



THE KINGSBURY  
COLOMBO - SRI LANKA

# PROVING OUR WORTH

The Kingsbury PLC | Annual Report 2017/18





**THE KINGSBURY**  
COLOMBO - SRI LANKA

## PROVING OUR WORTH

As we conclude our fifth year of operations, at The Kingsbury PLC, we look back on all that we have achieved. Within a short span of time, The Kingsbury has gained a leading position in the hospitality sector, widely acclaimed as a destination of choice both locally and across the world.

Although the year has been a challenging one, as we go forward, we are confident of being on the right track for lasting success. We know that our creativity, commitment and vision for the future will help us to build on our strong foundations, proving our true worth today, as we seek even greater value creation for our loyal stakeholders in the years that lie ahead.





# ABOUT US

Bejeweled as one of the finest five-star Colombo hotels located in-between Galle Face Green, the World Trade Centre and the Dutch Hospital Precinct, we welcome you to The Kingsbury Colombo. With easy access for shopping, entertainment and your business needs, we will ensure your stay is perfect and your experiences are complete.

The Kingsbury PLC is renowned across the globe as a shining benchmark in the hospitality industry. With its distinctive style, elegance and sophistication, The Kingsbury is considered the destination of choice by all who visit the city of Colombo.



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



# LOCATION

Centrally located in Colombo's busy city hub, and easily accessible to the ever-expanding Port City, The Kingsbury is a haven for travellers, tourists and local visitors alike. Situated in close proximity to the central business district, the hotel ideally located to cater to the needs of every guest who ventures within.



# CONTENTS

|  |     |
|--|-----|
| Operational Highlights.....  | 6   |
| Financial Highlights .....   | 7   |
| Five years at a Glance .....                                       | 8   |
| Chairman's Review .....  | 10  |
| Managing Director's Review .....                                   | 14  |
| Board of Directors .....   | 18  |
| Corporate Governance .....   | 23  |
| Risk Management .....  | 35  |
| Environment & Social Responsibility Report.....                    | 39  |
| Annual Report of the Directors on the Affairs of the Company ..... | 42  |
| Statement of Directors' Responsibilities .....                     | 45  |
| Related Party Transactions Review Committee Report .....           | 46  |
| Audit Committee Report .....                                       | 47  |
| Independent Auditors' Report.....                                  | 50  |
| Statement of Profit or Loss .....                                  | 54  |
| Statement of Comprehensive Income.....                             | 55  |
| Statement of Financial Position .....                              | 56  |
| Statement of Changes in Equity .....                               | 57  |
| Statement of Cash Flows .....                                      | 58  |
| Notes to the Financial Statements .....                            | 59  |
| Information to Shareholders .....                                  | 98  |
| Five Year Financial Summary and Key Indicators .....               | 100 |
| Notice of Meeting.....   | 102 |
| Form of Proxy .....  | 103 |
| Corporate Structure.....   | IBC |

# OPERATIONAL HIGHLIGHTS

Here at The Kingsbury, the numerous awards and accolades we receive year on year, and our consistent operational performance are testament to our achievement in the field of hospitality.



## World Luxury Restaurant Awards

“Harbour Court”  
Eclectic/ International  
Cuisine  
Regional Winner South  
West Asia



## World Luxury Restaurant Awards

“Harbour Court”  
Luxury Hotel Restaurant  
Country Winner  
Sri Lanka



## World Luxury Restaurant Awards

“The Ocean Seafood  
Restaurant”  
Luxury Seafood  
Restaurant  
Regional Winner South  
West Asia

## Municipal Council of Colombo

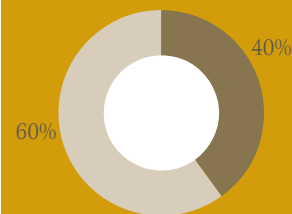
- ★ High achievement award for Excellence in Sustainability Culinary Services for Chef Kithsiri Silva (2017)
- ★ High achievement award for Excellence in Hotel Housekeeping for Mr. Daminda Jayawardena (2017)
- ★ Best hotel in Food Safety Excellence award (2017)



Occupancy

64%

## Composition of Corporate & Leisure Guests



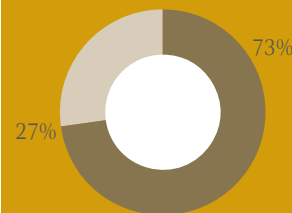
■ Corporate  
■ Leisure Guests



No of Guest

56,313

## Composition of Food & Beverage Covers



■ Outlet  
■ Banquets



Food and Beverage

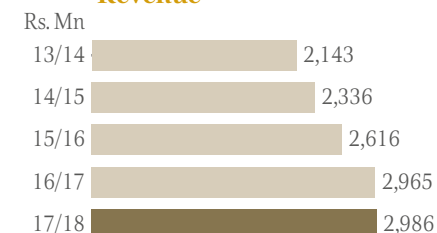
706,499

# FINANCIAL HIGHLIGHTS

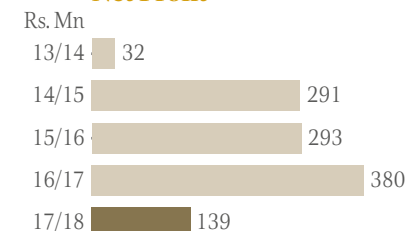
During the year despite intense competition, The Kingsbury maintained its performance, continuing to prove our worth in a complex business environment.

| Year ended 31 March                             |              | 2018      | 2017      | Change<br>% |
|---|--------------|-----------|-----------|-------------|
| <b>Earnings Highlights and Ratios</b>           |              |           |           |             |
| Revenue   | (Rs. '000)   | 2,986,492 | 2,964,822 | 1           |
| Earnings Before Interest & Tax (EBIT)           | (Rs. '000)   | 277,842   | 559,645   | (50)        |
| Profit Before Tax (PBT)                         | (Rs. '000)   | 187,929   | 425,016   | (56)        |
| Profit After Tax (PAT)                          | (Rs. '000)   | 139,154   | 380,346   | (63)        |
| Earnings Per Share (Basic)                      | (Rs.)        | 0.58      | 1.57      | (63)        |
| Return on Capital Employed                      | %            | 6.12      | 11.88     | (48)        |
| Return on Assets                                | %            | 4.14      | 9.02      | (54)        |
| Gross Profit Margin                             | %            | 48.70     | 53.69     | (9)         |
| <b>Financial Position Highlights and Ratios</b> |              |           |           |             |
| Shareholders Fund                               | (Rs. '000)   | 2,533,880 | 2,390,553 | 6           |
| Total Assets                                    | (Rs. '000)   | 4,536,467 | 4,710,701 | (4)         |
| Total Debt                                      | (Rs. '000)   | 1,257,972 | 1,510,856 | 17          |
| Return on Equity                                | %            | 7.42      | 17.78     | (58)        |
| Gearing   | %            | 32.70     | 37.96     | (14)        |
| Debt/Equity                                     | %            | 49.65     | 63.20     | (21)        |
| Net Assets Per Share                            | (Rs.)        | 10.47     | 9.88      | 6           |
| Quick Asset Ratio                               | No. of Times | 0.45      | 0.66      | (32)        |
| Equity Asset Ratio                              | No. of Times | 0.56      | 0.51      | 10          |
| Current Ratio                                   | No. of Times | 0.51      | 0.73      | (30)        |
| <b>Market/Shareholder Information</b>           |              |           |           |             |
| Market Value (Year ended)                       | (Rs.)        | 18.00     | 15.50     | 16          |
| Market Capitalisation                           | (Rs. '000)   | 4,356,000 | 3,751,000 | 16          |
| Price Earnings Ratio                            | No. of Times | 31.30     | 9.86      | >100        |

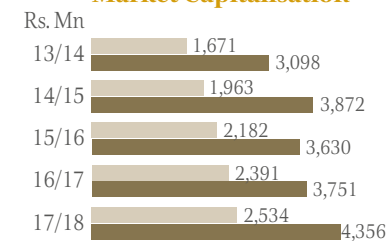
## Revenue



## Net Profit



## Shareholders funds and Market Capitalisation



■ Shareholders Funds  
■ Market Capitalisation

# FIVE YEARS AT A GLANCE

In as little as five years of operation, The Kingsbury has made strides in the hospitality industry, establishing itself as an icon over time. The hotel has become an essential part of the city skyline, bringing true meaning to our ethos: forever timeless.



