



# THE KINGSBURY

COLOMBO - SRI LANKA

Annual Report 2016/17



## Timeless Grace & Elegance



The Kingsbury PLC

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# Timeless Grace & Elegance

The Kingsbury demeanor of “Timeless Grace and Elegance” is evident in the way we have combined refinement with our service and sophistication in our ambience without losing composure, standing out among a gamut of hospitality brands with assurance and serenity. This report illustrates these attributes through our financial performance and our contribution to the Industry, Communities and the Economy.



THE KINGSBURY  
COLOMBO-SRI LANKA



























# ABOUT THE KINGSBURY



**The Kingsbury is the  
newest five star hotel  
in the city of Colombo**

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 sunsets. 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.





The Kingsbury  
is considered the  
Culinary capital of  
Sri Lanka

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.



# AWARDS AND RECOGNITIONS



## World Luxury Hotel Awards

'Regional Winner, South West Asia' Luxury Business Hotel category



## Haute Grandeur Global Hotel Awards

Best Business Hotel 2016



## South Asian Travel Awards

Leading F & B Hotel / Resort Sri Lanka  
Leading Luxury Hotel / Resort Sri Lanka  
Leading Business Hotel / South Asia





## International Hotel Awards

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



## D S Senanayake College Student's Brand Awards

The Students Hotel of the Year



# FINANCIAL HIGHLIGHTS

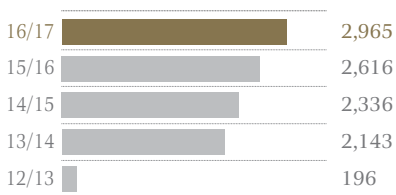
		2016/17	2015/16	Change %
<b>Earnings Highlights and Ratios</b>				
Revenue	(Rs.'000)	2,964,822	2,616,489	13
Earnings Before Interest & Tax (EBIT)	(Rs.'000)	559,645	546,144	2
Profit Before Tax (PBT)	(Rs.'000)	425,016	357,861	19
Profit After Tax (PAT)	(Rs.'000)	380,346	293,368	30
Earnings per Share (Basic)	(Rs.)	1.57	1.21	30
Return on Capital Employed	%	11.88	11.77	1
Return on Assets	%	9.02	7.71	17
Gross Profit Margin	%	53.69	54.95	(2)
<b>Financial Position Highlights and Ratios</b>				
Shareholders Fund	(Rs.'000)	2,390,553	2,181,984	10
Total Assets	(Rs.'000)	4,710,701	4,640,424	2
Total Debt	(Rs.'000)	1,510,856	1,877,207	20
Return on Equity	%	17.78	16.40	8
Gearing	%	37.96	45.56	17
Debt / Equity	%	63.20	86.03	27
Net Assets per Share	(Rs.)	9.88	9.02	10
Quick Asset Ratio	No. of Times	0.66	0.83	(20)
Equity Asset Ratio	No. of Times	0.51	0.47	8
Current Ratio	No. of Times	0.73	0.90	(19)
<b>Market / Shareholder Information</b>				
Market Value (Year ended)	(Rs.)	15.50	15.00	3
Market Capitalisation	(Rs.'000)	3,751,000	3,630,000	3
Price Earnings Ratio	No. of Times	9.86	12.37	(20)





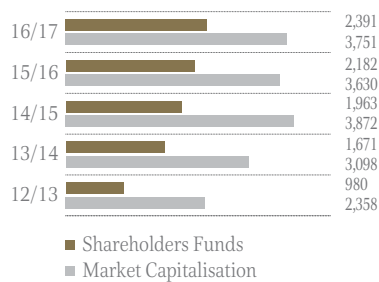
## Revenue

Rs.Mn.



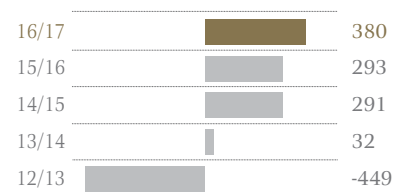
## Shareholders' funds and Market Capitalisation

Rs.Mn.



## Net Profits / (Losses)

Rs.Mn.



# 67%

Occupancy  
2015 /16 - 71%

# 90,927

No. of Guests  
2015 /16 - 95,177

# 650,390

Food & Beverage Covers  
2015 /16 - 613,843





# VISIONARY LEADERSHIP

## CHAIRMAN'S AND MANAGING DIRECTOR'S REVIEW

### DEAR SHAREHOLDER,

It gives us great pleasure to present the Annual Report and Financial Statements of The Kingsbury PLC for the year ending 31st March 2017.

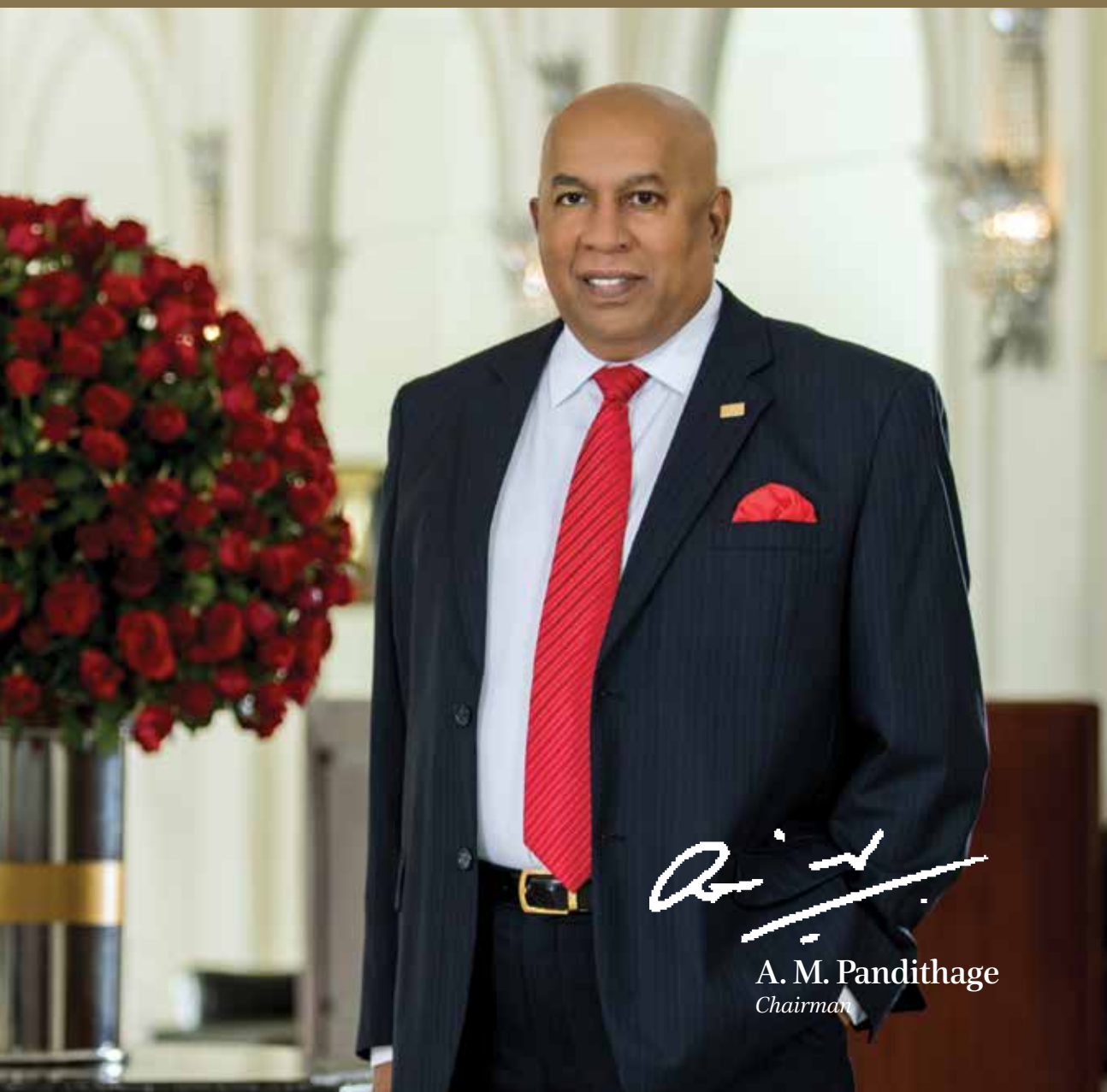
We are pleased to report that The Kingsbury enjoyed a year of sustained financial growth, while also enhancing the overall brand equity. In fact, we are proud to state that The Kingsbury has become one of the most sought after hospitality brands in the region, having forged a path of continuous improvement despite intense competition. Given the relatively short five year history of The Kingsbury brand, this is indeed a commendable achievement.

### OPERATING ENVIRONMENT

Our operating environment, which is specifically within Colombo city, is becoming more crowded, exerting increasing competitive and cost pressures on existing operators. Overall, the country saw tourist arrivals cross the 2 Mn. milestone for the first time, reaching 2,050,832 arrivals in 2016. While this is indeed good news, this growth was also overshadowed by the rapid influx of new hotel operators.

Aligned with the government's objective of building 75,000 rooms to cater to a targeted 4.5 Mn. tourists by 2020, approval was granted for 41 new hotel projects that will add 1,526 rooms to existing room capacity. Outside of these conventional formal hotel operators, the industry is seeing an emerging informal sector. Leisure concepts such as Airbnb and homestays, that provide board and lodging by harnessing households in the informal sector, is disrupting the traditional leisure sector industry.





A. M. Pandithage  
*Chairman*



# CHAIRMAN'S AND MANAGING DIRECTOR'S REVIEW



**L. T. Samarawickrama**  
*Managing Director*





As per the Central Bank statistics, accommodation genres termed as 'supplementary establishments,' which include boutique villas, guest houses, heritage homes, bungalows, home stays and rented apartments saw a boom in 2016. Given the minimum capital requirement to operate in the informal home accommodation sector, this flooding of the room inventory is causing increased price competition.

Earnings from tourism grew by 18 per cent to US dollars 3,518 Mn. compared to US dollars 2,981 Mn. in 2015. Prices in the industry, particularly within the luxury city hotel sub category, were safeguarded against the room oversupply by the regulatory minimum rates of US \$ 125 plus taxes per night. However, the sector is facing the threat of price destabilisation if and when the minimum room rates are lifted, due to the rapid growth in room capacity, particularly in the lower-end of the spectrum, compared to the slower growth in tourist arrivals.

Digital lifestyles are also changing operating structures of the hospitality industry. Across the globe, travellers are bypassing the traditional travel-agent-based travel model in incremental numbers and are migrating to direct online reservations, direct digital communications with hotels, and online real time information exchanges. This digitization of travel and tourism will have far reaching consequences on the Sri Lankan industry and should be incorporated into the overall business model, to capture modern international tourism trends. As the domestic leisure landscape continues to evolve, it is in this context that visionary leadership, with far-sighted and innovative thinking will differentiate The Kingsbury brand in the future.

#### COMPANY PERFORMANCE

The Kingsbury, has consolidated its market position as a leading five star hotel in Colombo. We are pleased to report that occupancy rates increased demonstrating the efficiency and aggressiveness of our marketing drive. The credit for a good year must be extended to the entire Kingsbury Team for consistently maintaining and exceeding the five star standards and aspirations expected by our clients in all aspects of our multifaceted operation.

We saw the year-end with a profit after tax of Rs 380 million, which is a Rs.87 million increase compared to the previous year. The Return on Assets was 9% against 8% in the previous year, while Return on Equity was 18%, from 16%. The Earning per Share increased from Rs.1.21 to Rs.1.57. In this improved financial background, the Board has proposed a dividend of Rs 0.50 per ordinary share with a total dividend pay-out of Rs.121 Mn.



# CHAIRMAN'S AND MANAGING DIRECTOR'S REVIEW

Our sales and marketing drive has been extremely successful in introducing the hotel to international markets and in positioning The Kingsbury as a premium trademark. We were also quite successful in our event based MICE tourism segment, hosting a number of large events, workshops and conferences during the year.

Being a member of the Hayleys family has contributed towards strengthening The Kingsbury's overall value proposition. The Hayleys Group is in a position to leverage its regional holdings to provide unmatched leisure and hospitality experiences to travellers, which now includes the recent acquisition of a Maldivian resort. These group synergies, coupled with the Hotel's prime location facing the Indian Ocean, have created a unique brand identity for The Kingsbury in this archipelago.

As part of our diversified expansion vision for The Kingsbury, we ventured into the serviced apartment sector during the year which added an inventory of forty more into our room portfolio. The Kingsbury's growth potential is for the most part capped by its room capacity as the 229 rooms, in comparison to other city hotels is limited. This is curtailing our growth given that we are now gradually experiencing demand growth above this capacity as The Kingsbury gains International recognition. We have therefore, responded to this opportunity by managing the luxury apartments at the Platinum which has expanded our room inventory by an additional 124 rooms within the heart of Colombo city.

