

# RISE



## THE KINGSBURY

At the Kingsbury, we believe in our strong will to rise from adversity to deliver memorable experiences. Today we are optimistic as we anticipate a future of hope and endless possibilities

[thekingsburyhotel.com](http://thekingsburyhotel.com)



# RISE

In the wake of some of the most challenging years in our history, The Kingsbury Hotel is committed to delivering outstanding hospitality amidst an ambience of positivity and resilience.

Over the years, our strength of will has always helped us to rise from times of turbulence, while continuing to set the benchmark for hospitable service, fine dining and classic elegance.

The unprecedented challenges in the year under review have tested our capacity immensely; yet through it all, we have remained positive and optimistic—determined to remain strong and resourceful and serve our stakeholders well in all we do. We are driven by a strong will to rise above the challenges of the present while anticipating a future of hope, positivity and endless possibilities.

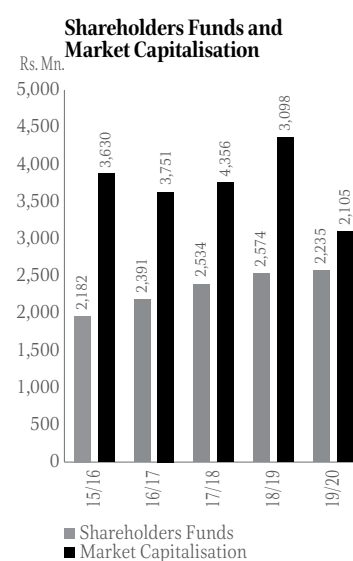
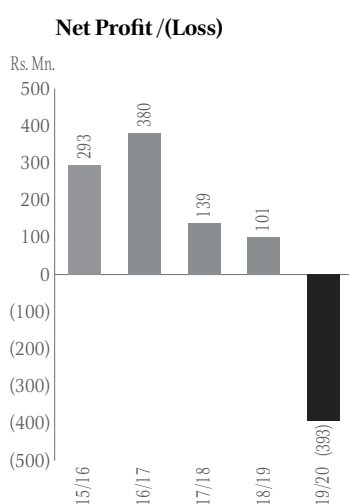
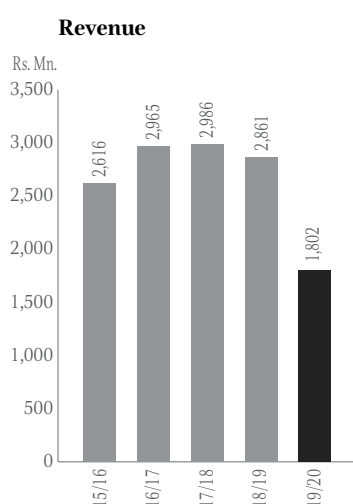
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# FINANCIAL HIGHLIGHTS

Year ended 31st March		2020	2019
<b>Earnings Highlights and Ratios</b>			
Net Revenue	(Rs.'000)	<b>1,802,374</b>	2,861,468
Earnings Before Interest & Tax (EBIT)	(Rs.'000)	<b>(283,032)</b>	239,047
Profit/(Loss) Before Tax (PBT)	(Rs.'000)	<b>(405,133)</b>	172,788
Profit/(Loss) After Tax (PAT)	(Rs.'000)	<b>(392,849)</b>	100,777
Earnings Per Share (Basic)	(Rs.)	<b>(1.62)</b>	0.42
Return on Capital Employed	%	<b>(6.18)</b>	5.54
Return on Assets	%	<b>(8.84)</b>	4.01
Gross Profit Margin	%	<b>34.47</b>	49.98
<b>Financial Position Highlights and Ratios</b>			
Shareholders Fund	(Rs.'000)	<b>2,235,136</b>	2,573,699
Total Assets	(Rs.'000)	<b>4,581,621</b>	4,312,491
Total Debt	(Rs.'000)	<b>1,275,354</b>	1,014,057
Return on Equity	%	<b>(17.58)</b>	3.92
Gearing	%	<b>35.93</b>	27.48
Debt/ Equity	%	<b>57.06</b>	39.40
Net Assets Per Share	(Rs.)	<b>9.24</b>	10.64
Quick Asset Ratio	No: of Times	<b>0.26</b>	0.63
Equity Asset Ratio	No: of Times	<b>0.49</b>	0.60
Current Ratio	No: of Times	<b>0.32</b>	0.71
<b>Market/Shareholder Information</b>			
Market Value (Year ended)	(Rs.)	<b>8.70</b>	12.80
Market Capitalisation	(Rs.'000)	<b>2,105,400</b>	3,097,600
Price earnings Ratio	No: of Times	<b>(5.36)</b>	30.74

# OPERATIONAL HIGHLIGHTS



Occupancy  
**57%**

Number of Guests  
**48,005**

Food & Beverage Covers  
**434,190**

# CHAIRMAN'S REVIEW

## DEAR SHAREHOLDER,

Welcome to your Company's 51st Annual General Meeting. I cordially invite you to peruse the annual report and financial statements of The Kingsbury Hotel for the year ended 31st March 2020.

## OVERVIEW OF FINANCIAL YEAR

The financial year 2019/20 has been an arduous one that began with The Kingsbury being directly affected by the terrorist attacks in April 2019. The aftermath of that tragedy saw your company's resilience on display as it chose to transform the crisis to an opportunity by undertaking a large scale revamp of the premises. It is extremely unfortunate that just as the hotel was returning to a state of normalcy, the COVID-19 pandemic emerged, decimating our industry as nations around the world went into lockdown. The events, starting from March 2020 necessitated that we resort to out-of-the-box thinking to remain relevant and competitive. It is to our team's credit that we launched 'The Kingsbury Indulgence', a trailblazing new website in a bid to provide some of our stellar services to guests.

## IMPACT OF TERRORISM

Three weeks into the new financial year, the Easter attacks caused tourist arrivals to Sri Lanka to fall drastically leaving the industry reeling. Limited use of social media platforms, implementation of curfew and the general uncertainty of the following weeks had a negative knock-on effect. With lower room occupancy and reduced footfall in restaurants and bars, revenues fell across the board.

The government undertook multiple measures to provide much needed assistance in the aftermath of the terror attacks. The Sri Lanka Tourism Promotion Bureau (SLTPB) implemented an aggressive promotional campaign, inclusive of media trips with multiple travel Influencers, media conferences in key markets such as India and China and targeted promotional campaigns and packages. These efforts were supplemented with a digital advertising campaign and a television campaign in collaboration with global news giant, CNN.

## SHOWCASING RESILIENCE

The new threats required a revamp of security features; The Hotel upgraded its security facilities in line with international standards by investing in new technologies, recruiting additional security

personnel and conducting training sessions for staff members. The Kingsbury teams' courageous and untiring efforts enabled the commencement of banqueting operations within three working days of the incident, while room operations resumed in May 2019.

The appointment of hospitality veteran Mr. Rohan Karr as the new Managing Director of Hayleys Leisure was the spark the Hotel needed to ignite a flame which would lead the way forward. With the support of the most diversified conglomerate in the island, The Kingsbury forged ahead to unveil a reimagined Food and Beverage offering with revamped interiors and re-crafted menus. The Hotel showcased its ability to bounce back by returning to the basics: epicurean excellence, luxury accommodation and unmatched service standards.

## MARKET PERFORMANCE

While guest arrivals understandably declined, our primary source countries for the year under review were India, China, Great Britain, Australia and the Maldives. In the month's following April, the MICE segment continued to reinforce its status as a strong performer for the Hotel. Our Food & Beverage revenues improved with the re-launch of dining facilities following refurbishment.

## FINANCIAL PERFORMANCE

The financial performance faced stresses from the two major crises at the beginning and end of the financial year. Your company ended the year with an overall loss of Rs. 392 million on revenue of Rs.1,843 million.

## LOOKING AHEAD

The tourism industry is faced with grim prospects given the global impact of COVID-19. The socioeconomic impact of the first six months of this pandemic has been devastating; it has affected people from all walks of life and wreaked havoc on a multitude of domestic and international businesses. As at the time of writing, Sri Lanka is preparing to open its borders in August 2020 to allow international travel.

The health and safety of our guests and employees is a key priority and the Company has strengthened our processes in line with recommendations made by local and international bodies such as The World Health Organization (WHO),

The Ministry of Health and Indigenous Medical Services Sri Lanka and the Sri Lanka Tourism and Development Authority (SLTDA).

The Hotel has prudently managed costs by eliminating all non-essential expenses during these difficult times. Furthermore, the launch of a groundbreaking platform, The Kingsbury Indulgence, allows guests to meet their five star desires, whether it be exquisite cuisine, private functions or laundry services, safely at their doorstep. The perceptive nature of the hotel staff to innovate in the midst of a crisis is testament to what can be achieved when teams work together. With renewed vigour, The Kingsbury Hotel pledges to keep the safety of its patrons as its utmost priority, while ensuring that its service quality remains uncompromised.

## ACKNOWLEDGEMENTS

I take this opportunity to thank our shareholders for continuing to place their confidence in the hotel.

As always, I express my sincere gratitude to my colleagues from the Board of Directors for their steadfast guidance and support.

I wish to take this opportunity to commend the leadership and the unrivalled contribution of Mr. Rohan Karr, who joined the Hayleys family in June 2019.

Our associates continue to be the heart of our organisation and I am deeply grateful to the members of The Kingsbury family for their commitment and courage in the face of great strife.

To our guests, I express my sincere gratitude for their continued patronage and invite them to visit the Hotel so they may witness our brand of hospitality firsthand.



**A. M. Pandithage**  
Executive Chairman

04th June 2020

# MANAGING DIRECTOR'S REVIEW

The Kingsbury Hotel has endured a year of extreme challenges that directly impacted our own operations and had a drastic effect on the operating landscape. At the very beginning of the year under review, the horrific events of Easter Sunday 2019 dealt a severe blow to our hotel and the country at large, with the industry compelled to once again assure stakeholders that our island is safe for travel.

Your Hotel was among those targeted by the Easter bombers. It is indeed a tribute to the resilience and can-do spirit of our team that our collective efforts have ensured that your Hotel's brand and its reputation were successfully upheld during this crisis. Benefiting from the synergies of our parent company, the property made great strides to bring a new level of service excellence across operations by undertaking a large upgrade and refurbishment of the affected areas.

The year was a slow one for tourism in Sri Lanka, with the events of April adversely affecting the influx of tourists into both the formal and informal sectors. As a city hotel, we continued to face significant competition with hotels looking to rebuild their occupancies and room revenues following the lean period.

Our growth strategy centred around building stronger networks in key markets, and the hotel had the opportunity to increase room occupancy in August and September during an international conference, which was hosted in Sri Lanka during the period.

The Hotel used the slowdown to lay the platform for the future by investing in up-skilling our most important resource, our staff. Key departments such as Food & Beverages, Housekeeping, Front Office etc. received in-depth training in personal and professional development areas including customer service, leadership training, team building, grooming and restaurant etiquette as well as hospitality skills such as beverage and mixology, wine pairing, and food preparation and presentation.

The Hotel embarked on an ambitious Rs.750 million project to rebuild restaurants and bars affected by the attacks. In December, the Hotel successfully opened its doors to new beginnings after revamping the restaurants and bars introducing a greater variety of international cuisine and modernised

interior facilities. Popular outlets such as Harbour Court, Honey Beach and Ocean were reimagined, while introducing guests to new outlets including the Kings Steakbar and Churros, Colombo's newest patisserie. The Hotel also innovated by launching the Tavern, which offers local favourites at attractive rates. Furthermore, we maintained guest interest by frequently inviting acclaimed domestic and international artistes to perform at the Hotel, as the property continually aspires to raise the bar for entertainment. The festive season concluded with exceptional reviews for our Christmas and 31st night celebrations. In turn, our associates turned in a series of exhilarating performances across the Hotel in December 2019 and January 2020 which facilitated the growth of hotel revenues.

Our strategies have been well received, as indicated by a significant rise in customer satisfaction levels. The Hotel was placed 19th among preferred city hotels during June 2019, and has since climbed to 13th on Tripadvisor at the time of writing.

Towards the end of the financial year, the global economy was shaken by the COVID-19 pandemic, which impacted multiple business sectors with hospitality being among the worst affected industries. In these trying circumstances where guest operations ground to a halt and cancellations began flowing in, the Hotel took the necessary steps to improve our financial position by adopting pragmatic cost management measures, while ensuring that our employees were paid their salaries and employees earning minimum wages were granted an additional hardship allowance.

The team strategised extensively to engineer a groundbreaking solution to meet guest expectations. Introducing the new digital platform "The Kingsbury Indulgence", the Hotel has been able to provide five-star hospitality at the touch of a button to guests seeking our diverse cuisine, laundry services and party packages delivered to their doorstep. The deliveries are managed end-to-end by our own dedicated staff members, who go beyond the call of duty to provide peerless service. We continue to tap into new markets as the service continues to expand its reach to positive reviews.

Ensuring the safety and well-being of guests and staff alike, the Hotel implemented a series of measures

to counter the spread of COVID-19. Procedures have been laid down according to recommendations made by The World Health Organization (WHO), The Ministry of Health and Indigenous Medical Services Sri Lanka, The Sri Lanka Tourism and Development Authority (SLTDA) as well as industry best practices. Measures such as enhanced sanitation, social distancing, use of Personal Protective Equipment (PPE), heightened food safety measures and regular staff training are part of a multipronged approach to protect guests and improve peace of mind for all stakeholders.

At the time of writing, we have reopened restaurants and are focusing on domestic guests as borders continue to remain closed. Going into the 02nd quarter of 2020/21, we are experiencing a gradual pickup in the Food & Beverage segments while banquet events are expected to resume shortly, albeit with reduced guest numbers. We expect business to pick up by the 03rd - 04th quarter once borders are reopened and global travel gathers pace. However, we are aware that we must keep innovating our offerings as the trajectory of this pandemic remains unpredictable.

As outlined above, the year under review has been rife with challenges. Nevertheless, I commend the heartwarming efforts of The Kingsbury family to recover and return to a state of normalcy following the events of April 2019. Although the emergence of COVID-19 has adversely affected an already battered tourism industry, the Hotel remains unwavering in its commitment to provide unmatched service excellence to its guests as it channels the true meaning of hospitality to deliver its five star services, safely.

I am indeed proud and excited to be at the helm of this institution as we go into a new year facing unprecedented challenges; I strongly believe tough circumstances bring out the best in people and together, the Kingsbury team stands ready to show its capabilities.



**Rohan Karr**  
*Managing Director*

04th June 2020

# BOARD OF DIRECTORS

## **MOHAN PANDITHAGE**

*Chairman*

Mr. Pandithage joined the Hayleys Group in 1969. He was appointed to the Hayleys PLC Board in 1998, and was appointed Chairman and Chief Executive of Hayleys PLC since July 2009.

Mr. Pandithage is a Fellow of the Chartered Institute of Logistics & Transport (UK), Honorary Consul of the United Mexican States (Mexico) to Sri Lanka, Council Member of the Employers' Federation of Ceylon, Member of the Advisory Council of the Ceylon Association of Shipping Agents, Recipient of the Best Shipping Personality Award by the Institute of Chartered Shipbrokers; Leadership Excellence Recognition – Institute of Chartered Accountants of Sri Lanka; Honoured with Lifetime Achievement Award at the Seatrade – Sri Lanka Ports, Trade and Logistics; Lifetime Award for the Most Outstanding Logistics and Transport Personality of the Year – Chartered Institute of Logistics & Transport.

## **DHAMMIKA PERERA\***

*Co-Chairman*

Mr. Dhammika Perera is a quintessential strategist and a business leader with interests in a variety of key industries including manufacturing, banking and finance, leisure, plantations and hydro power generation. He has over 30 years of experience in building formidable businesses through unmatched strategic foresight and extensive governance experience gained through membership of the Boards of quoted and un-quoted companies.