THE KINGSBURY  
COLOMBO-SRI LANKA

A timeless icon of excellence



Situated at the heart of the  
commercial capital



Our people, our greatest asset



Winning global acclaim



A trendsetter in the hospitality  
industry



A lasting commitment to the people



Sumptuous eclectic cuisine



An enduring future



Luxurious accommodation and  
timeless grandeur



A unique sense of elegance and  
sophistication

# CHAIRMAN'S MESSAGE

We are proud to have achieved all this and more by concentrating on our core differentiators of luxurious facilities and excellent customer services which ensure that we stand out from the rest.



A. M. Pandithage  
*Chairman*



### Dear Shareholder,

I am pleased to present the Annual Report and the Financial Statements for the year ended 31st March 2018.

The end of the financial year 2017/18 also saw five years of successful operations of the Kingsbury Hotel post rebranding amidst ever challenging market conditions. We have become synonymous with providing our guests unparalleled luxury and an exceptional service leading to being recognised as a foremost hospitality brand in Sri Lanka. The Kingsbury Hotel has received many awards from recognised international, regional and local awarding bodies for our service offering and accolades for our sustainable hotel practices, high-levels of housekeeping and food safety standards. As a hotel which operates in a competitive environment, in the 5-star category in Colombo, we are proud to have achieved all this and more by concentrating on our core differentiators of luxurious facilities and excellent customer services which ensure that we stand out from the rest.

### Operating Environment

The year 2017/18 was in its entirety a lacklustre year from an economic growth perspective, which also was reflected in the Hotel's business operations.

We consider the year under review to be a year of consolidation, where we focussed on efficiency and cost management without compromising our high levels of customer services and facilities including the provision of luxurious amenities for our guests. The main aim of the year was to drive sales and increase occupancy levels which fell below that of expectations. While, the tourist arrivals growth was restricted to 3.2% in 2017, which negatively impacted Colombo-based 5-star hotels. This is due to emerging competition in the non-graded accommodation. To further accelerate this situation, the Hotel was also affected negatively in terms of occupancy from country-specific conditions such as the partial closure of the Bandaranaike International Airport (BIA), the breakout of the Dengue epidemic in the first quarter of 2017/18, which all contributed to the negative view of Sri Lanka in the global market.

### Achievements for the Year

To overcome these challenges from the external operating environment, the Kingsbury Hotel in the year under review entered into an agreement with CÉ LA VI a renowned evening entertainment brand from Singapore whereby we would be re-branding our rooftop "Sky Lounge" to CÉ LA VI Colombo. This facility is

expected to be operational by the second quarter of 2018/19 and is expected to position Colombo as an entertainment hub in the South Asian region. We also refurbished the poolside area and restaurant and rebranded it as the Honey Beach Club to cater to a new market segment.

Kingsbury continued to receive high ratings from online sites such as Trip Advisor and were reviewed positively by our guests. Further, the Hotel also received many awards for our services, quality F&B and housekeeping during the year under review as showcased on page 6 of this annual report.

### Market Opportunities

The Hotel continues to attract tourists from our traditional markets of China, India and Europe, while we also have increased the focus on developing and gaining a foothold from new markets such as Australia. Accordingly, the Hotel's guest arrivals showcased 49% from China, India and Europe, while we saw 51% from other markets such as Australia, United Kingdom, USA and Canada. The Kingsbury also continues to be focussed on the MICE segment and successfully conducted over 1250 events such as conferences, weddings, seminars and corporate events during the year

**We consider the year under review to be a year of consolidation, where we focussed on efficiency and cost management without compromising our high levels of customer services.**

under review. Attracting guests from other regions of the world such as the Middle East for both leisure and business as well as for special events through MICE shall be areas which the Hotel will continue to focus on in the coming years.

Another critical area that the Hotel focused on during the year under review is increasing our online presence by undertaking more focussed and relevant social media and digital marketing. This is an area that is of utmost importance for a business such as ours which increasingly depend on the digital world to obtain guest bookings and reviews. Also as tourists and business travellers are increasingly becoming digitally savvy and turn to the convenience offered by the internet and social media references, focus in these areas have become utmost important.

## CHAIRMAN'S MESSAGE

### Financial Performance

From a financial perspective the Hotel's performance during the year under review was below expectations. The intense competition together with the increase in cost impacted the performance of the Hotel. The decline in room sales, has had a negative impact on profitability, which reduced to Rs.139 Mn. The key reason for these are elaborated in the 'operating environment' section.

Another aspect which negatively impacted the Hotel's profitability was the performance of the Hotel's luxury serviced apartment complex located in Colombo 3. Known as Kingsbury Residencies, the 40 luxury apartments that was managed by Kingsbury performed below expected levels.

The Food and Beverage (F&B) sales only showed a marginal increase of 8% compared to the previous year.

### Future Outlook

We are confident that in the year 2018, the hotel would fare well due to increase marketing efforts penetrating into new markets along with enhance presence

### The Kingsbury Hotel in the year under review entered into an agreement with CÉ LA VI a renowned evening entertainment brand from Singapore

in the digital marketing sphere. We are also in discussion with strategic partners to increase MICE events. Innovative MICE events and strategic partnerships all place Kingsbury in a position to capitalise on opportunities in the coming years. However, the thrust of the growth is dependent on improved economic and market conditions in the country. Furthermore, it is envisaged in the long term the proximity of Kingsbury to the new Port City Development will also bring in many strategic opportunities.

### Acknowledgments

We take this opportunity to thank our colleagues on the Board for their valuable inputs to the Board's deliberations. Our sincere appreciation to the Management Team and the staff at all levels for their dedication and hard work.

Last but not the least, our clientele who has been patronizing our hotel from across the globe and guests who plan to visit our hotel, we look forward to welcoming you.



A. M. Pandithage  
Chairman



  
THE  
KINGSBURY

# MANAGING DIRECTOR'S REVIEW

To maintain and grow the Kingsbury brand image further through differentiation making no compromise in quality and standards.

The Company is pro active; plans ahead, grabs opportunities and hedges against any threats or risks.



L. T. Samarawickrama  
*Managing Director*



The financial year 2017/18 was unfortunately an anticlimax for the city tourism sector. Despite high expectations, we closed the year with the entire city-hotel landscape recording a downturn. However, on a positive note, The Kingsbury has remained true to its brand values and continued to invest in brand equity, five star quality and future brand value. We have also commenced exciting new projects to generate sustained business and financial growth over the short to medium term.

### **Operating Environment and the City Hotel Sector**

Although the country experienced relatively healthy growth in tourism numbers, this growth did not translate into a payoff for the city hotel sector.

To begin with, the entire competitive landscape changed dramatically in 2017/18, with new competition coming in at star-class level. However, the real threat is not from star class and luxury brands. It is the rapidly multiplying informal sector within the city and city outskirts.