Ensuring that world-class quality for the best guest experience remained a priority during the year, regular investments were made towards employee training and skill development. However, the entire domestic tourism industry is facing a shortage of trained and qualified personnel due to the continued outmigration of skilled labour. This brain drain and experience drain necessitates continuous training of staff to maintain service and operational standards.

## AWARDS AND ACCOLADES

We are proud to record that The Kingsbury has closed the year with a plethora of awards, each accentuating the committed vision we have infused into building a brand that today stands tall as a benchmarked leader in the city hospitality sector. In an extremely competitive environment however, these awards are an unbiased reflection of the quality of management, product and service standards and also the business values of the establishment..

Positioning the hotel among the regional and international brand names in the luxury hotel category, The Kingsbury was crowned the Regional Winner of the

**2,964Mn**  
Revenue

**+380Mn**  
Profit After Tax



South West Asia Luxury Business Hotel category at the World Luxury Hotel Awards. The Kingsbury also stamped its presence at the International Hotel Awards with multiple wins as the Best City Hotel of the Asia Pacific, as well as the Highly Commended Classic/Heritage Hotel Sri Lanka, the Best City Hotel Sri Lanka and Best Large Hotel Sri Lanka for 2016/17. At the South Asian Travel Awards The Kingsbury was again awarded multiple wins including Leading Luxury Hotel, Leading F&B Hotel and Leading Business Hotel in South Asia and feted as the Best Business Hotel 2016 at the Haute Grandeur Global Hotel Awards. All this demonstrates the versatility and capacity of the Hotel not only to accommodate a diverse range of customer groups and exceed their expectations, but also to ensure that the upward trajectory continues with momentum to aspire to excellence at all times.

## **SUSTAINABLE GROWTH**

As per our mission statement to ‘respect the planet its people’ we believe it translates into firstly reducing the impact of our operations to the environment and sharing the fruits of our labour with the communities around us to uplift their quality of life. To this extent sustainability issues have permeated nearly every aspect of our operations from conserving water, energy, reduction in chemical usage, responsible disposal of waste to selecting suppliers and business partners based on sustainable practices. To widen the scope of our sustainability efforts includes a broader corporate social responsibility (CSR) arm titled “The Kingsbury Nurtures” that focus on the underprivileged senior citizens with free of charge cataract surgeries on a monthly basis, breast cancer awareness programmes, gender parity initiatives and ‘The Kingsbury Junior Ambassador’ programme in grooming the younger generations to become respectable citizens of the world.

## **MOVING FORWARD**

The Kingsbury and the entire leisure sector of the country face new challenges and greater competition as the domestic industry continues to evolve and progress. The country’s infrastructure developments such as the Port City, also presents many opportunities for The Kingsbury, which is adjacent to this new landmark. In this backdrop, the vision of The Kingsbury is to gain competitive advantages by differentiating The Kingsbury brand and by leveraging the property’s locational advantages with product and service specialisations.

Guided by the long term vision for the company, modern digital trends will be integrated into the business model to enhance flexibility, extend marketing and





# CHAIRMAN'S AND MANAGING DIRECTOR'S REVIEW

promotional reach and to target new market segments. As part of this process, various digital options are being explored from social media interventions for marketing and communications, to centralised revenue management team to drive sales. Group synergies will be optimised to create a uniquely diversified, regional travel experience within star category hospitality. In addition, alternative revenue opportunities, such as MICE tourism is being actively pursued to spread the risk of room-based revenues and enhance customer choice and brand value.

The Kingsbury will continue to be positioned as a premium property and will be equipped to compete with new five star entrants, with periodic investments in refurbishments and capital upgrades as we move forward. The Kingsbury is now an established landmark in the fast-changing skyline of Colombo city and we are confident of sustaining our growth into the future.

## ACKNOWLEDGEMENTS

We have had immense support from our expert Board of Directors which is greatly valued. Mr Nimal Perera, retired from the Kingsbury Board during the year under review and Mr Johann Wijesinghe who comes from a background of leisure and Aviation Industry joined the Board during the year. We wish to thank Mr Nimal Perera for his contribution to the Board's deliberations.



As always, we are grateful to our esteemed shareholders for their continued support towards the Company. Our employees have been the engine of our growth and we 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. Our valued guests have always been our inspiration and we thank them for their patronage during the year and look forward to their continued custom in the new financial year.



**Mohan Pandithage**

*Chairman*



**Lalin Samarawickrama**

*Managing Director*





# TIMELESS HOSPITALITY







# BOARD OF DIRECTORS

**A. M. PANDITHAGE**  
*Chairman*

Joined Hayleys Group in 1969. Appointed to the Board in 1998. Chairman & Chief Executive of Hayleys PLC since July 2009.

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.

**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 has over 27 years of experience in building formidable businesses through unmatched strategic foresight.

Mr. Perera is the Chairman of Vallibel One PLC, Royal Ceramics Lanka PLC, Lanka Ceramic PLC, Lanka Tiles PLC, Lanka Walltiles PLC, The Fortress Resorts PLC, Vallibel Power Erathna PLC and Delmege Ltd. He is the Co-Chairman of Hayleys PLC, Executive Deputy Chairman of L B Finance PLC and Deputy Chairman of Horana Plantations PLC. He is also the Executive Director of Vallibel Finance PLC and serves on the Boards of Amaya Leisure PLC, Haycarb PLC, Hayleys Fabric PLC, Dipped Products PLC, Sun Tan Beach Resorts Ltd. and 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, Hunnas Falls, Sun Tan Beach Resorts, Luxury Resorts Maldives, Hayleys Tours (Pvt) Ltd. He is a Director of Royal Ceramics Lanka PLC, The Fortress Resorts PLC, Kelani Valley Plantations PLC, Royal Porcelain (Pvt) Ltd. Royal Ceramics Distributors (Pvt) Ltd., Rocell Bathware Limited, Culture Club Resorts (Pvt) Ltd.



## **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 Loughborough, Graduate of the Royal Aeronautical Society and Institute of Mechanical Engineers and he holds directorships in six companies.

## **S. C. GANEGODA \***

Rejoined Hayleys in March 2007. Appointed to the Group Management Committee in 2007. Appointed to the Board in September 2009. Fellow Member of Institute of Chartered Accountants of Sri Lanka and Member of Institute of Certified Management Accountants of Australia. Holds an MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura. Worked for Hayleys Group between 1987 and 2002, ultimately as an Executive Director. Subsequently, held several senior management positions in large private sector entities in Sri Lanka and overseas. Has responsibility for the Strategic Business Development Unit 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 Travels, Aviation & Projects and Alufab PLC and Executive Director of S&T Interiors (Pvt) Ltd. He holds an MBA from the University of Leicester (UK) and is a Member of the Chartered Institute of Marketing (UK). Holds over 25 years' experience in the Aviation industry. Prior to joining Hayleys, held several senior positions at SriLankan Airlines including management positions in Europe, Middle East, the Far East and the Head Office in Colombo and was also a member of the Group Senior Management Team of the Airline. Possesses over 5 years' senior management experience in the Hotel industry. He is responsible for the Aviation sector, Hotel Development, Construction Management, Aluminium Fabrication and Interior Fit-Out Businesses of the Group.

## **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.





# BOARD OF DIRECTORS

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

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

She has served as a Director of McLaren Holdings Limited & GAC Shipping Limited. She currently serves as Director of Amaya Leisure PLC, Alliance Finance Co. PLC, Mbolon 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 appointed as a Founder Member of the Commonwealth Business Women's Leadership Group (Sri Lanka) on 13th November 2013. She also currently serves as a Board Member of Women's Chamber of Industry & Commerce.

## **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.

## **D. E. SILVA**

Mr. Silva is a Fellow Graduate Member from the Ceylon Hotel School and the School of Tourism (FCHSGA), in Hotel and Catering Operations with a specialisation in Front Office Operations. He was awarded the Management Diploma in Hotel and Catering Operations with a second class Upper Division. He is a member of the Institute of Hospitality (UK), Director of Amaya Leisure PLC, The Fortress Resorts PLC, Maalu Maalu Resorts & Spa, Hunas Falls Hotels PLC, The Sun Tan Beach Resorts Ltd and Delair Travel (Pvt) Ltd. Presently serves as Director / Head of Marketing & Sales for Amaya Resorts & Spas and The Kingsbury Hotel Colombo. He counts over 22 years of experience in the Hospitality Industry, specialising in Marketing and Sales.

A Board Member of SLTPB (Sri Lanka Tourism Promotion Bureau), Vice President of THASL (The Hotel Association of Sri Lanka), Chairman of Marketing Committee of the Conventions Bureau, The Vice Chairman of PATA (Pacific Asia Travel Association), and is the Immediate Past President of TTSC (Travel Trade Sports Club). Mr. Silva is an All Island Justice of Peace.



## **MS. I. JAMALDEEN \*\***

Ms. 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 jewellery business that mainly sells to the European market. She has also developed an exclusive jewellery 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.

## **MS. A. A. K. AMARASINGHE \***

(Alternate Director to Mr. Dhammika  
Perera)

Ms. Kawshi Amarasinghe has been appointed as the Alternate Director to Mr. Dhammika Perera with effect from 15th March 2017.

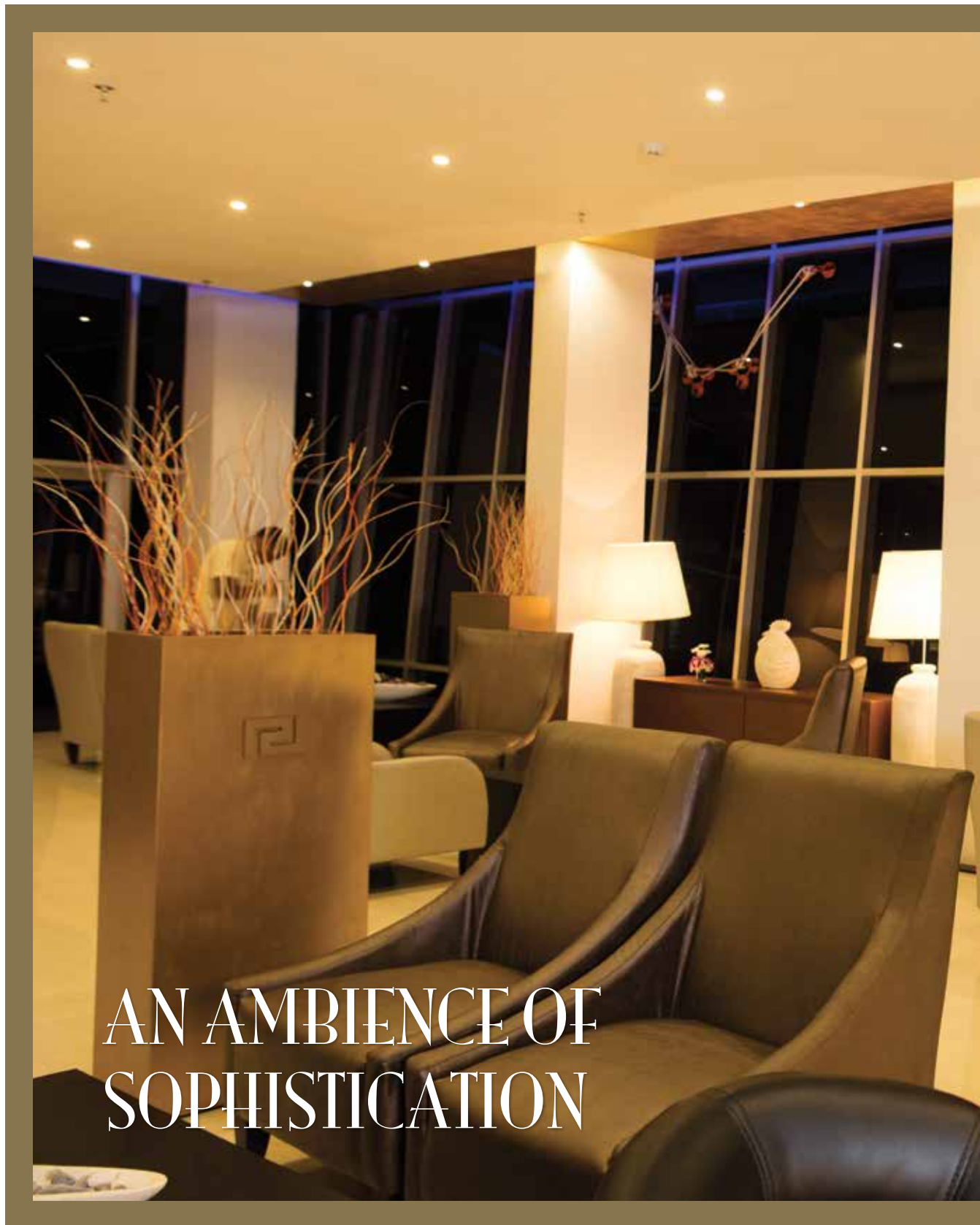
Ms. Amarasinghe currently serves as the Assistant Manager of International Business Development & CSR at Vallibel One PLC. She holds a Bachelor's Degree in International Studies from the University of Queensland, Australia and Certificate in Hotel Revenue Management from the Cornell University, USA.

