engineering departments ensure optimum quality and comfort within the hotel by carrying out daily audits relating to facilities, services and general décor of the hotel. A dedicated Communications department scans all the environments the hotel operates in, to manage the in/out flow of information.

Careful attention is paid to ethical and cultural sensitivities when developing all communications campaigns.

Due emphasis is given for CSR and sustainable practices within the hotel to demonstrate its responsibility towards the society and the environment.

### Risk Level - Low / Moderate

# PEOPLE ARE OUR BUSINESS

### FINANCIAL CONTENTS

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# ANNUAL REPORT OF THE DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Board of Directors is pleased to present their Report and the Audited Financial Statements of the Company for the year ended 31st March 2016. The details set out herein provide pertinent information required by the Companies Act No. 7 of 2007 and the Colombo Stock Exchange Listing Rules and are guided by recommended best accounting practices.

### Review of the Year

The Chairman's Message describes the Company's affairs and mentions important events of the year.

### **Principal Activity**

The Principal Activity of the Company is hoteliering and is the owner of The Kingsbury Hotel, Colombo.

### **Financial Statements**

The Financial Statements of the Company are given on pages 70 to 106.

### Auditor's Report

The Auditor's Report on the Financial Statements is given on page 69.

### **Accounting Policies**

The accounting policies adopted in preparation of Financial Statements are given on pages 75 to 82.

Changes made to the Accounting Policies during the accounting period are described under Note 2 of the Financial Statements.

### **Interest Register**

The Company in compliance with the Companies Act No. 07 of 2007, maintains an Interest Register. Particulars of the entries in the Register are detailed below.

### Directors' Interests in Transactions

The Directors of the Company have made the general disclosure provided for in section 192 (2) of the Companies Act No. 07 of 2007 Note 29 to the Financial Statements dealing with related party disclosure includes details of their interests in transactions.

### Directors' Interests in Shares

Directors' Interests in shares are given later in this Report. There were no changes to the relevant interests in shares during the year other than the following entries in the Interest Register.

Mr. Dhammika Perera through Vallibel One PLC purchased 974,098 shares during the year.

### Directors Emoluments and Other Benefits

Directors' emoluments in respect of the Company for the financial year ended 31st March 2016 is given in Note 6 to the Financial Statements.

Executive Directors' remuneration is established within an established framework. The total remuneration of Executive Directors for the year ended 31st March 2016 is Rs. 5.593 Mn (2015 - Rs. 5.421 Mn determined according to scales of payment decided upon by the Board. The Board is satisfied that the payment of this remuneration is fair to the Company.

### **Related Party Transactions**

The related party transactions are given on Page 100.

The Board of Directors has given the following statement in respect of the related party transactions.

The related party transactions of the Company during the financial year have been reviewed by the Related Party Transactions Re-view Committee of the parent company, Hayleys PLC and are in compliance with the Section 9 of the CSE Listing Rules.

The Committee met two (02) times in the Financial year 2015/16.

### Attendance

Meetings held on 22nd January 2016 and 23rd March 2016.

Dr. H. Cabral**	2/2
Mr. M. D. S. Goonetilleke**	2/2
Mr. S. C. Ganegoda*	2/2
(**Independent Non-Executive *Execu	ative)

### **Corporate Donations**

Donations made during the year were nil.

#### Directors

Directors of the Company as at 31st March 2016

Mr. A. M. Pandithage - Executive Chairman

Mr. Dhammika Perera\* - Co-Chairman -Non-Executive Mr. L. T. Samarawickrama - Managing Director

Mr. N. J. De S. Deva Aditya\*\*

Mr. S. C. Ganegoda\*

Mr. S. J. Wijesinghe\*

Mr. L. N. De S. Wijeyeratne\*\*

Ms. R. N. Ponnambalam\*\*

Mr. Nimal Perera\*

Mr. J. P. Van Twest \*\*

Mr. D. E. Silva

Ms. I. Jamaldeen\* (Alternate Director to Mr. Dhammika Perera)

\* Non-Executive Director

\*\* Independent Non-Executive Director

In terms of the Article No. 87 of the Articles of Association of the Company Messrs. L. N. De S. Wijeyeratne, Dhammika Perera, and Ms. R. N. Ponnambalam retire by rotation and being eligible offer themselves for reelection.

### **Directors' Shareholdings**

The shareholdings of the Directors as at 31st March 2016 were as follows.

	No. of Shares			
	As at	As at		
	31.03.2016	01.04.2015		
Mr. S. C.	55,713	55,713		
Ganegoda				

Mr. Dhammika Perera holds 50.44% directly and indirectly of the total issued shares of Hayleys PLC, which holds 112,307,057 shares in The Kingsbury PLC.

Mr. Dhammika Perera holds 63.48% directly of the total issued shares of Vallibel One PLC, which holds 3,216,146 shares in The Kingsbury PLC.

Mr. Dhammika Perera through Vallibel One PLC purchased 974,098 shares during the year.

Mr. M. H. Jamaldeen, spouse of Ms. I. Jamaldeen (Alternate Director to Mr. Dhammika Perera) holds 1,061,583 shares in The Kingsbury PLC.

### Insurance and Indemnity

The Company is covered by Directors and Officers (D&O) cover of the parent company, Hayleys PLC with a premium of Rs. 4.6 Mn and the limit on liability of the cover is USD 5 Mn.

#### **Corporate Governance**

The Company has complied with the Corporate Governance rules laid down under the listing rules of the Colombo Stock Exchange. This is further discussed on page 42 to 54 under the Corporate Governance section.

### Employment

Number of persons employed by the Company was 689.

### **Internal Controls**

The Directors acknowledge their responsibility for the Company's system of internal controls. The system is designed to give assurance, inter alia, regarding safeguarding the assets, the maintenance of proper accounting records and the reliability of financial information generated. However, any system can only ensure reasonable and not absolute assurance that errors and irregularities are either prevented or detected within a reasonable time period.

The Board, having reviewed the system of internal controls, is satisfied with its effectiveness for the period up to the date of signing the Financial Statements.

### **Going Concern**

The Directors, after making necessary inquiries and reviews including the reviews of the Company's budget for the ensuing year, capital expenditure requirement, future prospects and risks, cash flows and

Total Company reserves as at 31st March

Rs. 196.63 Mn.) Movements are shown in the Statement of Changes in Equity in the

The tax position of the Company is given

**Employees and Industrial Relations** 

in Notes 10 and 18 to the Financial

There have been no material issues

pertaining to employees and industrial

relations of the Company during the

2016 amounts to Rs. 440.15 Mn. (2015

Reserves

Taxation

Statements.

Financial Year.

Financial Statements.

### ANNUAL REPORT OF THE DIRECTORS ON THE AFFAIRS OF THE COMPANY

borrowing facilities, have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

Therefore, the going concern basis has been adopted in the preparation of the Financial Statements.

### Auditors

The Auditors, Messrs Ernst & Young, Chartered Accountants, were paid Rs. 774,604 (2015 - Rs. 690,000) as audit fees by the Company. In addition, they were paid Rs. 785,470 (2015 - Rs. 182,410) by the Company for non-audit related work.

As far as the Directors are aware, the Auditors do not have any relationship (other than that of an Auditor) with the Company other than those disclosed above. The Auditors also do not have any interest with the Company.

Messrs Ernst & Young, Chartered Accountants, are deemed re-appointed, in terms of section 158 of the Companies Act No. 7 of 2007, as Auditors of the Company.

A resolution proposing Directors be authorised to determine the Auditors remuneration will be submitted at the Annual General Meeting.

### Dividends

The Directors declared an Interim Dividend of Rs 0.30 per share which was paid on 24th August 2015.

### Investments (Short Term Deposits)

Details of the investments held by the Company are disclosed in Note 18 to the Financial Statements.

### Property, Plant and Equipment

An analysis of the property, plant and equipment of the Company, additions and disposals made during the year and depreciation charged during the year are set out in Note 12 to the Financial Statements.

### **Capital Commitments**

Details of the capital commitments of the Company as at 31st March 2016 are disclosed in Note 25 to the Financial Statements.

### **Stated Capital**

The Stated Capital of the Company is Rs. 836,000,000 comprising 242,000,000 ordinary shares.

Disclosure as per Colombo Stock Exchange Rule No.7.6.xi.

	2016	2015
Market price per share as at 31st March	15.00	16.00
Highest share price during the year (01.09.2015)	18.40	19.60
Lowest share price during the year (09.03.2016)	13.00	12.80
Net asset per share	9.02	8.11
Ordinary shares in issue	242,000,000	242,000,000

### Shareholding

The number of registered shareholders of the Company as at 31st March 2016 was 4045.

### **Major Shareholder**

The twenty largest shareholders of the Company as at 31st March 2016, together with an analysis are given on page 107 of the Annual Report.

### **Public Shareholding**

As at 31st March 2016, 38.73% of the issued capital of the Company was held by the public comprising 4,040 shareholders.

### **Statutory Payments**

The Directors to the best of their knowledge and belief are satisfied that all statutory payments in relation to the government and the employees have been made and provided.

### **Contingent Liabilities**

There were no material contingent liabilities outstanding as at 31st March 2016 other than that described in Note 24 of the Financial Statements.

### **Post Balance Sheet Events**

Subsequent to the date of the Balance Sheet no circumstances have arisen which would require adjustments to the accounts. Significant post balance sheet events which in the opinion of the Directors require disclosure are described in Note 33 to the Financial Statements.

### **Annual General Meeting**

The Annual General Meeting will be held at Hayleys Conference Room, No. 400, Deans Road, Colombo 10, Sri Lanka at 3.00 p.m. on Friday 24th June 2016. The Notice of the Annual General Meeting appears on page 110 of the Annual Report.

For and on behalf of the Board

THE KINGSBURY PLC



A. M. Pandithage Executive Chairman

L. T. Samarawickrama Managing Director

S. M. te

Hayleys Group Services (Pvt) Ltd Secretaries

18th May 2016

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible, under Sections 150 and 151 of the Companies Act No. 7 of 2007, to ensure compliance with the requirements set out therein to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit and loss of the Company for the financial year. The Directors are also responsible, under Section 148 for ensuring that proper accounting records are kept to disclose, with reasonable accuracy, the financial position and enable preparation of the Financial Statements.