To put this comment into perspective, major online booking websites have a room inventory in the range of around 90,000 for the whole of Sri Lanka. However, there are only 24,000 registered rooms in the formal sector.

Therefore over 70% of the listed inventory is actually informal and unregistered homestays, guest-houses etc. This sector is a low cost alternative, not only for leisure travellers but also for business-MICE travellers. They provide minimum services at an extremely low rate compared to formal star-class hotels as they are not burdened with minimum room rates, central government and municipal taxes, health and safety expenses and employee welfare costs.

What could be observed in 2017/18, was the growing trend of tourists being diverted to such low cost accommodations. Therefore, the formal city hotel sector did not benefit from the inflows – not even from traditional MICE visitors, who previously preferred city hotels for convenience. These travellers are also being effectively diverted towards informal options through online booking platforms that offer wide ranging cost alternatives.

Unfortunately, national policy decisions have not been well thought out to strengthen the overall, tourism industry. A case in point, is the focus in recent years towards emerging markets, such as India and China. While these markets have great potential, the actual arrivals are not interested in city nightlife and luxury accommodation.

Another example is the decision in 2017 to terminate SriLankan Airlines' European routes. This has effectively cut-off easy access to Sri Lanka from many traditional European tourist source destinations. Given the option of high-quality service, a direct flight, and the option of changing flights and transiting in uncomfortable airport conditions, a large share of European visitors would have opted for a more accessible destination, on a more comfortable travel route. The shut down of the airport in the last quarter of 2017, natural disasters during the year and travel warnings due to dengue outbreaks, also discouraged arrivals. In addition, the overall lower level of economic activity in the country reduced business and investment related visitors. The Kingsbury faced many booking cancellations during the year due to a combination of these reasons.

The city hotels were also slapped with a stringent minimum rate. While this makes perfect sense in a room-undersupply situation, it is detrimental in a room-oversupply situation, because we no longer have pricing flexibility to compete against low cost options. Because of the higher room rates within the city, tour operators used hotels in the periphery to lodge their clients and brought them into Colombo for day trips, instead of booking them into the city hotels directly.

**We have not cut corners despite lower incomes. I believe this is the reason for sustained growth in F&B revenues, despite the many new dining options that came into the market during the year. People continue to patronise us for the quality of service and the overall dining experience.**

Due to these reasons, the city hotel sector experienced lower room revenues and lower occupancy on average during 2017/18, despite growth in tourist arrivals.

Meanwhile, our costs continued to spiral upwards during the year eating into the bottomline. The cost of food and imported items have escalated due to rupee depreciation. As a result, while our revenues declined, our costs increased.

# MANAGING DIRECTOR'S REVIEW

## Financial Performance

On an average estimate, the city hotel sector has experienced a revenue decline of about 40%, compared to the previous financial year. As I explained, this was primarily due to lower occupancy levels. In total, The Kingsbury market share is 229 rooms at The Kingsbury Hotel, and 40 apartments on a rental agreement at Kingsbury Residencies.

Room revenues of The Kingsbury Hotel declined by 6% to Rs. 1.30 Bn, from Rs. 1.39 Bn, and other revenues fell by 4% to Rs 83.1 Mn. However, we were able to maintain total hotel revenues due to strong growth in F&B revenues. Our F&B revenues increased by 8% to Rs 1.59 Bn during the year, and as a result, our total revenue loss from the hotel was contained to 1%, from Rs. 3.08 Bn in 2016/17, to Rs. 3.06 Bn in the current financial year.

However, due to cost of sales increasing by 11% the gross profit of the hotel declined by 9% to Rs. 1.45 Bn, from Rs. 1.59 Bn. Both administrative and marketing expenses increased, which resulted in a 56% decline in the profit before tax. With a 15% increase in taxes, the profit after tax from the hotel fell by a drastic 63% to Rs. 139.1 Mn, from Rs. 380.3 Mn in the previous year.

Meanwhile, the Kingsbury residencies, did not do well either, again due to lower

occupancy and also the fixed rental charges, which could not be waived on the basis of lower occupancy. As a result, this business made a net loss of Rs. 62.5 Mn.

Due to both the residencies and the hotel underperforming, the overall after tax profit declined from Rs. 425 Mn in the previous financial year to Rs. 187 Mn in the current year.

The primary reason for the much lower bottomline this year, is the significant loss from hotel accommodation, rather than the lower apartment accommodation. This is due to hotel room accommodation representing as much as 76% to 80% of Gross Operating Income (GOI), whereby any decline in this segment has a disproportionate impact on bottom line.

With regards to the overall higher cost structures of the Kingsbury Hotel, I would like to note that baseline cost items have increased dramatically. For instance, food costs represented about 43% of costs in the current financial year, compared to about 41% in the previous year, which translates into a cost increase of about Rs. 45 Mn. This is excluding the cost increases associated with online booking platforms, maintenance and labour. Staff costs for instance increased by 17% to Rs. 484.4 Mn, from Rs. 413.5 Mn and Online Travel Agency

commissions have now increased from about 12% to 20%. We also paid a management fee and a marketing fee of Rs. 137.5 Mn to our parent Hayleys, and its subsidiaries.

Despite the lower profits, we have not cut back on regular and proper maintenance of the property. While these capital investments have increased overall costs, I believe they have also retained, and have even augmented, the overall value of the property as the primary physical asset of the Company.

In addition, we have managed our cashflows prudently and we have continued to service our debts to reduce our gearing from 37.96 to 32.70. Hence, despite lower profitability the Company is financially stable and has a strong asset base.

## Operations Overview

The Kingsbury continued to maintain its standards in line with the Kingsbury brand image. We have not cut corners despite lower incomes. I believe this is the reason for sustained growth in F&B revenues, despite the many new dining options that came into the market during the year. People continue to patronise us for the quality of service and the overall dining experience.

The Honey Beach Club, which is a Bali concept, was launched during the year

and has performed extremely well despite the competition. In addition, we also enjoyed a fairly good year for events, such as weddings and parties, and we also have a pipeline of bookings for events extending into the new financial year. Therefore, I am confident our F&B revenues will continue to grow.

As a core component of brand image, we have continued to invest in our international standard of quality systems, to ensure customer health and safety, and occupational health and safety are maintained/improved. We also continued to invest in training and development. During the year we contracted Angliss to provide on-the-job training to add value to the customer experience from start to finish.

In the current environment of rising competition, marketing is no longer an option. During the year, we engaged with the market through traditional channels and also online digital platforms. We also attended all major travel fairs in European markets including the UK, Germany, France, Italy and Spain and other markets.

## Growth Strategy and Outlook

Our priority in the new financial year is to increase occupancy and room revenues, and to revert to profit levels of the previous year, while improving our standards even further. We will

also change our marketing strategies to enhance brand visibility and market presence.

The Kingsbury customer value proposition will be further enhanced in the new financial year by adding to our portfolio. We have already partnered with the Singaporean company CÉ LA VI, to operate the Kingsbury entertainment hub which will be known as CÉ LA VI Colombo. This is a revamp and refurbishment of the Sky Lounge. A new Japanese restaurant is also on the cards.

With large volumes of low cost rooms coming into the market, the average room rates within Colombo city, have reduced from USD 250 per night, to the range of USD 165 to USD 175. In this scenario, we are considering downsizing options to provide more competitively priced accommodation, by delinking the Residencies from the Kingsbury brand and providing a different level of facilities at a lower rate.