Mr Perera is the Chairman of Vallibel One PLC, Royal Ceramics Lanka PLC, Lanka Tiles PLC, Lanka Walltiles PLC, The Fortress Resort PLC, Vallibel Power Erathna PLC, Greener Water Limited, Uni-Dil Packaging Limited, Delmege Limited, and LB Microfinance Myanmar Company Limited. He is the Co-Chairman of Hayleys PLC, The Kingsbury PLC and Singer (Sri Lanka) PLC. Executive Deputy Chairman of LB Finance PLC, Deputy Chairman of

Horana Plantations PLC. He is also an Executive Director of Vallibel Finance PLC and serves on the Boards of Amaya Leisure PLC, Haycarb PLC, Hayleys Fabric PLC and Dipped Products PLC.

## **ROHAN J. KARUNARAJAH (ROHAN KARR)**

*Managing Director*

Mr. Karr joined the Board of The Kingsbury PLC on 1st June 2019.

He also serves as Managing Director of the Hayleys Leisure sector including The Kingsbury PLC, Amaya Leisure PLC and its subsidiaries, Hayleys Tours (Pvt) Ltd and Executive Director of Hayleys PLC.

Mr. Karr holds a Masters in Hospitality and Business Studies from the UK, and is a veteran in the hospitality industry with 35 years' experience in Executive Vice President / General Manager Positions in leading hotels in Sri Lanka and London. He has served as Regional Director of Revenue Management of Marriott Hotels for Whitbread Hotel Company, England, as General Manager of Bristol Marriott Hotel, England and Marriott Marble Arch, London before his return to Sri Lanka.

He was instrumental in revitalizing standards for the entire domestic hospitality sector through his ground-breaking work as Executive Vice President of John Keels Holdings overlooking the Cinnamon City Hotels and Resorts chain and as Head of Brand Development.

## **SARATH GANEGODA\***

Mr. Ganegoda was appointed to the Board of The Kingsbury PLC in April 2010. He is a fellow Member of CA Sri Lanka and Member of Institute of Certified Management Accountants of Australia. He holds an MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura and has held several Senior Management positions in large Private Sector Entities in Sri Lanka as well as overseas.

Mr. Ganegoda is responsible for the Strategic Business Development Unit of Hayleys PLC, the holding Company of The

Kingsbury PLC. He serves on the Boards of Unisyst Engineering PLC, Alumex PLC, Dipped Products PLC, Haycarb PLC, Hayleys Fabric PLC, Hayleys Fibre PLC, Kelani Valley Plantations PLC, Regnis (Lanka) PLC, Singer (Sri Lanka) PLC, Singer Industries (Ceylon) PLC and Horana Plantations PLC.

## **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 businesses, 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.

## **S. J. WIJESINGHE \***

Mr. Wijesinghe was an employee of the Hayleys Group from 2008 to 2019. During this period, he was appointed to the Board in 2010 and to the Group Management Committee in 2011. He currently serves as a Non-Executive Director of Travels,



Aviation & Projects, Unisyst Engineering PLC, S&T Interiors (Pvt) Ltd, Amaya Leisure PLC, Summer Season Limited and Greener Water (Pvt) Limited. He is also the former Chairman of Litro Gas Lanka Limited and former Director of Sri Lankan Airlines Limited and Sri Lankan Catering Limited.

Mr. Wijesinghe holds an MBA from the University of Leicester (UK) and is a Member of the Chartered Institute of Marketing (UK). He holds over 33 years' experience in the Aviation industry. Prior to joining Hayleys, he held several senior positions at Sri Lankan 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. He possesses over 5 years' senior management experience in the Hospitality industry.

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

Mr. Deva Aditya (Nirj Deva) DL FRSA, MP (1992-97) and MEP (1999-2019) was the first post War Asian born Conservative Member of the British House of Commons and served in Government as the Parliamentary Private Secretary to the Scottish Office. He was elected as the first Asian born British Member of the European Parliament, representing over 8 million British people in Berkshire, Hampshire, Buckinghamshire, Oxfordshire, Surrey, Sussex and Kent for 20 years.

He has served for 35 years as Her Majesty's Deputy Lieutenant for the Lord Lieutenancy of London representing The Queen. He was the Vice President of the International Development Committee for 15 years overseeing the Euro 25 billion European Aid Budget. He was the Chairman of the EU Korean Peninsula Delegation working towards a lasting Peace with North Korea, Chairman of the EU China, EU Bangladesh, EU Indonesia, EU Myanmar and EU India Friendship Groups in The EU Parliament and was nominated by his political group ECR to be the President of the European Parliament and was the Chairman of the EU Delegation to the UN General Assembly.

For his Tsunami Relief work he was made a Chevalier of the Catholic Church and Vishwa Keerthi Sri Lanka Abhimani by the Buddhist Clergy of Sri Lanka.

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

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

Ms. Ponnambalam has served as a Director of McLaren Holdings Limited & GAC Shipping Limited. She currently serves as Director of Amaya Leisure PLC, Macbertan Holdings (Pvt) Ltd, Mbolon Polymer (Pvt) Ltd, Pidilite Lanka (Pvt) Ltd, and is also the Chairperson of Alliance Finance Company PLC. 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 and Jt. Secretary 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. Mr. Van Twest 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.

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

Mr. Wijeyeratne is a fellow of The Institute of Chartered Accountants in Sri Lanka and counts over thirty-five years of experience in Finance and General Management both in Sri Lanka and overseas. He was the former Group Finance Director of

Richard Pieris PLC and also held senior management positions at Aitken Spence & Company, Brooke Bonds Ceylon Ltd and Zambia Consolidated Copper Mines Limited. Mr. Wijeyeratne is a former member of the Quality Assurance Board and the Corporate Governance Committee of the Institute of Chartered Accountants of Sri Lanka and of the Sri Lanka Accounting Standards Monitoring Board. He is presently an Independent Director and Audit Committee Chairman of several listed Entities.

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

*Alternate Director to Mr. Dhammika Perera\**

Ms. Amarasinghe was appointed as Alternate Director to Mr. K. D. D. Perera on 15th March 2017

Ms. Amarasinghe currently serves as Group Director, International Business Development & CSR at Vallibel One PLC.

Prior to joining Vallibel One, Ms. Amarasinghe was attached to World Conference on Youth Secretariat at Ministry of Youth Affairs and Skills Development in Sri Lanka, as a Manager. Earlier in her career, she served as an intern at Strategic Policy Division at the Department of Community Safety in Queensland, Australia.

Ms. Amarasinghe earned a bachelor's degree in International Studies from the University of Queensland in Brisbane, Australia and a specialisation in French Studies at the University of Lausanne in Switzerland.

Ms. Amarasinghe completed her certificate in Management Acceleration at INSEAD Business School in Fontainebleau, France. In addition, she holds a certificate in Hotel Revenue Management from Cornell University in USA.

Executive Director

\* Non-Executive Director

\*\* Independent Non-Executive Director

# CORPORATE GOVERNANCE

The Company 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 the Company runs as efficiently as possible in the interests of its stakeholders. This in turn promotes greater confidence within the company as well as amongst 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 audits, we have developed a range of best practice tools and techniques that can be applied intelligently within different areas of the organisation.

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

## THE FOUNDATION OF OUR GOVERNANCE PRACTICE

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

The very premise of our Governance practice, the foundation upon which it is based and nurtured, is by way of our commitment to the corporate values and the Code of Conduct prevalent within our holding company, the Hayleys Group. As with our holding company, The

Kingsbury PLC has a firm commitment to transparency and integrity in our Corporate Governance practices.

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

The Corporate Governance practice adopted by the Company is in line with the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and Listing Rules of the Colombo Stock Exchange issued by the Securities & Exchange Commission of Sri Lanka. 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 BEST PRACTICES ON CORPORATE GOVERNANCE

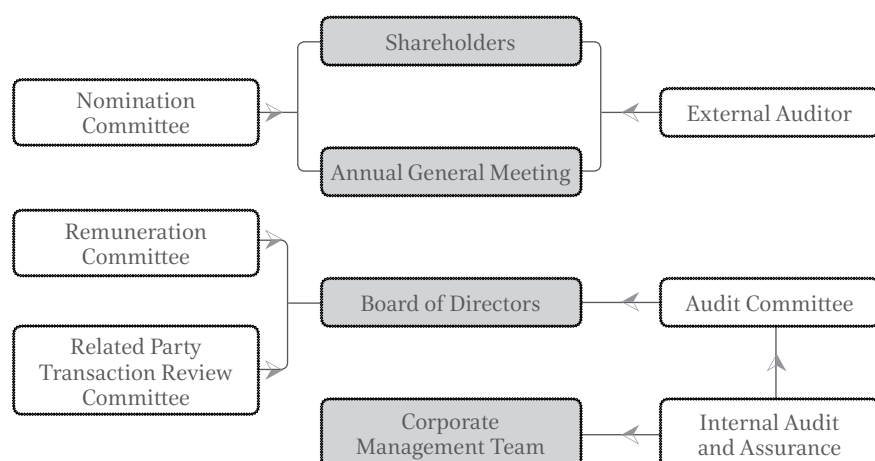
### A. DIRECTORS

#### A.1 Board of Directors:

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.

*Governance Structure*



The Board of The Kingsbury PLC comprises Ten Directors, an Executive Chairman, a Non-Executive Co-Chairman, One Executive Director and Seven Non-Executive Directors of which Five are Independent. The names of the Directors and their profiles are available on pages 6 to 7 of this report.

#### A.1.1 Board Meetings:

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 meets quarterly as a practice and ad hoc meetings are held whenever necessary. During the financial year under review, the Board met on 4 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	04/04
Mr. Dhammika Perera - Co-Chairman	Non-Executive	Please refer the note below
Mr. Rohan J. Karunarah - Managing Director (appointed w.e.f. 1st June 2019)	Executive	03/03
Mr. L. T. Samarawickrama - Managing Director (resigned w.e.f. 1st June 2019)	Executive	01/01
Mr. N. J. De S. Deva Aditya	Independent Non-Executive	01/04
Mr. S. C. Ganegoda	Non-Executive	04/04
Mr. S. J. Wijesinghe	Non-Executive	02/04
Mr. L. N. De S. Wijeyeratne	Independent Non-Executive	04/04
Mr. D. J. De Cruz (resigned w.e.f. 31st May 2019)	Executive	01/01
Ms. R. N. Ponnambalam	Independent Non-Executive	03/04
Mr. J. P. Van Twest	Independent Non-Executive	02/04
Mr. D. E. Silva (resigned w.e.f. 1st July 2019)	Executive	01/01
Ms. I. Jamaldeen	Independent Non-Executive	03/04
Ms. A. A. K. Amarasinghe (Alternate Director to Mr. Dhammika Perera )	Non-Executive	03/04

*Note: Mr. Dhammika Perera was represented by his Alternate Director Ms. A. A. K. Amarasinghe in 03 Board Meetings*

The following information was reported and discussed at length at the Board meetings held during the year.

- Finances & Operational results, both Monthly & Quarterly against the previous year results.
- Budgets & Targets for the coming Months and Quarters.
- Internal Control breaches or frauds during the period and actions taken.

#### A.1.2 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, 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 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.

# CORPORATE GOVERNANCE

## **A.1.3 Act in Accordance with laws:**

The Board has set in place a framework of policies, procedures, and a risk management framework to ensure compliance with relevant laws, and international best practice with regards to the operations of the Group. Directors have the power to obtain independent professional advice as deemed necessary and these functions are co-ordinated by the Group Legal Department or Group Finance, as and when it is necessary.

## **A.1.4 Company Secretary:**

The service and advice of the Company Secretaries, Hayleys Group Services (Pvt) Ltd are made available to Directors as necessary. The Company Secretaries keep 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. Hayleys Group Services (Pvt) Ltd consists of competent qualified professionals who are registered as Company Secretaries.

The Company has obtained appropriate insurance covers and it is further detailed in page 21 under "Annual Report of the Directors on the Affairs of The Company".

## **A.1.5 Independent Judgment:**

The Board determines the degree of independence of each member, based on criteria such as independence of character and judgment, and assessment of relationships or circumstances that affect or are likely to affect the Director's judgment. Independent Directors are free of any business or other relationship with the Company that can materially affect their performance on the Board towards this effect; Independent Board members make an annual determination of their independence through a signed and dated declaration to that effect.

The Governance approach towards the appointment of Alternate Directors

stipulates that any Alternate Director appointed by a Non-Executive Director should not be an Executive of the Company, and an Alternate Director appointed by an Independent Director should meet the criteria of Independence laid out above. The Board gives direction to the long term strategy, seeking and contributing views and opinions on strategic options proposed by the Executive Management. All members of the Board have fiduciary duty and statutory liability, regardless of whether they are Executive or Non-Executive.

## **A.1.6 Dedicate adequate time and effort to matters of the Board and Company:**

Directors are provided with minutes, the agenda, and the board papers giving them adequate time to study the contents prior to meetings

## **A.1.7 Calling for a Resolution:**

One third of the directors can call for a resolution to be presented to the board where they feel it is in the best interest of the Company.

## **A.1.8 Training for Directors:**

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

## **A.2 Division of Responsibilities Between the Chairman and CEO:**

The positions of Chairman and Managing Director are kept separate in line with good Governance practices

## **A.3 The Chairman's Role:**

The Chairman is responsible for the efficient conduct of Board meetings and ensures effective participation of both Executive and Non-Executive Directors. It is also the responsibility of the Chairman

to ensure that views of Directors on issues under consideration are ascertained; and that the board is in complete control of the Company's affairs and alert to its obligations to all shareholders and other stakeholders. The Chairman maintains close contact with all Directors and, where necessary, holds meetings with Non-Executive Directors without Executive Directors being present.

## **A.4 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

## **A.5 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 2020, the Board consisted of 10 Directors comprising:

- 2 Executive Directors (ED)
- 3 Non-Executive Directors (NED)
- 5 Non-Executive Independent Directors (NED/ID)

The Board profiles reflect the calibre of members and the weight their views carry in Board deliberations. The Board seeks individuals with independence based on their proven capabilities and their potential to contribute to the company. Non-Executive Board members perform an important role in providing an external perspective to the business. The Independent Non-Executive Directors are free from any relationship that can interfere with the affairs of the Company.



The Board has determined that the Directors: Mr. N. J. De S. Deva Aditya, Ms. R. N. Ponnambalam, Mr. L. N. De S. Wijeyeratne, Mr. J. P. Van Twest and Ms. I. Jamaldeen satisfy the criteria for 'independence' set out in the Listing Rules. The Board further believes the independence of Mr. L. N. De S. Wijeyeratne, Mr. N. J. De S. Deva Aditya and Ms. R. N. Ponnambalam are not compromised by being Board members for more than Nine years.

The Chairman of The Kingsbury PLC is also the Chairman of Hayleys PLC. The Co-Chairman (Non-executive) is also the Co-Chairman (Non-executive) 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.

#### **A.6 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.

#### **A.7 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.

#### **A.8 Re-Election of Directors:**

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

The Articles call for one third of the Directors in office to retire at each Annual General Meeting. The Directors who retire are those who have served for the longest period after their appointment/re-appointment. Retiring Directors are

generally eligible for re-election. The Managing Director does not retire by rotation.

#### **A.9 Appraisal of Board Performances:**

The Chairman and Remuneration Committee is responsible for evaluating the performance of the Executive Directors. The Board undertakes an annual self-evaluation of its own performance and of its Committees and the responses are collated by the Board Secretary who compiles a report which is submitted to the Chairman and discussed at a Board Meeting.

#### **A.10 Disclosure of Information in Respect of Directors:**

Information specified in the Code with regards to Directors are disclosed within this Annual Report as follows:

- Name, qualifications, expertise, material business interests and brief profiles on pages 6 to 7.
- Related party transactions on pages 67 to 69.
- Membership of sub-committees and attendance at Board Meetings and Sub-Committee meetings on page 9, 25 and 26.

#### **A.11 Appraisal of Chief Executive Officer:**

Prior to the commencement of each financial year, the Board in consultation with the Chief Executive, set reasonable financial and non-financial targets which are in line with short medium and long term objectives of The Kingsbury PLC, achievement of which should be ensured by the Chief Executive. A monthly performance evaluation is performed at which actual performance is compared to the budget. The Chief Executive is responsible to provide the Board with explanations for any adverse variances together with actions to be taken.