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

They also confirm that the Financial Statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards. The Financial Statements provide the information required by the Companies Act and the listing rules of the Colombo Stock Exchange.

The Directors have taken reasonable measures to safeguard the assets of the Company and in that context, have instituted appropriate systems of internal control in order to prevent and detect fraud and other irregularities.

As required by section 56 (2) of the Companies Act, Directors authorised an Interim Dividend which was paid on 24th August 2015 and based on information available to the Board the Company satisfied the solvency test after such distribution. A certificate of solvency was obtained from the Auditors in this respect.

The External Auditors, Messrs. Ernst & Young, Chartered Accountants, were deemed re-appointed in terms of section 158 of the Companies Act No. 7 of 2007 and were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements. The Report of the Auditors, shown on page 69 sets out their responsibilities in relation to the Financial Statements.

### **Compliance Report**

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

By Order of the Board,

HAYLEYS GROUP SERVICES (PVT) LTD. Secretaries

18th May 2016

## RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

Hayleys PLC, the parent company established the Related Party Transactions Review Committee with effect from 10th February 2015 in terms of the Code of Best practice on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka and the Section 9 of the Listing Rules of the Colombo Stock Exchange which functions as the Committee of the Company.

### Composition of the Committee

The Related Party Transactions Review Committee comprises two Independent Non-Executive Directors and one Executive Director. The Committee comprised of the Following members;

Dr. H. Cabral, PC (IND/NED) - Chairman

Mr. M. D. S. Goonatilleke (IND/NED) (Resigned w.e.f. 12.05.2016)

Mr. S. C. Ganegoda (ED)

(ED - Executive Director, IND -Independent Director, NED - Non-Executive Director)

### The duties of the Committee

To review in advance all proposed related party transactions of the Group either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.

- Seek any information the Committee requires from management, employees or external parties with regard to any transaction entered into with a related party.
- Obtain knowledge or expertise to assess all aspects of proposed related party transactions where necessary including obtaining appropriate professional and expert advice from suitably qualified persons.
- To recommend, where necessary, to the Board and obtain their approval prior to the execution of any related party transaction.
- To monitor that all related party transactions of the entity are transacted on normal commercial terms and are not prejudicial to the interests of the entity and its minority shareholders.
- Meet with the management, Internal Auditors/External Auditors as necessary to carry out the assigned duties.
- To review the transfer of resources, services or obligations between related parties regardless of whether a price is charged.
- To review the economic and commercial substance of both recurrent/non recurrent related party transactions

To monitor and recommend the acquisition or disposal of substantial assets between related parties, including obtaining 'competent independent advice' from independent professional experts with regard to the value of the substantial asset of the related party transaction.

### Task of the Committee

The Committee reviewed the related party transactions and their compliances of The Kingsbury PLC (name of Company) and communicated the same to the Board.

The Committee in its review process recognised the adequate of the content and quality of the information forwarded to its members by the management.

### Meetings

The Committee met two times during the year under review. The attendance at the meetings given in the table on page 60 of the Annual Report.

Dr. Harsha Cabral, PC. Chairman

Related Party Transactions Review Committee of Hayleys PLC

18th May 2016

# AUDIT COMMITTEE REPORT

### Role

The primary role of the Audit Committee is to review and monitor the financial reporting process of the Company, so as to provide additional assurance on the reliability of the Financial Statements through a process of independent and objective review. As such, the Audit committee acts as an effective forum in assisting the Board of Directors in discharging their responsibilities of ensuring the quality of financial reporting and related communications to the shareholders and the public.

The Audit Committee is empowered amongst other functions to examine any matters relating to the financial affairs of the Company and to review the adequacy of the internal control procedures, role and performance of the external auditors, disclosures of accounting policies, compliance with statutory and corporate governance requirements.

### Composition

The Audit Committee comprises, three independent Non-Executive Directors. The Chairman of the Audit Committee is Mr. L. N. De S. Wijeyeratne, a fellow member of the Institute of Chartered Accountants of Sri Lanka. The names of the members are given in this report and a brief profile of each member is given on page 28. The General Manager, Director Finance, Chief Accountant and the Head of Internal Audit of the Group Management Audit and Systems Review Department of Hayleys PLC attend the meetings of the Audit Committee by invitation. The Chairman of the Company and other Directors attend the meetings as required.

### Meetings

The Committee met formally four times during the financial year ended 31st March 2016. The attendance of the members at these meetings is as follows:

Independent / Non-Executive Director	12.05.2015	04.08.2015	29.10.2015	26.01.2016	Total
Mr. L. N. De S. Wijeyeratne (Chairman)	<ul> <li>✓</li> </ul>	✓			4/4
Ms. R. N. Ponnambalam	✓	✓	✓	✓	4/4
Mr. J. P. Van Twest	✓	1	Excused	1	3/4

### Summary of Activities Financial Reporting System

The Committee reviewed the financial reporting system adopted by the Company in the preparation of its quarterly and annual statements to ensure reliability of the processes and consistency of the accounting policies and methods adopted and their compliance with the Sri Lanka Accounting Standards and other statutory and regulatory requirements. The Committee recommended the Financial Statements to the Board for its publication.

### Internal Controls and Internal Audit

The Committee reviewed the processes in place to assess the effectiveness of the Internal Financial Controls that are in place to provide reasonable assurance that assets are safeguarded and that the financial reporting system can be relied upon in preparation and presentation of Financial Statements. The Hayleys PLC's Group Management Audit and Systems Review Department act as the Internal Auditors for the Company. Internal audits are outsourced to audit firms in line with an agreed annual audit plan. At Audit Committee meetings, detailed internal audit reports were reviewed and audit concerns and recommendations for improvement of financial and operational control systems with the management responses were tabled, discussed and appropriate remedial action were initiated.

### **External Audits**

The Committee had discussions with the external auditors Messrs. Ernst and Young, to review the nature, approach, scope of the audit as well as the audit management letter of the Company. Follow up action was taken to ensure that the recommendations contained in the management letter were implemented by the Management. The

Committee also reviewed the non audit services provided by the Auditors to ensure that the provision of such services does not impair their independence.

### Transition to New/Revised Sri Lanka Accounting Standards

With effect from 1st January 2012, it was mandatory for the Company to comply with the requirements of the new /revised Sri Lanka Accounting Standards which are based on the International Accounting Standards (IAS)and the International Financial Reporting Standards (IFRS). These standards require significant changes to some of the accounting treatments adopted by the Company. The transition to these new/revised standards were reviewed by the Committee in consultation with the Auditors.

### Conclusion

The Audit Committee is satisfied that the Company's accounting policies and operational controls provide a reasonable assurance that the affairs of the Company are managed in accordance with the Company's policies and the Company assets are properly accounted for and adequately safeguarded.

LL

L. N. De S. Wijeyeratne Chairman

Audit Committee

18th May 2016.



# INDEPENDENT AUDITOR'S REPORT



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

### TO THE SHAREHOLDERS OF THE KINGSBURY PLC

### **Report on the Financial Statements**

We have audited the accompanying Financial Statements of The Kingsbury PLC, ("the Company"), which comprise the Statement of Financial Position as at 31 March 2016, and the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and, Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information. (set out on pages 75 to 106)

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

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 controls relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the Financial Statements give a true and fair view of the financial

position of the Company as at 31 March 2016 and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### Report on Other Legal and Regulatory Requirements

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

- a) The basis of opinion, scope and limitations of the audit are as stated above.
- b) In our opinion:
  - we have obtained all the information and explanations that were required for the audit and, as far as it appears from our examination, proper accounting records have been kept by the Company, and
  - the Financial Statements of the Company comply with the requirements of section 151 of the Companies Act No 07 of 2007.



Colombo

Partners: W R H Fernando FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W K B S P Fernando FCA FCMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayesinghe FCA FCMA Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA

A member firm of Ernst & Young Global Limited

# **INCOME STATEMENT**

Year ended 31 March 2016

	Notes	2016	2015
		Rs '000	Rs '000
Revenue	4	2,702,581	2,412,816
Cost of sales		(1,264,925)	(1,155,415)
Gross profit		1,437,656	1,257,401
Other income and expenses	5	2,919	5,559
Administrative expenses		(790,370)	(737,602)
Marketing expenses		(122,455)	(86,274)
De-recognition of Property, Plant and Equipment	8	_	(9,369)
Finance income	9	18,393	16,192
Finance expense	9	(188,283)	(145,786)
Profit before tax	6	357,861	300,121
Income tax expense	10	(64,493)	(8,698)
Net profit after tax		293,368	291,423
Basic Earnings per Share (Rs.)	11	1.21	1.20

The Accounting Policies and Notes on pages 75 through 106 form an integral part of the Financial Statements.
## STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2016

	Note	2016	2015
		Rs. '000	Rs. '000
Profit for the year		293,368	291,423
Other Comprehensive Income not to be reclassified to profit or loss			
in subsequent periods			
Re-measurement loss on defined benefit plans	23	(6,102)	(2,117)
Income tax effect on defined benefit plans	18	732	254
Other Comprehensive Loss for the year, net of tax		(5,370)	(1,864)
Total Comprehensive Income for the year, net of tax		287,998	289,560

The Accounting Policies and Notes on pages 75 through 106 form an integral part of the Financial Statements.

# STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	Notes	2016 Rs. '000	2015
			Rs. '000
ASSETS			
Non-current assets			
Property, plant and equipment	12	3,791,472	3,836,937
Intangible assets	13	24,110	24,517
		3,815,582	3,861,454
Current assets			
Inventories	14	65,435	75,571
Trade and other receivables	15	159,567	162,047
Other non financial assets	16	57,890	55,265
Income Tax receivable		24,903	18,056
Short term deposits	17	460,596	328,669
Cash and Bank	19	56,451	67,881
		824,842	707,489
Total assets		4,640,424	4,568,942
EQUITY AND LIABILITIES			
Equity			
Stated capital	26	836,000	836,000
Revaluation reserves	27	905,830	930,576
Retained earnings		440,154	196,636
¥		2,181,984	1,963,212
Non-current liabilities			
Interest-bearing borrowings	22	1,350,116	1,702,610
Post employment benefit obligation	23	30,703	20,973
Deferred tax liability	18	164,367	105,439
		1,545,186	1,829,023
Current liabilities			
Trade and other payables	20	253,609	174,118
Interest-bearing borrowings	22	527,091	501,351
Other non financial liabilities	21	132,554	101,239
		913,254	776,708
Total equity and liabilities		4,640,424	4,568,942

I certify that these financial statements have been prepared in compliance with the requirements of the Companies Act, No. 07 of 2007.