Over the medium term, we are also looking into expansion options. We believe growth requires enhanced room capacity to capitalise on emerging opportunities from development projects, such as the Port City. Therefore, to enhance room capacity, we are building our own apartment complex

at the back of the car park, which will be integrated with the hotel. This will add 60 apartments and 200 rooms to our current inventory and will be ideally situated to cater to the Port-City next door. The bore-holes have already been dug and the project is targeted for completion in about two and a half years, by end 2021.

In terms of outlook for the new financial year, I am hopeful of a recovery. Already, in April 2018 we are seeing some improvement in our B-on-B figures, compared to some months of the previous year.

However, it must be stressed that Sri Lanka has to be promoted as a destination and the national authorities must do their part. During the 2017/18 financial year many plans went into limbo, including the digital marketing platform and the worldwide advertising campaign. Nevertheless, the industry continues to subscribe to the Tourism Development Levy. We also need to look at improving travel facilities including access roads to ensure easy travelling within the country. Unless some serious policy changes are implemented, the tourism industry cannot grow as an inclusive whole, to create value for the entire economy. Therefore, I hope we see some positive action at national level, in the new financial year.

### Appreciations

I would like to extend my appreciations to the Chairman and the Board for their guidance and advise during a difficult year. I am also grateful to the management and staff for their contributions and I am thankful to our customers for their patronage. We hope to make your Kingsbury experience even better in the new financial year.

Sincerely



**L. T. Samarawickrama**

Managing Director

# BOARD OF DIRECTORS

## **A. M. PANDITHAGE**

*Chairman*

Mr. Pandithage joined Hayleys Group in 1969. Appointed to the Board in 1998. Chairman & Chief Executive of Hayleys PLC since July 2009. Fellow of the Chartered Institute of Logistics and Transport (UK). Honorary Consul of United Mexican States (Mexico) to Sri Lanka. Committee Member of the Ceylon Chamber of Commerce. Council Member of the Employers' Federation of Ceylon. Member of the Advisory Council of the Ceylon Association of Ships' Agents.

## **DHAMMIKA PERERA \***

*(Co-Chairman - Non-Executive)*

Mr. Dammika Perera is the quintessential strategist and business specialist with interests in a variety of key industries including Manufacturing, Banking and Finance, Hospitality and Hydropower generation. He has nearly thirty years of experience in building formidable businesses through unmatched strategic foresight.

Mr. Perera is the Chairman of Vallibel One PLC, Royal Ceramics Lanka PLC, Lanka Ceramic PLC, Lanka Tiles PLC, Lanka Walltiles PLC, The Fortress Resorts PLC, Vallibel Power Erathna PLC, Delmege Limited, and LB Microfinance Myanmar Company Limited. He is the Co-Chairman of Hayleys PLC, Singer (Sri Lanka) PLC, Executive Deputy Chairman of LB Finance PLC and Deputy Chairman of Horana Plantations PLC. He is also the

Executive Director of Vallibel Finance PLC and serves on the Boards of Amaya Leisure PLC, Haycarb PLC, Hayleys Fabric PLC, Dipped Products PLC, and Hayleys Global Beverages (Pvt) Limited.

## **L. T. SAMARAWICKRAMA**

*(Managing Director)*

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

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

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

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

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

Mr. Ganegoda rejoined Hayleys in March 2007. Appointed to the Group Management Committee in 2007. Appointed to the Board in September 2009. Fellow Member of Institute of Chartered Accountants of Sri Lanka and Member of Institute of Certified Management Accountants of Australia. Holds an MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura. Worked for Hayleys Group between 1987 and 2002, ultimately as an Executive Director. Subsequently, held several senior management positions in large private sector entities in Sri Lanka and overseas. Has responsibility for the Strategic Business Development Unit and the Fentons Group.

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

Mr. Wijesinghe joined the Group in 2008 and was appointed to the Group Management Committee in 2011. Currently serves as Managing Director of Travels, Aviation & Projects and Alufab PLC and Executive Director of S&T Interiors (Pvt) Ltd. He holds an MBA from the University of Leicester (UK) and is a Member of the Chartered Institute of Marketing (UK). Holds over 30 years' experience in the Aviation industry. Prior to joining Hayleys, held several senior positions at SriLankan Airlines including management positions in Europe, Middle East, the Far East and the Head Office in Colombo and was also a member of the Group Senior Management Team of the Airline. Possesses over 5 years'

senior management experience in the Hotel industry. He is responsible for the Aviation sector, Hotel Development, Construction Management, Aluminium Fabrication and Interior Fit-Out Businesses of the Group.

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

Mr. Wijeyeratne is a fellow 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 member of the Quality Assurance Board and the Corporate Governance Committee of the Institute of Chartered Accountants of Sri Lanka and was a former member of the Sri Lanka Accounting Standards Monitoring Board. He is presently an Independent Director and Audit Committee Chairman of several listed entities.

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

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

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

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

Ms. Ponnambalam was 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.

Graduated from the Ceylon Hotel School, Sri Lanka in Hotel & Catering Operations and Advanced Hotel and Catering Operations from the Carl Duisburg Centre in Munich, Germany.

He is a Certified Hotel Trainer with the Chamber of Commerce for Munich and Upper Bavaria and also a graduate of the Technical University of Munich. He is presently a Director of Hunas Falls Hotels PLC.

**D. E. SILVA**

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

He counts over 22 years of experience in the Hospitality Industry, specialising in Marketing and Sales.

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

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

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

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

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

Ms. Jamaldeen has a very strong background in the hospitality industry with a Diploma in Hotel Operations and Management from Glion Hotel School in Switzerland. She holds a Bachelor of Business from Victoria University of Technology in Melbourne, Australia as

well as an MBA from the International University of Applied Sciences in Bad Honnef, Germany.

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

*(Alternate Director to Mr. Dhammika Perera)*

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

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

*Executive Director*

*\* Non - Executive Director*

*\*\* Independent Non - Executive Director*

# SPLENDOUR

Discover the true meaning of elegance, grace and splendour at The Kingsbury, where we bring you regal indulgence, outstanding individual comforts and the best service amongst hotels in Colombo.

Our 229 rooms and apartments are expertly designed with every luxury in mind.





# GRANDEUR

Comprising the very best of bars and restaurants in Colombo, The Kingsbury offers grandeur extravagance and unparalleled dining experiences. Serving exotic dishes from around the world, you will be spoilt for choice. Embark on a culinary adventure whether you wish to savour local delights at Harbour Court or taste the wonders of the sea at The Ocean Seafood Restaurant.



# CORPORATE GOVERNANCE

The Board profiles reflect the caliber 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.

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 is run 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 audit, we have developed a range of best practice tools and techniques that can be applied intelligently within different areas of the organisation.

We account the successful infusion of conformance and performance measures to a conscious decision to take good

# CORPORATE GOVERNANCE

Governance seriously, recognising it as imperative as opposed to requirements of formal codes of practice. Conformance and performance measures are not merely viewed as “policing” tools but as an avenue for us as a corporate to work better and yield better.