## **B. DIRECTORS' REMUNERATION**

### **B.1 Directors' Remuneration Procedure:**

The Remuneration 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 comprises the following Non-Executive Directors and the Chairman of this committee is appointed by the Board.

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

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

### **B.2 Level and make up of Remuneration:**

The Remuneration Committee of The Kingsbury PLC is guided to work within the 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.

### **B.3 Disclosure of Remuneration:**

The total value of Directors' remuneration is reported in Note 30.5 to the Financial Statements.

# CORPORATE GOVERNANCE

## C. RELATIONS WITH SHAREHOLDERS

### C.1 Constructive use of the Annual General Meeting (AGM) and Conduct of General Meetings:

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 adoption of the Annual Report of the Board of Directors and the Financial Statements is considered as a separate resolution.

A copy of the Annual Report including financial statements, are posted on the corporate website as well as the Colombo Stock Exchange website. Notice of the Meeting and the Form of Proxy are sent to shareholders 15 days prior to the date of the AGM as required by the Statute in order to provide the opportunity to all the shareholders to attend the AGM. A summary of the procedures governing voting at General Meeting is circulated to shareholders with every notice of the General Meeting.

### C.2 Communication with Shareholders:

Printed copies of the Annual Report are provided to all shareholders on request without charge and soft copies are available in the corporate website as well as the Colombo Stock Exchange website.

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.

### C.3 Disclosure of Major and Material Transactions:

Transactions, if any, which materially affect the net asset base of The Kingsbury PLC, will be disclosed in the Quarterly / Annual Financial Statements. During the year, there were no major transactions as defined by Section 185 of the Companies Act No. 07 of 2007 which materially affect the net asset base of The Kingsbury PLC.

## D. ACCOUNTABILITY AND AUDIT

### D.1 Financial Reporting (The Annual Report):

- 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 Kingsbury PLC has complied with the reporting requirements prescribed by the Colombo Stock Exchange.
- The following specialised information requirements are also included in this Annual Report:
- The Annual Report of the Board of Directors on the Affairs of the Company given on pages 21 to 23 cover all areas of this section.
- The “Statement of Directors’ Responsibilities” is given on page 24.
- The Directors’ Statement on Internal Controls is given on page 12.
- The “Independent Auditors’ Report” on page 28 for the Auditors responsibility.

### D.2 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.

### D.3 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, and the Director Finance attend the meetings of the Audit Committee by invitation. The Audit Committee has written terms of reference and is empowered to examine any matters relating to the financial affairs of the Company and its Internal and External Audits.

It helps the Company to strike the proper balance between conformance and performance.

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

Close monitoring and control of type and value of non-audit work is carried out to preserve the independence of the external auditors.

The composition 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 26 of this report.

#### **D.4 Related Party Transactions Review Committee:**

The Related Party Transactions Review Committee of the parent company Hayleys PLC acts on behalf of the Company. The report of the Related Party Transactions Review Committee is given in page no. 25 of this report

#### **D.5 Code of Business Conduct and Ethics:**

Operating under the guidance of the Hayley's Group Code of Conduct, the Company has been practising 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.

#### **D.6 Corporate Governance Disclosures:**

The Corporate Governance Report set out on pages 8 to 17 (of which this paragraph is part of) describes the extent to which The Kingsbury PLC adheres to established principles and practices of good Corporate Governance

#### **E1 & 2: INSTITUTIONAL INVESTORS**

The Company conducts regular discussions with Institutional Investors. Existing and prospective investors are given a balanced report that enables them to make well-informed decisions in their dealings with the Company. Shareholders are provided an opportunity to comment, discuss and seek clarifications on any relevant issues with the Chairman and the Board of Directors at the Annual General Meeting. Further, shareholders are free to informally meet with the Directors at the conclusion of general meetings.

The Institutional Investors are encouraged to give due weight on matters relating to the Board structure and the composition of Board structure. The Annual Report gives the shareholders sufficient information on such related matters which allows them to evaluate the same.

#### **F1 & 2: OTHER INVESTORS**

Individual investors are encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions. They are also encouraged to participate in General Meetings of companies and exercise their voting rights. Information is disseminated to all shareholders as specified in the Stakeholder Engagement section on page 76.

#### **G. INTERNET OF THINGS & CYBER SECURITY**

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

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

#### **H. ENVIRONMENT, SOCIETY, AND GOVERNANCE (ESG)**

ESG policies and practises implemented to develop long term sustainability of the Company are discussed by the management of the Company at regular intervals. On a quarterly basis the information is gathered and presented to the Group for inclusion in the Sustainability Report of the parent company Hayleys PLC.

# CORPORATE GOVERNANCE

Levels of compliance with the CSE's Listing Rules - Section 7.10, Rules on Corporate Governance as at 31st March 2020 are given in the table that follows;

Rule No.	Subject	Applicable Requirement	Compliance Status	Details
7.10.1(a)	Non-Executive Directors	At least one third of the total number of Directors should be Non-Executive Directors	Compliant	Eight out of the Ten 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 31st March 2020
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 6 to 7
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 10 under the heading Board Balance
7.10.3(c)	Disclosure relating to Directors	A brief resume of each Director should be included in the Annual Report including areas of expertise	Compliant	Please refer 'Board of Directors' on pages 6 to 7
7.10.3(d)	Disclosure relating to Directors	Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the Exchange	Compliant	A brief resume provided to the Exchange at the time of appointment is available on pages 6 to 7
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 11
7.10.5(a)	Composition of Remuneration Committee	Shall comprise of 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 11
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 11 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 11
		Statement of remuneration policy		Please refer page 11
		Aggregated remuneration paid to Executive and Non-Executive Directors		Please refer page 69



Rule No.	Subject	Applicable Requirement	Compliance Status	Details
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 26
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 26
7.10.6(b)	Audit Committee Functions	A Non-Executive Director shall be appointed as the Chairman of the Committee	Compliant	Chairman of the Audit Committee is an Independent Non-Executive Director
		Chief Executive Officer and Chief Financial Officer should attend Audit Committee meetings	Compliant	Managing Director, General Manager and Director Finance of the company 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	
		Overseeing the compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements	Compliant	
		Overseeing processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards	Compliant	The terms of reference of the Audit Committee have been agreed upon by the Board
		Assessment of the independence and performance of the External Auditors	Compliant	
7.10.6(c)	Disclosure in the Annual Report relating to Audit Committee	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	Compliant	
		Names of Directors comprising the Audit Committee	Compliant	Please refer page 26
		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 26
		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 26

# CORPORATE GOVERNANCE

Rule No.	Subject	Applicable Requirement	Compliance Status	Details
9.2	Related Party Transactions Review Committee Functions	Functions shall include:		
		Review in advance all proposed related party transactions of the group either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.	Compliant	
		Seek any information the Committee requires from management, employees or external parties with regard to any transaction entered into with a related party.	Compliant	
		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.	Compliant	
		Recommend where necessary to the Board and obtain their approval prior to the execution of any related party transaction.	Compliant	The Committee of the Parent Company Hayleys PLC functions as the committee of the Company. Please refer page 25
		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.	Compliant	
		Meet with the management, Internal Auditors/ External Auditors as necessary to carry out the assigned duties.	Compliant	
		Review the transfer of resources, services or obligations between related parties regardless of whether a price is charged.	Compliant	
		Review the economic and commercial substance of both recurrent/non recurrent related party transactions	Compliant	
		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.	Compliant	

Rule No.	Subject	Applicable Requirement	Compliance Status	Details
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 25
9.2.3	Related Party Transactions 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 25
9.2.4	Related Party Transactions Committee	Shall meet once a calendar quarter	Compliant	The Committee met 04 times during the financial year. Please refer page 25
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 25
		A declaration by the Board of Directors	Compliant	Please refer page 25

# RISK MANAGEMENT

The Financial year under review was extremely challenging and volatile. Firstly we suffered immensely with the devastating Easter Sunday Terrorist Attack in April 2019, where we faced loss of lives and heavy property damage resulting in long term loss of business. Subsequently after an extensive refurbishment we successfully relaunched in December 2019. During the last quarter of the financial year the world experienced the initial impact of COVID-19 pandemic, which resulted in serious loss of business. With other risk factors such as Health & Safety being heightened to greater levels.

With this report we aim to highlight the risks involved and the mitigations taken to lessen the impact of the risks whilst staying true to the core business acumen.

## RISK GOVERNANCE

The risk function comes under the overall supervision of the Kingsbury Board of Directors, who recognise that they are responsible for providing return to shareholders, which is consistent with the responsible assessment and mitigation of risk. The Board is aware that any internal control systems contain inherent limitations and therefore, the Board takes appropriate action to minimise such situations.

The Company under the guidance of the Hayleys Group's Management Audit & System Review Department (MASRD)

maintains a comprehensive system to identify, measure and mitigate risks.

Both risk and internal control function work in sync to ensure that the risks are identified in a timely manner and necessary mitigatory steps are taken immediately.

The three main objectives of Internal Controls of the Company are,

1. Ensuring the reliability of Financial Reporting.
2. Improving the effectiveness and the efficiency of Hotel Operations.
3. Compliance with the Laws and Regulations.

Management, with the oversight of the Board, has created and maintained a "culture of honesty" and promotes ethical behaviour, which that provides the foundation for the other components of the Internal Control system. Increasing competition for skilled labour has compelled the Group to seek ways of enhancing the productivity and efficiency of our employees in order to ensure superior service quality for our customers. Inadequacies in operational efficiency can potentially affect overall profitability while below par service quality will have a direct impact on guest satisfaction, competitiveness and market share.

We ensure continued compliance with several national and international accreditations and certifications, thereby compelling our properties to maintain the highest standards in quality and efficiency. Meanwhile, implementation of a robust Property Management System has facilitated the tracking and analysis of each aspect of our hotel operations and allows us to benchmark our operational efficiency against global best practices. Strategic emphasis has also been placed on continually investing in training and developing our people.

## MANAGING RISKS IN AN EVER CHANGING ENVIRONMENT

Today's, businesses work in an increasingly dynamic yet challenging environment and are influenced by many external factors, some of which are not controllable. These different spheres include governmental, financial, social, technological, industrial, legal and environmental factors etc.

Despite the challenges, the markets have been resilient and with the support of the Parent Company Hayleys PLC with its Group business model, diversity of its leisure portfolio and wide geographical spread our business too has been resilient.

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

Risk factor and risk rating		Potential impact	Strategies for mitigation
Health & Safety Risk			
COVID-19 - Global Pandemic.		A surge tourist arrivals places pressure on the business which will erode margins and profits.	a) Follow the guidelines issued by the World Health Organisation (WHO), Health Authorities and Sri Lanka Tourism Development Authority (SLTDA) on the pandemic to safeguard staff and guests.  b) A comprehensive communication process in place to educate internal & external stakeholders on the safety measures.  c) Business Continuity Plan.
Risk assessment			
Severity	High		
Probability of Occurrence	Likely		
Risk level	High		

Risk factor and risk rating	Potential impact	Strategies for mitigation
<b>Liquidity and Financial Stability</b>		
Prevailing uncertainty on the business activities and the disruptions to the regular cash flows.	Poor cash flow position leads to not being able to meet financial obligations.	a) Utilisation of Government debt moratorium at lower interest rates. b) Introduced rigorous cost management initiatives.
Risk assessment		
Severity	High	
Probability of Occurrence	Likely	
Risk level	High	
<b>Threat from Terrorist Activities &amp; Security</b>		
Attacks on economic nerve centres and civilians may disrupt the peace and tranquillity. Travel adversaries will come in against Sri Lanka.	a) Loss of lives and property damage. b) Additional expenditure on surveillance and Insurance. c) Lower guest arrivals.	a) Investments in state of the art screening equipment. b) Increased security checks on vehicles and guests. c) Increased insurance coverage on business interruptions for Domestic and International. d) Business Continuity Plan in place.
Risk assessment		
Severity	High	
Probability of Occurrence	Likely	
Risk level	High	
<b>Competition Risk</b>		
Entrance of new International brands.	a) Pressure on Occupancy and Room Rates due to the increased supply of rooms to the market.	a) Invested in restaurants to bring them to modern internationally recognised standards. b) Driving service excellence culture. c) Excel in social media marketing to grab a wider presence.
Risk assessment		
Severity	High	
Probability of Occurrence	Likely	
Risk level	High	
<b>IT Systems Risk / Cyber Risk</b>		
All significant processes are supported by one or more internet driven services.	a) Potential loss of sensitive information. b) Potential treat to online fund transactions.	a) Group level initiatives to increase the awareness among the staff members. b) Officials emails are protected via dual factor authentication. c) Providing secured VPN connections for remote working environments.
Risk assessment		
Severity	High	
Probability of Occurrence	Likely	
Risk level	High	
<b>Credit Risk</b>		
Non-recoverability of debtors.	Adverse effect on cash flow and profitability due to debtors defaulting the Company.	a) Strict implementation of credit policies and stringent controls. b) Dedicated credit management with timely monitoring and follow up.
Risk assessment		
Severity	High	
Probability of Occurrence	Likely	
Risk level	High	

# DISCLOSURE ON THE IMPACT OF COVID-19 ON THE KINGSBURY PLC

## IMPACT OF COVID-19 ON OUR BUSINESS

The most pronounced impact of the pandemic has been felt by the Tourism sector in Sri Lanka, which is a driving force within the economy.

The Kingsbury PLC being one of the leading hotels in the city of Colombo also faced the impact with the drastic drop in tourist arrivals from the beginning of 2020. Furthermore many travel restrictions imposed during the period and the health & safety scares within the country resulted in temporarily halting operations by mid-March 2020 as per Government issued guidelines.

## FUNDING AND LIQUIDITY

The Kingsbury PLC introduced several cost management measures which included suspension of all new recruitment and rescheduling of all non-essential expenses including but not limited to advertising/promotion and capital expenditures. Furthermore minimalist payroll and other essential expenditure were managed by company generated funds together with available banking facilities to meet the current credit obligations.

We are currently looking into Government introduced funding mechanisms aimed at providing assistance to overcome the financial impact of COVID-19.

## IMPACT ON INTERNAL OPERATIONS

Ensuring the health and safety of our employees was a priority and we facilitated work-from-home and remote working measures for administrative employees, while also adhering to government issued guidelines of having only one third of employees being called in to the hotel for all essential services and in-house duties.

## BUSINESS CONTINUITY

In ensuring continuity of business in these challenging times, and having looked into new revenue generation avenues, the Company ventured in to the Food Delivery service with the introduction of

“The Kingsbury Indulgence”, catering to Colombo and its suburbs.

This service was introduced with our valued guests’ health and safety in mind and the hotel ensures that all food preparations and deliveries are made under strict observation while adhering to guidelines. Furthermore, as an added safety measure only the hotel employees are assigned with the delivery tasks without the involvement of any outside parties.

## IMPACT OF SUPPLY CHAIN MANAGEMENT

In order to ensure there was no break in the supply of goods and services, the company arranged to place pre-orders at the onset of the pandemic and maintained adequate stocks at the premises to cater to the requirements during the scarcity period.

Furthermore, all suppliers are being subjected to Health and Safety audits to determine if they adhere to the set Health & Safety Guidelines issued by the Health Authorities and the Government.

## IMPACT ON HUMAN CAPITAL

The Company has managed to balance the day to day scaled down operations of the hotel by effectively handling human resources with a well-planned long term rostering system, without any adverse impact to employment statuses.

As a new initiative, the Company has started providing essential services to Group Companies as a synergising strategy, thereby effectively utilising the Human Capital in a productive manner.

## ACTIONS TAKEN BY THE COMPANY IN LIGHT OF THE PANDEMIC

Following the outbreak of the pandemic, The Kingsbury PLC has operated with strict adherence to Health and Safety guidelines issued by the Government and Authorities to curtail the spread of the virus.

Keeping in line with our commitment to serve our valued guests we have taken appropriate health and safety measures at all operating locations including all outlets, kitchens, common areas, guest rooms and staff areas.