*Executive Director*

*\* Non - Executive Director*

*\*\* Independent Non - Executive Director*





# AN AMBIENCE OF SOPHISTICATION







# SUSTAINABILITY REPORT



Representing the concept of “Timeless Grace and Elegance” in all aspects of our operations we have extended the concept to create a sustainable hospitality business that is mindful of wider social and environmental obligations that go beyond the norm of financial gains. The timelessness therefore embraces the ethos of sustainability to ensure that the decisions we make and the impact we have will always reflect our Grace and Elegance, while always giving back to our stakeholders and the environment.

The Kingsbury took a historically decisive step in October 2016 with the launch of its dedicated Corporate Social Responsibility (CSR) arm, ‘The Kingsbury Nurtures’. This ground breaking CSR initiative is aligned with The Kingsbury philosophy to enhance its positive impacts upon its wider social sphere and the programme has already conceptualised and implemented a number of community welfare projects during the period under review. These efforts are discussed in greater detail under the CSR sub-chapter of this report.

## ENVIRONMENTAL RESPONSIBILITY

### Management Philosophy

As a responsible Corporate Citizen, The Kingsbury’s, management philosophy encompasses concepts of environmental responsibility and conservation of resources with the ultimate intention of minimising negative impacts upon the natural environment and preserving the country’s natural resources for future





# SUSTAINABILITY REPORT

**Staff training is designed to push the boundaries and improve all standards, challenge mind-sets and to encourage multi skilling among staff**

generations. Consequently, The Kingsbury at all times complies with all relevant environmental regulations and guidelines and goes beyond its statutory obligations by making all efforts to conserve resources and minimise waste in its daily operations.

During the previous financial year, the Hotel commenced a comprehensive in-house resource preservation project to identify and target water and energy conservation. The programme earmarked high energy and water consuming activities and machinery, while more energy efficient solutions were introduced. As a hospitality services provider, the Hotel generates large volumes of biodegradable and other diverse types of waste, which has been identified as an environmentally sensitive output of the business. Therefore, the project analysed the existing waste management arrangements for improvements and more efficient solutions were implemented, which included a new wet-garbage management process to better manage the Food & Beverage refuse.

## EMPLOYEES

### Management Philosophy

The Kingsbury is an equal opportunity employer committed to honouring labour rights, fundamental and human rights of all employees. The Company adheres strictly to all applicable labour regulations and has a zero tolerance policy on discrimination. A key aspect of our human resource management policy is the conscious investment towards training and development to instil international quality service delivery at all times at the Hotel.

### Training and Development

The Kingsbury's five-star standards are maintained through rigorous and regular skill upgrades aligned with international hospitality best practices. During the current year Rs 1.64 Mn. was invested on staff training and development activities which comprised 11,556 training hours distributed among 2,751 participants.

Specialist trainers from the William Angliss Institute, Australia conducted a customised training programme for the Hotel. The courses are designed to push the boundaries and improve all standards, challenge mind-sets and to encourage multi skilling among The Kingsbury staff. The programme particularly focuses on the food and beverage division and covered areas such as interpersonal skills, communication, guest relations, selling techniques, cocktail making, wine and wine service, silver service and much more.





"The Kingsbury Nurtures" in collaboration with the Cancer Care Association – a registered (L147406) non-governmental voluntary organization founded by Dr. Smadhi Rajapaksa will be initiating a Breast Cancer Awareness drive in month of October. Their (CCA) main objectives are to uplift the physical, mental, social and spiritual well being of the cancer patients and their family members. "The Kingsbury Nurtures" the CSR arm of The Kingsbury, took into consideration caring for a vital segment that constitutes for half the population of Sri Lanka, 'the caregiver' of families, and a significant contributor to the economy – the Sri Lankan women. Unfortunately, the statistics show that breast cancer is more prevalent amongst urban women and it can be said that this segment are the ones who would delay or postpone the screening for breast cancer due to their busy lifestyles.

According to the Women's Chamber of Industry & Commerce, in Sri Lanka women make up about 35.5% of the 8.8 million labour force. However, many more are employed in the informal sector. Agriculture is the largest employer of women at 33.9% and 42% work in the service sector. 1 in 4 women are engaged in industries. About 600,000 women are employed as migrant workers. In 2014 they earned US\$6 billion and was declared Sri Lanka's highest foreign exchange earners. Women also contribute to the domestic textile industry, which is a large contributor to export earnings. And the popular tea industry and paddy cultivation can also boast to





# SUSTAINABILITY REPORT



## CUSTOMERS

### Management Philosophy

The Kingsbury brand is built upon creating unmatched experiences that make lifetime memories of timeless old-world charm and hospitality combined with a contemporary zest for adventure and enjoyment. This unique experience is materialised through a host of products and services delivered within an ambience of imperial elegance imparted by perfectly trained team members for whom royalty is a way of life. While the entire experience is presented as one holistic package, we have prioritised three key areas that require continuous attention, namely, food quality and diversity, service quality and overall presentation. This focus has seen us set industry benchmarks for hospitality during our four years of operation.

### Key Initiatives for the Year:

#### Assurance of Food Safety Standards

Food quality and hygiene is essential for guest safety and continued positive feedback about the Hotel. Therefore, food safety standards are never compromised in our kitchens. Obtaining the HACCP Food Safety Standards certification again demonstrates our international standards with regards to the delicious meals we serve up.

#### Guest Engagement Activities

- Special credit card promotions and seasonal discount offers in collaboration with leading banks.
- Special privileges to members of the International Expatriate Association, ASEAN Ladies Circle and British Residents Association.
- Special privileges for members of The Kingsbury Club. The members consist of over 300 members including top business leaders, diplomats and influential individuals of Sri Lanka.

## VALUED BUSINESS PARTNERS – OUR SUPPLIERS

### Management Philosophy

Espousing the lofty tenets of a five-star city hotel, it is imperative that our valued business partners reflect the stringent standards and best practices The Kingsbury has in place. Sourcing a wide range of consumables and fresh produce from both local and international suppliers to create the perfect Kingsbury experience for our stakeholders, the standards, systems, processes and controls we have established makes sure that these products are of the highest standard and are delivered on time in the required quantities. We ensure that we share our knowledge and expertise with all our valued business partners, ensuring that they align themselves not only to the guidelines stipulated for the products they supply, but also that they conform





Food safety  
standards are never  
compromised in our  
kitchens.

to environmental specifications and employment procedures. To ensure conformity, we implement regular supplier evaluation to determine the continuation of the relationship.

## COMMUNITY

### Management Philosophy

The successful launch of our CSR arm, ‘The Kingsbury Nurtures,’ has now made it possible to channel all our diverse CSR activities through a structured, well planned and well managed formal mechanism to ensure maximum positive impacts through coordinated projects. This inspired decision will consolidate The Kingsbury brand as a corporate with a conscience prompting far reaching consequences for all stakeholders. The Kingsbury believes in respecting people and supporting them as a ‘caring’ business that practices the true spirit of People, Planet, Profit. This has been the guiding philosophy behind “The Kingsbury Nurtures” initiative.

Therefore, our CSR philosophy is embedded within our operational model and our team is encouraged to identify CSR projects that will have a permeating impact on the community, which would then be evaluated by our CSR Unit and if aligned with our overall ethos, be implemented. While community projects are primarily centred around health and well-being of various community segments, with the establishment of our dedicated CSR unit this year, we can now not only assess the impact of the project, but also ensure that the end objective of the CSR project comes to fruition more inclusively.



# SUSTAINABILITY REPORT



## Children's Day Tea Party

We launched “The Kingsbury Nurtures” programme with a tea party hosted at The Oval of The Kingsbury, for approximately 130 children from seven children’s homes from Gampaha, Kalutara, Negombo, Meerigama, and Avissawella, to commemorate World Children’s Day. The children received an extra special treat with a day full of fun filled activities and gift packs from The Kingsbury staff members.

## The Kingsbury Junior Ambassador of Goodwill

The Kingsbury believes that young people must be groomed and exposed to concepts of social causes and caring in order to build a better future for the country. Therefore, the Hotel decided to embark on a quest to crown a Junior Ambassador of Goodwill to promote The Kingsbury ideals among young people. “The Kingsbury Junior Ambassador of Goodwill” once identified, will be the spearhead in inculcating good habits amongst his/her peers including the spirit of sharing and giving, respect for elders and conservation of fauna and flora, to ensure that strong values, principles and morals become ingrained in the upcoming generation.

## Creating breast cancer awareness

“The Kingsbury Nurtures” initiative in collaboration with the Cancer Care Association embarked on a campaign to create breast cancer awareness in October,



World Breast Cancer Awareness Month. With an average of 2,500 new cases of breast cancer detected annually which accounts for approximately 25% of all cancers impacting women, the message that breast cancer can be cured if detected early through regular screenings was cascaded. The project was launched as an initiative to raise funds for the purchase of a mobile mammography machine which can be taken to the rural areas of Sri Lanka for early diagnoses.

#### Blood donation camp

The Kingsbury Nurtures also initiated a blood donation camp completely manned by our Staff Welfare Society. The camp was organised to supply much needed blood to the National Cancer Institute, Maharagama and had the participation of 100 team members donate blood.

#### Eye care for under privileged senior citizens

Respect for elders is a central tenet within The Kingsbury value system and for the third year consecutively, we partnered HelpAge Sri Lanka to conduct a mobile eye clinic for senior citizens from low income families. This clinic provides spectacles and conducts cataract surgery free of charge and has since 2013, seen about 450 senior citizens receiving much needed eye care. We also sponsor 20 cataract surgeries a month at the HelpAge Eye Hospital and the successful partnership has seen 240 senior citizens from all over the country receive much needed care.





# CORPORATE GOVERNANCE

The Kingsbury believes Corporate Governance is an essential part of a culture that enables us to meet our short-term objectives while striving to realise the long-term vision of the hotel and the Hayleys group. Good Corporate Governance ensures that company is run as efficiently as possible in the interests of its stakeholders. This in turn promotes greater confidence within the company as well as among the public at large.

Our goal has therefore been to foster a culture of good governance, recognising that it is the key to sustainability and integrity of the hotel and central to the health of our economies and their stability.

## 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 jointly by the

Securities and Exchange Commission of Sri Lanka and 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, and active role in local/business communities, 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 all-encompassing 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 five are Independent. The names of the Directors and their profiles are available on pages 26 to 29 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



# CORPORATE GOVERNANCE

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 Managing Director 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 dividends 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 6 occasions. The attendance of these meetings is given below:

Name of Director	Executive / Non-Executive / Independent Non-Executive	Attendance
Mr. A. M. Pandithage - Chairman	Executive	6/6
Mr. Dhammika Perera * - Co-Chairman (Non Executive)	Non-Executive	Please refer the note below
Mr. L. T. Samarawickrama - Managing Director	Executive	6/6
Mr. N. J. De S. Deva-Aditya **	Independent Non-Executive	4/6
Mr. S. C. Ganegoda *	Non-Executive	5/6
Mr. S. J. Wijesinghe *	Non-Executive	6/6
Mr. L. N. De S. Wijeyeratne **	Independent Non-Executive	5/6
Ms. R. N. Ponnambalam **	Independent Non-Executive	6/6
Mr. Nimal Perera * (Resigned w.e.f. 8.03.2017)	Non-Executive	5/6
Mr. J. P. Van Twest **	Independent Non-Executive	4/6
Mr. D. E. Silva	Executive	4/6
Ms. I. Jamaldeen ** (Ceased to be the Alternate Director to Mr. Dhammika Perera w.e.f.15.03.2017, Appointed as a Director w.e.f. 15.03.2017)	Independent Non-Executive	4/6
Ms. A. A. K. Amarasinghe * (Alternate Director to Mr. Dhammika Perera appointed w.e.f. 15.03.17)	Non-Executive	-

**Note:** Mr. Dhammika Perera was represented by his Alternate Director Ms. I. Jamaldeen in 4 Board Meetings.

**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 2017, the Board consisted of 11 Directors comprising of:

3 Executive Directors (ED)

3 Non-Executive Directors (NED)

5 Non-Executive Independent Directors (NED/ID)





# CORPORATE GOVERNANCE

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, Mr. J. P. Van Twest and Ms. I. Jamaldeen be considered as Independent Directors.

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-election 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 Remuneration 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 and the announcements of the Company 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 62 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.

The 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 Group Chief Financial Officer (CFO) 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 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



# CORPORATE GOVERNANCE

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 64 of this report.