## The Foundation of Our Governance Practice

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

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

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

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

## Code of Best Practices on Corporate Governance

### 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.

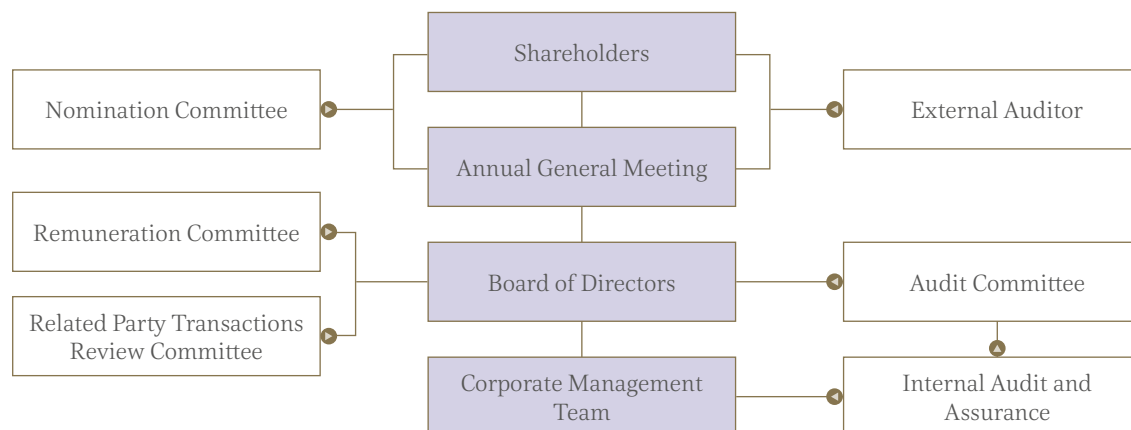
A balance of Executive and Non-Executive member representation on the Board ensures impartiality.

The Board of The Kingsbury PLC comprises of eleven Directors. An Executive Chairman, a Non-Executive Co-Chairman, two Executive Directors and seven Non-Executive Directors of which five are Independent. The names of the Directors and their profiles are available on page 18 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.

## Governance Structure



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 four occasions.

The attendance of these meetings is given below:

The following information were reported and discussed at length at the board meetings held during the year.

- Finances and operational results, monthly and quarterly against the previous year results.
- Budgets and targets for the coming month and quarter.
- Internal Control breaches or frauds during the period and actions taken.

| 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. L. T. Samarawickrama - Managing Director                             | Executive   | 04/04                       |
| Mr. N. J. De S. Deva-Aditya **   | Independent Non-Executive                         | 00/04                       |
| Mr. S. C. Ganegoda *   | Non-Executive                                     | 03/04                       |
| Mr. S. J. Wijesinghe *   | Non-Executive                                     | 02/04                       |
| Mr. L. N. De S. Wijeyeratne **   | Independent Non-Executive                         | 04/04                       |
| Ms. R. N. Ponnambalam **   | Independent Non-Executive                         | 03/04                       |
| Mr. J. P. Van Twest **   | Independent Non-Executive                         | 02/04                       |
| Mr. D. E. Silva  | Executive   | 03/04                       |
| Ms. I. Jamaldeen   | Independent Non-Executive                         | 02/04                       |
| Ms. A. A. K. Amarasinghe<br>(Alternate Director to Mr. Dhammika Perera ) | Non-Executive                                     | 04/04                       |

Note: Mr. Dhammika Perera was represented by his Alternate Director Ms. A. A. K. Amarasinghe in 04 Board Meetings.

#### A.1.2 The Boards' Responsibilities can be broadly listed as follows:

- Enhancing shareholder value, formulating, communicating, implementing, and monitoring of business policies and strategies.
- Ensuring due compliance with applicable legal, ethical, health, environment, and safety standards and regulations.
- Ensuring that due attention is given to appropriate accounting policies and practices and to setting priorities and communicating values and ethical standards for management.
- Ensuring that appropriate systems of internal controls are in place to safeguard the assets of the Company.
- Reviewing and approving annual budgets and periodic monitoring of performance against the budgets.
- Approving of major investments on business proposals and adopting annual and interim Financial Statements prior to publication.
- Evaluating and monitoring the performance of the Company on a regular basis and initiating remedial action where necessary.
- Adopting annual and interim accounts and recommending dividend for approval by the shareholders.

The 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.

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

The Company has obtained appropriate insurance covers and it is further detail in page 43 under "Annual Report of The Directors on The Affairs of The Company".

## CORPORATE GOVERNANCE

### 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:

The 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 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 to the company to do.

### 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 2018, the Board consisted of 11 Directors comprising of:

3 Executive Directors (ED)

3 Non-Executive Directors (NED)

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

**Corporate Governance is the key element in improving organisational performance, sustainability as well as enhancing stakeholders confidence.**

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, Mr. L. N. De S. Wijeyeratne, Ms. R. N. Ponnambalam, Mr. J. P. Van Twest and Ms. I. Jamaldeen satisfy the criteria for 'independence' set out in the Listing Rules.

The Board is of the opinion that Ms. I. Jamaldeen has the capability to conduct herself in an Independent and

Impartial manner on matters deliberated by the Board and her Independence will not be affected by her spouse Mr. M. H. Jamaldeen being a Director of Hayleys PLC, Haycarb PLC and Talawakelle Tea Estates PLC.

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

#### **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 18 to 19.
- Related party transactions on pages 91 to 92.
- Membership of sub-committees and attendance at Board Meetings and Sub-Committee meetings on pages 25, 46, 47.

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

Prior to the commencement of each financial year, the Board in consultation with the Chief Executive Officer, 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 Officer. A monthly performance evaluation is performed at which actual performance is compared to the budget. The Chief Executive Officer is responsible to provide the Board with explanations for any adverse variances together with actions to be taken.

#### **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 of The Kingsbury PLC is guided to work within the above given parameters and design compensation levels appropriate for

the Company within the Group and commensurate with each employee's level of expertise and contributions, bearing in mind the business's performance and shareholder returns.

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

### **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.

## CORPORATE GOVERNANCE

A copy of the Annual Report including Financial Statements, 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:

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

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

### 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 Kingsbury PLC.

### D. Accountability and Audit

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

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

The 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 42 to 44 cover all areas of this section.
- The “Statement of Directors’ Responsibilities” is given on page 45.
- The Directors’ Statement on Internal Controls is given on page 28.

- The “Independent Auditors’ Report “on page 50 for the Auditor’s 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 and 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 47 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 46.

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

Operating under the guidance of the Hayley's Group Code of Conduct, the Company has been practicing an exemplary standard of business conduct. Clearly communicated to employees across the organisation, in a relevant and consistent manner, the Code of Conduct together with a Code of Ethics has been embedded in the daily functioning of the organisation. Addressing issues such as bribery and corruption, charitable

contributions, conflict of interest, entertainment and gifts, insider dealing, inside information and corporate opportunity, political contribution, money laundering and whistleblowing, the Code demands compliance at all levels through formal commitment from each and every employee.

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

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

The Corporate Governance Report set out on pages 23 to 34 (of which this paragraph is part of) describes the extent to which The Kingsbury PLCs' adheres to established principles and practices of good Corporate Governance

#### **E. 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 composition to Board structure. The Annual Report gives the shareholders sufficient information on such related matters which allows them to evaluate same

#### **F. 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 98.

#### **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 practices implemented to develop long term sustainability of the Company is discussed in this Annual Report page no; 39 under "Environment & Social Responsibility Report" and Corporate Governance (of which this paragraph is part of).