## FUTURE OUTLOOK ON OPERATIONS AND FINANCIAL CONDITION

Currently the medium-term outlook for the Company remains bleak. However, we are currently exploring means to optimise our resources in a bid to stem losses.

Given the current uncertainty regarding the duration and intensity of the pandemic in Sri Lanka, it is difficult to quantify the exact impact of COVID-19 on the hotel's operations. We estimate that by the end of the 3rd-4th quarter of the financial year we could return to an acceptable normalcy.

The measures implemented to preserve liquidity and curtail losses will be reviewed by the Board of Directors on a quarterly basis, and further measures may be introduced in time to address the business realities.

## CONCLUSION

We acclaim the strict measures adopted by the Government to curtail the spread of the pandemic and will continue to operate within the required health and safety guidelines whilst taking all measures to ensure business continuity.

Yours faithfully,



A. M. Pandithage  
Executive Chairman

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

The Board of Directors is pleased to present their Report and the Audited Financial Statements of the Company for the year ended 31st March 2020.

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 Review 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 in pages 27 to 75.

## AUDITORS' REPORT

The Auditors' report on the Financial Statements is given on page 28.

## ACCOUNTING POLICIES

The accounting policies adopted in preparation of Financial Statements are given on pages 36 to 46.

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 as follows:

## Directors' Interests in Shares

Directors' Interests in shares are given later in this Report. There were no share transactions by the Directors during the financial year.

## Directors' Interests in Transactions

The Directors of the Company have made the general disclosure provided as per section 192 (2) of the Companies Act No. 07 of 2007. Note 30 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 2020 is given in Note 6 to the Financial Statements.

Executive Directors' remuneration is established within an established framework. The total remuneration of Executive Directors for the year ended 31st March 2020 is Rs. 25,724,456/- The total remuneration of Non-Executive Directors for the year ended 31st March 2020 is Rs. 3,402,000/-, determined according to scales of payment decided upon by the Board. The Board is satisfied that the payment of this remuneration is fair to the Company.

## RELATED PARTY TRANSACTIONS

The 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 names of the members of the Committee and their attendance of the Meetings are given on the Related Party Transaction Review Committee report on page 25.

Related Party Transaction Review Committee met four times during the financial year 2019/20.

Related party transactions are given in Note 30 in the Notes to the Financial Statements.

## CORPORATE DONATIONS

Donations made during the year were Rs. 441,361/-.

The amount of Rs. 2,000,000/- was approved by the shareholders for the financial year 2019/20.

## DIRECTORS OF THE COMPANY AS AT 31ST MARCH 2020

The names of the Directors who served during the year are given below and their brief profiles appear on pages 6 and 7 of the report.

Mr. A. M. Pandithage - Executive Chairman

Mr. Dhammika Perera\* - Co-Chairman - Non-Executive

Mr. Rohan J. Karunaratna - Managing Director (appointed w.e.f.1st June 2019)

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 Twet \*\*

Ms. I. Jamaldeen\*

Ms. A. A. K. Amarasinghe\* (Alternate Director to Mr. Dhammika Perera)

\* Non-Executive Director

\*\* Independent Non-Executive Director



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

Mr. L.T. Samarawickrama who served as the Managing Director of the Company resigned on 1st June 2019.

Mr. D. J. De Cruz who served as an Executive Director of the Company resigned on 31st May 2019.

Mr. D. E. Silva who served as an Executive Director of the Company resigned on 1st July 2019.

Mr. Rohan J. Karunarahah has been appointed as the Managing Director of the Company with effect from 1st June 2019 and was elected by shareholders at the last Annual General Meeting as recommended by the Board.

In terms of Article No. 87 of the Articles of Association of the Company Messrs S. C. Ganegoda, Mr. J. P. Van Twest and Ms. I. Jamaldeen retire by rotation and being eligible, offer themselves for re-election at the Annual General Meeting.

Notice has been given pursuant to Section 211 of the Companies Act No. 07 of 2007, of the intention to propose an ordinary resolution for the re-election of Mr. L. N. De S. Wijeyeratne, who is over 70 years of age notwithstanding the age limit of 70 years stipulated by Section 210 of the Companies Act No. 07 of 2007.

## DIRECTORS' SHAREHOLDINGS

The shareholdings of the Directors as at 31st March 2020 were as follows;

No. of Shares	As at 31.03.2020	As at 01.04.2019
Mr. S. C. Ganegoda	55,713	55,713
Mr. K. D. D. Perera	3,216,146	3,216,146

Mr. K. D. D. Perera holds 51.01% directly and indirectly of the total issued shares of Hayleys PLC which holds 87,307,057 shares in the Company.

## INSURANCE AND INDEMNITY

The Company is covered by the Directors and Officers (D&O) cover of the Parent Company, Hayleys PLC with a premium of Rs. 8.3Mn and the limit on liability of the cover is USD 5 Mn.

## EMPLOYMENT

No. of persons employed by the Company was 799.

## INTERNAL CONTROLS

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

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

## GOING CONCERN

The Directors, after making necessary inquiries and reviews including the reviews of the Company's budget for the ensuing year, capital expenditure requirement, future prospects and risks, cash flows and borrowing facilities, have a reasonable expectation that the Company have 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. 845,629/- (2019 - Rs. 948,880/-) as

audit fees by the Company. In addition, they were paid Rs. 539,313/- (2019 - Rs. 455,441/-) 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 remuneration will be submitted at the Annual General Meeting.

## INVESTMENTS (SHORT TERM DEPOSITS)

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

## PROPERTY, PLANT AND EQUIPMENT

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

## CAPITAL COMMITMENTS

Details of the capital commitments of the Company as at 31st March 2020 are disclosed in Note 26 to the Financial Statements.

## 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 2020 amounts to Rs. 1,399,135,001/- (2019 - Rs. 1,737,698,418/-) 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 21 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 2020 was 3,999.

	2020	2019
Market price per share as at 31st March (Rs.)	8.00	12.80
Highest share price during the year (16.04.2019 and 23.10.2019) (Rs.)	14.00	18.90
Lowest share price during the year (20.03.2020) (Rs.)	8.00	12.00
No of share transactions	2,202	1,521
No of shares traded	2,229,915	33,667,038
Value of shares traded (Rs.)	26,030,173	635,787,445
Net Asset per share (Rs.)	9.24	10.64
Ordinary shares in issue	242,000,000	242,000,000

## MAJOR SHAREHOLDER

The twenty largest shareholders of the Company as at 31st March 2020, together with an analysis are given on page 77 of the Annual Report.

## PUBLIC SHAREHOLDING

As at 31st March 2020, 39.17% of the issued capital of the Company was held by the public comprising 3,995 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 2020 other than that described in Note 25 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 35 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 4:00 p.m on 24th July 2020.

The Notice of the Annual General Meeting appears on page 80 of the Annual Report.

For and on behalf of the Board

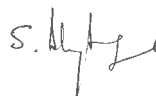
THE KINGSBURY PLC



A. M. Pandithage  
Executive Chairman



Rohan Karr  
Managing Director



Hayleys Group Services (Pvt) Ltd  
Secretaries

04th June 2020

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible, under the 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 of the Company 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 (SLFRS/LKAS). The Financial Statements provide the information required by the Companies Act and the listing rules of the Colombo Stock Exchange.

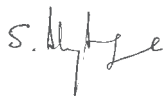
The Directors have taken reasonable measures to safeguard the assets of the Company and, in that context, have instituted appropriate systems of internal control in order to prevent and detect fraud and other irregularities.

The External Auditors, Messrs. Ernst & Young, Chartered Accountants, were deemed re-appointed in terms of section 158 of the Companies Act No. 7 of 2007 and were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements. The Report of the Auditors, shown on page 28 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,  
The Kingsbury PLC



Hayleys Group Services (Pvt) Ltd  
*Secretaries*

04th June 2020

# RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Related Party Transaction Review Committee (RPTRC) of Hayleys PLC, the Parent Company functions, as the RPTRC Committee of the Company in terms of 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, and the members are as follows.

Dr. H. Cabral\*\*, PC - Chairman

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

Mr. S. C. Ganegoda\*

\*\* Independent Non-Executive

\* Executive

## ATTENDANCE

The Committee met - 04 times in the Financial Year 2019/20

Meetings were held on 15th May 2019, 5th August 2019, 5th November 2019 and 10th February 2020

	Meetings
Dr. H. Cabral, PC	4/4
Mr. M. Y. A. Perera	4/4
Mr. S. C. Ganegoda	4/4

## 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 to 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 the 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.



Dr. Harsha Cabral, PC.

Chairman

*Related Party Transactions Review  
Committee of Hayleys PLC*

15th June 2020

# AUDIT COMMITTEE REPORT

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 6 to 7.

The Committee met formally four times during the financial year ended 31st March 2020. The attendance of the members at these meetings were as follows:

Independent Non-Executive Director	16th May 2019	30th July 2019	29th October 2019	30th January 2020	Total
Mr. L. N. De S. Wijeyeratne	Present	Present	Present	Present	4/4
Ms. R. N. Ponnambalam	Present	Excused	Present	Present	3/4
Mr. J. P. Van Twest	Excused	Present	Present	Excused	2/4

The Managing Director, Director Administration & Finance, Manager 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.

The Committee functions within the Terms of Reference approved by the Board of Directors. In addition it reviews and monitors 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.

During the period under review the Committee,

- reviewed the quarterly financial information of the Company to monitor the integrity of the financial statements and the significant financial reporting judgements
- recommended the year-end financial statements to the Board for its approval and publication.
- 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.

- recommended to the Board the re-appointment of external auditors for a further period of one year subject to approval by the shareholders.
- noted that the External Auditors M/s Ernst & Young were independent and objective in performing the year-end audit and had no relationship nor interest in the Company in terms of the Companies Act No 7 of 2007 and that the audit was being carried out in accordance with the Sri Lanka Accounting Standards and other statutory and regulatory requirements.
- reviewed the management letter issued by the external auditors.
- discussed and finalised the nature and scope of audit with the external auditors for the ensuing year.
- the Hayleys PLC's Group Management Audit and Systems Review Department act as the Internal Auditors for the Company. Reviewed the scope, functions and resources of the internal audit department, and was satisfied that the internal audit function was independent of the activities it audited and that it

performed with impartiality, proficiency and due professional care.

- discussed and approved the Internal Audit Plan for the ensuing year.

It also reviewed the reports of the internal auditors covering all sectors of the hotel and considered the major findings of internal investigations and management's responses thereto.

Minutes of the Audit Committee meetings are approved by the Committee Chairman at the next meeting, and are tabled at Board meetings to ensure that all Directors are kept informed of its activities.



**L. N. De S. Wijeyeratne**  
Chairman  
Audit Committee

04th June 2020

# FINANCIAL STATEMENTS

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## FINANCIAL CALENDER

Interim Financial Statement - 1st Quarter .....	30th July 2019
Interim Financial Statement - 2nd Quarter .....	29th October 2019
Interim Financial Statement - 3rd Quarter .....	30th January 2020
Interim Financial Statement - 4th Quarter .....	04th June 2020
Annual General Meeting .....	24th July 2020

# INDEPENDENT AUDITORS' REPORT



Ernst & Young  
Chartered Accountants  
201 De Saram Place  
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Colombo 10  
Sri Lanka

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

## INDEPENDENT AUDITORS' REPORT

### TO THE SHAREHOLDERS OF THE KINGSBURY PLC

#### Report on the audit of the Financial Statements

##### Opinion

We have audited the Financial Statements of The Kingsbury PLC ("the Company"), which comprise the Statement of Financial Position as at 31st March 2020, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31st March 2020 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

##### Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the Code of

Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the Auditors' opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the Financial Statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying Financial Statements.

Key audit matter	How our audit addressed the key audit matter
<b>Valuation of Building and Building Integrals</b> Buildings and building integrals of the Company are reflected at revaluation amounts to Rs. 3,276Mn as at 31st March 2020. Fair value was determined by an external valuer engaged by the Company. The valuation is subjective to the significant judgment and estimates used by the valuer, which are disclosed in Note 2.2 and 12.2 to the Financial Statements.  Due to the magnitude of these assets relative to the total assets (71%), and the significance of estimates and judgements associated with the valuation in the wake of the COVID 19 outbreak, the valuation of building and building integrals was considered a key audit matter.	<p>Our audit procedures included the following;</p> <ul style="list-style-type: none"><li>• we evaluated the competence, capabilities and objectivity of the external valuer engaged by the management.</li><li>• we read the external valuer report and understood the key estimates made and the approach taken by the valuer in determining the valuation of building and building integrals.</li><li>• we engaged internal specialised resources to assist us in evaluating the appropriateness of the valuation method used and range of prices per square foot used by the valuer as disclosed in Note 12.2.</li></ul> <p>In addition, we evaluated the overall appropriateness of the related Financial Statement disclosures in Note 2.2 and 12.2.</p>

Key audit matter	How our audit addressed the key audit matter
<p><b>Management's Assessment of the probable impact of the COVID 19 pandemic on the operations of the Company</b></p> <p>Management has assessed and adopted the going concern basis in the preparation of the financial statements. Such assessment carried out on the basis of available information, involved the use of significant management judgements and estimates considering future events, circumstances and impacts on cash flows, profits and assets.</p> <p>The availability of sufficient funding and management's assessment of whether the Company will be able to continue meeting its obligations when they fall due were important for the going concern assumption and, as such, were significant aspects of our audit</p> <p>Accordingly, the said assessment was considered a key audit matter.</p>	<p>Our audit procedures included the following;</p> <ul style="list-style-type: none"> <li>• we gained an understanding of Management's assessment of the probable impacts of the COVID 19 pandemic on the operations of the Company and thereby on the assessment of its going concern.</li> <li>• we assessed the maturity profile of the Company's interest bearing borrowings focusing on the management's plans to meet the debt obligations maturing within the next twelve months and working capital requirement.</li> <li>• we engaged our internal specialized resources to assist us in evaluating the reasonableness of the significant management judgements and estimates such as occupancy levels used in such cashflow projections.</li> <li>• we have obtained an understanding of the refinancing and management plan on debt service within next twelve months, the progress made on executing the plan up to the date of this report and we made our own assessment of the feasibility of each option.</li> <li>• we have obtained and reviewed the terms of the debt facilities. We have also reviewed the Company's assessment of compliance with relevant covenants within these facilities.</li> </ul> <p>We also assessed the adequacy of the related disclosures in the notes to the financial statements Note 2.2 and Note 31.</p>

## Other information included in the Company's 2020

### Annual Report

Other information consists of the information included in the Annual Report, other than the Financial Statements and our Auditors' Report thereon. The Management is responsible for the other information. Our opinion on the Financial Statements does not cover the other information and we do not express any form of assurance or conclusion thereon. In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of management and those charged with Governance for the Financial Statements

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

In preparing the Financial Statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's financial reporting process.

### Auditors' responsibilities for the audit of the Financial Statements

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



# INDEPENDENT AUDITORS' REPORT

We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditors' report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

## Report on other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company. CA Sri Lanka membership number of the engagement partner responsible for signing this Independent Auditors' Report is 1884.

Ernst & Young,  
Colombo  
04th June 2020

Partners: W R H Fernando FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W R H De Silva ACA ACMA 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 Ms. P V K N Sajeewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA  
Principals: G B Goudian ACMA A A J R Perera ACA ACMA T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited



# STATEMENT OF PROFIT OR LOSS

Year ended 31st March	Notes	2020 Rs '000	2019 Rs '000
Revenue	4	1,843,754	2,956,631
Cost of sales		(1,222,437)	(1,526,383)
<b>Gross profit</b>		<b>621,317</b>	<b>1,430,248</b>
Other income and expenses	5	85,644	(28,985)
Administrative expenses		(883,719)	(1,020,714)
Marketing expenses		(112,583)	(150,783)
Finance income	8	6,309	9,281
Finance expense	9	(122,101)	(66,259)
<b>Profit/(Loss) before tax</b>		<b>(405,133)</b>	<b>172,788</b>
Income tax expense	10	12,284	(72,011)
<b>Net profit/(Loss) after tax</b>		<b>(392,849)</b>	<b>100,777</b>
Basic earnings per share (Rs.)	11	(1.62)	0.42

The Accounting Policies and Notes on pages 36 through 75 form an integral part of the Financial Statements.