Levels of compliance with the CSE's Listing Rules - Section 7.10, Rules on Corporate Governance as at 31st March 2017 are given in the table that follows

Rule No.	Subject	Applicable Requirement	Compliance Stat	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	Five 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 31.03.2017
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 26 to 29
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 43 under the heading Board Balance



Rule No.	Subject	Applicable Requirement	Compliance Stat	Details
7.10.3(c)	Disclosure relating to Directors	A brief resumé of each Director should be included in the Annual Report including areas of expertise	Compliant	Please refer 'Board of Directors' on pages 26 to 29
7.10.3(d)	Disclosure relating to Directors	Forthwith provide a brief resumé of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the Exchange	Compliant	A brief resumé provided to the Exchange at the time of appointment is available on page 29
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 44
7.10.5(a)	Composition of Remuneration Committee	Shall comprise of a minimum of Two Independent Non-Executive Directors or of Non-Executive Directors a majority of whom shall be Independent.	Compliant	The Committee consists of Two Independent Non-Executive Directors. Please refer page 44
7.10.5(b)	Remuneration Committee Functions	The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and Executive Directors	Compliant	Please refer remuneration procedure on page 44 of this Report
7.10.5(c)	Disclosure in the Annual Report relating to Remuneration Committee	Names of Directors comprising the Remuneration Committee	Compliant	Please refer page 44
		Statement of remuneration policy		Please refer page 44
		Aggregated remuneration paid to Executive and Non-Executive Directors		Please refer page 58
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 46





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Rule No.	Subject	Applicable Requirement	Compliance Stat	Details
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. Please refer page 46
7.10.6(b)	Audit Committee Functions	A Non-Executive Director shall be appointed as the Chairman of the Committee	Compliant	The Chairman of the Audit Committee is an Independent Non-Executive Director
		The Chief Executive Officer and Chief Financial Officer should attend Audit Committee meetings	Compliant	The Managing Director, General Manager, Director Finance of the Company and the Group Chief Financial Officer (CFO) and the Head of Internal Audit of the Group Management Audit and Systems Review Department of Hayleys PLC have attended 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 Senior Chartered Accountant
		Functions shall include: • Overseeing of the preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Accounting Standards	Compliant	The terms of reference of the Audit Committee have been agreed upon by the Board



Rule No.	Subject	Applicable Requirement	Compliance Stat	Details
7.10.6(b)	Audit Committee Functions contd.	<ul style="list-style-type: none"> <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
7.10.6(c)	Disclosure in the Annual Report relating to Audit Committee	Names of Directors comprising the Audit Committee	Compliant	Please refer page 46
		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 64
		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 64



# CORPORATE GOVERNANCE

Rule No.	Subject	Applicable Requirement	Compliance Stat	Details
9.2	Related Party Transactions Review Committee Functions	<p>Functions shall include:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Seek any information the Committee requires from management, employees or external parties with regard to any transaction entered into with a related party.</li> <li>• 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.</li> <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> </ul>	Compliant	The Committee of the Parent Company Hayleys PLC functions as the committee of the Company. Please refer page 63



Rule No.	Subject	Applicable Requirement	Compliance Stat	Details
9.2	Related Party Transactions Review Committee Functions contd.	<ul style="list-style-type: none"> <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 functions as the committee of the Company. Please refer page 63
9.2.2	Composition	Two Independent Non-Executive Directors and one Executive Director	Compliant	The Committee of the Parent Company Hayleys PLC functions as the committee of the Company. Please refer page 63





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Rule No.	Subject	Applicable Requirement	Compliance Stat	Details
9.2.3	Related Party Transactions Review Committee	If the parent company and the subsidiary Company both are listed entities, the related Party Transactions Review 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 functions as the committee of the Company. Please refer page 63
9.2.4	Related Party Transactions Review Committee	Shall meet once a calendar quarter	Compliant	The Committee met 04 times during the financial year. Please refer page 63
9.3.2	Related Party Transactions Review Committee Disclosure in the Annual Report	Report by the Related Party Transactions Review Committee	Compliant	Please refer page 63
		A declaration by the Board of Directors	Compliant	Please refer page 63



# RISK MANAGEMENT

## MANAGING RISKS IN AN EVER-CHANGING ENVIRONMENT

Forecasting the future is risky, when operating in an increasingly competitive, globalised environment, the changes in Governmental, financial, social, technological, industrial, legal and environmental aspects impact our business. However, we see that while global macroeconomic conditions though volatile, markets are resilient and are bouncing back time after time. The Parent Company, Hayleys PLC with its Group's business model, diversity of its leisure portfolio and wide geographical presence contributes to our resilience and corporate stature.

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

### Exchange Rate Risk

Movements in foreign currency exchange rates could have an opposing impact resulting in exchange losses. This risk is due to a major portion of long term borrowings consisting of foreign borrowings. With the services of the Hayleys PLC's Treasury Department, exchange rates and financial markets are monitored regularly.

The room revenue, which contributes to almost 50% 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 which are made in US Dollars

*Risk Level - High*

### 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. 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 credit card payment information to other information held in IT systems, 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 ICT threat that may impact on the company's revenue and delivery channels, guest experience, and the return to our owners and investors.

#### *Control and mitigation activities*

The Company recognises that technological advancement and changing guest expectations mean that we must continually invest in and improve our systems and reservation 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.

The Company takes information security very seriously and has applied risk-based 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



# RISK MANAGEMENT

the Company's exposure, tightly controlling sensitive data through limited and monitored access.

*Risk Level - Moderate*

## Competition Risk

The competitive actions of industry peers and threat of new entrants could critically affect the performance of the Company resulting in lower occupancy, rates and loss of market share.

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

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

Prevailing gazetted minimum room rates minimise the risk of price competition. With International food promotions in collaboration with Internationally recognised reputed chefs to promote the Hotel to target business and leisure communities, this 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 Competitor activities and strategies by reviewing respective

market shares 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.

With the addition of Kingsbury Apartments to its portfolio the Company strives to have an edge over the competition by providing to its guests an unmatched experience in Luxury Living.

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, 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, blogger conferences and destination promotions.

*Risk level - Moderate / High*

## Operations Risk

### *Risk of default by Debtors*

Debtors defaulting the company will result in reduced cash flows and its profitability.

Through strict implementation of credit policies, stringent controls and a thorough check on the credit worthiness prior to granting of credit, the Company strives to keep a good control of its debtors.

A dedicated credit team through timely monitoring and systematic follow-up keep close watch over the debtors

*Risk Level - Moderate*

## 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 the Sri Lanka Tourism authority, propelling the industry's growth trajectory to a positive state.

The Company anticipates that with the return of the GSP+ facility many avenues will open up and will keep the industry upbeat during the coming years.

Factors such as change in electricity tariffs and fuel rates will unfavourably 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**

Any event or action and any adverse comments by the media or through social media networks could hinder the brand image and the reputation of the Company.

Routinely 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 by the Customer Relationship Manager in order to focus on service standards.

Benchmarking against competitor standards including pricing is carried out regularly.

The Company focuses on training and overseas exposure to the staff throughout the year.

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

The Housekeeping & Engineering departments ensure finest quality and comfort within the hotel by carrying out daily audits relating to facilities, services and general décor of the hotel.

A dedicated Communications team 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 communication 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*







# TIMELESS GRACE





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

The Board of Directors are pleased to present their Report and the Audited Financial Statements of the Company for the year ended 31st March 2017. The details set out herein provide pertinent information required by the Companies Act No. 07 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 68 to 72

## AUDITOR'S REPORT

The Auditor's Report on the Financial Statements is given on page 67

## ACCOUNTING POLICIES

The accounting policies adopted in preparation of the Financial Statements are given on pages 73 to 102

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 Shares

Mr. M. H. Jamaldeen, spouse of Mrs. I. Jamaldeen purchased 125,000 shares during the year. Shares held by the Directors are given later in this report.

### 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' EMOLUMENTS AND OTHER BENEFITS

Directors' emoluments in respect of the Company for the financial year ended 31st March 2017 is given in Note 6 to the Financial Statements.

Executive Directors' emoluments is established within an established framework. The total emoluments of Executive Directors for the year ended 31st March 2017 is Rs. 4.460 Mn. The total emoluments of Non-Executive Directors for the year ended 31st March 2017 is Rs. 2.513 Mn. determined according to scales of payment decided upon by the Board. The Board

is satisfied that the payment of this emoluments is fair to the company.

## RELATED PARTY TRANSACTIONS

The Board of Directors have 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 Review Committee of Hayleys PLC the parent Company and are in compliance with the Section 09 of the CSE Listing Rules.

The Committee met four times during the Financial Year 2016/17. Related Party Transactions are given in note 29 in the notes to the Financial Statements.

## CORPORATE DONATIONS

Donations made during the year were Rs. 1,833,343/-

An amount of Rs. 50,000/- was approved as donations by shareholders for the financial year 2016/17.

Ratification of the additional amount of Rs. 1,783,343/- made on donations for 2016/17 will be sought at the Annual General Meeting.



#### Directors of the Company as at 31st March 2017

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. J. P. Van Twest\*\*  
 Mr. D. E. Silva  
 Ms. I. Jamaldeen\*\* (Ceased to be the Alternate Director to Mr. Dhammika Perera w.e.f. 15.03.2017 and appointed as an Independent Director w.e.f. 15.03.2017)  
 Ms. A. A. K. Amarasinghe\* (appointed as the Alternate Director to Mr. Dhammika Perera w.e.f. 15.03.2017)

\* Non-Executive Director

\*\* Independent Non-Executive Director

Mr. W. D. N. H. Perera who served as a Non-Executive Director of the Company resigned on 8th March 2017.

Ms. I. Jamaldeen was appointed as an Independent Non-Executive Director to the board since the last Annual General Meeting.

The Board is of the opinion that Ms. I. Jamaldeen has the capability to conduct herself in an Independent and Impartial manner on matters deliberated by the Board and her Independence will not be affected by her spouse Mr. M. H. Jamaldeen being a

Director of Hayleys PLC, Haycarb PLC and Talawakelle Tea Estates PLC.

In terms of Article 94 of the Articles of Association of the Company, the shareholders will be requested to re-elect her at the forthcoming Annual General Meeting.

Ms. A. A. K. Amarasinghe was appointed to the Board as the Alternate Director to Mr. Dhammika Perera on 15th March 2017.

In terms of the Article No. 87 of the Articles of Association of the Company, Messrs. S. C. Ganegoda, J. P. Van Twest and D. E. Silva retire by rotation and being eligible, offer themselves for re-election.

#### DIRECTORS' SHAREHOLDINGS

The shareholdings of the Directors as at 31st March 2017 were as follows.

	No. of Shares	
	As at 31.03.2017	As at 01.04.2016
Mr. S. C. Ganegoda	55,713	55,713

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. M. H. Jamaldeen, spouse of Mrs. I. Jamaldeen purchased 125,000 shares

during the year and currently holds 1,186,583 shares in The Kingsbury PLC.

#### INSURANCE AND INDEMNITY

The Company is covered by Directors and Officers (D&O) Liability Insurance obtained from Orient Insurance Ltd by the parent Company, Hayleys PLC with a premium of LKR 5.3Mn. and the limit on liability of the cover is USD 5Mn.

#### EMPLOYMENT

The number of persons employed by the Company was 772.

#### 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,





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

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.

## AUDITORS

The Auditors, Messrs Ernst & Young, Chartered Accountants, were paid Rs. 1,092,106/- (2016 - Rs. 1,032,540/-) as audit fees by the Company. In addition, they were paid Rs. 324,295/- (2016 - Rs. 527,460/-) 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. 07 of 2007, as Auditors of the Company.

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

## DIVIDENDS

An Interim Dividend of Rs. 0.50 per share was paid on 13.07.2016 for the period 2015/16.

An Interim Dividend of Rs. 0.50 per share for the year 2016/17 was paid on 26.04.2017.

(2015/16 - 1st Interim Dividend of Rs. 0.30 per share was paid on 24.08.2015 and 2nd Interim Dividend of Rs. 0.50 per share was paid on 13.07.2016.)

## INVESTMENTS (SHORT TERM DEPOSITS)

Details of the investments held by the Company are disclosed in Note 19 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 2017 are disclosed in Note 25 to the Financial Statements.

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

	2017	2016
Market price per share as at 31st March	15.50	15.00
Highest share price during the year (30.12.2016)	18.00	18.40
Lowest share price during the year (04.04.2016)	14.80	13.00
Net Assets per share	9.88	9.02
Ordinary shares in issue	242,000,000	242,000,000

## STATED CAPITAL

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

## RESERVES

Total Company reserves as at 31st March 2017 amounts to Rs. 613.64 Mn. (2016 Rs. 440.15 Mn.) Movements are shown in the Statement of Changes in Equity in the Financial Statements.