Dypositiwardana

Ajani Wijesiriwardana Director Finance

The Board of Directors is responsible for the preparation and presentation of these financial statements. These financial statements were authorised for issue by the Board of Directors on 18 May 2016.

 $\sim$ R

A. M. Pandithage Executive Chairman

L. T. Samarawickrama Managing Director

The Accounting Policies and Notes on pages 75 through 106 form an integral part of the Financial Statements.

18 May 2016 Colombo

# STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2016

	Notes	Ordinary	Revaluation	Retained	Total
		share capital	reserve	earnings	
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance at 01 April 2014		836,000	952,128	(117,414)	1,670,714
Net profit for the period		-	-	291,423	291,423
Other comprehensive income		-	-	(1,864)	(1,864)
Total comprehensive income		-	-	289,560	289,560
Transfer to retained earnings from					
Revaluation reserve		-	(2,446)	2,446	
Transfer from revaluation reserve	27	-	(22,045)	22,045	-
Deferred tax on transfer	18	-	2,939	-	2,939
Balance at 31 March 2015		836,000	930,576	196,636	1,963,212
Net profit for the period		-	-	293,368	293,368
Other comprehensive income		-	-	(5,370)	(5,370)
Total comprehensive income		-	-	287,998	287,998
Transfer to retained earnings from					
Revaluation reserve		-	(2,722)	2,722	-
Transfer from revaluation reserve	27	-	(25,398)	25,398	-
Deferred tax on transfer	18	-	3,374	-	3,374
Interim Dividends to equity holders*		-	-	(72,600)	(72,600)
Balance at 31 March 2016		836,000	905,830	440,154	2,181,984

\* During the year the Company declared an interim dividend of Rs. 0.30 cents Per Share amounting to Rs.72,600,000/-

The Accounting Policies and Notes on pages 75 through 106 form an integral part of the Financial Statements.

## CASH FLOW STATEMENT

Year ended 31 March 2016			
	Notes	2016	2015
		Rs. '000	Rs. '000
Operating activities			
Cash generated from operations	28	881,610	616,441
Interest received	9	18,393	16,192
Interest paid		(114,593)	(128,987)
Tax paid		(8,306)	(7,179)
Employee benefit obligations	23	(977)	(2,076)
Net cash generated from/(used in) operating activities		776,129	494,391
Investing activities			
Capital work in progress	12	(64,633)	(138,182)
Purchases of property, plant and equipment	12	(111,629)	(123,424)
Purchases of intangible assets	13	(3,869)	(4,968)
Proceeds from disposal of property, plant and equipment		852	2,185
Investments in Fixed Deposits		277,619	(91,358)
Net cash used in investing activities		98,340	(355,747)
Financing activities			
Dividends paid		(72,600)	-
Payments on interest-bearing borrowings		(409, 135)	(196,959)
Net cash generated from financing activities		(481,735)	(196,959)
Net increase in cash and cash equivalents		392,734	(58,315)
Movement in cash and cash equivalents			
At start of year		64,440	122,755
Net increase		392,734	(58,315)
At end of year	19	457,174	64,440

The Accounting Policies and Notes on pages 75 through 106 form an integral part of the Financia Statements.

#### 1. CORPORATE INFORMATION

#### 1.1 General

The Kingsbury PLC ("Company") is a limited liability company incorporated in Sri Lanka and listed on the Colombo Stock Exchange. The address of its registered office is No. 48, Janadhipathi Mawatha, Colombo 1.

### 1.2 Principal Activity and Nature of Operations

During the year, the principal activity of the Company was hoteliering.

#### 1.3 Parent Entity and Ultimate Parent Entity

The Company's parent entity is Hayleys PLC. In the opinion of the directors, the Company's ultimate parent undertaking and controlling party is Hayleys PLC, which is incorporated in Sri Lanka.

#### 1.4 Date of Authorisation for Issue

The Financial Statements of The Kingsbury PLC, for the year ended 31 March 2016 were authorised for issue in accordance with a resolution of the board of directors on 18 May 2016.

#### 2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of Preparation

#### 2.1.1 Basis of Measurement

The Financial Statements have been prepared on a historical cost basis, except for certain items of property, plant and equipment which were subsequently measured at fair value. The Financial Statements are presented in Sri Lankan Rupees Thousands, except when otherwise indicated. The preparation and presentation of these Financial Statements are in compliance with the requirements of the Companies Act No 07 of 2007.

#### 2.1.2 Statement of Compliance

The Financial Statements of the Company which comprise the Statement of Financial Position, Income Statement, Statement of Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Significant Accounting Policies and Notes have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS).

#### 2.1.3 Going Concern

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

#### 2.1.4 Comparative Information

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

#### 2.2 Significant Accounting Judgments and Estimates

The presentation of the Financial Statements of the Company require the management to make judgment, estimates and assumption, which may affect the amounts of income expenditure, assets, liabilities and the disclosure of contingent liabilities at the end of the reporting period. In the process of applying accounting policies, the key assumptions made relating to the future and the sources of estimation at the reporting date together with related judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and contingent liabilities which the next financial year are discussed below.

### a. Revaluation of Property, Plant and Equipment

The Property, Plant and Equipment of the Company except for Motor Vehicle, linen, Cutlery and Crockery are reflected at fair value. When current market prices of similar assets are available, such evidences are considered in estimating fair values of these assets. In the absence of such information the Company determines within reasonable fair value estimates, amounts that can be attributed as fair values, with the assistance of an independent professional valuer.

### b. Components of Buildings and Useful Life

In determining the depreciation expense, the Company with the assistance of an independent professional valuer determined the components of buildings that have varying useful lives. Approximation techniques and appropriate groupings were used in such determination as well as in the assessment of the useful lives of each component. Further details are given in Note 12.6

#### c. Deferred Tax Assets

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 judgment 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. Further details are given in Note 18.

#### d. Post-Employment Benefit Obligation

The post-employment benefit obligation; gratuity, is determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, staff withdrawals, and mortality rates. Due to the complexity of the valuation; the underlying assumptions and its long-term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details are given in Note 23.

#### e. Taxation

The Company is subject to income tax. The Company recognised assets and liabilities for current and deferred taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income and deferred tax amounts in the period in which the determination is made.

#### 2.3 Summary of Significant Accounting Policies

- 2.3.1 Foreign currencies
- a. Functional and Presentation Currency

Items included in the Financial Statements of the entity are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Financial Statements are presented in Sri Lanka Rupees, which is the Company's functional and presentation currency.

#### b. Transactions and Balances

Foreign currency transactions are translated to the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

#### 2.3.2 Borrowing Costs

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

#### 2.3.3 Property, Plant and Equipment

#### a. At Initial Recognition

All property, plant and equipment are initially stated at cost net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major refurbishment is performed, its cost is recognised 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 recognised in the profit or loss as incurred.

#### b. At Subsequent Measurement

All property, plant and equipment other than motor vehicles, linen, cutlery, crockery and glassware are subsequently measured at fair value less accumulated depreciation and such valuation are carried by external independent valuers. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

A revaluation surplus is recognised in other comprehensive income and credited to the revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in the Income Statement, in which case the increase is recognised in the Income Statement. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve. Upon disposal or de-recognition, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets original cost.

#### c. Depreciation

Depreciation is calculated on a straight-line basis over the useful life of assets or components. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each reporting date and adjusted prospectively, if appropriate.

	2016	2015
Buildings and Building Integrals	15-50 years	15-50 years
Plant, Machinery and Equipment	08 years	08 years
Furniture and Fittings	10 years	10 years
Motor Vehicles	05 years	05 years
Linen, Cutlery, Crockery and Glassware	3-10 years	3-10 years

#### d. Subsequent Costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

#### e. De-Recognition

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Income Statement when the asset is de-recognised. The revaluation surplus included in the equity in respect of an item of property, plant and equipment is transferred directly to equity when the asset is de-recognised.

#### 2.3.4 Intangible Assets

The Company's intangible assets include the value of computer software. An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Company.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

#### Computer Software 08 years

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation 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 are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Income Statement in the expense category consistent with the function of the intangible asset.

#### 2.3.5 Financial Instruments Financial Assets

The Company's financial assets include investments in Re-Purchase Agreements and Fixed Deposits, Cash and Trade and Other Receivables at the reporting date.

### a. 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 Company determines the classification of its financial assets at initial recognition.

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

#### b. Subsequent Measurement

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

#### Loans and Receivables:

Cash, Short Term Deposits, Trade and Other Receivables constitute of financial assets classified as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade and other receivables are stated at their nominal amount less impairment.

#### c. Impairment of Financial Assets

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

### Financial assets carried at amortised cost:

For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for all financial assets on a monthly basis. The objective evidences include;

- The settlements do not come within the given credit period or prolong outstanding (over 180 days) balances.
- When cheque bouncing takes place and the Company is unable to obtain a favourable solution from the debtors.

#### 2.3.6 Other Non-Financial Assets

All other non financial assets are valued net of specific provision, where necessary, so as to reduce the carrying value of such assets to their estimated realisable value.

### 2.3.7 Impairment of Non-Financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognised in the Income Statement in

those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Income Statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

#### 2.3.8 Fair Value Measurement

The Company measures all property plant and equipment other than motor vehicles, linen, cutlery, crockery and glassware at fair value.

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

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

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

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

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and 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, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

For assets and liabilities that are recognised in the Financial Statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by 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.

The Company's management determines the policies and procedures for both recurring fair value measurement.

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

#### 2.3.9 Operating Leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Income Statement on a straight-line basis over the period of the lease.

#### 2.3.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method. The cost of the inventory comprises purchase price, taxes (other than those subsequently recoverable by the Company from the tax authorities), and transport, handling and other costs directly attributable to the acquisition of finished goods. It excludes the borrowing costs, trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

#### 2.3.11 Cash and Cash Equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at banks and on hand and short term deposits with maturity of three months or less. For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise cash and short term deposits as defined above, net of outstanding bank overdrafts.