# CORPORATE GOVERNANCE

Levels of compliance with the CSE's Listing Rules - Section 7.10, Rules on Corporate Governance as at 31st March 2018 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 Eleven Directors are Non-Executive Directors                                     |
| 7.10.2(a) | Independent Directors                 | Two or one third of Non-Executive Directors, whichever is higher should be Independent  | Compliant         | Five out of the Eight Non-Executive Directors are Independent Directors                           |
| 7.10.2(b) | Independent Directors                 | Each Non-Executive Director should submit a declaration of Independence/Non-Independence in the prescribed format   | Compliant         | Non-Executive Directors have submitted the declarations as at 31.03.2018                          |
| 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 18 to 19   |
| 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 26 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 18 to 19   |
| 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 18 to 19 |
| 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 27                          |
| 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 27           |
| 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 27 of this Report                                     |

| Rule No.  | Subject  | Applicable Requirement   | Compliance Status | Details   |
|-----------|--|--|-------------------|---|
| 7.10.5(c) | Disclosure in the Annual Report relating to Remuneration Committee | Names of Directors comprising the Remuneration Committee   | Compliant         | Please refer remuneration procedure on page 27 of this Report   |
|           |  | Statement of remuneration policy   | Complaint         | Please refer page 27  |
|           |  | Aggregated remuneration paid to Executive and Non-Executive Directors  | Complaint         | Please refer page 92  |
| 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 47   |
| 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 47   |
| 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  |
|           |  | The Chief Executive Officer and Chief Financial Officer should attend Audit Committee meetings   | Compliant         | The Managing Director, General Manager, Director Finance of the Company and the Group Chief Financial Officer (CFO) and the Head of Internal Audit of the Group Management Audit and Systems Review Department of Hayleys PLC have attended Audit Committee meetings. |
|           |  | The Chairman of the Audit Committee or one member should be a member of a professional accounting body.  | Compliant         | Chairman of the Audit Committee is a Senior Chartered Accountant  |
|           |  | Functions shall include: <ul style="list-style-type: none"> <li>• Overseeing of the preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Accounting Standards</li> </ul> | Compliant         | The terms of reference of the Audit Committee have been agreed upon by the Board  |

## CORPORATE GOVERNANCE

| Rule No.               | Subject   | Applicable Requirement  | Compliance Status | Details   |
|------------------------|---|---|-------------------|---|
| 7.10.6(b)<br>Continued | Audit Committee Functions                                   | <ul style="list-style-type: none"> <li>Overseeing the compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements</li> </ul>  | Complaint         |   |
|                        |   | <ul style="list-style-type: none"> <li>Overseeing processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards</li> </ul>   | Complaint         |   |
|                        |   | <ul style="list-style-type: none"> <li>Assessment of the independence and performance of the External Auditors.</li> </ul>  | Complaint         |   |
|                        |   | <ul style="list-style-type: none"> <li>Make recommendations to the Board pertaining to appointment, re-appointment and removal of External Auditors, and approve the remuneration and terms of engagement of the External Auditors</li> </ul>   | Complaint         |   |
| 7.10.6(c)              | Disclosure in the Annual Report relating to Audit Committee | Names of Directors comprising the Audit Committee   | Complaint         | Please refer page 47  |
|                        |   | The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination  | Complaint         | Please refer Audit Committee Report on page 47  |
|                        |   | The Annual Report shall contain a Report of the Audit Committee setting out of the manner of compliance with their functions  | Complaint         | Please refer Audit Committee Report on page 47  |
| 9.2                    | Related Party Transactions Review Committee Functions       | Functions shall include:  | Compliant         | The Committee of the Parent Company Hayleys PLC functions as the committee of the Company. Please refer page 46 |
|                        |   | <ul style="list-style-type: none"> <li>Review in advance all proposed related party transactions of the group either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.</li> </ul> | Complaint         |   |

| Rule No.         | Subject  | Applicable Requirement  | Compliance Status | Details |
|------------------|--|---|-------------------|---------|
| 9.2<br>Continued | Related Party Transactions<br>Review Committee Functions | <ul style="list-style-type: none"> <li>• Seek any information the Committee requires from management, employees or external parties with regard to any transaction entered into with a related party.</li> </ul>  | Complaint         |         |
|                  |  | <ul style="list-style-type: none"> <li>• Obtain knowledge or expertise to assess all aspects of proposed related party transactions where necessary including obtaining appropriate professional and expert advice from suitably qualified persons.</li> </ul>  | Complaint         |         |
|                  |  | <ul style="list-style-type: none"> <li>• Recommend, where necessary, to the Board and obtain their approval prior to the execution of any related party transaction.</li> </ul>   | Complaint         |         |
|                  |  | <ul style="list-style-type: none"> <li>• Monitor that all related party transactions of the entity are transacted on normal commercial terms and are not prejudicial to the interests of the entity and its minority shareholders.</li> </ul>   | Complaint         |         |
|                  |  | <ul style="list-style-type: none"> <li>• Meet with the management, Internal Auditors/ External Auditors as necessary to carry out the assigned duties.</li> </ul>   | Complaint         |         |
|                  |  | <ul style="list-style-type: none"> <li>• Review the transfer of resources, services or obligations between related parties regardless of whether a price is charged.</li> </ul>   | Complaint         |         |
|                  |  | <ul style="list-style-type: none"> <li>• Review the economic and commercial substance of both recurrent/non recurrent related party transactions.</li> </ul>  | Complaint         |         |
|                  |  | <ul style="list-style-type: none"> <li>• Monitor and recommend the acquisition or disposal of substantial assets between related parties, including obtaining 'competent independent advice' from independent professional experts with regard to the value of the substantial asset of the related party transaction.</li> </ul> | Complaint         |         |

# CORPORATE GOVERNANCE

| Rule No. | Subject   | Applicable Requirement   | Compliance Status | Details  |
|----------|---|--|-------------------|--|
| 9.2.2    | Composition of the Related Party Transactions Review Committee              | 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.<br><br>Please refer page 46 |
| 9.2.3    | Related Party Transactions Review Committee                                 | If the parent company and the subsidiary Company both are listed entities, the Related Party Transactions Review Committee of the parent company may be permitted to function as such Committee of the subsidiary. | Compliant         | The Committee of the Parent Company Hayleys PLC functions as the committee of the Company.<br><br>Please refer page 46 |
| 9.2.4    | Related Party Transactions Review Committee                                 | Shall meet once a calendar quarter   | Complaint         | Committee met 04 times during the financial year.<br><br>Please refer page 46  |
| 9.3.2    | Related Party Transactions Review Committee Disclosure in the Annual Report | Report by the Related Party Transactions Review Committee  | Complaint         | Please refer page 46   |
|          |   | A declaration by the Board of Directors  | Complaint         | Please refer page 46   |

# RISK MANAGEMENT

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. 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 contains inherent limitations and therefore, the Board takes appropriate action to minimise such situations. Both risk and internal control function work in sync to ensure that the risks are identified timely 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

behavior, 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 to several national and international accreditations and certifications, thereby compelling our property to maintain the highest standards in quality and efficiency. Meanwhile, implementation of robust systems have 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 increasing dynamic environment and influenced by many external factors, some of it are not controllable. These diffident spheres include governmental, financial,

**Risk is inevitable, managing it is our challenge. Effective Risk Management is fundamental to our success. Building a strong disciplined risk culture where risk management becomes the responsibility of all employees, is a key priority at Kingsbury.**

social, technological, industrial, legal and environmental etc.. Despite the challenges, the markets have been resilient and with the support of Parent Company the Hayleys PLC with its Group's business model, diversity of its leisure portfolio and wide geographical spread our business too have been resilient and grown in corporate stature.

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

## Exchange Rate Risk

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

On the other hand sales in foreign currency benefits from gradual devaluation of Rupee. Hence it works as a natural hedge for the loan interest and capital payments to be made in US Dollars.

## Risk Level – High

## Liquidity Risk

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

## Risk Level - Moderate / High

## RISK MANAGEMENT

### IT Systems Risk

The Group has in place a formalised and comprehensive IT policy which is clearly articulated to all employees. Travellers now have access to far more information through comparison websites, search engines and online travel agents. Booking channels and technological systems are a key part of the guest journey and an important value driver. This is also an area where there is rapid change in terms of technology, guest expectations and relationships with online travel agents and other intermediaries.