## TAXATION

The tax position of the Company is given in Notes 10 and 18 to the Financial Statements.

## EMPLOYEES AND INDUSTRIAL RELATIONS

There have been no material issues pertaining to employees and industrial relations of the Company during the Financial Year.

## SHAREHOLDING

The number of registered shareholders of the Company as at 31st March 2017, was 3,948.



## MAJOR SHAREHOLDERS

The twenty largest shareholders of the Company as at 31st March 2017, together with an analysis are given on page 103 of the Annual Report.

## PUBLIC SHAREHOLDING

As at 31st March 2017, 38.68% of the issued capital of the Company was held by the public comprising 3,943 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 2017 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 Thursday 22nd June 2017. The Notice of the Annual General Meeting appears on page 106 of the Annual Report.

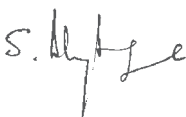
For and on behalf of the Board  
THE KINGSBURY PLC



**A. M. Pandithage**  
*Executive Chairman*



**L. T. Samarawickrama**  
*Managing Director*



**Hayleys Group Services (Pvt) Ltd.**  
*Secretaries*

8th May 2017



# STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible, under Sections 150 and 151 of the Companies Act No. 07 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.

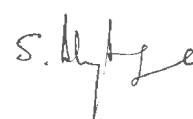
As per section 56 (2) of the Companies Act, Directors authorised an Interim Dividend which was paid on 26th April 2017 and based on information available to the Board the Company satisfied the solvency test after such distribution. A certificate of solvency was obtained from the Auditors in this respect.

The External Auditors, Messrs. Ernst & Young, Chartered Accountants, were deemed re-appointed in terms of section 158 of the Companies Act No. 07 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 67 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*

8th May 2017



# RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

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

## 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 \*\* Chairman

Mr. M. Y. A. Perera \*\*

(Appointed w.e.f. 12.09.2016)

Mr. S. C. Ganegoda \*

Mr. M. D. S. Goonatilleke \*\*

(Resigned w.e.f. 12.05.2016)

\*\* Independent Non-Executive

\* Executive

## 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 and communicated same to the Board.

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

## MEETINGS

The Committee met four times during the Financial Year 2016/17.

## ATTENDANCE

Meetings were held on 18th May 2016, 5th August 2016, 4th November 2016 and 9th February 2017 respectively.

Dr. H. Cabral, PC 4/4

Mr. M. Y. A. Perera 2/2

Mr. S. C. Ganegoda 3/4

**Dr. Harsha Cabral, PC.**  
Chairman

Related Party Transactions Review  
Committee of Hayleys PLC

17th May 2017





# 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 pages 26 to 29 The Managing Director, General Manager, Director Finance and the Group Chief Financial Officer (CFO) 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 five times during the financial year ended 31st March 2017.

The attendance of the members at these meetings were as follows:

Independent Non-Executive Director	18.05.2016	28.07.2016	01.11.2016	02.12.2016	01.02.2017	Total
Mr. L. N. De S. Wijeyeratne	✓	✓	✓	✓	✓	5/5
Ms. R. N. Ponnambalam	✓	✓	✓	✓	✓	5/5
Mr. J. P. Van Twest	✓	X	✓	X	✓	3/5

## 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.

## 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.



**L. N. De S. Wijeyeratne**

*Chairman*

Audit Committee

08th May 2017





# INDEPENDENT AUDITOR'S REPORT



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

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

## INDEPENDENT AUDITOR'S REPORT 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 2017, 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 73 to 102)

### 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 standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an

opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 2017 and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### Report on Other Legal and Regulatory Requirements

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

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

8 May 2017

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. K R M Fernando FCA ACMA 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 Jayasinghe FCA FCMA  
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA  
Principal T P M Ruberu FCA FCCA

A member firm of Ernst & Young Global Limited





# INCOME STATEMENT

Year ended 31 March 2017	Notes	2017 Rs '000	2016 Rs '000
Revenue	4	3,061,048	2,702,581
Cost of sales		(1,469,351)	(1,264,925)
Gross profit		1,591,697	1,437,656
Other income and expenses	5	(4,503)	2,919
Administrative expenses		(919,108)	(790,370)
Marketing expenses		(129,346)	(122,455)
Finance income	8	20,905	18,393
Finance expense	9	(134,629)	(188,283)
Profit before tax	6	425,016	357,861
Income tax expense	10	(44,670)	(64,493)
Net profit after tax		380,346	293,368
Basic earnings per share (Rs.)	11	1.57	1.21

The Accounting Policies and Notes on pages 73 through 102 form an integral part of the Financial Statements.



# STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2017	Notes	2017 Rs '000	2016 Rs '000
Profit / (loss) for the year		380,346	293,368
Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods			
Re-measurement loss on defined benefit plans	23	(4,508)	(6,102)
Income tax effect on defined benefit plans	18	541	732
Other Comprehensive for the year, net of tax		(3,967)	(5,370)
Total Comprehensive Income for the year, net of tax		376,379	287,998

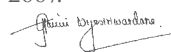
The Accounting Policies and Notes on pages 73 through 102 form an integral part of the Financial Statements.



# STATEMENT OF FINANCIAL POSITION

As at 31 March 2017	Notes	2017 Rs '000	2016 Rs '000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, Plant and Equipment	12	3,860,890	3,791,472
Intangible assets	13	25,517	24,110
		3,886,407	3,815,582
<b>Current assets</b>			
Inventories	14	73,004	65,435
Trade and other receivables	15	127,901	159,567
Other non financial assets	16	92,570	57,890
Income Tax receivable		34,077	24,903
Short term deposits	17	347,949	460,596
Cash and Bank	19	148,793	56,451
		824,294	824,842
<b>Total assets</b>		<b>4,710,701</b>	<b>4,640,424</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Stated capital	26	836,000	836,000
Revaluation reserves	27	940,907	905,830
Retained earnings		613,646	440,154
		2,390,553	2,181,984
<b>Non-current liabilities</b>			
Interest-bearing borrowings	22	942,101	1,350,116
Post employment benefit obligation	23	39,519	30,703
Deferred tax liability	18	206,808	164,367
		1,188,428	1,545,186
<b>Current liabilities</b>			
Trade and other payables	20	262,855	253,609
Interest-bearing borrowings	22	568,755	527,091
Other non financial liabilities	21	300,110	132,554
		1,131,720	913,254
<b>Total equity and liabilities</b>		<b>4,710,701</b>	<b>4,640,424</b>

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



**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 8 May 2017.



**A M Pandithage**  
Executive Chairman



**L T Samarawickrama**  
Managing Director

8 May 2017  
Colombo



# STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2017	Notes	Ordinary share capital Rs '000	Revaluation reserve Rs '000	Retained earnings Rs '000	Total Rs '000
Balance at 1 April 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
Net profit for the period		-	-	380,346	380,346
Other comprehensive income		-	-	(3,967)	(3,967)
Total comprehensive income		-	-	376,379	376,379
Transfer to retained earnings from Revaluation reserve			(39,113)	39,113	-
Deferred tax on transfer	27	-	4,694	-	4,694
Revaluation adjustment (net of deferred tax)		-	(14,525)	-	(14,525)
Revaluation during the year			95,478	-	95,478
Deferred tax on transfer	18	-	(11,457)	-	(11,457)
Interim Dividends to equity holders*		-	-	(242,000)	(242,000)
Balance at 31 March 2017		836,000	940,907	613,646	2,390,553

\* During the year the Company paid an interim dividend for 2015/16 of Rs.0.50 cents per share amounting to Rs.121,000,000/-. The Board of Directors of the Company declared as at 31 March 2017 an interrim dividend for 2016/17 of Rs. 0.50 cents per share amounting to Rs. 121,000,000/-.

The Accounting Policies and Notes on pages 73 through 102 form an integral part of the Financial Statements.



# STATEMENT OF CASH FLOWS

Year ended 31 March 2017	Notes	2017 Rs '000	2016 Rs '000
<b>Operating activities</b>			
Cash generated from operations	28	849,740	881,610
Interest received	9	20,905	18,393
Interest paid		(109,080)	(114,593)
Tax paid		(15,644)	(8,306)
Employee benefit obligations	23	(2,123)	(977)
Net cash generated from / (used in) operating activities		743,798	776,129
<b>Investing activities</b>			
Capital work in progress	12	1,624	(64,633)
Purchases of Property, Plant and Equipment	12	(243,400)	(111,629)
Purchases of intangible assets	13	(6,214)	(3,869)
Proceeds from disposal of Property, Plant and Equipment		1,181	852
Investments in Fixed Deposits		-	277,619
Net cash used in investing activities		(246,809)	98,340
<b>Financing activities</b>			
Dividends paid		(121,000)	(72,600)
Payments on interest-bearing borrowings		(430,128)	(409,135)
Net cash generated from financing activities		(551,128)	(481,735)
Net increase in cash and cash equivalents		(54,139)	392,734
<b>Movement in cash and cash equivalents</b>			
At start of year		457,174	64,440
Net increase		(54,139)	392,734
At end of year	19	403,035	457,174

The Accounting Policies and Notes on pages 73 through 102 form an integral part of the Financial Statements.





# NOTES TO THE FINANCIAL STATEMENTS

<p><b>1. CORPORATE INFORMATION</b></p> <p><b>1.1 General</b> 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.</p> <p><b>1.2 Principal Activity and Nature of Operations</b> During the year, the principal activity of the Company was hoteliering.</p> <p><b>1.3 Parent Entity and Ultimate Parent Entity</b> 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.</p> <p><b>1.4 Date of Authorisation for Issue</b> The Financial Statements of The Kingsbury PLC, for the year ended 31 March 2017 were authorised for issue in accordance with a resolution of the board of directors on 8 May 2017.</p>	<p><b>2.1.3 Going Concern</b> 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.</p> <p><b>2.1.4 Comparative Information</b> The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.</p>
<p><b>2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</b></p> <p><b>2.1 Basis of Preparation</b></p> <p><b>2.1.1 Basis of Measurement</b> 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.</p> <p><b>2.1.2 Statement of Compliance</b> 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).</p>	<p><b>2.2 Significant Accounting Judgments And Estimates</b> 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.</p> <p><b>a. Revaluation of Property, Plant and Equipment</b> 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.</p> <p><b>b. Components of Buildings and Useful Life</b> 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.</p>



# NOTES TO THE FINANCIAL STATEMENTS

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. Provision for Pending Litigations

As more fully disclosed in the Note 24 in these Financial Statements, there are six 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 (13219/M), 2010 (14158/M), 2011 (15464/R), 2013 (28930/14), 2014 (16397/15) and 2015 (15580/16). Significant management judgment is exercised to determine the amount of provision to be recorded as at the reporting date, based on the probability that an outflow of resources embodying economic benefits will be required to settle the obligation.

## e. 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.

## 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.

	2017	2016
Buildings and building integrals	15-50 years	15-50 years
Plant, machinery and equipment	8 years	8 years
Furniture and fittings	10 years	10 years
Motor vehicles	5 years	5 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 assets in 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	8 years
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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



# NOTES TO THE FINANCIAL STATEMENTS

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.





# NOTES TO THE FINANCIAL STATEMENTS

## 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 de-recognised 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 derecognition 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 monetary 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.



# NOTES TO THE FINANCIAL STATEMENTS

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

#### 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. Pending the completion of the detail impact analysis, possible impact from SLFRS 15 estimable as of the reporting date.

#### SLFRS 9 – Financial Instruments

In December 2014, the Institute of Chartered Accountant of Sri Lanka issued the final version of SLFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces LKAS 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 entity's Financial Assets, but no impact on the classification and measurement of the entity's Financial Liabilities.

Pending completion of the detail impact analysis, possible impact from SLFRS 9 is not estimable as of the reporting date.

#### SLFRS 16 – Leases

The Institute of Chartered Accountant of Sri Lanka issued the new standard for accounting for leases - SLFRS 16 in January 2016. The new standard does

not significantly change the accounting for leases for lessors. However, it does require lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right of use assets. Lessees must apply a single model for all recognized leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss.

SLFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided the new revenue standard, SLFRS 15, is applied on the same date. Lessees must adopt SLFRS 16 using either a full retrospective or a modified retrospective approach. The Company does not anticipate early adopting SLFRS 16 and pending the completion of the detail impact analysis.

#### Amendments to LKAS 7 Statement of Cash Flows

In September 2016, the Institute of Chartered Accountant of Sri Lanka issued amendments to LKAS 7 Statement of Cash Flows with the intention to improve disclosures of financing activities and help users to better understand the reporting entities' liquidity positions. Under the new requirements, entities will need to disclose changes in their financial liabilities as a result of financing activities such as changes from cash flows and non-cash items (e.g. gains and losses due to foreign currency movements). The amendment is effective from 1 January 2017. The Company is currently evaluating the impact of these amendments.