#### 2.3.12 Financial Liabilities

The Company's financial liabilities include trade and other payable, bank overdrafts and interest bearing loans and borrowings.

### a. 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 Company determines the classification of its financial liabilities at initial recognition.

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

#### b. Subsequent Measurement

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

#### Loans and borrowings:

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method (EIR). Gains and losses are recognised in the Income Statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

#### c. De-recognition

A financial liability is de-recognised 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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Income Statement.

#### 2.3.13 Other Non-Financial Liabilities

Other non-financial liabilities are recognised at their monitory amount.

#### 2.3.14 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

#### 2.3.15 Employee Benefits

#### (a) Defined contribution plans

All employees of the Company are members of the Employees' Provident Fund and the Employees' Trust Fund, to which the Company contributes 12% and 3% respectively of such employees' basic or consolidated wage or salary and cost of living and all other allowances.

The Company's contributions to the defined contribution plans are charged to the Income Statement in the year to which they relate.

#### (b) Defined Benefit Plan

The liability recognised in the Statement of Financial Position in respect of plans is the present value of the defined benefit obligation at the reporting date together with past service cost. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of treasury bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related liability.

The retirement benefit obligation is actuarially valued by a qualified actuary using projected unit credit method once in every three years. For the purpose of determining the charge for any period before the next regular actuarial valuation falls due, an approximate estimate provided by the actuary is used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged to the Statement of Other Comprehensive Income.

#### 2.3.16 Dividend Distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Financial Statements in the period in which the dividends are approved by the Company's shareholders.

#### 2.3.17 Taxation

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.

#### Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be 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. Un-recognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected

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

#### Turnover based taxes

Turnover based taxes include Value Added Tax, Nations Building Tax and Tourism Development Levy. Company pays such taxes in accordance with the respective statutes.

#### 2.3.18 Revenue Recognition

Room revenue is recognised on the rooms occupied on daily basis.

Food and Beverage revenue is recognised at the time of sales.

Other revenues earned by the Company are recognised on the following bases:

- Other Hotel related revenue on an accrual basis.
- Interest income on an accrual basis.
- Dividend income when the shareholder's right to receive payments is established.

#### 3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following Sri Lanka Accounting Standards have been issued by the Institute of Chartered Accountants of Sri Lanka which are not yet effective as at 31 March 2016.

#### 3.1 SLFRS 9 - Financial Instruments: Classification and Measurements

In December 2014, the Institute of Chartered Accountant of Sri Lanka issued the final version of SLFRS 9 Financial Instruments: Classification and Measurement which reflects all phases of the financial instruments project and replaces LKRS 39 Financial Instruments, Recognition and Measurement. The standard introduces new requirements for classification and measurement of impairment, and hedge accounting. SLFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required. But comparative information is not compulsory. The adoption of SLFRS 9 will have an effect on the classification and measurement of the Company's Financial Assets, but no impact on the classification and measurement of the Company's Financial Liabilities.

### 3.2 SLFRS 14 – Regulatory Deferral Accounts

The objective of this Standard is to specify the financial reporting requirements for regulatory deferral account balances that arise when an entity provides goods or services to customers at a price or rate that is subject to rate regulation. SLFRS 14 became effective on 1 January 2016.

#### 3.3 SLFRS 15 – Revenue from Contracts with Customers

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

SLFRS 15 will become effective on 1 January 2018.

Management believes that the SLFRS 14 would not be applicable for the Company, as it is an existing SLFRS preparer/does no regulatory activities.

Pending the completion of the detail impact analysis, possible impact from SLFRS 9 and SLFRS 15 is estimable as of the reporting date. Year ended 31 March 2016

#### 4. **REVENUE**

For management purposes, the Company is organised into business units based on the nature of services rendered, namely Room Sales, Food and Beverage Sales and Other Hotel Related Revenue. The Board monitors the operating results for the purpose of performance assessment. Assets and Liabilities are managed on a group basis and are not allocated to operating segments.

	2016	2015
	Rs. '000	Rs. '000
4.1 Summary		
Gross turnover	2,702,581	2,412,816
Less: Turnover tax / Nation building tax	(86,092)	(77,089)
Net turnover		2,335,727
	2016	2015
	Rs. '000	Rs. '000
4.2 Segmentation of the revenue		
Room sales	1,184,102	1,082,468
Food & Beverage sales	1,345,185	1,196,535
Other hotel related revenue	87,202	56,724
Total revenue	2,616,489	2,335,727
	2016	2015
	Rs. '000	Rs. '000
5. OTHER INCOME AND EXPENSES		
Loss on disposal of Property, Plant and Equipment	(2,348)	(3,042)
Sundry income	5,267	8,601
Other income and expenses	2,919	5,559

Year ended 31 March 2016

	2016 Rs. '000	2015 Rs. '000
6. PROFIT BEFORE TAX		
The following items have been charged /(credited) in arriving at profit/(loss) before tax:		
The following tients have been charged /(creatied) in arriving at pront/(loss) before tax.		
Directors' emoluments	1,993	1,821
Auditors remuneration - audit fees	775	706
- non audit fees	785	(694)
Depreciation on property, plant and equipment (Note 12)	216,675	198,334
Amortisation of intangible assets	4,277	3,988
Repair and maintenance expenditure	74,211	57,072
Operating lease rentals on property	2,462	2,462
Staff costs (Note 7)	348,457	341,071
Power and energy expenditure	137,972	146,257
Loss on disposal of property, plant and equipment	2,348	3,042
Loss on disposal of cutlery and linen	1,852	7,817
De-recognition of property, plant and equipment	_	9,369
Marketing and promotional fee	139,029	124,998
	2016 Rs. '000	2015 Rs. '000
7. STAFF COSTS		
Wages and salaries	234,507	225,996
Cost of meals	76,807	78,966
Defined contribution plans	32,539	31,075
Post employment benefit obligation (Note 23.2)	4,604	5,034
Staff costs	348,457	341,071
	2016	2015
	Rs. '000	Rs. '000
8. DE-RECOGNITION OF PROPERTY, PLANT AND EQUIPMENT		
		0.260
De-recognition of property, plant and equipment	-	9,369

	2016	2015 Rs. '000
	Rs. '000	
9. NET FINANCE INCOME/(EXPENSES)		
Interest income	18,393	16,192
Interest expenses	(113,321)	(128,987)
Foreign exchange gain	30,463	9,101
Foreign exchange loss	(105,425)	(25,900)
Finance Expense	(188,283)	(145,786)
Net Finance Income/(Expenses)	(169,889)	(129,594)
	2016	2015
	2016 Rs. '000	2015 Rs. '000
10. TAXATION		
10. TAXATION 10.1 Current income tax		
10.1 Current income tax		
10.1 Current income tax	Rs. '000	
<b>10.1 Current income tax</b> Current income tax	Rs. '000 1,459	Rs. '000

Rs. '000

Rs. '000

## NOTES TO THE FINANCIAL STATEMENTS

#### Year ended 31 March 2016 10. TAXATION (CONTD.)

	2016	2015
	Rs. '000	Rs. '000
10.2 Reconciliation of accounting profit to income tax expense		
Profit/(loss) before tax	357,861	300,121
Disallowable expenses	242,632	229,051
Allowable expenses	(394,046)	(497,626)
Tax loss from current year	(224,840)	(47,738)
Interest income	18,393	16,192
Taxable income		-
Income tax at 15%		
Income tax at 28%		-
Tax on taxable income	-	_
Deemed Dividend Tax	1,459	-
Current tax expense	1,459	-
	2016	2015

#### 11. BASIC EARNINGS PER SHARE

Basic Earnings/(Loss) per share is calculated by dividing the net profit attributable to shareholders by the weight d average number of ordinary shares in issue during the year.

Net profit attributable to shareholders	293,368	291,423
Weighted average number of ordinary shares in issue	242,000	242,000
Basic earnings per share (Rs.)	1.21	1.20

Year ended 31 March 2016

#### 12. PROPERTY, PLANT AND EQUIPMENT

12.1

12.1						
	Buildings and building integrals	Plant, machinery & equipment	Furniture & fittings	Motor vehicles	Linen, cutlery, crockery & glassware	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Year ended 31 March 2015						
<u>Cost/valuation</u>						
Balance as at 1 April 2014	3,290,974	394,631	235,947	17,766	99,661	4,038,979
Additions	13,774	27,636	22,170	-	59,845	123,425
Amount transferred from work in progress	99,459	50,291	9,759	-	-	159,509
Disposals		(4,500)	(4,002)	-	-	(8,502)
Disposals - breakages, losses & discarded		-	-	-	(18,933)	(18,933)
De-recognition	(9,658)	-	-	- 17700	140 572	(9,658)
Balance as at 31 March 2015	3,394,549	468,058	263,873	17,766	140,573	4,284,820
Depreciation Balance as at 1 April 2014	139,568	68,418	27,332	3,335	26,072	264,725
Depreciation charge (Note 6)	78,779	57,128	24,983	2,343	35,099	198,334
				2,343		······
Disposals	-	(1,941)	(1,333)			(3,274)
Disposals - breakages, losses & discarded De-recognition	(289)	-	-	-	(11,115)	(11,115)
						(289)
Balance as at 31 March 2015 Net book value as at 31 March 2015	218,058 3,176,491	<u>123,605</u> 344,453	<u> </u>	<u>5,679</u> 12,087	<u> </u>	448,380 3,836,440
	0,170,101	011,100	212,001	12,007	00,010	0,000,110
Capital work in progress Balance as at 1 April 2014						01.000
Cost incurred during the year						21,822
						138,183
Amount transferred to property, plant and equ	uipment					(159,507)
Balance as at 31 March 2015						497
Total net book value as at 31 March 2015	3,176,491	344,453	212,891	12,087	90,518	3,836,937
Year ended 31 March 2016						
<u>Cost/valuation</u>						
Balance as at 1 April 2015	3,394,549	468,058	263,873	17,766	140,573	4,284,820
Additions	5,571	61,635	23,149	-	21,274	111,629
Amount transferred from work in progress	11,993	1,665	3,099	-	-	16,757
Disposals	-	(848)	(4,779)	-	-	(5,626)
Disposals - breakages, losses & discarded	-	-	-	-	(15,180)	(15,180)
De - recognition Balance as at 31 March 2016	3,412,113	530,511	285,343	17,766	146,668	4,392,400
Depreciation		000,011	200,040	17,700	140,000	4,002,400
Balance as at 1 April 2015	218,058	123,605	50,982	5,679	50,056	448,380
Depreciation charge (Note 6)	80,082	66,509	27,482	2,343	40,259	216,675
Disposals	-	(422)	(2,003)	-	-	(2,425)
Disposals - breakages, losses & discarded	-	-	-	-	(13,328)	(13,328)
De-recognition	_	_	-	-	-	- (10,020)
Balance as at 31 March 2016	298,140	189,692	76,460	8.022	76,987	649,301
Net book value as at 31 March 2016	3,113,973	340,818	208,883	9,744	69,681	3,743,098
Capital work in progress						
Balance as at 1 April 2015						497
Cost incurred during the year						64,633
Amount transferred to property, plant and equ	ipment					(16,757)
Balance as at 31 March 2016	T					48,374
Total net book value as at 31 March 2016	3,113,973	340,818	208,883	9,744	69,681	3,791,472
		,	,	-,,	,	- , , - / =