# STATEMENT OF COMPREHENSIVE INCOME

Year ended 31st March	Notes	2020 Rs '000	2019 Rs '000
Profit/(Loss) for the year		(392,849)	100,777
Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods			
Re-measurement loss on defined benefit plans	20	(1,642)	(5,234)
Income tax effect on defined benefit plans	21	230	733
		(1,412)	(4,501)
Other Comprehensive Income to be reclassified to profit or loss in subsequent periods			
Net movement of cash flow hedges		59,573	(59,573)
Other Comprehensive Income for the year, net of tax		58,161	(64,074)
Total Comprehensive Income for the year, net of tax		(334,688)	36,703

The Accounting Policies and Notes on pages 36 through 75 form an integral part of the Financial Statements.

# STATEMENT OF FINANCIAL POSITION

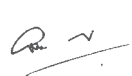
As at 31st March	Notes	2020 Rs '000	2019 Rs '000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	4,095,352	3,690,668
Intangible assets	13	11,374	17,128
Right of use asset	14	12,168	-
		4,118,894	3,707,796
<b>Current assets</b>			
Inventories	15	84,878	70,107
Trade and other receivables	16	174,342	136,808
Other non financial assets	17	131,129	123,741
Income tax receivable		8,431	20,883
Cash and cash equivalents	18	63,947	253,156
		462,727	604,695
<b>Total assets</b>		<b>4,581,621</b>	<b>4,312,491</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Stated capital	27	836,000	836,000
Reserves	28	833,924	826,093
Retained earnings		565,212	911,606
		2,235,136	2,573,699
<b>Non-current liabilities</b>			
Interest-bearing borrowings	19	574,469	550,611
Post employment benefit obligation	20	69,778	65,025
Deferred tax liability	21	230,042	270,855
Lease liability	22	16,489	-
		890,778	886,491
<b>Current liabilities</b>			
Trade and other payables	23	650,923	284,777
Interest-bearing borrowings	19	700,885	463,446
Other non financial liabilities	24	101,327	104,078
Lease liability	22	2,572	-
		1,455,707	852,301
<b>Total equity and liabilities</b>		<b>4,581,621</b>	<b>4,312,491</b>

I certify that these Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.



**Ravindra Dissanayake**  
Director Administration and Finance

The Board of Directors is responsible for these Financial Statements. These Financial Statements were authorised for issue by the Board of Directors on 04th June 2020.



**A. M. Pandithage**  
Executive Chairman



**Rohan Karr**  
Managing Director

The Accounting Policies and Notes on pages 36 through 75 form an integral part of the Financial Statements.

04th June 2020  
Colombo

# STATEMENT OF CHANGES IN EQUITY

	Notes	Ordinary share capital	Revaluation reserve	Cash flow hedge reserve	Retained earnings	Total
		Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
<b>Balance at 01st April 2018</b>		836,000	904,808	-	793,072	2,533,880
Net profit/(Loss) for the period		-	-	-	100,777	100,777
Net movement of cash flow hedges	28	-	-	(59,573)	-	(59,573)
Other comprehensive income		-	-	-	(4,501)	(4,501)
Total comprehensive income		-	-	(59,573)	96,276	36,703
Transfer to retained earnings from Revaluation reserve	28	-	(22,258)	-	22,258	-
Deferred tax on transfer	28	-	3,116	-	-	3,116
<b>Balance at 31st March 2019</b>		836,000	885,666	(59,573)	911,606	2,573,699
Effect of transition to SLFRS 16	22	-	-	-	(6,651)	(6,651)
		836,000	885,666	(59,573)	904,955	2,567,048
Net profit/(Loss) for the period		-	-	-	(392,849)	(392,849)
Net movement of cash flow hedges	28	-	-	59,573	-	59,573
Other comprehensive income		-	-	-	(1,412)	(1,412)
Total comprehensive income		-	-	59,573	(394,260)	(334,687)
Transfer to retained earnings from Revaluation reserve	28	-	(54,518)	-	54,518	-
Deferred tax on transfer	28	-	2,776	-	-	2,776
<b>Balance at 31st March 2020</b>		836,000	833,924	-	565,212	2,235,136

The Accounting Policies and Notes on pages 36 through 75 form an integral part of the Financial Statements.

# STATEMENT OF CASH FLOWS

Year ended 31st March	Notes	2020 Rs '000	2019 Rs '000
<b>Operating activities</b>			
Cash generated from operations	29	431,892	430,043
Interest received	8	6,309	9,281
Interest paid		(73,083)	(81,889)
Lease Interest paid		(2,013)	-
Tax paid		(13,072)	(17,221)
Employee benefit obligations	20	(12,635)	(5,970)
Net cash generated from operating activities		337,398	334,244
<b>Investing activities</b>			
Capital work in progress	12	(4,543)	(6,451)
Purchases of property, plant and equipment	12	(806,548)	(96,825)
Purchases of intangible assets	13	(921)	(1,692)
Proceeds from disposal of property, plant and equipment		13,935	19,454
Investments in fixed deposits		-	100,934
Net cash generated from /(used in) investing activities		(798,077)	15,420
<b>Financing activities</b>			
Proceeds from interest-bearing borrowings		388,967	350,000
Payments on interest-bearing borrowings		(291,120)	(429,065)
Payments on lease rent-capital portion		(5)	-
Net cash generated from financing activities		97,842	(79,065)
<b>Net increase in cash and cash equivalents</b>		<b>(362,837)</b>	<b>270,599</b>
<b>Movement in cash and cash equivalents</b>			
At the beginning of year		181,825	(88,774)
Net increase		(362,837)	270,599
<b>At end of year</b>	18	<b>(181,012)</b>	<b>181,825</b>

The Accounting Policies and Notes on pages 36 through 75 form an integral part of the Financial Statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1 CORPORATE INFORMATION

### 1.1 Reporting Entity

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

### 1.2 Principal Activity and Nature of Operations

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

### 1.3 Parent Entity and Ultimate Parent Entity

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

### 1.4 Date of Authorisation for Issue

The Financial Statements of The Kingsbury PLC, for the year ended 31 March 2020 were authorised for issue in accordance with a resolution of the Board of Directors on 04th June 2020.

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

### 2.1 BASIS OF PREPARATION

#### 2.1.1 Basis of Measurement

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

#### 2.1.2 Statement of Compliance

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

### 2.1.3 Comparative Information

The Financial Statements of the Company provide comparative information in respect of the previous period. The comparative information is reclassified whenever necessary to confirm with the current year's classification in order to provide a better presentation.

The Company applied SLFRS 16 with effect from 1 April 2019. Due to the transition method chosen in applying these standards, comparative information throughout these Financial Statements have not been restated to reflect the requirements of the new standards.

## 2.2 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of Financial Statements in conformity with SLFRS/LKAS's requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgements and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence actual experience and results may differ from these judgements and estimates.

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

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following notes.

#### a. Going Concern

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis. Refer Note 31.

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

The Company measures buildings and building integrals at revalued amounts with gains in fair value being recognised

in equity (Revaluation Reserve). The Company usually engages an external, independent and qualified valuer to determine the fair values. 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. Further details are given in Note 12.2.

#### c. Components of Buildings and Useful Life

In determining the depreciation expense, the Company with the assistance of an independent professional valuer determined the components of buildings that have varying useful lives. Approximation techniques and appropriate groupings were used in such determination as well as in the assessment of the useful lives of each component. Further details are given in Note 12.5.

#### d. 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 21.

#### 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 and staff turnover. 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 20.

#### f. Determining the lease term of contracts with renewal and termination options

The company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to eliminate the lease, if it is reasonably certain not to be exercised

Refers to Note 22 for information on potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term

## 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 Lankan 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 Statement of Profit or Loss.

### 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 capitalized 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

# NOTES TO THE FINANCIAL STATEMENTS

the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the Statement of Profit or Loss as incurred.

## b. At Subsequent Measurement

Property, plant and equipment other than building and building integrals is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the property, plant and equipment when that cost is incurred, if the recognition criteria is met.

Building and building integrals are subsequently measured at fair value less accumulated depreciation and such valuations are carried out 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 Statement of Profit or Loss, in which case the increase is recognised in the Statement of Profit or Loss. 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.

	2020	2019
Buildings and building integrals	15 - 50 years	15 - 50 years
Plant, machinery and equipment	08 years	08 years
Furniture and fittings	10 years	10 years
Motor vehicles	05 years	05 years
Linen, cutlery, crockery and glassware	3 - 10 years	3 - 10 years

## d. Subsequent Costs

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

## 2.3.4 Lease

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. `

### 2.3.4.1 Right-of-use Assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the



commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term.

#### 2.3.4.2 Lease Liability

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced.

The Company lease liabilities are included in Note 22 to the Financial Statements.

#### 2.3.5 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 amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit or Loss in the expense category consistent with the function of the intangible asset.

#### 2.3.6 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### a) Initial Recognition and Subsequent Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables do not contain a significant financing component.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

##### b) Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

# NOTES TO THE FINANCIAL STATEMENTS

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon de-recognition (equity instruments)
- Financial assets at fair value through profit or loss

## Financial Assets at Amortised Cost (Debt Instruments)

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is de-recognised, modified or impaired.

The Company's financial assets at amortised cost includes trade and other receivables, short term deposits, cash and bank balances and other financial assets.

### c) De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily de-recognised (i.e., removed from the Company's Statement of Financial Position) when:

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass through

arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay

### d) Impairment of Financial Assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

#### Trade Receivables:

For trade receivables, the Company applies a simplified approach in calculating ECLs.

Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Company considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

### 2.3.7 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.

### 2.3.8 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.

### 2.3.9 Fair Value Measurement

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.

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

### 2.3.10 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

# NOTES TO THE FINANCIAL STATEMENTS

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 in 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

### a) Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payable, bank overdrafts and interest bearing loans and borrowings.

### b) Subsequent Measurement

The measurement of financial liabilities depends on their classification, as described below:

Loans and Borrowings (Financial liabilities at amortised cost)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Statement of Profit or Loss.

This category generally applies to interest-bearing loans and borrowings.

### 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 the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

## 2.3.13 Hedge Accounting

For the purpose of hedge accounting, hedges are classified as Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

### Cash Flow Hedges

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognised directly in equity in the "Cash flow hedge reserve". The ineffective portion of the gains or losses

on the hedge instrument is recognised immediately in the Statement of Profit or Loss.

When the hedge cash flow affect the Statement of Profit or Loss, the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the Statement of Profit or Loss. When a hedging instrument expires, or is sold, terminated, exercised or when a hedge no longer meet the criteria for hedge accounting, any cumulative gains/losses existing in Other Comprehensive Income at that time remains in Other Comprehensive Income itself and is recognised when the hedge forecast transaction is a ultimately recognised in the Statement of Profit or Loss. When a forecast transaction is no longer expected to occur the cumulative gains/loss was reported in other comprehensive income is immediately transferred to the Statement of Profit or Loss.

#### 2.3.14 Other Non-Financial Liabilities

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

#### 2.3.15 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.

#### 2.3.16 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 Statement of Profit or Loss in the year to which they relate.

##### b) Defined Benefit Plan

The liability recognised in the Statement of Financial Position in respect of defined benefit plans is the present value of the defined benefit obligation at the reporting date 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.

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

#### 2.3.17 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.

#### 2.3.18 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 Statement of Profit or Loss. 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



# NOTES TO THE FINANCIAL STATEMENTS

utilised. Unrecognised 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.

## 2.3.19 Revenue Recognition

### 2.3.19.1 Revenue from contracts with Customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the company expect to entitled in exchange of those goods or services.

The Company's gross turnover comprises proceeds from provision of food, beverage, lodging and other hospitality industry related activities. The net Company's turnover excludes turnover taxes and trade discounts.

The specific recognition criteria described below must also be met before revenue is recognised.

- a) Room revenue is recognised on the rooms occupied on daily basis.
- b) Food and Beverage revenue is recognised at the time of sales.
- c) Other Hotel Related Revenue is accounted when such service is rendered.

### 2.3.19.2 Revenue from other income sources

- d) Interest income is accrued on a time basis with reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimates future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition
- e) Other income is recognised on an accrual basis. Net gains and losses of a revenue nature on the disposal of

Property, Plant & Equipment has been accounted for in the Statement of Profit or Loss, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expense

Gains and losses arising from incidental activities to main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

### f) Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract. The Company recognises advanced received for future reservations as contract liabilities.

The Company recognizes advanced received for future reservations as contract liabilities.

## 2.3.20 Changes in accounting policies

The accounting policies adopted by the Company are consistent with those of the previous financial year except for the following;

### New and amended standards and interpretations

The following are the new significant accounting policies applied by the Company in preparing its Financial Statements. Several other amendments and interpretations apply for the first time in financial year 2019/20, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued, but are not yet effective.

### 2.3.20.1 SLFRS 16 - Lease

SLFRS 16 supersedes LKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.



The Company adopted SLFRS 16 using the modified retrospective method of adoption, without restating comparative information. Instead, it has recognised the cumulative effect of initially applying this standard as an adjustment to the opening balance of Retained earnings at the date of initial application, as permitted under the specific transitional provisions in the standard. The impact on adoption of SLFRS 16 is reflected in Note 22 to the Financial Statements. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

#### Leases previously accounted for as operating leases

The Company recognised right of use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right of use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Lease liability was recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the available practical expedients where in it;

- Used a single discount rate
- Relied on its assessment of whether lease is onerous immediately before the date of initial application.
- Applied the short term lease exception to lease with lease term that ends with 12 months of the date of initial application
- Excluded the initial direct cost from the measurement of the right of use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

#### 23.202 IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of LKAS 12, nor does it specifically include requirements relating to interest and

penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Company applies significant judgement in identifying uncertainties over income tax treatments.

Upon adoption of the Interpretation, the Company considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Company determined, based on its tax compliance and transfer pricing study that it is probable that its tax treatments will be accepted by the taxation authorities. The Interpretation did not have an impact on the financial statements of the Company.

#### 23.203 Amendments to SLFRS 9:

Prepayment Features with Negative Compensation Under SLFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to SLFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the financial statements of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

## 23.204 Amendments to LKAS 19: Plan Amendment, Curtailment or Settlement

The amendments to LKAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments had no impact on the financial statements of the Company as it did not have any plan amendments, curtailments, or settlements during the period.

## 3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The amended standards that are issued, but not yet effective up to the date of issuance of these financial statements are disclosed below. The Company intends to adopt these amended standards, if applicable, when they become effective.

### 3.1 Amendments to SLFRS 3: Definition of a Business

Amendments to the definition of a business in SLFRS 3 Business Combinations are made to help the entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definition of a business and of outputs, and introduce an optional fair value concentration test.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

### 3.2 Amendments to LKAS 1 and IAS 8: Definition of Material

Amendments to LKAS 1 Presentation of Financial Statements and IAS 8 Accounting policies, Changes in accounting Estimates and Errors are made to align the definition of "material" across the standard and to clarify certain aspects of the definition. The new definition states that, "information is material if omitting or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments are applied prospectively for the annual periods beginning on or after 1 January 2020 with early application permitted.

### 3.3 Amendments to references to the conceptual framework in SLFRS standards

Revisions to the Conceptual Framework were made because some important issues were not covered and some guidance was unclear or out of date. The revised Conceptual Framework includes: a new chapter on measurement; guidance on reporting financial performance; improved definitions of an asset and a liability, and guidance supporting these definitions; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The amendments are effective for annual periods beginning on or after 1 January 2020, with early application is permitted.

#### 4. REVENUE

The Company classifies its revenue streams according to business units based on the nature of services, for ease of understanding. Namely; Room Revenue, Food & Beverage Revenue and Other Hotel Related Revenue. The Board monitors the operating results for the purpose of performance assessment. Assets and Liabilities are managed on a collective basis and are not allocated to operating segments.