Threats to information security, from payment card information to other information held in IT systems or, in paper format and other media, remain of concern. We effectively manage and keep under review our channels, information technology infrastructure and technological systems to optimise performance and resilience against any vulnerable threat that may impact on the company's revenue and delivery channels, guest experience and return for our owners and investors.

We have in place a multi-channel management strategy that focuses across the entire guest journey and encourages guests to book directly with the company or via our own website and reservation systems. The company proactively

manages and seeks to improve terms and conditions of our relationships with these partners.

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

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

#### Risk Level - Moderate

### Competition Risk

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

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

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

Prevailing government sanctioned minimum room rates minimise the risk of price competition. However alternative accommodation in the market has had an adverse impact on room sales.

Therefore a diversified sales strategies are in place to mitigate any adverse effects. With international food promotions in collaboration with internationally recognised reputed chefs to promote the Hotel to target business and leisure communities differentiates the hotel from its competitors, not only sustaining and strengthening the loyalty and patronage of regular customers but also enticing and attracting new ones.

The Company closely monitors industry trends and competitors' activities and strategies by reviewing respective market share and performance. Plans and promotions are then developed

and implemented to ensure that the Company holds a competitive advantage and is able to offer customers value and differentiation.

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

The Company places a strong focus on participating in international travel trade exhibitions such as ATM, OTM, ITB, WTM in established markets and in emerging markets such as, thereby exploiting new opportunities and generating new business.

The company also closely collaborates with local tourism authorities in marketing initiatives such as arranging FAM tours, bloggers conferences and destination promotions.

#### Risk level - Moderate / High

### Safeguarding Physical Assets

Natural disasters, fire, accidents, crime and unethical behavior in and around the resorts can result in destruction and/or loss to our assets and infrastructure leading to disruptions to operations as well as financial loss.

This risk exposure is mitigated through documented business continuity and disaster recovery plans, 24 hour security on premises, signage in appropriate locations to increase staff and guest awareness and insurance coverage for physical damage of properties.

**Risk Level - Moderate**

### Raw Materials and Supply Chain Risks

The Group's key raw materials comprise of food inputs which are sourced from multiple suppliers. Inadequate supply of raw materials and/or procurement of inferior quality raw materials can lead to financial losses, disruptions to operations and reputational losses.

The Group's supply chain and material management processes are well established and we have nurtured relationships with a diverse pool of suppliers thereby limiting exposure to a single party. We also rotate supply contracts on a regular basis to ensure strong relationships with all suppliers.

**Risk Level - Moderate**

### Credit Risks

Risk of default by Debtors - Debtors defaulting the company will result in reduced cash flows and its profitability. Through strict implementation of credit policies and through stringent controls

to check on the credit worthiness prior to granting of credit the Company strives to keep a good control of its debtors.

A dedicated credit team through timely monitoring and follow up's keep close watch over the debtors. Internal Controls are continuously improved to minimise the losses from inefficiencies and frauds.

**Risk Level - Moderate**

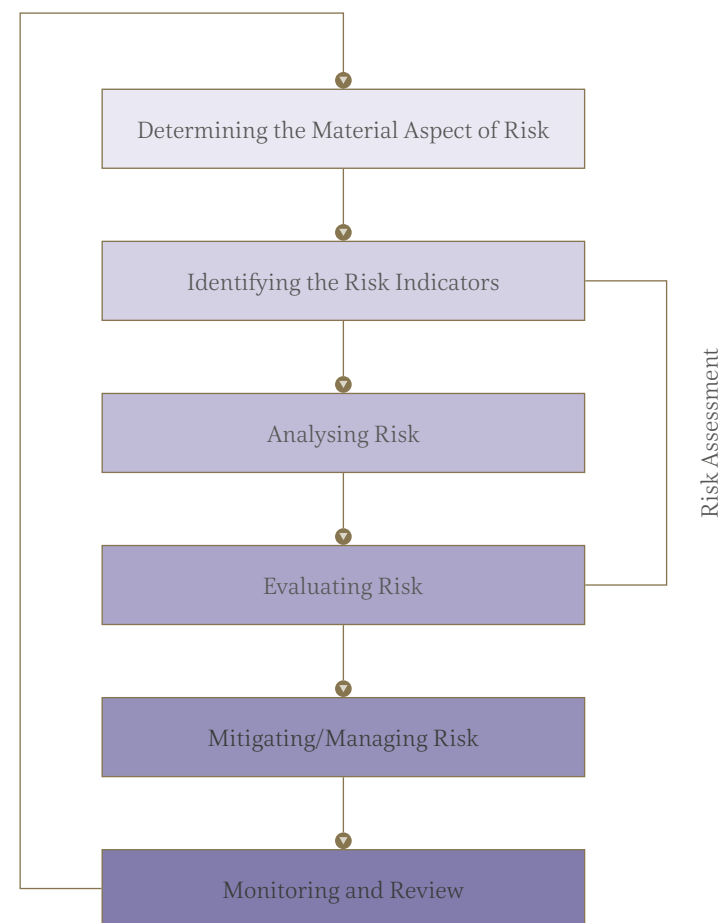
### Government Policy Risk

Ad hoc changes to existing local statutes and lack of predictability in enforcement timelines can result in numerous financial and operational challenges. This can lead to ambiguity of interpretation and difficulties in planning and budgeting, resulting in financial as well as reputational losses.

The Group manages this risk exposure through consistently monitoring and reviewing legal requirements and statutory returns. Compliance audits are also conducted regularly by the Internal Audit function. We are an active contributor to industry advisory and policy making bodies and regularly make representations to these bodies upon invitation. The Group also continuously reviews and upgrades its information systems to detect and report deviations.

**Risk Level - Moderate**

### Risk Management Process



# ELEGANCE

No matter the event, be it the wedding of the century or a small corporate business meeting, the Kingsbury is equipped to create the perfect affair. Thanks to the dedicated service of our experienced teams, we have a fantastic selection of spacious wedding halls in Colombo and modern boardrooms that will add a touch of elegance & magic to your special celebration.



# ENVIRONMENT & SOCIAL RESPONSIBILITY REPORT

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

## The Kingsbury Nurtures

On the 1st of October 2016 The Kingsbury launched The Kingsbury Nurtures CSR brand as a representation of its inspirational CSR initiatives. The brand was conceptualised to represent The Kingsbury's commitment to sharing the fruits of its labour with the community; young and old the conservation of fauna, flora and ecosystems of the planet. The year 2017 saw more CSR initiatives under The Kingsbury Nurtures as it continues to touch people's lives and preserve the environment.



## Gift of Sight

Sponsoring 20 cataract surgeries a month from May 2016 through 'HelpAge Sri Lanka' this initiative continues to help underprivileged senior citizens of Sri Lanka with their lives by providing them



## ENVIRONMENT & SOCIAL RESPONSIBILITY REPORT



### **Plant donation to 'Orange Elephant Project'**

As a part of The Kingsbury Nurtures tree planting initiative 500 Orange plants were donated to the Sri Lanka Wild Life Conservation Society on 16th September 2017. The plants were donated to SLWCS for their 'Orange Elephant' project conducted around farming communities bordering the "Wasgamuwa National Park".

According to research conducted by SLWCS, orange trees are a good buffer crop. By growing a tall barrier of citrus trees around their rice and vegetable

crops, farmers can create a safe and sustainable elephant deterrent, providing new income source for the families in case they do lose their primary crops.