Year ended 31 March 2016

#### 12. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

#### 12.2 Fair Valuation Process and Key Valuation Assumptions

The Company measures all classes of property, plant and equipment [except motor vehicles and Linen, cutlery, crockery & glassware] at revalued amounts with gains in fair value being recognised in equity (Revaluation Reserve) and losses in the Statement of Income Statement. The Company usually engages an external independent and qualified valuer once in five year basis to determine the fair values. When significant changes in fair values are expected in between, a valuation is adopted in more regular basis, based on the judgment of the Board, appropriately advised by the valuer.

The latest revaluation has been carried out by Mr. P B Kalugalagedera (ELV Sri Lanka) a chartered independent valuer as at 31 March 2016. The valuation of the building and integrals located at principal place of business, No. 48, Janadhipathi Mawatha, Colombo 1 has been determined using the cost approach while market approach is used to determine value of other classes of assets, all of which falls under level 3 of the fair value measurement hierarchy. The carrying values of such revalued PPE as at 31 March 2016 are approximate the fair values determined by Mr. P B Kalugalagedera (ELV Sri Lanka) as at 31 March 2016.

Key significant unobservable valuation inputs used include, estimated cost of construction per square feet [Rs. 12,000 - Rs. 21,000] of the building, estimates market price for similar plant, machinery & equipment where significant increases/(decreases) in estimated prices in isolation would result in a significantly higher/(lower) value.

- **12.3** Reconciliation of revalued property, plant and equipment is more fully disclosed in Note 12.1.
- **12.4** The Hotel building is constructed on land obtained from the Ceylon Tourist Board on a 99 years lease commencing from 9 May 1970, for which the Company pays a sum of Rs 2.5 Mn annually as operating lease rental in Note 25.b.

**12.5** If the property, plant and equipment (except for motor vehicles and linen and furnishing, which have not been revalued) were stated at historical cost, the carrying amounts would be as follows:

Asset category	Cost	Accumulated depreciation	Net book value
	Rs. '000	Rs. '000	Rs. '000
Plant, machinery and equipment	101,083	101,083	-
Buildings and building integrals	531,521	178,786	352,735
Furniture and fittings	55,115	55,115	-
Year ended 31 March 2016	687,719	334,984	352,735

12.6 The Company reviewed the useful life of each significant component of buildings and in the review process, the Company has taken the assistance of an independent professional valuer. Accordingly, depreciation was calculated for the year using a straight line method for each individual significant component of building.

Components included in buildings and building integrals:

۲	- Buildings superstructure	50 years
۲	- Bathrooms	15 years
۲	- Ballroom finishes	20 years
۲	- Elevators	25 years
۲	- Mechanical and engineering	25 years

Year ended 31 March 2016

	2016	2015
	Rs. '000	Rs. '000
13. INTANGIBLE ASSETS		
Cost		
Balance as at 1 April	33,854	28,886
Additions during the year	3,869	4,968
Balance as at 31 March		33,854
Amortisation		
Balance as at 1 April	9,337	5,350
Amortisation during the year	4,277	3,988
Balance as at 31 March	13,614	9,337
Net Book Value		24,517
The intangible assets consist of computer software		
	2016	2015
	Rs. '000	Rs. '000
14. INVENTORIES		
Food, beverages and tobacco	40,785	41,882
Consumables	24,650	22,163
Goods-in transit		11,525
Inventories	65,435	75,571

#### 15. TRADE AND OTHER RECEIVABLES

	2016	2015
	Rs. '000	Rs. '000
Trade receivables	156,058	160,362
Less: Impairment Allowances (Note 31.2.c)	(8,578)	(6,536)
	147,480	153,826
Intercompany receivables (Note 29.3)	12,087	8,221
Trade and other receivables	159,567	162,047

Year ended 31 March 2016

	2016	2015
	Rs. '000	Rs. '000
16. OTHER NON FINANCIAL ASSETS		
Prepayments	17,788	12,488
Advances to Suppliers	13,523	16,536
Advances to Employees	9,896	11,552
Security deposits	10,518	11,069
Other receivables	6,166	3,619
Other non-financial assets	57,890	55,265
	2016	2015
	Rs. '000	Rs. '000
17. SHORT TERM DEPOSITS		
Investments less than 3 months	460,596	51,049
Investments more than 3 months	-	277,619
Other current financial assets	460,596	328,669
		0,0 00

#### 18. DEFERRED TAX LIABILITY

18.1 Deferred income taxes are calculated on temporary differences under the liability method using a tax rate of 12% (2015 - 12%).

		ment of al Position			Statement of other Comprehensive Income	
	2016	2015	2016	2015	2016	2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Deferred tax liability						
Capital allowance for tax purpose	280,251	239,414	44,212	14,126	(3,374)	(2,939)
	280,251	239,414				
Deferred tax assets						
Defined benefit plans	3,684	2,517	(435)	(355)	(732)	(254)
Un-used tax losses	112,201	131,459	19,257	(2,877)	-	-
	115,885	133,975				
Net deferred tax liability	164,367	105,439				
Deferred tax expense/(benefit)			63,034	10,894	(4,106)	(3,193)

<u>396,5</u>50

517,047

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2016

#### 18. DEFERRED TAX LIABILITY (CONTD.)

**18.2** The Company has carried forward tax losses of Rs. 935,007,281/- (2015 - Rs. 1,095,488,938/-) as at reporting date. Deferred tax assets has been recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

	2016	2015
	Rs. '000	Rs. '000
18.3 The movement on the deferred income tax account is as follows:		
Deferred tax assets		
As at 01 April	133,975	130,489
Income Statement release	(18,822)	3,232
Tax income recognised in Other Comprehensive Income	732	254
As at 31 March	115,885	133,975
Deferred tax liabilities		
As at 01 April	239,414	228,227
Income Statement charge	44,212	14,126
	283,626	242,353
Deferred tax on amount transferred from revaluation reserve (Note 26.1)	(3,374)	(2,939)
As at 31 March		239,414
Deferred tax liabilities (net)	164,367	105,439
	2016	2015
	Rs. '000	Rs. '000
19. CASH AND CASH EQUIVALENTS		
19.1		
Cash at bank and in hand	56,451	67,881
Short term deposits less than 3 months (Note 17)	460,596	51,049
Deposits more than 3 months		277,619

Cash and short term deposits

	2016	2015
	Rs. '000	Rs. '000
19.2 For the purposes of the cash flow statement, the year end cash and cash equivalents comprise the following:		
Cash and short term deposits (Note 19.1)	517,047	118,930
Bank overdraft (Note 22)	(59,872)	(54,491)
Cash and Cash equivalents at the end of the period	457,174	64,440
	2016	2015
	Rs. '000	Rs. '000
20. TRADE AND OTHER PAYABLES		
Trade payables	111,406	58,084
Intercompany payables (Note 29.4)	22,385	18,753
Accrued expenses	40,141	31,068
Service charge payable	23,338	18,243
Other payables	28,162	13,221
Payables to contractors	28,178	34,748
Trade and other payables	253,609	174,118
	2016	2015
	Rs. '000	Rs. '000
21. OTHER NON FINANCIAL LIABILITIES		
Advances received for reservations	101,867	73,073
Reserve for breakages	5,774	10,096
VAT payable	9,767	10,436
Other payables	15,146	7,634
Other non financial liabilities	132,554	101,239

Year ended 31 March 2016

	2016	2015
	Rs. '000	Rs. '000
22. INTEREST-BEARING BORROWINGS		
22.1 Borrowings		
Current liabilities		
Bank overdraft	59,872	54,491
Borrowings from Banks / Financial Institutions	467,219	446,861
	527,091	501,351
Non-current liabilities		
Borrowings from Banks / Financial Institutions	1,350,116	1,702,610
	1,350,116	1,702,610
Total borrowings	1,877,207	2,203,962

#### 22.2 The details of the security pledged are as follows:

Nature of Assets	Nature of Liability	Name of the Bank/Institution
Leasehold land, buildings and fixtures (Note 12 - Buildings and building integrals)	A first ranking mortgage pari passu with DEG-Deutsche Investitions-und- Entwicklungsgesellschaft mbH for a sum of Rs. 1,335,000,000/-	Bank of Ceylon
	A first ranking mortgage pari passu with Bank of Ceylon for a sum of USD 9,000,000/- from and out of the loan plus interest and fees and expenses in favour of DEG	DEG-Deutsche Investitions-und- Entwicklungsgesellschaft mbH
Movable assets, furniture, equipment and technical equipment (Note 12 - Plant, machinery & equipment, Furniture & fittings, Motor vehicles and Linen, cutlery, crockery & glassware)	A first ranking mortgage for the balance sum of USD 1,000,000/- from and out of the loan plus interest and fees and expenses in favour of DEG	DEG-Deutsche Investitions-und- Entwicklungsgesellschaft mbH

#### 22.3 Terms and conditions

Banl			ution		
Description	BOC			BOC	
Commencement date	1 October 2011		7 June 2013		
End date	7 March 2019	15 Dec	ember 2020		
Grace period	1 year and 6 months		2 years		
Instalment amount	Rs. 17,171,717/-	USI	833,333.33		
Interest rate	AWPLR	4.25% + 6 mc	onths LIBOR		
Term	7 years & 6 months		8 years		
		2016 Rs. '000	2015 Rs. '000		
23. POST EMPLOYMENT BENEFIT OBLIGATION					
(Gratuity)					
23.1 Summary					
As at 01 April		20,973	15,897		
Transfers		-	-		
Charge for the year (Note 23.2)		10,706	7,152		
Benefits paid		(977)	(2,076)		
As at 31 March			20,973		

#### Year ended 31 March 2016

#### 23. POST EMPLOYMENT BENEFIT OBLIGATION (CONTD.)

	2016	2015
	Rs. '000	Rs. '000
23.2 Charge for the year		
Reported in Income Statement		
Current service cost	2,547	3,400
Interest cost	2,057	1,635
Reported in Other Comprehensive Income		
Net actuarial (Gain)/Loss recognised immediately to Other Comprehensive Income	6,102	2,117
Charge for the year	10,706	7,152

**23.3** The Company obtained an actuarial valuation from an independent professional actuary, Messrs NMG Consulting, in March 2016, to ascertain the Post Employment Benefit Obligation arising in respect of Gratuity.