##### 4.1 Summary

Year ended 31st March	2020 Rs '000	2019 Rs '000
Gross turnover	1,878,624	2,977,038
Effect of CF Hedges	(34,870)	(20,407)
<b>Turnover</b>	<b>1,843,754</b>	<b>2,956,631</b>
Less: Turnover Tax / Nation Building Tax	(41,380)	(95,163)
<b>Net turnover</b>	<b>1,802,374</b>	<b>2,861,468</b>

##### 4.2 Segmentation of the Revenue

Year ended 31st March	2020 Rs '000	2019 Rs '000
Room sales	702,440	1,201,672
Food & beverage sales	1,054,452	1,589,086
Other hotel related revenue	80,352	91,117
Effect of CF Hedges	(34,870)	(20,407)
<b>Total revenue</b>	<b>1,802,374</b>	<b>2,861,468</b>

#### 5. OTHER INCOME AND EXPENSES

Year ended 31st March	2020 Rs '000	2019 Rs '000
Loss on disposal of property, plant and equipment	(145,261)	(41,873)
Sundry income	230,905	12,888
<b>Other income and expenses</b>	<b>85,644</b>	<b>(28,985)</b>

Losses incurred on de-recognition and disposal of assets due to the 21st April 2019 terrorist attack was Rs. 93Mn. and subsequent refurbishment was Rs. 54Mn.

Insurance claim on terrorist attack damage is recorded amounting to Rs.225Mn (Net of Tax) under Other Income.

# NOTES TO THE FINANCIAL STATEMENTS

## 6. PROFIT BEFORE TAX

The following items have been charged in arriving at profit before tax:

Year ended 31st March	2020 Rs '000	2019 Rs '000
Directors' emoluments	3,402	2,742
Auditors' remuneration - audit fees	846	949
- non audit fees	539	455
Depreciation on property, plant and equipment Note 12	236,879	239,675
Amortisation of intangible assets Note 13	5,415	5,778
Amortisation of right to use assets Note 14	247	-
Repair and maintenance expenditure	59,847	74,977
Lease rentals on property	-	114,257
Staff costs Note 7	525,559	497,961
Power and energy expenditure	104,946	112,655
Loss on disposal of property, plant and equipment	156,598	54,104
Marketing and promotional fee	55,758	128,405

## 7. STAFF COSTS

Year ended 31st March	2020 Rs '000	2019 Rs '000
Wages and salaries	393,520	351,139
Cost of meals	66,530	83,147
Defined contribution plans	49,763	48,587
Post employment benefit obligation Note 20.2	15,746	15,088
Staff costs	525,559	497,961

**8. FINANCE INCOME**

Year ended 31st March	2020 Rs '000	2019 Rs '000
Interest income	6,309	9,281
	6,309	9,281

**9. FINANCE EXPENSES**

Year ended 31st March	2020 Rs '000	2019 Rs '000
Interest expenses	72,358	80,753
Foreign exchange gain	(2,633)	(24,640)
Foreign exchange loss	27,673	90,125
Exchange loss on cash flow hedges - transferred to OCI	24,703	(79,980)
	122,101	66,258
Net Finance Income / (Expenses)	115,792	56,977

**10. TAXATION**

Year ended 31st March	2020 Rs '000	2019 Rs '000
10.1 Under provision in respect of previous years	8,954	8,261
Economic service charge	16,569	20,791
Deferred tax Note 21.1	(37,807)	42,959
Income Tax Expense	(12,284)	72,011

# NOTES TO THE FINANCIAL STATEMENTS

## 10.2 Reconciliation of Accounting Profit to Income Tax Expense

Year ended 31st March	2020 Rs '000	2019 Rs '000
Profit/(loss) before tax	(405,133)	172,788
Disallowable expenses	601,414	295,666
Allowable expenses	(639,873)	(319,689)
Tax credits (utilisation) / earned during the year	437,283	(158,045)
Interest income	6,309	9,280
<b>Taxable income</b>	-	-

## 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.

Year ended 31st March	2020	2019
Net profit/(loss) attributable to shareholders Rs'000	(392,849)	100,777
Weighted average number of ordinary shares in issue-'000	242,000	242,000
Basic earnings per share (Rs.)	(1.62)	0.42

## 12. PROPERTY, PLANT AND EQUIPMENT

### 12.1

#### 12.1.1

Year ended 31st March 2019

	Buildings and building integrals Rs '000	Plant, machinery & equipment Rs '000	Furniture & fittings Rs '000	Motor vehicles Rs '000	Linen, cutlery, crockery & glassware Rs '000	Total Rs '000
Cost/valuation						
Balance as at 1st April 2018	3,154,640	641,672	398,946	17,766	205,412	4,418,436
Additions	114,111	29,959	31,137	-	48,644	223,851
Disposals	(16,152)	(31,090)	(31,739)	-	-	(78,981)
Disposals - breakages, losses & discarded	-	-	-	-	(42,431)	(42,431)
Balance as at 31st March 2019	3,252,599	640,541	398,344	17,766	211,625	4,520,875
Depreciation						
Balance as at 1st April 2018	74,640	309,739	137,117	11,016	114,338	646,850
Depreciation charge	76,262	81,892	40,732	691	40,098	239,675
Disposals	(2,544)	(10,975)	(8,926)	-	-	(22,445)
Disposals - breakages, losses & discarded	-	-	-	-	(27,423)	(27,423)
Balance as at 31st March 2019	148,358	380,656	168,923	11,707	127,013	836,657
Net book value as at 31st March 2019	3,104,241	259,885	229,421	6,059	84,612	3,684,218
Capital work in progress						
Balance as at 1st April 2018						127,025
Amount transferred to property, plant and equipment						(120,575)
Balance as at 31st March 2019						6,450
Total net book value as at 31st March 2019	3,104,241	259,885	229,421	6,059	84,612	3,690,668



# NOTES TO THE FINANCIAL STATEMENTS

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

### 12.1.2

Year ended 31st March 2020

	Buildings and building integrals Rs '000	Plant, machinery & equipment Rs '000	Furniture & fittings Rs '000	Motor vehicles Rs '000	Linen, cutlery, crockery & glassware Rs '000	Total Rs '000
Cost/valuation						
Balance as at 1st April 2019	3,252,599	640,541	398,344	17,766	211,625	4,520,875
Additions	361,323	287,802	69,914	-	88,571	807,610
Disposals	(122,636)	(29,096)	(58,689)	(7,723)	-	(218,144)
Disposals - breakages, losses & discarded	-	-	-	-	(35,169)	(35,169)
Balance as at 31st March 2020	3,491,286	899,247	409,569	10,043	265,028	5,075,173
Depreciation						
Balance as at 1st April 2019	148,358	380,656	168,923	11,707	127,013	836,657
Depreciation charge	78,820	76,753	37,483	9	43,815	236,880
Disposals	(11,400)	(19,918)	(24,550)	(4,473)	-	(60,341)
Disposals - breakages, losses & discarded	-	-	-	-	(22,383)	(22,383)
Balance as at 31st March 2020	215,778	437,491	181,856	7,243	148,445	990,813
Net book value as at 31st March 2020	3,275,508	461,756	227,713	2,800	116,583	4,084,360
Capital work in progress						
Balance as at 1st April 2019						6,450
Cost incurred during the year						741,997
Amount transferred to property, plant and equipment						(737,455)
Balance as at 31st March 2020						10,992
Total net book value as at 31st March 2020	3,275,508	461,756	227,713	2,800	116,583	4,095,352

## 12.2 Fair Valuation Process and Key Valuation Assumptions

The Company measures Buildings and building integrals at revalued amounts. The Company usually engages an external qualified valuer on a regular basis to determine the fair values.

The latest revaluation has been carried out by Mr. P B Kalugalagedera (F.I.V Sri Lanka) a chartered independent valuer as at 31st March 2020. The revaluation carried out resulted in a fair value which approximated with the carrying value as at 31st March 2020. The valuation of the buildings and integrals located at principal place of business, No. 48, Janadhipathi Mawatha, Colombo 1, have been determined using direct capital comparison method by using level 3 of the fair value measurement hierarchy. Approximate price per sq.ft is Rs. 16,000/- (2019 -Rs.16,000/-). Significant increase or decrease in estimated price per square foot in isolation would result in a significantly higher or lower fair value measurement.

12.3 Reconciliation of revalued property, plant and equipment is more fully disclosed in Note 12.1.

12.4 If the Buildings and building integrals 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
Buildings and building integrals	2,461,679	557,033	1,904,646
	2,461,679	557,033	1,904,646

12.5 The Company regularly review the useful life of each significant component of buildings and in the review process, the Company obtains the assistance of an independent professional valuer. Accordingly, depreciation is calculated for the year using a straight line method for each individual significant component of building.

Components included in buildings and building integrals and their useful lives are as follows:

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

# NOTES TO THE FINANCIAL STATEMENTS

## 13. INTANGIBLE ASSETS

Year ended 31st March	2020 Rs '000	2019 Rs '000
<b>Cost</b>		
Balance as at 1st April	46,886	45,194
Additions during the year	921	1,692
Impairment	(1,260)	-
Balance as at 31st March	46,547	46,886
<b>Amortisation</b>		
Balance as at 1st April	29,758	23,980
Amortisation during the year	5,415	5,778
Balance as at 31st March	35,173	29,758
<b>Net Book Value</b>	<b>11,374</b>	<b>17,128</b>

The intangible assets consist of computer software.

## 14. RIGHT OF USE ASSETS

Year ended 31st March	2020 Rs '000
<b>Cost</b>	
Balance as at 1st of April 2019	-
Day 1 impact from the application of SLFRS 16	12,415
Restated Balance as at 01st April 2019	12,415
Additions of lease assets	
Balance as at 31st March 2020	12,415
<b>Amortisation</b>	
Balance as at 1st of April 2019	-
Amortisation for the period	247
Balance as at 31st March 2020	247
<b>Net book value of right of use assets</b>	<b>12,168</b>

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 lease rental. Remaining lease period is 49 years.

#### 14.1 Sensitivity of Right-of-Use Assets / Lease Liability to Key Assumption

##### Sensitivity to Incremental Borrowing Rates

Increase/(decrease) in incremental borrowing rate as at 31st March 2020 by 1% would have (decreased)/increased the lease liability by approximately Rs.164,103/- and Rs 166,895/- respectively. Had the Company increased/(decreased) the discount rate by 1%, the Company profit before tax for the year would have (decreased)/increased by approximately Rs 1,864/- and Rs.1,887 /- respectively.

#### 15. INVENTORIES

As at 31st March	2020 Rs '000	2019 Rs '000
Food, Beverages and Tobacco	63,470	41,243
Consumables	21,408	28,864
Inventories	84,878	70,107

#### 16. TRADE AND OTHER RECEIVABLES

As at 31st March	2020 Rs '000	2019 Rs '000
Trade receivables	174,996	134,341
Less: Impairment allowances	(8,724)	(6,078)
	166,272	128,263
Intercompany receivables	8,070	8,545
Trade and other receivables	174,342	136,808

#### 17. OTHER NON FINANCIAL ASSETS

As at 31st March	2020 Rs '000	2019 Rs '000
Prepayments	46,790	56,146
Advances to Suppliers	12,700	31,115
Advances to Employees	3,786	11,570
VAT receivable	37,319	-
Security deposits	20,152	20,520
Other receivables	10,382	4,390
Other non-financial assets	131,129	123,741

#### 18. CASH AND CASH EQUIVALENTS

As at 31st March	2020 Rs '000	2019 Rs '000
18.1 Cash at bank and in hand	63,947	253,156
Cash and short term deposits	63,947	253,156

# NOTES TO THE FINANCIAL STATEMENTS

**18.2** For the purposes of the cash flow statement, the year end cash and cash equivalents comprise the following

As at 31st March	2020 Rs '000	2019 Rs '000
Cash and short term deposits	63,947	253,156
Bank overdraft Note 19.1	(244,959)	(71,331)
<b>Cash and Cash equivalents at the end of the period</b>	<b>(181,012)</b>	181,825

## 19. INTEREST-BEARING BORROWINGS

### 19.1 Borrowings

As at 31st March	2020 Rs '000	2019 Rs '000
<b>Current liabilities</b>		
Bank overdraft	244,959	71,331
Borrowings from Banks/Financial Institutions	455,926	392,115
	700,885	463,446
<b>Non-current liabilities</b>		
Borrowings from Banks/Financial Institutions	574,469	550,611
	574,469	550,611
<b>Total borrowings</b>	<b>1,275,354</b>	1,014,057

### 19.2 The Details of the Security Pledged:

Nature of Assets Pledged	Nature of Security
<b>DEG Loan</b>	
Leasehold land, buildings and fixtures (Note 12 - Buildings and building integrals)	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
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
<b>BOC Loan and Overdraft facility</b>	
Leasehold land, buildings and fixtures	Existing Concurrent mortgage bond no 364 over lease hold right of the hotel property with DEG and existing mortgage bonds of 1,416 dated 27th July 2001 for Rs. 100 Mn and 166 dated 09th May 2013 for Rs. 1,335 Mn over lease hold rights of the property situated at junction of Janadhipathi Mawatha & Chathiya Road ( Marine Drive) adjoining the Central Bank

### 19.3 Details of Loan - Terms and Conditions

Loan Amount	Bank / Financial Institutions				DEG USD .10Mn
	BOC				
	Rs. 350Mn TL	Rs. 500Mn TL	Rs. 28Mn	Rs. 250Mn WC	
Commencement date	10th July 2018	30th December 2019	31st March 2020	30th December 2019	7th June 2013
End date	10th July 2022	30th December 2026	31st March 2022	30th December 2021	15th December 2020
Grace period	1 year	1 year & 6 months	3 months	-	2 years
Per Instalment amount '000	Rs. 9,722	Rs. 7,576	Rs. 1,379	Rs. 10,417	USD 833
Interest rate	0.5% + AWPLR	1.0% + AWPLR	1% + TB rate	2.0% + 6 month AWPLR	4.25% + 6 months LIBOR
Repayment Term	4 years	7 years	2 years	2 years	8 years

## 20. POST EMPLOYMENT BENEFIT OBLIGATION (GRATUITY)

### 20.1 Summary

Year ended 31st March	2020 Rs '000	2019 Rs '000
As at 1st April	65,025	50,673
Transfers	-	1,789
Charge for the year	Note 20.2 17,388	20,322
Benefits paid	(12,635)	(7,759)
As at 31st March	69,778	65,025

# NOTES TO THE FINANCIAL STATEMENTS

## 20.2 Charge for the Year

Year ended 31st March	2020 Rs '000	2019 Rs '000
<b>Reported in Income Statement</b>		
Current service cost	9,395	9,842
Interest cost	6,351	5,246
Service Cost	15,746	15,088
<b>Reported in Other Comprehensive Income</b>		
Net actuarial Loss recognised immediately to Other Comprehensive Income	1,642	5,234
<b>Charge for the year</b>	<b>17,388</b>	<b>20,322</b>

**20.3** The Company obtained an actuarial valuation from an independent professional actuary, Messrs Actuarial and Management Consultants (Pvt) Ltd, in March 2020, to ascertain the post employment benefit obligation arising in respect of Gratuity.