#### Amendments to IAS 12 Income Taxes

In September 2016, through issuing amendments to LKAS 12, the Institute of Chartered Accountant of Sri Lanka clarified the accounting treatment of deferred tax assets of debt instruments measured at fair value for accounting, but measured at cost for tax purposes. The amendment is effective from 1 January 2017. The Company does not anticipate that adopting the amendments would have an impact on its Financial Statements.



#### 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 not allocated to operating segments.

##### 4.1 Summary

	2017 Rs '000	2016 Rs '000
Gross turnover	3,061,048	2,702,581
Less: Turnover tax / Nation Building tax	(96,226)	(86,092)
Net turnover	2,964,822	2,616,489

##### 4.2 Segmentation of the revenue

	2017 Rs '000	2016 Rs '000
Room sales	1,395,107	1,184,102
Food & Beverage sales	1,482,763	1,345,185
Other hotel related revenue	86,952	87,202
Total revenue	2,964,822	2,616,489

#### 5. OTHER INCOME AND EXPENSES

	2017 Rs '000	2016 Rs '000
Loss on disposal of Property, Plant and Equipment	(11,751)	(2,348)
Sundry income	7,248	5,267
Other income and expenses	(4,503)	2,919



# NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 March 2017

## 6. PROFIT BEFORE TAX

The following items have been charged / (credited) in arriving at profit/(loss) before tax:

	2017 Rs '000	2016 Rs '000
Directors' emoluments	2,513	1,993
Auditors remuneration - audit fees	1,092	1,033
- non audit fees	324	527
Depreciation on Property, Plant and Equipment (Note 12)	218,305	216,675
Amortisation of intangible assets	4,806	4,277
Repair and Maintenance expenditure	84,005	74,211
Operating lease rentals on property	45,358	2,462
Staff costs (Note 7)	413,562	348,457
Power and energy expenditure	145,732	137,973
Loss on disposal of Property, Plant and Equipment	11,751	2,348
Loss on disposal of cutlery and linen	15,923	1,852
Marketing and Promotional fee	155,306	139,029

## 7. STAFF COSTS

The following items have been charged / (credited) in arriving at profit / (loss) before tax:

	2017 Rs '000	2016 Rs '000
Wages and salaries	279,044	234,507
Cost of meals	89,065	76,807
Defined contribution plans	39,022	32,539
Post employment benefit obligation (Note 23.2)	6,431	4,604
Staff costs	413,562	348,457





Year Ended 31 March 2017

<b>8. FINANCE INCOME</b>		
The following items have been charged / (credited) in arriving at profit/(loss) before tax:		
	2017	2016
	Rs '000	Rs '000
Interest income	20,905	18,393
	20,905	18,393
<b>9. FINANCE EXPENSES</b>		
	2017	2016
	Rs '000	Rs '000
Interest expenses	(104,744)	(113,321)
Foreign exchange gain	24,682	30,463
Foreign exchange loss	(54,567)	(105,425)
Finance expense	(134,629)	(188,283)
Net Finance Income / (Expenses)	(113,724)	(169,889)
<b>10. TAXATION</b>		
	2017	2016
	Rs '000	Rs '000
<b>10.1 Current income tax</b>	6,471	1,459
Deferred tax (Note 18)	38,199	63,034
Income Tax Expense	44,670	64,493
<b>10.2 Reconciliation of accounting profit to income tax expense</b>		
	2017	2016
	Rs '000	Rs '000
Profit / (loss) before tax	425,016	357,861
Disallowable expenses	256,867	242,632
Allowable expenses	(445,397)	(394,046)
Tax credits utilisation	(203,463)	(224,840)
Interest income	20,905	18,393
Taxable income	53,928	-
Income tax @ 12%	6,471	-
Tax on taxable income	6,471	-
Tax on Deemed Dividend Tax	-	1,459
Current tax expense	6,471	1,459



# NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 March 2017

## 11. BASIC EARNINGS / (LOSS) PER SHARE

Basic earnings per share is calculated by dividing the net profit / (loss) attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	2017 Rs '000	2016 Rs '000
Net profit attributable to shareholders	380,346	293,368
Weighted average number of ordinary shares in issue	242,000	242,000
Basic earnings / (loss) per share (Rs.)	1.57	1.21

## 12. PROPERTY, PLANT AND EQUIPMENT

### 12.1

	Buildings and building integrals Rs '000	Plant, machinery & equipment Rs '000	Furniture & fittings Rs '000	Motor vehicles Rs '000	Linen, cutlery, crocery & glassware Rs '000	Total Rs '000
<b>Year ended 31 March 2016</b>						
Cost / valuation						
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)
<b>Balance as at 31 March 2016</b>	<b>3,412,113</b>	<b>530,511</b>	<b>285,343</b>	<b>17,766</b>	<b>146,668</b>	<b>4,392,400</b>
<b>Depreciation</b>						
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)
<b>Balance as at 31 March 2016</b>	<b>298,140</b>	<b>189,692</b>	<b>76,460</b>	<b>8,022</b>	<b>76,987</b>	<b>649,301</b>
<b>Net book value as at 31 March 2016</b>	<b>3,113,973</b>	<b>340,818</b>	<b>208,883</b>	<b>9,744</b>	<b>69,681</b>	<b>3,743,098</b>
<b>Capital work in progress</b>						
Balance as at 1 April 2015						497
Cost incurred during the year						64,633
Amount transferred to Property, Plant and Equipment						(16,757)
<b>Balance as at 31 March 2016</b>						<b>48,374</b>
<b>Total net book value as at 31 March 2016</b>	<b>3,113,973</b>	<b>340,818</b>	<b>208,883</b>	<b>9,744</b>	<b>69,681</b>	<b>3,791,472</b>



Year Ended 31 March 2017

	Buildings and building integrals Rs '000	Plant, machinery & equipment Rs '000	Furniture & fittings Rs '000	Motor vehicles Rs '000	Linen, cutlery, crochery & glassware Rs '000	Total Rs '000
<b>Year ended 31 March 2017</b>						
Cost/valuation						
Balance as at 1 April 2016	3,412,113	530,511	285,343	17,766	146,668	4,392,400
Additions	17,393	68,162	93,011	-	60,678	239,243
Amount transferred from work in progress	4,102	55	-	-	-	4,157
Disposals	(15,949)	(5,163)	(864)	-	-	(21,976)
Disposals - breakages, losses & discarded	-	-	-	-	(34,270)	(34,270)
Revaluation	(281,660)	(42,007)	(9,168)			(332,835)
Balance as at 31 March 2017	3,135,998	551,558	368,322	17,766	173,075	4,246,718
Depreciation						
Balance as at 1 April 2016	298,140	189,692	76,460	8,022	76,987	649,301
Depreciation charge (Note 6)	80,673	73,218	32,669	1,920	29,825	218,305
Disposals	(1,674)	(2,764)	(436)	-	-	(4,874)
Disposals - breakages, losses & discarded					(18,348)	(18,348)
Revaluation	(377,138)	(27,709)	(6,959)			(411,807)
Balance as at 31 March 2017	-	232,437	101,735	9,942	88,464	432,578
Net book value as at 31 March 2017	3,135,998	319,121	266,586	7,824	84,611	3,814,140
Capital work in progress						
Balance as at 1 April 2016						48,374
Cost incurred during the year						2,533
Amount transferred to Property, Plant and Equipment						(4,157)
Balance as at 31 March 2017						46,750
Total net book value as at 31 March 2017	3,135,998	319,121	266,586	7,824	84,611	3,860,890



# NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 March 2017

## 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 (F.I.V Sri Lanka) a chartered independent valuer as at 31 March 2017. 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.

After a comprehensive study of fixed asset register of The Kingsbury PLC, the management noted that significant majority of furniture & fittings and plant & machineries are reflected in the books at purchase prices due to refurbishments carried out in previous financial years. In this exercise, the management obtained advice from the chartered independent valuer, where it was estimated that the carrying values of those assets as at 31 March 2017 are approximate the fair values. Accordingly, a net adjustment amounting to Rs.16,505,730 has been made to the financial statements of year 2016/17, against the balance of the revaluation entry posted in 2010/11 to bring those assets in to cost basis.

Key significant unobservable valuation inputs used include, estimated cost of construction per square feet [Rs. 11,750/- - 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 disclosed 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 Rs '000	Accumulated depreciation Rs '000	Net book value Rs '000
Plant, machinery and equipment	101,083	101,083	-
Buildings and building integrals	2,632,024	420,100	2,211,924
Furniture and fittings	55,115	55,115	-
	2,788,222	576,298	2,211,924



Year Ended 31 March 2017

- 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:

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

- 12.7 During the year the management has carried out a comprehensive study of fixed asset register of the Company. In this exercise, the management noted the need to make suitable adjustments in the nature of removing non existing items, and other relevant adjustments to carrying values. Accordingly a net adjustment amounting to Rs.14,524,947/- was made against revaluation reserve.

**13. INTANGIBLE**

	2017 Rs '000	2016 Rs '000
<b>Cost</b>		
Balance as at 1 April	37,723	33,854
Additions during the year	6,214	3,869
Balance as at 31 March	43,937	37,723
<b>Amortisation</b>		
Balance as at 1 April	13,614	9,337
Amortisation during the year	4,806	4,277
Balance as at 31 March	18,420	13,614
Net Book Value	25,517	24,110

The intangible assets consist of computer software

**14. INVENTORIES**

	2017 Rs '000	2016 Rs '000
Food, beverages and tobacco	34,838	40,785
Consumables	38,166	24,650
Inventories	73,004	65,435





# NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 March 2017

<b>15. TRADE AND OTHER RECEIVABLES</b>		
	2017	2016
	Rs '000	Rs '000
Trade receivables	125,255	156,058
Less: Impairment Allowances (Note 31.2.c)	(2,565)	(8,578)
	122,690	147,480
Intercompany receivables (Note 29.3)	5,211	12,087
Trade and other receivables	127,901	159,567
<b>16. OTHER NON FINANCIAL ASSETS</b>		
	2017	2016
	Rs '000	Rs '000
Prepayments	19,225	17,788
Advances to Suppliers	13,398	13,523
Advances to Employees	11,177	9,896
Security deposits	19,661	10,518
Other receivables	29,109	6,166
Other non-financial assets	92,570	57,890
<b>17. SHORT TERM DEPOSITS</b>		
	2017	2016
	Rs '000	Rs '000
Investments less than 3 months	347,949	460,596
Investments more than 3 months	-	-
Other current financial assets	347,949	460,596



Year Ended 31 March 2017

**18. DEFERRED TAX LIABILITY**

18.1 Deferred income taxes are calculated on temporary differences under the liability method using a tax rate of 12% (2016 - 12%).

	Statement of Financial Position		Income Statement		Statement of Other Comprehensive Income	
	2017	2016	2017	2016	2017	2016
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Deferred Tax Liability						
Capital Allowance for tax Purpose	313,246	280,252	28,212	44,213	-	-
	313,246	280,252				
Deferred Tax Assets						
Defined Benefit Plans	4,742	3,684	(517)	(435)	(541)	(732)
Un-used Tax Losses	101,697	112,201	10,504	19,257	-	-
	106,439	115,885				
Net Deferred Tax Liability	206,808	164,367				
Deferred Tax Expense/(Benefit)			38,199	63,034	(541)	(732)

18.2 The Company has carried forward tax losses of Rs. 844,319,483/- (2016 - Rs. 934,406,892/-) 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.