	2016 Rs. '000	2015 Rs. '000
Discount rate	11%	10%
Future salary increase	10%	9%
Retiring age	55 years	55 years

#### 23.4 Sensitivity of assumptions employed in actuary valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the post employment benefit liability measurement.

31 Ma	rch 2016	(Rs.'000)	
Increase / (decrease) in Discount Rate	Increase / (decrease) in Salary Increment	Sensitivity Effect on Comprehensive Income increase / (decrease) in results for the year	Sensitivity Effect on Post Employment Benefit Obligation increase / (decrease) in the Liability
1%	0%	(1,711)	(1,711)
(1%)	0%	1,368	1,368
0%	1%	1,371	1,371
0%	(1%)	(1,208)	(1,208)

#### 23.5 Distribution of Post Employment Benefit Obligation Over Future Lifetime

The following table demonstrates distribution of the future working lifetime of the Post Employment Benefit Obligation as at the reporting period.

	2016 Rs. '000	2015 Rs. '000
Less than or equal 1 year	3,483	1,919
Over 1 year and less than or equal 5 years	7,616	3,144
Over 5 year and less than or equal 10 years	8,284	15,910
Beyond 10 years		-
Total		20,973

#### 24. CONTINGENCIES

#### Contingent liabilities

There were no contingent liabilities outstanding at the reporting date, except for pending litigation in relation to:

- (a) The application filed by legal counsel on behalf of the Company objecting the order made by the Learned Magistrate of Maligakanda Magistrate Court for the Company to pay 1% of the turnover of the Hotel as license fees to the Colombo Municipal Council. The Company filed a petition of appeal on 27 January 2011 in the court of appeal. The Court of appeal has abated the matter pending the decision of the court in the Writ Application filed challenging the levying of 1% of Turnover as License Duty.
- (b) There are five cases filed by the Colombo Municipal Council at the Maligakanda Magistrate Court for operating a restaurant without obtaining a requisite license in the years 2009, 2010, 2011, 2013 and 2014. The above cases are fixed for trial before the Magistrate's Court of Maligakanda on 11th July, 27th July, 25th July, 4th July and 5th September 2016 respectively.
- (c) The Writ Application filed by the company challenging, inter alia, the decision taken by Colombo Municipal Council to levy license fees equivalent to 1% of the annual turnover as a pre-condition to issue Annual Trade License for year 2008, 2009 and 2010 in respect of the restaurant operated at hotel premises and this matter is fixed for argument on 07th July 2016.

Although there can be no assurance, the directors believe, based on the information currently available, that the ultimate resolution of such legal procedures are not likely to have a material adverse effect on the results of operations, financial position or liquidity.

Year ended 31 March 2016

#### 25. COMMITMENTS

#### (a) Capital commitments

The Company has capital commitment as at the reporting date Rs 112.7 Mn (2015 - Rs 137.9 Mn).

#### (b) Operating lease commitments

The future aggregate minimum lease payments under non cancellable operating leases are as follows:

	Lease	Leasehold Land		Lease Rental Payable for Leased Property	
	2016	2015	2016	2015	
	Rs. '000	Rs. "000	Rs. '000	Rs. '000	
Not later than 1 year	2,500	2,500	114,886	-	
Later than 1 year and no later than 5 years	10,000	10,000	626,650	-	
Later than 5 years	122,500	122,500	511,756	-	
	135,000	135,000	1,253,291	-	

The Company has an annual commitment to pay a sum of Rs 2.5 Mn to Ceylon Tourist Board as operating lease rental for the land on which the hotel building has been constructed.

During the year, (13 October 2015), The Company has entered in to an agreement with Platinum Reality Investments (Private) Limited to "Lease and Manage" 40 apartments along with Spa, Restaurant, Kitchen and meeting rooms of a luxury residential condominium named "Platinum 1" situated at No 1, Bagatalle Road, Colombo 3, for 10 years period.

#### 26. STATED CAPITAL

	Number of shares '000	Ordinary shares Rs. '000
At 31 March 2015	242,000	836,000
At 31 March 2016	<b>242,000</b>	<b>836,000</b>

#### 26.1 Ordinary Shares

	2016		2015	
	Number	Rs. '000	Number	Rs. '000
Balance at beginning of the year Rights Issue	242,000	836,000	242,000	836,000
Balance at end of the year	242,000	836,000	242,000	836,000

#### 27. **REVALUATION RESERVE**

	2016 Rs. '000	2015 Rs. '000
Revaluation reserve (Note 27.1) Revaluation reserve	<u>905,830</u> 905,830	930,576 930,576

#### 27.1 Revaluation Reserve

The revaluation surplus, comprises gains on revaluation of property, plant and equipments made in 1996, 2002, 2010 and 2011. The movement in the revaluation reserve is as follows:

	2016	2015
	Rs. '000	Rs. '000
At beginning of year	930,576	952,128
Deferred tax on amount transferred to revaluation reserve (Note 18)	3,374	2,939
Transfer to retained earnings*	(28,120)	(24,491)
At end of year	905,830	930,576

\*Transfer to retained earnings represents the amount of deferred tax transferred, which are on depreciation on cost amount and property, plant and equipment disposed or de-recognised.

Year ended 31 March 2016

#### 28. CASH GENERATED FROM OPERATIONS

Reconciliation of profit before tax to cash generated from operations:

	2016	2015
	Rs. '000	Rs. '000
Profit before tax	357,861	300,121
Adjustments for:		
Depreciation on property, plant and equipment (Note 12)	216,675	198,334
Amortisation of intangible assets	4,277	3,988
Provision for bad and doubtful debts	3,306	(7,179)
Interest income (Note 9)	(18,393)	(16,192)
Interest expense (Note 9)	113,321	128,987
Foreign exchange loss, net (Note 9)	74,962	16,799
Loss on disposal of property, plant and equipment (Note 6)	4,200	10,860
De-recognition of property, plant and equipment (Note 7)		9,369
Post employment benefit plans (Note 22)	4,604	5,034
Changes in working capital:		
- Receivable and prepayments	(146)	(5,407)
- Inventories	10,136	7,114
- Payables	110,807	(35,385)
Net cash generated from/(used in) operations	881,160	616,443

#### 29. RELATED PARTY DISCLOSURE

#### 29.1 Parent and ultimate controlling party

Hayleys PLC holds 59.48% controlling interest of The Kingsbury PLC.

#### 29.2 Transactions with the related parties during the year were as follows:

				sidiaries and		
	Р	arent	entities cont	tacted to KMP	Тс	otal
	2016	2015	2016	2015	2016	2015
Nature of Transaction	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Rooms and banquet sales	14,964	11,695	41,963	67,951	56,927	79,646
Purchase of goods/services	_	51,401	55,417	38,256	55,417	89,657
Marketing and promotional fees	76,951	62,499	76,951	62,499	153,902	124,998
Sectorial and administration charges	19,578	4,500	2,619	2,519	22,197	7,019
Purchase of material and services for construction	_	-	-	18,953	-	18,953

#### 29.3 Outstanding receivables balance arising from the above transactions:

	2016	2015
	Rs. '000	Rs. '000
Parent	5,699	892
Fellow subsidiaries and entities connected to KMP	6,388	7,329
Intercompany receivable (Note 15)	12,087	8,221

#### 29.4 Outstanding payable balance arising from the above transactions:

	2016	2015
	Rs. '000	Rs. '000
Parent	9,673	17,973
Fellow subsidiaries entities connected to KMP	12,712	781
Intercompany payable (Note 20)	22,385	18,753

Outstanding balances with related parties at the reporting date are unsecured and interest free other than in the case of funding arrangements. Settlements are made in cash.

#### 29.5 Key Management Compensation

The Key Management Personnel (KMP) of the Company are the members of its Board of Directors and that of its parent.

#### (a) Key Management Personnel Compensation

	2016	2015
	Rs. '000	Rs. '000
Short-term employee benefits	3,600	3,600
Directors, emoluments	1,993	1,821
	5,593	5421

Year ended 31 March 2016

#### 29. RELATED PARTY DISCLOSURE (CONTD.)

(b) Transactions, with KMP and their close family members

	2016	2015
	Rs. '000	Rs. '000
- Rooms and Banquet Sales	14,494	2,435
	2016	2015
	Rs. '000	Rs. '000
(c) Outstanding receivable/(payable) balance arising from above transactions:	2,849	1,600

#### 30. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Financial instruments of the Company comprise of financial assets and financial liabilities. Fair value is the amount at which the financial assets could be exchanged or a financial liability transferred, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the determination of fair values as at the reporting date.

#### 30.1 Financial Instruments carried at Fair Value

The Company does not have any financial instruments that are carried at Fair value as at the reporting date.

#### 30.2 Financial Instruments not carried at Fair Value

Given below is a comparison, by class, of the carrying amounts and fair values of the company's financial instruments 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.