The principal actuarial assumptions used in determining the liability were:

Year ended 31st March	2020	2019
Discount rate (per annum)	10%	11%
Future salary increase (per annum)	9%	10%
Retiring age	55 years	55 years

Average future working life of an employee is 5.52 years



## 20.4 Sensitivity of Assumptions Employed in Actuary Valuation

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

### 31st March 2020

Increase/(decrease) in discount rate	Increase/(decrease) in salary increment	Effect on comprehensive income increase/(decrease) in results for the year Rs '000	Effect on post employment benefit obligation increase/(decrease) in the liability Rs '000
1%	-	3,331	(3,331)
(1%)	-	(3,660)	3,660
-	1%	(3,965)	3,965
-	(1%)	3,667	(3,667)

### 31st March 2019

Increase/(decrease) in discount rate	Increase/(decrease) in salary increment	Effect on Comprehensive Income Increase/(Decrease) In Results For The Year Rs '000	Effect on post employment benefit obligation increase/(decrease) in the liability Rs '000
1%	-	3,025	(3,025)
(1%)	-	(3,329)	3,329
-	1%	(3,628)	3,628
-	(1%)	3,352	(3,352)

## 20.5 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.

As at 31st March	2020 Rs '000	2019 Rs '000
Less than or equal 1 year	9,064	9,570
Over 1 year and less than or equal 5 years	35,195	33,822
Over 5 year and less than or equal 10 years	17,260	13,786
Beyond 10 years	8,259	7,847
<b>Total</b>	<b>69,778</b>	<b>65,025</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 21 DEFERRED TAX LIABILITY

### 21.1

Year ended 31st March	Statement of Financial Position		Statement of Profit or Loss		Statement of Other Comprehensive Income	
	2020 Rs. '000	2019 Rs. '000	2020	2019	2020 Rs. '000	2019 Rs. '000
<b>Deferred Tax Liability</b>						
Capital Allowance for tax Purpose	391,408	370,182	24,002	20,333	(2,776)	(3,116)
	391,408	370,182				
<b>Deferred Tax Assets</b>						
Defined Benefit Plans	9,769	9,103	(436)	(1,276)	(230)	(733)
Leases	965		(965)			
Bad Debt Provision	1,220		(1,220)			
Un-used Tax Losses	149,412	90,224	(59,188)	23,902	-	-
	161,366	99,327				
Effect on increase in Deferred tax rate						
<b>Net Deferred Tax Liability</b>	<b>230,042</b>	<b>270,855</b>				
<b>Deferred Tax Expense/(Benefit)</b>			<b>(37,807)</b>	<b>42,959</b>	<b>(3,006)</b>	<b>(3,849)</b>

**21.2** The Company has carried forward tax losses of Rs.1,067,255,736/- (2019 - Rs.629,943,572/-) 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.

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

As at 31st March	2020 Rs '000	2019 Rs '000
<b>Deferred tax assets</b>		
As at 01st April	99,327	121,220
Amount charge/ (reversed) to Income Statement	61,809	(22,626)
Tax income recognised in Other Comprehensive Income	230	733
<b>As at 31st March</b>	<b>161,366</b>	<b>99,327</b>
<b>Deferred tax liabilities</b>		
As at 01st April	370,182	352,965
Income statement charge	24,002	20,333
	394,184	373,298
Deferred tax on amount transferred from revaluation reserve (Note 28.1)	(2,776)	(3,116)
<b>As at 31st March</b>	<b>391,408</b>	<b>370,182</b>
<b>Deferred tax liabilities (net)</b>	<b>230,042</b>	<b>270,855</b>

Deferred tax assets and liabilities as at reporting date, deferred tax charge/(release) in the statement of Profit or Loss and deferred tax charge/(credit) in equity, are attributable to provision for retirement benefit obligations, accelerated tax depreciation, tax losses carried forward and asset revaluation. The deferred tax on amount transferred from revaluation reserve to retained earnings represents the deferred tax on the difference between the depreciation on revalued property, plant and equipment and the equivalent depreciation based on the historical cost of property, plant and equipment.

#### 21.4 Sensitivity of assumptions in key revenue variable

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions of revenue variables (Occupancy / ARR / No of covers) with all other variables held constant to assess the recoverability of tax brought forward losses within the next four years.

	Rs '000
Brought forward tax loss	(629,944)
Actual tax loss for the year	(437,282)
Carried forward tax loss	(1,067,226)
Forecasted taxable income in next five years	1,497,121

	Increase / (decrease)	Sensitivity Effect on taxable income increase / (decrease) Rs '000
Occupancy Rate	5%	685,466
	(5%)	(174,325)
Average Room Rate	5%	596,016
	(5%)	(263,775)
Number of covers	5%	621,210
	(5%)	(238,580)

# NOTES TO THE FINANCIAL STATEMENTS

## 22 LEASE LIABILITY

### 22.1 Movement of Lease Liabilities

As at 31st March	2020 Rs '000
Balance as at 01st April 2019	117,414
Day 1 impact from the application of SLFRS 16	(98,348)
Restated Balance as at 01st April 2019	19,066
Additions of operating lease agreements during the year	-
Accretion of Interest	2,013
Payment to lease creditor	(2,018)
Balance as at 31st March 2020	19,061
<b>Current</b>	<b>2,572</b>
<b>Non Current</b>	<b>16,489</b>
	<b>19,061</b>

The company use 11.5% as incremental Borrowing rate.

### 22.2 The following are the amounts recognised in the profit or loss:

As at 31st March	2020 Rs '000
Depreciation expenses of right of use assets	247
Interest expense on lease liability	2,013
<b>Total amount recognised in profit or loss</b>	<b>2,260</b>

### 22.3 Effect of the adoption of SLFRS 16 as at 1st April 2019

As at 31st March	2020 Rs '000
<b>ASSETS</b>	
Right of Use Asset	12,415
	12,415
<b>EQUITY AND LIABILITIES</b>	
Revenue reserves	(6,651)
Interest bearing borrowings/Lease liability	19,066
	12,415
<b>Reconciliation of lease liability</b>	
Lease commitments as April 2019	19,066
Other adjustment that increase/ decrease liability	(5)
Gross lease liabilities as of March 2020	19,061

**22.4 Following is the maturity lease liability for future periods with interest cost**

	0-3 Months	3-12 Months	1 to 5 Years	5 Year and above
Lease Liability - Rs' 000	1,193	3,578	23,840	187,156

**23 TRADE AND OTHER PAYABLES**

As at 31st March	2020 Rs '000	2019 Rs '000
Trade payables	208,189	112,806
Intercompany payables Note 30.4	186,845	26,970
Accrued expenses	137,877	71,934
Other payables	61,486	73,067
Payables to contractors	56,526	-
<b>Trade and other payables</b>	<b>650,923</b>	<b>284,777</b>

**24 OTHER NON FINANCIAL LIABILITIES**

As at 31st March	2020 Rs '000	2019 Rs '000
Advances received for reservations*	82,436	72,749
Reserve for Breakages	244	350
VAT Payable	-	15,213
Other payables	18,647	15,766
<b>Other non financial liabilities</b>	<b>101,327</b>	<b>104,078</b>

\* The Company recognises advanced received for future reservations as contract liabilities

# NOTES TO THE FINANCIAL STATEMENTS

## 25. CONTINGENCIES

### Contingent Liabilities

There were no contingent liabilities 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 27th 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 ten 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), 2015 (15580/16), 2016 (15689/17), 2017 (16909/18), 2018 (16251/19) and 2019 (4689/20). The above cases will be called before the Magistrate's Court of Maligakanda in following manner.

Case filed for 2010 to 2019 have concluded in the Magistrate's Court with the Hon. Magistrate holding against the Company and fining the Company LKR 100/-, for each case, which fine has been paid, as of date. Appeals have been filed against the Judgements in the said cases, and the same are pending listing before the High Court. The case filed for 2019 was called before the Magistrate's Court of Maligakanda on the 24th February 2020, and, upon the Hotel pleading not guilty, was fixed for trial on 23rd March 2020. However, due to the situation prevailing in the country, with the outbreak of the COVID-19 pandemic, and curfew that has been in place. The matter was not taken up for trial. We are at present unable to ascertain the next date for trial.

(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 total annual turnover as a pre-condition to the issue of the Annual Trade License for the years 2008, 2009 and 2010 in respect of the restaurant operated at hotel premises. Judgment was delivered on 19th September 2019, and their Lordships of the Court of Appeal dismissed the application and ordered costs. Costs have not been determined as of date. The case was appealed to the Supreme Court, however, the appeal has yet to be supported.

## 26. COMMITMENTS

### (a) Capital Commitments

The Company has no capital commitment as at the reporting date (2019 - Rs 7.4 Mn).

### (b) Tax Assessments

Income tax assessment received relating to year 2007/08 was amounting to Rs. 2,653,476/- and the penalty was amounting to Rs.1,340,403/-. The Company lodged an appeal against the assessment and the penalty was waived off.

## 27. STATED CAPITAL

As at 31st March	2020		2019	
	Numbers '000	Rs '000	Numbers '000	Rs '000
Balance at beginning of the year	242,000	836,000	242,000	836,000
Balance at end of the year	242,000	836,000	242,000	836,000

## 28. RESERVES

As at 31st March		2020 Rs '000	2019 Rs '000
Revaluation reserve	Note 28.1	833,924	885,666
Cash flow hedge reserve	Note 28.2	-	(59,573)
<b>Total</b>		<b>833,924</b>	<b>826,093</b>

### 28.1 Revaluation Reserve

The movement in the revaluation reserve is as follows:

As at 31st March		2020 Rs '000	2019 Rs '000
At beginning of year		885,666	904,808
Transfer to retained earnings*		(54,518)	(22,258)
Deferred tax on transfers to retained earnings		2,776	3,116
<b>At end of year</b>		<b>833,924</b>	<b>885,666</b>

\*The amount transfer 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.

### 28.2 Cash flow Hedge Reserve

The movement in cash flow hedge reserve is as follows:

As at 31st March		2020 Rs '000	2019 Rs '000
At beginning of year		(59,573)	-
Movement of Cash flow hedge reserve			
- recognised through revenue		34,870	20,407
- recognised through foreign exchange loss		24,703	(79,980)
<b>At the end of the year</b>		<b>-</b>	<b>(59,573)</b>

\*Hedge effectiveness reasonably cannot be assessed. Therefore the Management has taken a decision to exist from the hedge arrangement w.e.f 31st March 2020 and balance recognised to Statement of Profit or Loss.



# NOTES TO THE FINANCIAL STATEMENTS

## 29. CASH GENERATED FROM OPERATIONS

### 29.1 Reconciliation of Profit Before Tax to Cash Generated from Operations

Year ended 31st March	2020 Rs '000	2019 Rs '000
Profit/(loss) before tax	(405,133)	172,788
Adjustments for:		
Depreciation on property, plant and equipment	236,879	239,676
Amortization on right to use assets	247	-
Amortisation of intangible assets	5,415	5,778
Impairment of intangible assets	1,260	-
Provision for bad and doubtful debts	2,646	(974)
Interest income	(6,309)	(9,281)
Interest expense	72,358	80,753
Exchange Gain /Loss on cash flow hedges - transfer to OCI	24,703	(79,980)
Foreign exchange loss	25,040	65,485
Loss on disposal of property, plant and equipment	155,338	52,104
Post employment benefit plans	15,746	15,088
Changes in working capital:		
- Receivable and prepayments	(44,922)	(41,998)
- Inventories	(14,770)	3,946
- Payables	363,394	(73,342)
<b>Net cash generated from/(used in) operations</b>	<b>431,892</b>	<b>430,043</b>

## 29.2 Changes in Liabilities Arising from Financing Activities

Year ended 31st March 2020	Balance as at 01 April 2019	Cash inflows	Cash outflows	Exchange differences and other non cash adjustments	Balance as at 31 March 2020
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Interest bearing Loans and Borrowings	1,014,056	388,967	(291,120)	163,451	1,275,354
Total Liabilities from Financing activities	1,014,056	388,967	(291,120)	163,451	1,275,354

Year ended 31st March 2019	Balance as at 01 April 2018	Cash inflows	Cash outflows	Exchange differences and other non cash adjustments	Balance as at 31 March 2019
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Interest bearing Loans and Borrowings	1,257,972	350,000	(429,065)	(164,851)	1,014,056
Total Liabilities from Financing activities	1,257,972	350,000	(429,065)	(164,851)	1,014,056

## 30. RELATED PARTY DISCLOSURE

### 30.1 Parent and Ultimate Controlling Party

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

### 30.2 Transactions with the Related Parties During the Year were as Follows:

	Parent**		Fellow subsidiaries		Entities connected to KMP		Total	
Year ended 31st March	2020	2019	2020	2019	2020	2019	2020	2019
Nature of Transaction	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Rooms and banquet sales	19,008	30,072	44,510	65,840	21,400	19,347	84,918	115,259
Purchase of goods / services	6,424	-	104,946	44,815	28,618	14,790	139,988	59,605
Marketing and promotional fees	31,473	74,078	30,977	74,068	-	-	62,450	148,146
Sectorial and administration charges	96,640	48,003	15,519	20,107	-	-	112,159	68,110

\*\*The Parent Company has given a Letter of Comfort on the DEG loan repayment of the last installment.

## NOTES TO THE FINANCIAL STATEMENTS

### 30.3 Outstanding Receivables Balance Arising From the Above Transactions

As at 31st March	2020 Rs '000	2019 Rs '000
Parent	1,771	1,451
Fellow subsidiaries	6,299	7,094
Intercompany receivable	8,070	8,545
Entities connected to KMP	2,110	3,410

### 30.4 Outstanding Payable Balance Arising From the Above Transactions

As at 31st March	2020 Rs '000	2019 Rs '000
Parent	126,080	19,617
Fellow subsidiaries	60,765	7,353
Intercompany payable	186,845	26,970
Entities connected to KMP	1,519	597

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.

### 30.5 Key Management Compensation

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

Year ended 31st March	2020 Rs '000	2019 Rs '000
<b>a. Key Management Personnel Compensation</b>		
Short-term employee benefits	25,724	11,445
Directors employments	3,402	2,742
	14,847	14,187
<b>b. Transactions, with KMP and their close family members</b>		
Rooms and banquet sales	19,369	28,210
<b>c. Outstanding receivable balance arising from above transactions</b>	6,493	6,317

### 31. GOING CONCERN

The Kingsbury PLC, being a leading hotel in the city of Colombo faced a drastic drop in tourist arrivals and booking cancellations during the last quarter of the 2019/20 Financial Year due to COVID-19 pandemic. Travel restrictions imposed during the period and health & safety scares within the country resulted in the temporarily suspension of operations as the Government issued a series of lockdown guidelines.

Having anticipated the financial impact and relatable adverse effects, the Company undertook rigorous cost management measures for the Financial Year 2020/21 and alternate revenue generating avenues were also introduced to ensure business continuity. Furthermore, the Company has proactively approached Financial Institutions to negotiate and enable funding mechanisms to counter upcoming funding requirements.

Having considered possible scenarios, the Board of Directors is satisfied that the company has sufficient capital to continue in operational existence for the foreseeable future and are confident that there are no material uncertainties relating to events or conditions that may cast significant doubt on the company's ability to continue as a going concern

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

Financial instruments of the Company comprise 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.

#### 32.1 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 32.2 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.

As at 31st March	2020		2019	
	Carrying Value Rs '000	Fair Value Rs '000	Carrying Value Rs '000	Fair Value Rs '000
<b>Financial assets</b>				
Cash and bank	63,947	63,947	253,156	253,156
Trade and other receivables	174,342	174,342	136,808	136,808
	238,289	238,289	389,964	389,964
<b>Financial liabilities</b>				
Trade and other payables	650,923	650,923	284,777	284,777
Interest-bearing loans and borrowings	1,275,354	1,275,354	1,014,057	1,014,057
	1,926,277	1,926,277	1,298,834	1,298,834

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, trade and other receivables and trade and other payables**

For the above, instruments with maturities of less than 12 months, the carrying value closely approximates with its fair values.

**Trade and other payables**

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

**Interest-bearing loans and borrowings**

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

### **33. RISK MANAGEMENT**

#### **33.1 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.

#### **33.2 Credit Risk**

##### **(a) Introduction**

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## 33. RISK MANAGEMENT (CONTD.)