18.3 The movement on the deferred income tax account is as follows:

	2017	2016
	Rs '000	Rs '000
Deferred tax assets		
As at 1 April	115,885	133,975
Income statement release	(9,987)	(18,822)
Tax income recognised in Other Comprehensive Income	541	732
As at 31 March	106,439	115,885
Deferred tax liabilities		
As at 1 April	280,252	239,414
Deferred tax on amount transferred to revaluation reserve	11,457	-
Income statement charge	28,212	44,213
	319,921	283,627
Deferred tax on amount transferred from revaluation reserve	(6,674)	(3,374)
As at 31 March	313,246	280,252
Deferred tax liabilities (net)	206,808	164,367



# NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 March 2017

<b>19. CASH AND CASH EQUIVALENTS</b>		
	2017	2016
	Rs '000	Rs '000
<b>19.1</b> Cash at bank and in hand	148,793	56,451
Short term deposits less than 3 months (Note 17)	347,949	460,596
Deposits more than 3 months	-	-
Cash and short term deposits	496,742	517,047
<b>19.2</b> For the purposes of the cash flow statement, the year end cash and cash equivalents comprise the following:		
	2017	2016
	Rs '000	Rs '000
Cash and short term deposits (Note 19.1)	496,742	517,047
Bank overdraft (Note 22)	(93,707)	(59,872)
Cash and Cash equivalents at the end of the period	403,035	457,174
<b>20. TRADE AND OTHER PAYABLES</b>		
	2017	2016
	Rs '000	Rs '000
Trade payables	102,359	111,406
Intercompany payables (Note 29.4)	17,005	22,385
Accrued expenses	67,948	40,141
Service charge payable	25,769	23,338
Other payables	32,260	28,162
Payables to contractors	17,514	28,178
Trade and other payables	262,855	253,609
<b>21. OTHER NON FINANCIAL LIABILITIES</b>		
	2017	2016
	Rs '000	Rs '000
Advances received for reservations	146,236	101,867
Reserve for Breakages	1,096	5,774
VAT Payable	15,126	9,767
Other Payables	137,652	15,146
Other non financial liabilities	300,110	132,554



Year Ended 31 March 2017

## 22. INTEREST-BEARING BORROWINGS

### 22.1 Borrowings

	2017 Rs '000	2016 Rs '000
Current liabilities		
Bank overdraft	93,707	59,872
Borrowings from Banks / Financial Institutions	475,048	467,219
	568,755	527,091
Non-current liabilities		
Borrowings from Banks / Financial Institutions	942,101	1,350,116
	942,101	1,350,116
Total borrowings	1,510,856	1,877,207

### 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	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

Description	Bank/Financial Institution	
	BOC	DEG
Commencement date	1 October 2011	7 June 2013
End date	7 March 2019	15 December 2020
Grace period	1 year and 6 months	2 years
Installment amount	Rs. 17,171,717/-	USD 833,333.33
Interest rate	AWPLR	3%* + 6 months LIBOR
Term	7 years & 6 months	8 years

\* Interest rate was 4.25% upto 14 June 2016, re-negotiated to 3% which is the prevailing rate.



# NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 March 2017

## 23. POST EMPLOYMENT BENEFIT OBLIGATION

	2017 Rs '000	2016 Rs '000
Gratuity		
<b>23.1 Summary</b>		
As at 1 April	30,703	20,973
Transfers	-	-
Charge for the year (Note 23.2)	10,939	10,706
Benefits paid	(2,123)	(977)
As at 31 March	39,519	30,703

## 23.2 Charge for the year

	2017 Rs '000	2016 Rs '000
Reported in Income Statement		
Current service cost	3,170	2,547
Interest cost	3,261	2,057
Reported in other Comprehensive Income		
Net actuarial (Gain) / Loss recognised immediately to Other Comprehensive Income	4,508	6,102
Charge for the year	10,939	10,706

**23.3** The Company obtained an actuarial valuation from an independent professional actuary, Messrs NMG Consulting, in March 2017, to ascertain the post employment benefit obligation arising in respect of Gratuity.

	2017 Rs '000	2016 Rs '000
Discount rate	12%	11%
Future salary increase	11%	10%
Retiring age	55 years	55 years





Year Ended 31 March 2017

#### 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 March 2017 (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%	-	2,149	(2,149)
(1%)	-	(2,388)	2,388
-	1%	(2,399)	2,399
-	(1%)	2,195	(2,195)

#### 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.

	2017 Rs '000	2016 Rs '000
Less than or equal 1 year	6,058	3,483
Over 1 year and less than or equal 5 years	14,555	7,616
Over 5 year and less than or equal 10 years	10,579	8,284
Beyond 10 years	8,327	11,320
Total	39,519	30,703



# NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 March 2017

## 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 (CMC). 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 six 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 (13219/M), 2010 (14158/M), 2011 (15464/R), 2013 (28930/14), 2014 (16397/15) and 2015 (15580/16). The above cases are fixed for trial before the Magistrate's Court of Maligakanda in following manner;  
  
Cases filed for 2009 and 2010 to be called on 12 June 2017 for counter objections of the CMC on the objections filed by the company against the charge, the case filed for 2011 is fixed for trial on 5 June 2017 and the cases filed for 2013 and 2014 to be called on 22 May 2017 and the case filed for 2015 on 12 June 2017 for objections against the charges filed respectively.
- (c) The writ application (766/2010) 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 4 August 2017.
- (d) Two cases filed against Customer claims at District Court of Colombo DMR00602/16 and DMR 00801/16.

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.

## 25. COMMITMENTS

### a. Capital commitments

The Company has capital commitment as at the reporting date Rs. 23.9 Mn (2016 - Rs. 112.7 Mn).

### b. Operating lease commitments

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

	Leasehold Land		Lease Rental Payable for Leased Property	
	2017	2016	2017	2016
	Rs '000	Rs '000	Rs '000	Rs '000
Not later than 1 year	2,500	2,500	125,330	114,886
Later than 1 year and no later than 5 years	10,000	10,000	626,650	626,650
Later than 5 years	117,500	120,000	438,648	511,756
	130,000	132,500	1,190,627	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.

The Company has a monthly commitment to pay a sum of Rs. 10,444,159/- to Platinum Reality Investments (Private) Limited and the individual apartments owners for "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 a 10 year period.



Year Ended 31 March 2017

<b>26. STATED CAPITAL</b>				
			Number of shares ‘000	Ordinary shares Rs ‘000
At 31 March 2016			242,000	836,000
At 31 March 2017			242,000	836,000
<b>26.1 Ordinary Shares</b>				
	2017		2016	
	Number ‘000	Rs ‘000	Number ‘000	Rs ‘000
Balance at beginning of the year	242,000	836,000	242,000	836,000
Rights Issue	-	-	-	-
Balance at end of the year	242,000	836,000	242,000	836,000
<b>27. REVALUATION RESERVE</b>				
			2017 Rs ‘000	2016 Rs ‘000
Revaluation reserve (Note 27.1)			940,907	905,830
Revaluation reserve			940,907	905,830
<b>27.1 Revaluation Reserve</b>				
The revaluation surplus, comprises gains on revaluation of Property, Plant and Equipments made in 1996, 2002, 2010, 2011 and 2017.				
The movement in the revaluation reserve is as follows:				
			2017 Rs ‘000	2016 Rs ‘000
At beginning of year			905,830	930,576
Revaluation gain during the year (Note 12)			95,478	-
Deferred tax on revaluation gain			(11,457)	-
Transfer to retained earnings*			(39,113)	(28,120)
Revaluation adjustment made during the year (Net of deferred tax) (Note 12.7)			(14,525)	-
Deferred tax on transfers to retained earnings			4,694	3,374
At end of year			940,907	905,830
*The amount transferred to retained earnings represents current year depreciation effect of the revaluation gain of previous years and the revaluation gain of those assets which were disposed or de-recognised during the year.				



# NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 March 2017

## 28. CASH GENERATED FROM OPERATIONS

Reconciliation of profit before tax to cash generated from operations:

	2017 Rs '000	2016 Rs '000
Profit before tax	425,016	357,861
Adjustments for:		
Depreciation on Property, Plant and Equipment (Note 12)	218,305	216,675
Amortisation of intangible assets	4,806	4,277
Provision for bad and doubtful debts	(1,796)	3,306
Interest income (Note 9)	(20,905)	(18,393)
Interest expense (Note 9)	104,744	113,321
Foreign exchange loss, Net (Note 9)	29,885	74,962
Loss on disposal of Property, Plant and Equipment, cutlery and linen	33,024	4,200
Post employment benefit plans (Note 22)	6,431	4,604
Changes in working capital:		
- Receivable and prepayments	6,089	(146)
- Inventories	(7,569)	10,136
- Payables	51,711	110,807
Net cash generated from / (used in) operations	849,740	881,610

## 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:

Nature of Transaction	Parent		Fellow subsidiaries		Entities connected to KMP		Total	
	2017 Rs '000	2016 Rs '000	2017 Rs '000	2016 Rs '000	2017 Rs '000	2016 Rs '000	2017 Rs '000	2016 Rs '000
Rooms and banquet sales	20,438	14,964	25,889	41,963	18,698	-	65,025	56,927
Purchase of goods/ services	-	-	10,528	34,061	26,503	-	37,031	34,061
Marketing and promotional fees	91,898	76,951	87,730	76,951	-	-	179,627	153,902
Sectorial and administration charges	18,766	19,578	1,694	2,619	-	-	20,460	22,197



Year Ended 31 March 2017

29.3 Outstanding receivables balance arising from the above transactions:

	2017 Rs '000	2016 Rs '000
Parent	1,969	5,699
Fellow subsidiaries	3,242	6,388
Intercompany receivable (Note 15)	5,211	12,087
Entries connected to KMP	2,271	3,395

29.4 Outstanding payable balance arising from the above transactions:

	2017 Rs '000	2016 Rs '000
Parent	7,219	9,673
Fellow subsidiaries entities connected to KMP	9,787	12,712
Intercompany payable (Note 20)	17,005	22,385
Entries connected to KMP	557	1,265

All the above related party transactions have been conducted on relevant commercial terms with the respective parties. All related party outstanding balances at the year-end are unsecured, interest free other than in the case of funding arrangements and are to be settled in cash or its equivalents.

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.

	2017 Rs '000	2016 Rs '000
a. Key Management Personnel Compensation		
Short-term employee benefits	4,440	3,600
Directors emoluments	2,513	1,993
	6,953	5,593
b. Transactions, with KMP and their close family members		
Rooms and Banquet Sales	18,778	14,494
c. Outstanding receivable / (payable) balance arising from above transactions:	1,993	2,849





# NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 March 2017

## 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.

		2017		2016	
		Carrying Value Rs '000	Fair Value Rs '000	Carrying Value Rs '000	Fair Value Rs '000
Financial assets					
Short term deposits	(Note 17)	347,949	347,949	460,596	460,596
Cash and bank	(Note 19)	148,793	148,793	56,451	56,451
Trade and other receivables	(Note 15)	127,901	127,901	159,567	159,567
		624,642	624,642	676,614	676,614
Financial liabilities					
Trade and other payables	(Note 20)	262,855	262,855	253,609	253,609
Interest-bearing loans and borrowings	(Note 22)	1,510,856	1,510,856	1,877,207	1,877,207
		1,773,711	1,773,711	2,130,816	2,130,816

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

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 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.

**b. The maximum exposure to credit risk at the reporting date**

	2017 Rs '000	2016 Rs '000
Trade and other receivables (Note 15)	127,901	159,567

**c. The ageing of the trade receivable at the reporting date**

	Gross Receivable		Impairment Allowance*		Carrying Value	
	2017 Rs '000	2016 Rs '000	2017 Rs '000	2016 Rs '000	2017 Rs '000	2016 Rs '000
Not due 0 - 30 days	78,354	92,887	-	-	78,354	92,887
Past due:						
Past due 31 - 60 days	16,464	32,905	-	-	16,464	32,905
Past due 61 - 90 days	4,468	14,821	-	-	4,468	14,821
Past due 90 - 120 days	1,491	6,071	-	-	1,491	6,071
Past due 120 - 180 days	1,101	2,641	649	1,994	452	647
More than 180 days	2,382	6,733	1,916	6,584	467	149
Total	104,259	156,058	2,565	8,578	101,695	147,480



# NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 March 2017

\*Movement in the Impairment Allowance

	2017 Rs '000	2016 Rs '000
Balance at 1 April	8,577	6,536
Impairment recognised	(1,796)	3,306
Written-off	(4,216)	(1,265)
Balance at 31 March	2,565	8,577

## 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:

31 March 2017	Carrying amount Rs '000	Contractual maturities of financial liabilities			
		Up to 3 Months Rs '000	3 - 12 Months Rs '000	1 - 5 Years Rs '000	More than 5 Years Rs '000
Trade and other payables	262,855	210,628	9,967	42,260	-
Interest-bearing borrowings	1,655,854	309,378	332,654	1,013,822	-
	1,918,709	520,006	342,621	1,056,082	-

31 March 2016	Carrying amount Rs '000	Contractual maturities of financial liabilities			
		Up to 3 Months Rs '000	3-12 Months Rs '000	1 - 5 Years Rs '000	More than 5 Years 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	387,432	1,489,255	-



Year Ended 31 March 2017

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%	(13,849)	13,849
(1%)	13,849	(13,849)

#### 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)
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 changes 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 / (decrease) in interest rate	Sensitivity Effect on borrowings liability increase / (decrease) in the Liability
1%	(299)
(1%)	299



# NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 March 2017

## **32. CAPITAL**

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

Year Ended 31 March 2017

No. of Shares held		RESIDENTS			NON RESIDENTS			TOTAL		
		No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1	1,000	2,433	868,915	0.3591	16	8,530	0.0035	2,449	877,445	0.3626
1,001	10,000	1,148	4,293,083	1.7740	18	73,680	0.0304	1,166	4,366,763	1.8044
10,001	100,000	260	8,104,206	3.3488	9	348,708	0.1441	269	8,452,914	3.4929
100,001	1,000,000	44	11,379,666	4.7023	2	477,110	0.1972	46	11,856,776	4.8995
Over 1,000,000		18	216,446,102	89.4405	-	-	0.0000	18	216,446,102	89.4405
		3,903	241,091,972	99.6248	45	908,028	0.3752	3,948	242,000,000	100.0000
CATEGORY										
Individuals		3,729	26,255,343	15.5569	43	785,820	0.3247	3,772	27,041,163	11.1740
Institutions		174	214,836,629	84.0679	2	122,208	0.0505	176	214,958,837	88.8260
		3,903	241,091,972	99.6248	45	908,028	0.3752	3,948	242,000,000	100.0000
SHARE TRANSACTIONS OF FIRST TWENTY SHARE HOLDERS AS AT 31.03.2017 (DESCENDING ORDER)										
Name of Shareholder					No. of Shares As at 31.03.2017		% of Holding	No. of Shares As at 31.03.2016		% of Holding
1	Hayleys PLC Share Investment Account No. 3				112,307,057		46.41	112,307,057		46.41
2	Carbotels (Pvt) Ltd.				31,625,000		13.07	31,625,000		13.07
3	Employees Provident Fund				25,559,947		10.56	25,559,947		10.56
4	Bank of Ceylon, Ceybank Unit Trust Account				8,045,877		3.32	4,874,855		2.01
5	Bank of Ceylon Account No. 2				7,833,500		3.24	7,833,500		3.24
6	Mr. K. D. A. Perera				6,581,352		2.72	3,788,060		1.57
7	National Savings Bank				4,669,876		1.93	4,669,876		1.93
8	Vallibel One PLC				3,216,146		1.33	3,216,146		1.33
9	Renuka Hotels Ltd.				2,371,300		0.98	2,371,300		0.98
10	Renuka City Hotels PLC				2,260,300		0.93	2,260,300		0.93
11	Associated Electrical Corporation Ltd				2,124,400		0.88	2,109,400		0.87
12	Merchant Bank of Sri Lanka Ltd Account No. 1				1,938,297		0.80	1,938,297		0.80
13	Renuka Consultants & Services Ltd.				1,835,100		0.76	1,835,100		0.76
14	Mr. K. D. H. Perera				1,453,567		0.60	1,257,417		0.52
15	People's Leasing & Finance PLC / Mr. L. P. Hapangama				1,227,700		0.51	1,227,700		0.51
16	Sampath Bank PLC / Mrs. Priyani Dharshini Ratnagopal				1,200,000		0.50	1,200,000		0.50
17	Mr. M. H. Jamaldeen				1,186,583		0.49	1,061,583		0.44
18	Cargo Boat Development Company PLC				1,010,100		0.42	1,010,100		0.42
19	Mr. A. P. Somasiri				1,000,000		0.41	1,000,000		0.41
20	Mrs. V. R. Jayasinghe				904,111		0.37	904,111		0.37
					218,350,213		90.23	212,049,749		87.63



# 5 YEAR FINANCIAL SUMMARY AND KEY INDICATORS

	2016/17		2015/16		2014/15		2013/14		2012/13	
	Rs '000		Rs '000		Rs '000		Rs '000		Rs '000	
Revenue										
Rooms	1,395,107	47	1,184,102	45	1,082,468	46	990,553	46	34,687	18
Food & Beverages	1,482,763	50	1,345,185	51	1,196,535	51	1,114,205	52	160,685	82
Other Operating Income	86,952	3	87,202	3	56,724	2	38,528	2	229	0
Total Revenue	2,964,822	100	2,616,489	100	2,335,727	100	2,143,285	100	195,601	100
Direct Cost										
Food & Beverage Cost	571,473	19	506,877	19	461,371	20	453,020	21	66,629	34
Cost of Sales	571,473	19	506,877	19	461,371	20	453,020	21	66,629	34
Gross Operating Profit	2,393,349	81	2,109,612	81	1,874,356	80	1,690,265	79	128,972	66
Expenses										
Administration & General	1,298,944	44	1,053,851	40	971,685	42	904,004	42	360,394	184
Advertising & Sales	98,314	3	97,795	4	63,496	3	79,095	4	26,661	14
Heat, light & power	145,732	5	137,972	4	146,257	6	150,304	7	44,235	23
Repairs & Maintenance	84,005	3	74,211	4	57,072	2	69,136	3	13,620	7
Operating Expenses	1,626,995	55	1,363,829	52	1,238,510	53	1,202,539	56	444,910	227
Operating Profit	766,354	26	745,783	29	635,846	27	487,727	23	(315,938)	(162)
Other Income and Expenses	(4,503)	0	2,919	0	5,559	0	2,156	0	2,702	1
De - recognition of Property, Plant and Equipment	-	(0)	-	-	(9,369)	(0)	-	-	(43,810)	(22)
	761,851	26	748,702	29	632,036	27	489,883	23	(357,046)	(160)
Net Finance Expenses	113,724	4	169,889	6	129,594	6	274,378	13	85,022	43
Depreciation	223,110	8	220,952	8	202,321	9	181,910	8	60,377	31
	336,834	11	390,841	15	331,915	14	456,288	21	145,399	74
Profit/(Loss) Before Tax	425,016	14	357,861	14	300,121	13	33,595	2	(502,445)	(234)
Income Tax Expenses	(44,670)	(2)	(64,493)	(2)	(8,698)	(0)	(874)	(0)	52,471	27
Net Profit/(Loss) After Tax	380,346	13	293,368	11	291,423	12	32,721	2	(449,974)	(230)
Re-measurement Gain/(Loss) on Defined Benefit Plans	(4,508)	(0)	(6,102)	(0)	(2,117)	(0)	(1,123)	(0)	1,433	1
Income Tax Effect on Defined Benefit Plans	541	0	732	0	254	0	135	0	(172)	(0)
Other Comprehensive Income/(Loss) for the Year, Net of Tax	(3,967)	(0)	(5,370)	(0)	(1,864)	(0)	(988)	(0)	1,260	1
Total Comprehensive Income/(Loss) for the Year, Net of Tax	376,379	13	287,998	11	289,560	12	31,733	1	(448,714)	(229)



	2016/17 Rs '000	2015/16 Rs '000	2014/15 Rs '000	2013/14 Rs '000	2012/13 Rs '000
<b>OPERATING RESULTS</b>					
Total Revenue	2,964,822	2,616,489	2,335,727	2,143,285	195,601
Sales Growth %	13.31	12.02	8.98	995.74	(64.25)
Operating Profit	766,353	745,783	635,845	487,727	(315,938)
Net Profit/(Loss) before tax	425,016	357,861	300,121	33,595	(502,445)
Net Finance Expenses	113,724	169,889	129,594	274,378	85,022
Depreciation	223,110	220,952	202,321	181,910	60,377
				-	-
<b>CAPITAL EMPLOYED</b>					
Stated Capital	836,000	836,000	836,000	836,000	176,000
Revaluation & Other Reserves	940,907	905,830	930,576	952,126	975,333
Retained Earnings	613,646	440,154	196,636	(117,414)	(171,068)
Shareholder's Fund	2,390,553	2,181,984	1,963,212	1,670,713	980,265
<b>ASSETS EMPLOYED</b>					
Non Current Assets	3,886,407	3,815,582	3,861,454	3,819,611	3,826,161
Net Current Assets	(307,426)	(88,412)	(69,219)	64,333	(1,531,805)
	3,578,981	3,727,170	3,792,234	3,883,944	2,294,356
Long term liabilities	981,620	1,380,819	1,723,584	2,115,492	1,211,866
Deferred liabilities	206,808	164,367	105,439	97,739	102,225
	2,390,553	2,181,984	1,963,212	1,670,713	980,265
<b>KEY INDICATORS</b>					
Current Ratio	0.73	0.90	0.91	1.11	0.20
Net Assets Per Share	9.88	9.02	8.11	6.90	5.57
Market Price Per Share	15.50	15.00	16.00	12.80	13.40
Earnings Per Share	1.57	1.21	1.20	0.15	(2.33)



# NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Forty Eighth Annual General Meeting of The Kingsbury PLC, will be held at the Hayleys Conference Room, No. 400, Deans Road, Colombo 10, Sri Lanka, on Thursday 22nd June 2017 at 3.00 p.m. and the business to be brought before the meeting will be:

## AGENDA

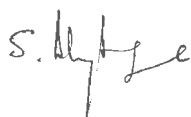
- 1) To consider and adopt the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March 2017, with the Report of the Auditors thereon.
- 2) To re-elect Ms. I. Jamaldeen, who was appointed to the Board since the last Annual General Meeting, a Director.
- 3) To re-elect Mr. S. C. Ganegoda who retires by rotation at the Annual General Meeting, a Director.
- 4) To re-elect Mr. J. P. Van Twest who retires by rotation at the Annual General Meeting, a Director.
- 5) To re-elect Mr. D. E. Silva who retires by rotation at the Annual General Meeting, a Director.
- 6) To ratify the sum of Rs. 1,783,343/- made as donations for the year 2016/17 in excess of the sum approved by the shareholders.
- 7) To authorise the Directors to determine contributions to Charities for the financial year 2017/18.
- 8) 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 2017/18.
- 9) 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 / herself 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 20th June 2017.

By Order of the Board

THE KINGSBURY PLC



**Hayleys Group Services (Private) Limited**  
Secretaries

Colombo  
26th May 2017



# FORM OF PROXY

I/We\* .....  
 (Full Name of Shareholder, NIC No. /Reg. No.\*\*\*) of.....  
 ..... being a shareholder/ shareholders\* of The Kingsbury PLC hereby appoint,  
 1 ..... (Full Name of  
 Proxyholder and NIC No.\*\*) of .....  
 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, speak and vote as indicated hereunder for me/us\* and on my/our\* behalf at the Forty Eighth Annual General Meeting of the Company to be held on 22nd June 2017 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 Directors and the Statements of Accounts for the year ended 31st March 2017 together with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Ms. I. Jamaldeen who has been appointed to the Board since the last Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect, Mr. S. C. Ganegoda who retires by rotation at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect, Mr. J. P. Van Twest who retires by rotation at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect, Mr. D. E. Silva who retires by rotation at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
6. To ratify the sum of Rs. 1,783,343/- made as donations for the year 2016/17 in excess of the sum approved by the shareholders.	<input type="checkbox"/>	<input type="checkbox"/>
7. To authorise the Directors to determine contributions to charities for the financial year 2017/18.	<input type="checkbox"/>	<input type="checkbox"/>
8. To authorise 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 of section 158 of the Companies Act No. 07 of 2007 for the financial year 2017/2018.	<input type="checkbox"/>	<input type="checkbox"/>

(\*\*\*) The proxy may vote as he/she\* thinks fit on any other resolution brought before the Meeting of which due Notice has been given.

As witness my/our\* hands this ..... day of ..... 2017.

.....  
 Signature of Shareholder

Witness Signature : .....

Name : .....

Address : .....

NIC No. : .....

- Notes:**
- (a) \* Please delete the inappropriate words.
  - (b) A shareholder entitled to attend and vote at the Annual General meeting of the Company, is entitled to appoint a proxy to attend and vote instead of him/her and the proxy need not be a shareholder of the Company.  
 \*\* Full name of shareholder/proxy holder and their NIC No's and Witness are mandatory. Your Proxy Form will be rejected if these details are not completed.
  - (c) A shareholder is not entitled to appoint more than one proxy to attend on the same occasion.
  - (d) Instructions are noted on the reverse hereof.
  - (e) This Form of Proxy is in terms of the Articles of Association of the Company.

*Form of Proxy contd.*





#### INSTRUCTIONS AS TO COMPLETION

1. To be valid, the completed Form of Proxy must be deposited with the Company Secretaries, Hayleys Group Services (Pvt) Ltd., at No. 400, Deans Road, Colombo 10, Sri Lanka more than 48 hours before the Meeting.
2. In perfecting the Form of Proxy, please ensure that all requested details are filled in legibly including mandatory details. Kindly Sign and fill in the date of signing.
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. The proxy need not be a member of the Company.
4. Please indicate with an X in the space provided how your proxy is to vote on the resolutions. 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.  
  
In the case of the individual shareholders, the signature of the shareholder should be witnessed by any person over 18 years of age.
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.
7. In case of Marginal Trading Accounts (slash accounts), the form of Proxy should be signed by the respective authorised Fund Manager/Banker with whom the account is maintained.



# 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

J. P. Van Twest

D. E. Silva

Ms. I. Jamaldeen (Ceased to be the Alternate Director to Mr. Dhammika Perera w.e.f. 15.03.2017 and appointed as a Director on 15.03.2017)

Ms. A. A. K. Amarasinghe (Appointed as the Alternate Director to Mr. Dhammika Perera w.e.f. 15.03.2017)

W. D. N. H. Perera (Resigned with effect from 08.03 2017)

## 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.

## REGISTERED OFFICE

The Kingsbury Hotel Colombo

No. 48, Janadhipathi Mawatha, Colombo 01, Sri Lanka.

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