		2	2016		2015		
		<b>Carrying Value</b>	Fair Value	Carrying Value	Fair Value		
Financial assets		Rs. '000	<b>Rs.</b> '000	Rs. '000	Rs. '000		
Short term deposits	(Note 17)	460,596	460,596	328,669	328,669		
Cash and bank	(Note 19)	56,451	56,451	67,881	67,881		
Trade and other receivables	(Note 15)	159,567	159,567	162,047	162,047		
		676,614	676,614	558,597	558,597		
Financial liabilities							
Trade and other payables	(Note 20)	253,609	253,609	174,118	174,118		
Interest-bearing loans and borrowings	(Note 22)	1,877,207	1,877,207	2,203,962	2,203,962		
		2,130,816	2,130,816	2,378,080	2,378,080		

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not recorded at fair value in the financial statements:

Other current financial assets and trade and other receivables and trade and other payables For the above, instruments with maturities of less than 12 months, the carrying value closely approximates with its fair values.

Trade and other payables For the above, instruments with maturities of less than 12 months, the carrying value is reasonably estimate of its fair values.

Interest-bearing loans and borrowings

All the borrowings are obtained at variable interest rates. Hence the carrying value closely approximates with its fair values.

#### 31. RISK MANAGEMENT

#### 31.1 Introduction

The Company has exposure to the following risks from its financial instruments;

- 1. Credit Risk
- 2. Liquidity risk
- 3. Market risk

The Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework, which includes developing and monitoring the Company's risk management policies.

The Audit Committee oversees how management monitors compliance with the risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by it. The Audit Committee is assisted in its oversight role by the Management Audit System Review Department (MASRD) of Hayleys PLC. MASRD undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

#### 31.2 Credit Risk

#### (a) Introduction

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

Company has an established credit policy under which each new customer is reviewed individually for credit worthiness before standard payment and delivery terms are offered to the customer. The credit review includes bank and other reputed company references. Credit granted is subject to regular review, to ensure it remains consistent with the customer's creditworthiness in relations to the anticipated volume of business.

The maximum exposure to credit risk is represented by the carrying value of each financial asset on the reporting date.

Year ended 31 March 2016

#### 31. RISK MANAGEMENT (CONTD.)

#### (b) The maximum exposure to credit risk at the reporting date

	2016 Rs. '000	2015 Rs. '000
Trade and other receivables (Note 15)	159,567	162,047

#### (c) The ageing of the trade receivable at the reporting date

	Gross F	Receivable	Impairmen	it Allowance*	Carrying Value		
	2016	2016 2015		2015	2016	2015	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Not due 0-30 days	92,887	89,463	_	_	92,887	89,463	
Past due:							
Past due 31-60 days	3 <b>2,905</b>	36,243	-	-	32,905	36,243	
Past due 61-90 days	14,821	17,320	-	-	14,821	17,320	
Past due 90-120 days	6,071	8,627	-	-	6,071	8,627	
Past due 120-180 days	2,641	2,393	1,994	220	647	2,173	
More than 180 days	6,733	6,316	6,584	6,316	149	-	
Total	156,058	160,362	8,578	6,536	1 <b>47,479</b>	153,826	

\*Movement in the Impairment Allowance

	2016	2015
	Rs. '000	Rs. '000
Balance at 1 April	6,536	19,656
Impairment recognised	3,306	(7,179)
Written-off	(1,265)	(5,940)
Balance at 31 March	8,577	6,537

#### 31.3 Liquidity Risk

#### (a) Introduction

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

#### (b) The following are the contractual maturities of financial liabilities at its carrying value:

#### Contractual maturities of financial liabilities

31 March 2016	Carrying amount	Up to	3 - 12 Months	1 - 5 Years	More than
		3 Months			5 Years
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Trade and other payables	253,609	209,146	44,464	_	_
Interest-bearing borrowings	2,030,885	198,662	342,968	1,489,255	
	2,284,494	407,808	387,431	1,489,255	
31 March 2015	Carrying amount	Up to	3 - 12 Months	1 - 5 Years	More than
		3 Months			5 Years
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Trade and other payables	174,118	171,414	2,704	_	_
Interest-bearing borrowings	2,381,473	189,678	345,254	1,846,541	
	2,555,591	361,092	347,958	1,846,541	-

#### (c) If interest rate increased or decreased by 1% the effect of the same to the interest expenses and liability would be:

Increase / (decrease) in interest rate	Sensitivity Effect on Comprehensive Income increase/(decrease) in results for the year	Sensitivity Effect on borrowings liability increase/(decrease) in the Liability
1%	28,696	28,696
(1%)	(25,125)	(25,125)

#### (d) Security

Name of the bank/ Financial institutions/ Other

#### Bank of Ceylon

A first ranking mortgage pari passu with DEG-Deutsche Investitions-und-Entwicklungsgesellschaft mbH for a sum of Rs. 1,350,000,000/- on leasehold land, buildings and fixtures (immovable assets)

Year ended 31 March 2016

#### DEG-Deutsche Investitions-und-Entwicklungsgesellschaft mbH

(a) A first ranking mortgage pari passu with Bank of Ceylon for a sum of USD 9,000,000/- from and out of the loan plus interest and fees and expenses in favour of DEG on leasehold land, buildings and fixtures (immovable assets)

(b) A first ranking mortgage for the balance sum of USD 1,000,000/- from and out of the loan plus interest and fees and expenses in favour of DEG on movable assets, furniture, equipment and technical equipment

#### 31.4 Market Risk

#### (a) Introduction

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to the changers in market prices. Mainly the changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments.

#### (b) Foreign currency risk

The Company is exposed to foreign currency risk on revenue, purchases, borrowings and cash deposits denominated in currencies other than the functional currency of the Company. The currencies giving rise to this risk are primarily US dollars, Sterling pounds, Euro and Japanese yen.

If market rate appreciate or depreciate by 1% the effect of the same to the exchange gain/(loss) would be:

Increase /	Sensitivity Effect on Comprehensive
(decrease) in	Income increase/(decrease) in
market rate	results for the year
1%	(10,075)
(1%)	10,075

#### 32. CAPITAL MANAGEMENT

The Company's capital structure consists of debt, which includes the loans and borrowings disclosed in note 22, cash and cash equivalents disclosed in note 19 and the equity, comprising share capital, reserves and retained earnings, as disclosed in the statement of changes in equity. The Company seeks to maintain a balance between the higher returns that might be possible with reasonable levels of borrowings obtained to fund its long term projects as the hotel underwent upgrading.

#### 33. EVENTS OCCURRING AFTER THE REPORTING DATE

There were no material events occurring after the reporting date that require adjustments to or disclosure in the Financial Statements.

## INFORMATION TO SHAREHOLDERS

No.of Shares Held		RESIDENTS		110	N RESIDENTS		TOTAL			
		No of Shares Held	%		No of Shares Held	%	No.of Share Holders	No of Shares Held	%	
1-1000	2,398	894,596	0.370	15	8,480	0.00	2,413	903,076	0.37317	
1001-10,000	1,251	4,751,842	1.964	18	69,380	0.03	1,269	4,821,222	1.99224	
10,001-1,000,000	279	8,710,426	3.599	9	331,500	0.14	288	9,041,926	3.73633	
100,001-1,000,000	53	13,634,276	5.634	2	477,110	0.20	55	14,111,386	5.83115	
over 1,000,000	20	213,122,390	88.067	0	-	0.00	20	213,122,390	88.06710	
	4,001	241,113,530	99.634	44	886,470	0.37	4045	242,000,000	100.00000	
	/				,					

CALLOCKI									
Individuals	3,938	210,249,421	8.948	47	842,310	0.1457	3,985	211,091,731	9.09333
Institutions	59	30,833,269	90.686	1	75,000	0.2206	60	30,908,269	90.90667
	4,001	241,113,530	99.634	44	886,470	0.3663	4,045	242,000,000	100.00000

Name of Shareholder	No.of Shares	% Of Present	No.of Shares	% Of Present
	As At 31.03.2016	Holding	As At 31.03.2015	Holding
Hayleys PLC Share Investment Account No.3	112,307,057	46.41	112,307,057	46.41
Carbotels (Pvt) Limited	31,625,000	13.07	31,625,000	13.07
Employees Provident Fund	25,559,947	10.56	25,559,947	10.56
Bank of Ceylon Account No.2	7,833,500	3.24	7,833,500	3.24
Bank of Ceylon, Ceybank Unit Trust Account	4,874,855	2.01	3,286,488	1.36
National Savings Bank c/o Manager (Investments) Asset Managing Division	4,669,876	1.93	4,669,876	1.93
Mr. K.D.A.Perera	3,788,060	1.57	1,145,050	0.47
Vallibel One PLC	3,216,146	1.33	2,242,048	0.93
Renuka Hotels Limited	2,371,300	0.98	2,371,300	0.98
Renuka City Hotels PLC	2,260,300	0.93	2,260,300	0.93
Associated Electrical Corporation Ltd	2,109,400	0.87	1,838,400	0.76
Merchant Bank of Sri Lanka Ltd Account No.1	1,938,297	0.80	1,938,297	0.80
East India Holding (Pvt) Ltd	1,928,700	0.80	1,928,700	0.80
Renuka Consultants & Services Limited.	1,835,100	0.76	1,835,100	0.76
Mr. K.D.H. Perera	1,257,417	0.52	0	0.00
People's Leasing & Finance PLC / Mr. L.P. Hapangama	1,227,700	0.51	1,227,700	0.51
As At 31/03/ 2014 - Shares Were Held Under Waldock Mackenzie / L. P. Hapangama				
Sampath Bank Plc/Priyani Dharshini Ratnagopal	1,200,000	0.50	1,200,000	0.50
As At 31/03/2015 Share Were Held Under Seylan Bank PLC				
Mr. M.H. Jamaldeen	1,061,583	0.44	1,061,583	0.44
Deutsche Bank AG as Trustee for JB Vantage Value E	1,048,052	0.43	1,048,052	0.43
Cargo Boat Development Company PLC	1,010,100	0.43	1,010,100	0.42
	213,122,390	88.08	206,388,498	85.28