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

As at 31st March		2020 Rs '000	2019 Rs '000
Trade and other receivables	Note 16	174,342	136,808

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

As at 31st March	Gross Receivable		Impairment Allowance*		Carrying Value	
	2020 Rs '000	2019 Rs '000	2020 Rs '000	2019 Rs '000	2020 Rs '000	2019 Rs '000
Not due 0-30 days	89,780	97,358	-	-	89,780	97,358
Past due:						
Past due 31- 60 days	41,084	30,218	-	344	41,084	29,874
Past due 61 - 90 days	28,794	2,968	-	-	28,794	2,968
Past due 90 - 120 days	8,550	1,337	-	-	8,550	1,337
Past due 120 - 180 days	6,134	5,271	183	-	5,951	5,271
More than 180 days	8,724	5,734	8,541	5,734	183	-
Total	183,066	142,886	8,724	6,078	174,342	136,808

\*Movement in the Impairment Allowance

Year ended 31st March	2020 Rs '000	2019 Rs '000
Balance at 1st April	6,078	7,925
Impairment recognised	2,646	(974)
Written-off	-	(873)
Balance at 31st March	8,724	6,078

### 33.3 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.

Following the outbreak of the COVID-19 pandemic, the Company has taken precautionary measures including re scheduling of non essential expenditure and looking in to Government introduced funding mechanisms aimed at providing assistance to overcome the financial impact

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

As at 31st March 2020	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
Trade and other payables	650,923	301,941	109,613	239,369
Interest-bearing borrowings	1,398,203	437,440	337,449	623,314
	2,049,126	739,381	447,062	862,683

As at 31st March 2019	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
Trade and other payables	284,777	214,695	20,524	49,558
Interest-bearing borrowings	1,155,954	165,881	280,518	709,555
	1,440,731	380,576	301,042	759,113



# NOTES TO THE FINANCIAL STATEMENTS

## 33. RISK MANAGEMENT (CONTD.)

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

Year ended 31st March 2020

Increase/(decrease) in interest rate	Sensitivity effect on comprehensive income increase/(decrease) in results for the year Rs '000	Sensitivity effect on borrowings increase/(decrease) in the liability Rs '000
1%	(8,407)	8,407
(1%)	8,407	(8,407)

Year ended 31st March 2019

Increase/(decrease) in interest rate	Sensitivity effect on comprehensive income increase/(decrease) in results for the year Rs '000	Sensitivity effect on borrowings increase/(decrease) in the liability Rs '000
1%	(10,712)	10,712
(1%)	10,712	(10,712)

### 33.4 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.

#### COVID-19 on our Business

The most pronounced impact of the pandemic has been felt by the Tourism sector in Sri Lanka, which is a driving force within the economy. The Kingsbury PLC being one of the leading hotel in the city of Colombo also faced the impact with the drastic drop in tourist arrivals from the beginning of the year 2020, furthermore many travel restrictions imposed during the period and the health & safety scares within the country resulted in temporarily halting of operations by mid-March 2020 as per Government issued guidelines. In ensuring continuity of business in these challenging times, and having looked in to new revenue generation avenues whilst taking all required health and safety guidelines.

#### (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.

The Sri Lankan Rupee depreciated against the US Dollar in March 2020 as a result of the economic turmoil in global, regional and local markets resulting from the COVID-19 pandemic. The Company, exposed to foreign currency denominated payments with local currency revenues are adversely impacted to undue fluctuations in exchange rates.

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

Year ended 31st March 2020	Increase/(decrease) in market rate	Sensitivity effect on comprehensive income increase/(decrease) in results for the year Rs '000
	1 %	(271)
	(1 %)	271
Year ended 31st March 2019	Increase/(decrease) in market rate	Sensitivity effect on comprehensive income increase/(decrease) in results for the year Rs '000
	1 %	(145)
	(1 %)	145

#### 34. CAPITAL MANAGEMENT

The Company's capital structure consists of debt, which includes the loans and borrowings disclosed in Note 19 cash and cash equivalents disclosed in Note 18 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.

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

There were no significant events subsequent to the balance sheet date which is required to be disclosed in the Financial Statements. However, the management is closely monitoring the continuous impact and development of COVID-19 affecting the operations of the Hotel.

After a strictly controlled Government enforced curfew period of over two months to control the spread of the pandemic, the Government lifted the stringent controls partially or fully to some parts of the country during the month of May 2020.

The management having reviewed and evaluated a guidelines issued by the Government and the health sectors recommend to commence partial operations at the hotel under strict supervision. The Company bears a positive outlook about it's ability to bounce back and is currently taking every effort to ensure a smooth operation and business continuity.

# INFORMATION TO SHAREHOLDERS

## Ordinary Shareholders as at 31st March 2020

No. of Shares Held	Residents			Non Residents			Total		
	No. of Shareholders	No. of Shareholders	%	No. of Shareholders	No. of Shareholders	%	No. of Shareholders	No. of Shareholders	%
1 - 1,000	2,567	859,882	0.36	16	7,391	0.00	2,583	867,273	0.36
1,001 - 10,000	1,096	4,056,589	1.68	13	53,970	0.02	1,109	4,110,559	1.70
10,001 - 100,000	249	7,472,732	3.09	6	187,500	0.08	255	7,660,232	3.17
100,001 - 1,000,000	34	8,448,749	3.49	0	0	0.00	34	8,448,749	3.49
Over 1,000,000	18	220,913,187	91.29	0	0	0.00	18	220,913,187	91.28
	3,964	241,751,139	99.90	35	248,861	0.10	3,999	242,000,000	100.00
Category									
Individuals	3,814	33,383,856	13.80	35	248,861	0.10	3,849	33,632,717	13.90
Institutions	150	208,367,283	86.10	0	0	0.00	150	208,367,283	86.10
	3,964	241,751,139	99.90	35	248,861	0.10	3,999	242,000,000	100.00

Percentage of Public Shareholding	39.17%
Total No. of Shareholders Represent in the Public Holding	3,995
Float Adjusted Market Capitalisation (Rs.)	824,685,180

The Company complies with option 5 of Section 7.13.1(a) of the listing rules requires to maintain 20% of minimum public holding of the Company if the float adjusted market capitalisation is less than Rs 2 Billion.

The Company is in compliance of this requirement.

First Twenty Shareholders (Descending Order)

Name of Shareholder		No. of Shares as at 31.03.2020	% of Holding	No. of Shares as at 31.03.2019	% of Holding
1	Hayleys PLC, Share Investment Account No. 03	<b>87,307,057</b>	36.08	87,307,057	36.08
2	Carbotels (Pvt) Ltd.	<b>56,625,000</b>	23.40	56,625,000	23.40
3	Employees Provident Fund	<b>25,559,947</b>	10.56	25,559,947	10.56
4	Bank of Ceylon, Ceybank Unit Trust Account	<b>8,397,050</b>	3.47	8,256,194	3.41
5	Bank of Ceylon, Account No. 02	<b>7,833,500</b>	3.24	7,833,500	3.24
6	Mr. G. Weerathna	<b>7,154,275</b>	2.96	6,812,257	2.81
7	Mr. K. A. D. A. Perera	<b>6,581,352</b>	2.72	6,581,352	2.72
8	Mr. K. D. D. Perera	<b>3,216,146</b>	1.33	3,216,146	1.33
9	National Savings Bank	<b>2,871,666</b>	1.19	2,871,666	1.19
10	Renuka Hotels PLC	<b>2,371,300</b>	0.98	2,371,300	0.98
11	Renuka City Hotels PLC	<b>2,260,300</b>	0.93	2,260,300	0.93
12	Associated Electrical Corporation Ltd.	<b>2,171,400</b>	0.90	2,133,400	0.88
13	Merchant Bank of Sri Lanka & Finance PLC, Account No. 01	<b>1,937,727</b>	0.80	1,937,727	0.80
14	Renuka Consultants & Services Ltd.	<b>1,835,100</b>	0.76	1,835,100	0.76
15	Mr. K. D. H. Perera	<b>1,453,567</b>	0.60	1,453,567	0.60
16	People's Leasing & Finance PLC / Mr. L. P. Hapangama	<b>1,227,700</b>	0.51	1,227,700	0.51
17	Mr. A. P. Somasiri	<b>1,100,000</b>	0.45	1,100,000	0.45
18	Cargo Boat Development Company PLC	<b>1,010,100</b>	0.42	1,010,100	0.42
19	Sampath Bank PLC / Mrs. Priyani Dharshini Ratnagopal	<b>1,000,000</b>	0.41	1,000,000	0.41
20	Ellawala Exports (Pvt) Ltd.	<b>825,000</b>	0.34	825,000	0.34
		<b>222,738,187</b>	92.04	222,217,313	91.83

# 5 YEAR FINANCIAL SUMMARY AND KEY INDICATORS

	2019/20 Rs '000	2018/19 Rs '000	2017/18 Rs '000	2016/17 Rs '000	2015/16 Rs '000
<b>OPERATING RESULTS</b>					
Revenue	1,843,754	2,956,631	3,085,143	3,061,048	2,702,581
Cost of Sales	(1,222,437)	(1,526,384)	(1,630,688)	(1,469,351)	(1,264,925)
<b>Gross profit</b>	<b>621,317</b>	<b>1,430,248</b>	<b>1,454,455</b>	<b>1,591,697</b>	<b>1,437,656</b>
Other income and expenses	85,644	(28,985)	12,541	(4,503)	2,919
Administrative expenses	(883,719)	(1,020,714)	(1,060,184)	(919,108)	(790,370)
Marketing expenses	(112,583)	(150,784)	(137,734)	(129,346)	(122,455)
Finance income	6,309	9,281	8,765	20,905	18,393
Finance expense	(122,101)	(66,259)	(89,914)	(134,629)	(188,283)
<b>Profit/(Loss) before tax</b>	<b>(405,133)</b>	<b>172,788</b>	<b>187,929</b>	<b>425,016</b>	<b>357,860</b>
Income tax expense	12,285	(72,011)	(48,775)	(44,670)	(64,493)
<b>Net profit/(Loss) after tax</b>	<b>(392,849)</b>	<b>100,777</b>	<b>139,154</b>	<b>380,346</b>	<b>293,367</b>
<b>ASSETS EMPLOYED</b>					
<b>Non-current assets</b>					
Property, plant and equipment	4,095,352	3,690,668	3,898,611	3,860,890	3,791,472
Intangible assets	11,374	17,128	21,214	25,517	24,110
Right to use asset	12,168				
	<b>4,118,894</b>	<b>3,707,796</b>	<b>3,919,825</b>	<b>3,886,407</b>	<b>3,815,582</b>
<b>Current assets</b>					
Cash and cash equivalents	63,947	253,156	294,984	496,742	517,047
Current assets other than cash and cash equivalents	398,779	351,539	321,658	327,552	307,795
	<b>462,726</b>	<b>604,694</b>	<b>616,642</b>	<b>824,294</b>	<b>824,842</b>
<b>Total assets</b>	<b>4,581,621</b>	<b>4,312,490</b>	<b>4,536,467</b>	<b>4,710,701</b>	<b>4,640,424</b>
<b>SHAREHOLDER'S FUND</b>					
Stated Capital	836,000	836,000	836,000	836,000	836,000
Revaluation & Other Reserves	833,924	826,093	904,808	940,907	905,830
Retained Earnings	565,212	911,606	793,072	613,646	440,154
Shareholders' Fund	<b>2,235,136</b>	<b>2,573,699</b>	<b>2,533,880</b>	<b>2,390,553</b>	<b>2,181,984</b>

	2019/20 Rs '000	2018/19 Rs '000	2017/18 Rs '000	2016/17 Rs '000	2015/16 Rs '000
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Non-current liabilities other than borrowings	316,309	335,880	282,418	246,327	195,070
Borrowings	574,469	550,611	510,618	942,101	1,350,116
	890,778	886,490	793,036	1,188,428	1,545,186
<b>Current liabilities</b>					
Current liabilities other than borrowings and overdraft	754,822	388,855	462,197	562,965	386,163
Current portion of borrowings and bank overdraft	700,885	463,446	747,354	568,755	527,091
	1,455,707	852,301	1,209,551	1,131,720	913,254
<b>Total equity and liabilities</b>	<b>4,581,621</b>	4,312,490	4,536,467	4,710,701	4,640,424
<b>KEY INDICATORS</b>					
Current Ratio	0.32	0.71	0.51	0.73	0.90
Net Assets Per Share	9.24	10.64	10.47	9.88	9.02
Market Price Per Share	8.70	12.80	18.00	15.50	15.00
Earnings Per Share	(1.62)	0.42	0.58	1.57	1.21

# NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Fifty-First Annual General Meeting of The Kingsbury PLC, will be held at the Hayleys Conference Room, No. 400, Deans Road, Colombo 10, Sri Lanka, on Friday, 24th July 2020 at 4.00 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 2020, with the Report of the Auditors thereon.
- 2) To re-elect Mr. S. C. Ganegoda who retires by rotation at the Annual General Meeting, a Director.
- 3) To re-elect Mr. J. P. Van Twest who retires by rotation at the Annual General Meeting, a Director.
- 4) To re-elect Ms. I. Jamaldeen a who retires by rotation at the Annual General Meeting, a Director.
- 5) To re-appoint Mr. L. N. De S. Wijeyeratne, who retires having attained the age of Seventy years and the Company has received special notice of the undernoted ordinary resolution in compliance with section 211 of the Companies Act No.07 of 2007 in relation to his re-appointment.

## ORDINARY RESOLUTION

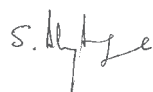
That, Mr. L. N. De S. Wijeyeratne retiring Director, who has attained the age of Seventy years be and is hereby re-appointed a Director in terms of Section 211 of the Companies Act No. 07 2007 and it is hereby declared that the age limit of seventy years referred to in section 210 of the Companies Act No.07 of 2007 shall not apply to the appointment of the said Director

- 6) To authorise the Directors to determine contributions to Charities for the financial year 2020/21.
- 7) 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 2020/21.
- 8) To consider any other business of which due notice has been given.

## NOTE :

1. A Shareholder is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a Shareholder of the Company. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at No. 400, Deans Road, Colombo 10, Sri Lanka or must be emailed to [kingsagm@secretarial.hayleys.com](mailto:kingsagm@secretarial.hayleys.com) not less than forty eight (48) hours before the time fixed for the Meeting.
2. Please refer the "Circular to Shareholders" dated 1st July 2020 and follow the instructions to join the meeting physically or virtually.

By Order of the Board  
THE KINGSBURY PLC



Hayleys Group Services (Private) Limited  
Secretaries  
Colombo

01st July 2020

[illegible]



## NOTES

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

# 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 Fifty First Annual General Meeting of the Company to be held on 24th July 2020 at 4.00 p.m. 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 2020 together with the Report of the Auditors thereon	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect, Mr. S. C. Ganegoda who retires by rotation at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
3. 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"/>
4. To re-elect, Ms. I. Jamaldeen who retires by rotation at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-appoint Mr. L. N. De. S Wijeyeratne, who retires having attained the age of Seventy years, a Director by passing the Ordinary Resolution set out in the Notice.	<input type="checkbox"/>	<input type="checkbox"/>
6. To authorise the Directors to determine contributions to charities for the financial year 2020/21.	<input type="checkbox"/>	<input type="checkbox"/>
7. 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 2020/21.	<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 ..... 2020.

.....  
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.

(f) Please refer the 'Circular to Shareholders' dated 1st July 2020 and follow the instructions to join the meeting physically or virtually.

# FORM OF PROXY

## 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 or must be emailed to [kingsagm@secretarial.hayleys.com](mailto:kingsagm@secretarial.hayleys.com) not less than forty eight (48) hours before the start of 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

## COMPANY NAME

The Kingsbury PLC

## LEGAL FORM

A Public Limited Company

Incorporated in Sri Lanka on 4th May 1969

## COMPANY NUMBER

PQ 203

## DIRECTORS

Mr. A. M. Pandithage - Executive Chairman

Mr. Dhammika Perera - Co-Chairman - Non-Executive

Mr. Rohan J. Karunaratna - Managing Director  
(appointed w.e.f. 1st June 2019)

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

Ms. I. Jamaldeen

Ms. A. A. K. Amarasinghe  
(Alternate Director to Mr. Dhammika Perera)

Mr. L. T. Samarawickrama  
(resigned w.e.f. 1st June 2019)

Mr. D. J. De Cruz  
(resigned w.e.f. 31st May 2019)

Mr. D. E. Silva  
(resigned w.e.f. 1st July 2019)

## AUDIT COMMITTEE

Mr. L. N. De S. Wijeyeratne - Chairman

Mr. R. N. Ponnambalam

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

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