## 5 YEAR FINANCIAL SUMMARY AND KEY INDICATORS

	2015/16		2014/15		2013/14		2012/13		2011/12	
	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%
Revenue										
Rooms	1,184,102	45	1,082,468	46	990,553	46	34,687	18	251,439	46
Food & Beverages	1,345,185	51	1,196,535	51	1,114,205	52	160,685	82	282,471	52
Other Operating Income	87,202	3	56,724	2	38,528	2	229	0	13,267	2
Total Revenue	2,616,489	100	2,335,727	100	2,143,285	100	195,601	100	547,177	100
Direct Cost										
Food & Beverage Cost	506,877	19	461,371	20	453,020	21	66,629	34	111,156	20
Cost of Sales	506,877	19	461,371	20	453,020	21	66,629	34	111,156	20
Gross Operating Profit	2,109,612	81	1,874,356	80	1,690,265	79	128,972	66	436,021	80
Expenses										
Administration & General	1,053,851	40	971,685	42	904,004	42	360,394	184	249,222	46
Advertising & Sales	97,795	4	63,496	3	79,095	4	26,661	14	55,500	10
Heat, light & power	137,972	4	146,257	6	150,304	7	44,235	23	79,956	15
Repairs & Maintenance	74,211	4	57,072	2	69,136	3	13,620	7	25,716	5
Operating Expenses	1,363,829	52	1,238,510	53	1,202,539	56	444,910	227	410,393	75
Operating Profit	745,783	29	635,846	27	487,727	23	(315,938)	(162)	25,628	5
Other Income and Expenses	2,919	0	5,559	0	2,156	0	2,702	1	(19,221)	(4)
De - recognition of Property,										
Plant and Equipment		-	(9,369)	(0)	-	-	(43,810)	(22)	(149,992)	(27)
	748,702	29	632,036	27	489,883	23	(357,046)	(160)	(143,584)	1
Net Finance Expenses	169,889	6	129,594	6	274,378	13	85,022	43	(1,461)	(0)
Depreciation	220,952	8	202,321	9	181,910	8	60,377	31	56,957	10
	390,841	15	331,915	14	456,288	21	145,399	74	55,495	10
Profit/(Loss) Before Tax	357,861	14	300,121	13	33,595	2	(502,445)	(234)	(199,079)	(9)
Income Tax Expenses	(64,493)	(2)	(8,698)	(0)	(874)	(0)	52,471	27	13,152	2
Net Profit/(Loss) After Tax	293,368	11	291,423	12	32,721	2	(449,974)	(230)	(185,927)	(34)
Re-measurement Gain/(Loss)										
on Defined Benefit Plans	(6,102)	(0)	(2,117)	(0)	(1,123)	(0)	1,433	1	-	-
Income Tax Effect on										
Defined Benefit Plans	732	0	254	0	135	0	(172)	(0)	_	-
Other Comprehensive Income/					·					
(Loss) for the Year, Net of Tax	(5,370)	(0)	(1,864)	(0)	(988)	(0)	1,260	1	-	
Total Comprehensive Income/										
(Loss) for the Year, Net of Tax	287,998	11	289,560	12	31,733	1	(448, 714)	(229)	(185, 927)	(34)

	2015/16	2014/15 Rs. '000	2013/14 Rs. '000	2012/13 Rs. '000	2011/12 Rs.'000
	Rs. '000				
OPERATING RESULTS					
Total Revenue	2,616,489	2,335,727	2,143,285	195,601	547,177
Sales Growth %	12.02	8.98	995.74	(64.25)	(9.79)
Operating Profit	745,783	635,845	487,727	(315,938)	25,628
Net Profit/(Loss) before tax	357,861	300,121	33,595	(502, 445)	(199,079)
Net Finance Expenses	169,889	129,594	274,378	85,022	(1,461)
Depreciation	220,952	202,321	181,910	60,377	56,957
CAPITAL EMPLOYED					
Stated Capital	836,000	836,000	836,000	176,000	176,000
Revaluation & Other Reserves	905,830	930,576	952,126	975,333	1,087,053
Retained Earnings	440,154	196,636	(117,414)	(171,068)	160,114
Shareholder's Fund	2,181,984	1,963,212	1,670,713	980,265	1,423,167
ASSETS EMPLOYED					
Non Current Assets	3,815,582	3,861,454	3,819,611	3,826,161	1,958,482
Net Current Assets	(88,412)	(69,219)	64,333	(1,531,805)	35,341
	3,727,170	3,792,234	3,883,944	2,294,356	1,993,823
Long term liabilities	1,380,819	1,723,584	2,115,492	1,211,866	410,290
Deferred liabilities	164,367	105,439	97,739	102,225	160,366
	2,181,984	1,963,212	1,670,713	980,265	1,423,167

#### **KEY INDICATORS**

Current Ratio	0.90	0.91	1.11	0.20	1.54
Net Assets Per Share	9.02	8.11	6.90	5.57	8.09
Market Price Per Share	15.00	16.00	12.80	13.40	17.40
Earnings Per Share	1.21	1.20	0.15	(2.33)	(1.06)

## NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Forty Seventh Annual General Meeting of The Kingsbury PLC, will be held at the Hayleys Conference Room, No. 400, Deans Road, Colombo 10, Sri Lanka, on Friday 24th June 2016 at 3.00 p.m. and the business to be brought before the meeting will be:

#### AGENDA

- To consider and adopt the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March 2016, with the Report of the Auditors thereon.
- 2) To re-elect Mr. L. N. De S. Wijeyeratne who retires by rotation at the Annual General Meeting, a Director.
- To re-elect Mr. Dhammika Perera who retires by rotation at the Annual General Meeting, a Director.
- 4) To re-elect Ms. R. N. Ponnambalam who retires by rotation at the Annual General Meeting, a Director.
- 5) To authorise the Directors to determine contributions to Charities for the financial year 2016/2017.
- 6) To authorise the Directors to determine the remuneration of the Auditors, Messrs. Ernst & Young, Chartered Accountants, who are deemed to have been reappointed as Auditors in terms of Section 158 of the Companies Act No. 07 of 2007 for the financial year 2016/2017.

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

#### Note :

 A Shareholder is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a shareholder of the Company. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited with Hayleys Group Services (Pvt) Ltd, Secretaries, No. 400, Deans Road, Colombo 10, Sri Lanka, by 3.00pm on 22nd June 2016.

By Order of the Board

THE KINGSBURY PLC

S. M. Fre

Hayleys Group Services (Private) Limited Secretaries

Colombo 18th May 2016

## FORM OF PROXY

I/We	*		of				
			being a				
shar	eholder/ shareholders* of The Kingsbury PLC hereby appoint,						
1	of						
1	or failing him/her/them,*						
2.	ABEYAKUMAR MOHAN PANDITHAGE (Chairman of the Company) of Colombo, or failing him, one of the Directors of the Company as my/our* proxy to attend and vote as indicated hereunder for me/us* and on my/our* behalf at the Forty Seventh Annual General Meeting of the Company to be held on Friday, 24th June 2016 and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof:						
		For	Against				
1)	To adopt the Annual Report of the Board and the Statements of Accounts for the year ended 31st March 2016 with the Report of the Auditors thereon.						
2)	To re-elect Mr. L. N. De S. Wijeyeratne, who retires by rotation at the Annual General Meeting, a Director.						
3)	To re-elect Mr. Dhammika Perera, who retires by rotation at the Annual General Meeting, a Director.						
4)	To re-elect Ms. R. N. Ponnambalam, who retires by rotation at the Annual General Meeting, a Director.						
5)	To authorise the Directors to determine contributions to Charities for the financial year 2016/2017.						
6)	To authorise the Directors to determine the remuneration of the Auditors, Messrs. Ernst & Young, Chartered Accountants, who are deemed to have been re-appointed as Auditors in terms of Section 158 of the Companies Act No. 07 of 2007, for the financial year 2016/2017.						
(**) ]	The proxy may vote as he/she thinks fit on any other resolution brought before the Meeting.						
As w	ritness my/our* hands this2016.						

Signature of Shareholder

Witnesses

**NOTE:** \* Please delete the inappropriate words.

1. A proxy need not be a member of the Company.

2. Instructions as to completion appear on the reverse

#### Instructions as to Completion

- 1 To be valid, this Form of Proxy must be deposited with the Hayleys Group Services (Pvt) Ltd, Secretaries, No. 400, Deans Road, Colombo 10. Sri Lanka by 3.00pm on 22nd June 2016.
- 2. In perfecting the Form of Proxy, please ensure that all details are legible.
- 3. If you wish to appoint a person other than the Chairman of the Company (or failing him, one of the Directors) as your proxy, please insert the relevant details at 1. overleaf and initial against this entry.
- 4. Please indicate with an X in the space provided how your proxy is to vote on each resolution. If no indication is given, the proxy in his/her discretion will vote as he/she thinks fit. Please also delete (\*\*) if you do not wish your proxy to vote as he/she thinks fit on any other resolution brought before the Meeting.
- 5. In the case of a Company / Corporation, the proxy must be under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association.
- 6. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company, the original POA together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company along with the Form of Proxy.

## CORPORATE STRUCTURE

#### LEGAL FORM

A Public Limited Company Incorporated in Sri Lanka on 4th May 1969

#### COMPANY NUMBER

PQ 203

#### DIRECTORS

A. M. Pandithage - Executive Chairman
Dhammika Perera - Co-Chairman - Non-Executive
L. T. Samarawickrama - Managing Director
N. J. De S. Deva-Aditya
S. C. Ganegoda
S. J. Wijesinghe
L. N. De S. Wijeyeratne
Ms. R. N. Ponnambalam
Nimal Perera
J. P. Van Twest
D. E. Silva
Ms. I. Jamaldeen (Alternate Director to Mr. Dhammika Perera)

#### AUDIT COMMITTEE

L. N. De S. Wijeyeratne - Chairman Ms. R. N. Ponnambalam J. P. Van Twest

#### SECRETARIES

Hayleys Group Services (Private) Limited No. 400, Deans Road, Colombo 10, Sri Lanka. Telephone +94 112 627 650 - 3 (4 Lines) Fax +94 112 627 645, +94 11 2627 655

#### AUDITORS

Ernst and Young Chartered Accountants No. 201, De Saram Place, Colombo 10, Sri Lanka.

#### STOCK EXCHANGE LISTING

The Ordinary shares of the Company are listed with the Colombo Stock Exchange of Sri Lanka.

#### **REIGISTERED OFFICE**

The Kingsbury Hotel Colombo No. 48, Janadhipathi Mawatha, Colombo 01, Sri Lanka.

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THE KINGSBURY PLC No. 48, Janadhipathi Mawatha, Colombo 01, Sri Lanka.