### Vesak Dansala 2017

Colombo was declared the epicentre for International Vesak Day celebrations in 2017 by the United Nations and saw grand celebrations throughout the city. The Kingsbury also took part by organising a 'soup dansala' at The Balmoral Terrace followed by 'Bakthi Geetha' at the entrance of the hotel. Vesak goers and employees of companies around the area flocked to the dansala for a hearty soup accompanied with buns. Staff members from all departments of The Kingsbury joined hands as they distributed the food to the crowds.



### Breast Cancer Screening Clinics in collaboration with Cancer Care Association Sri Lanka

Building on the successful campaign held in October 2016, The Kingsbury embarked on another breast cancer awareness campaign in collaboration with the Cancer Care Association of Sri Lanka. The 2017 programme saw 4 breast cancer consultation and screening clinics organised at The Kingsbury, Winchester Ballroom throughout the month of October.

The month of October is declared as the Breast Cancer Awareness Month Internationally and The Kingsbury's commitment to conduct such clinics on an annual basis will certainly increase

awareness of the threat to women. While most people are aware of breast cancer, many do not take the steps necessary to get themselves tested. If in the event breast cancer is detected in its early stages, the patients stand a better chance of successful recovery. The clinics had an overwhelming response from the public with close to 130 screenings and 2-3 probable cases being detected.



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

The Board of Directors are pleased to present their Report and the Audited Financial Statements of the Company for the year ended 31st March 2018.

The details set out herein provide pertinent information required by the Companies Act No. 07 of 2007 and the Colombo Stock Exchange Listing rules and are guided by recommended best accounting practices.

## Review of The Year

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

## Principal Activity

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

## Financial Statements

The Financial Statements of the Company are given on pages 49 to 97

## Auditor's Report

The Auditor's Report on the Financial Statements is given on page 50

## Accounting Policies

The accounting policies adopted in preparation of the Financial Statements are given on pages 59 to 97 Changes made to the Accounting Policies during the accounting period are described under Note 2 of the Financial Statements.

## Interest Register

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

## Directors' Interests in Shares

Mr. K. D. D. Perera, Co-Chairman (Non-Executive) of The Kingsbury PLC has purchased 3,216,146 Ordinary shares of the Company on 10th November 2017.

Vallibel One PLC Sold 3,216,146 No. of shares in which Mr. K. D. D. Perera has a controlling power.

## Directors' Interests in Transactions

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

## Directors' Emoluments and other Benefits

Directors' emoluments in respect of the Company for the financial year ended 31st March 2018 is given in Note 6 to the Financial Statements.

Executive Directors' emoluments is established within an established framework. The total emoluments of Executive Directors for the year ended 31st March 2018 is Rs. 4,440 Mn. The total emoluments of Non-Executive Directors for the year ended 31st March 2018 is Rs. 2,580 Mn determined according to scales of payment decided upon by the Board. The Board is satisfied that the payment of this emoluments is fair to the company.

## Related Party Transactions

The Board of Directors have given the following statement in respect of the Related Party Transactions.

The Related Party Transactions of the Company during the financial year have been reviewed by the Related Party Transactions Review Committee of Hayleys PLC the parent Company and are in compliance with the Section 09 of the CSE Listing Rules.

The Committee met four times during the Financial Year 2017/18.

Related Party Transactions are given in note 29 in the notes to the Financial Statements.

## Corporate Donations

Donations made during the year were Rs. 2,040,000/-.

An amount of Rs. 2,000,000/- was approved as donations by shareholders for the financial year 2017/18.

Ratification of the additional amount of Rs. 40,000/- made on donations for 2017/18 will be sought at the Annual General Meeting.

## Directors of the Company as at 31st March 2018

Mr. A. M. Pandithage - Executive Chairman

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

Mr. L. T. Samarawickrama - Managing Director

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

Mr. S. C. Ganegoda\*

Mr. S. J. Wijesinghe\*

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

Ms. R. N. Ponnambalam\*\*

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

Mr. D. E. Silva

Ms. I. Jamaldeen\*\*

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

\* Non-Executive Director

\*\* Independent Non-Executive Director

In terms of the Article No. 87 of the Articles of Association of the Company, Messrs. A.M. Pandithage, N. J. De S. Deva-Aditya and S. J. Wijesinghe retire by rotation and being eligible, offer themselves for re-election.

### Directors' Shareholdings

The shareholdings of the Directors as at 31st March 2018 were as follows.

| No. of Shares       | As at<br>31.03.2018 | As at<br>31.03.2017 |
|---------------------|---------------------|---------------------|
| Mr. S. C. Ganegoda  | 55,713              | 55,713              |
| Mr. Dhammika Perera | 3,216,146           | -                   |

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

Mr. M. H. Jamaldeen, spouse of Mrs. I. Jamaldeen currently holds 1,186,583 shares in The Kingsbury PLC.

### Insurance and Indemnity

The Company is covered by Directors and Officers (D&O) Liability Insurance obtained from Orient Insurance Ltd by the parent Company, Hayleys PLC with a premium of LKR 5.4 Mn and the limit on liability of the cover is USD 5 Mn.

### Employment

The number of persons employed by the Company was 793.

### 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 has adequate resources to continue in operational existence for the foreseeable future.

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

### Auditors

The Auditors, Messrs Ernst & Young, Chartered Accountants, were paid Rs. 845,617/- (2017- Rs. 805,350/-) as audit fees by the Company. In addition, they were paid Rs. 424,382/- (2017- Rs. 324,295/-) by the Company for non-audit related work.

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

Messrs Ernst & Young, Chartered Accountants, are deemed re-appointed, in terms of section 158 of the Companies Act No. 07 of 2007, as Auditors of the Company.

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

### Investments (Short Term Deposits)

Details of the investments held by the Company are disclosed in Note 19.1 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 2018 are disclosed in Note 25 to the Financial Statements.

### Stated Capital

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

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

## Reserves

Total Company reserves as at 31st March 2018 amounts to Rs. 1,698 Mn (2017 Rs. 1,555 Mn) Movements are shown in the Statement of Changes in Equity in the Financial Statements.

## Taxation

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

## Employees and Industrial Relations

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

## Shareholding

The number of registered shareholders of the Company as at 31st March 2018, was 3,872.

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

|  | 2018        | 2017        |
|--|-------------|-------------|
| Market price per share as at 31st March - Rs.          | 18.00       | 15.50       |
| Highest share price during the year (13.03.2018) - Rs. | 19.60       | 18.00       |
| Lowest share price during the year (30.01.2018) - Rs.  | 12.90       | 14.80       |
| Net Assets per share - Rs.                             | 10.47       | 9.88        |
| Ordinary shares in issue - numbers                     | 242,000,000 | 242,000,000 |

## Major Shareholders

The twenty largest shareholders of the Company as at 31st March 2018, together with an analysis are given on page 99 of the Annual Report.

## Public Shareholding

As at 31st March 2018, 38.68% of the issued capital of the Company was held by the public comprising 3,867 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 2018 other than that described in Note 24 of the Financial Statements.

## Post Balance Sheet Events

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

## Annual General Meeting

The Annual General Meeting will be held at Hayleys Conference Room, No. 400, Deans Road, Colombo 10, Sri Lanka at 3.00 p.m. on Friday 22nd June 2018. The Notice of the Annual General Meeting appears on page 102 of the Annual Report.

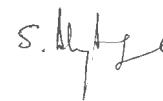
For and on behalf of the Board  
THE KINGSBURY PLC



A. M. Pandithage  
Executive Chairman



L. T. Samarawickrama  
Managing Director



Hayleys Group Services (Pvt) Ltd.  
Secretaries

10th May 2018

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible, under Sections 150 and 151 of the Companies Act No. 07 of 2007, to ensure compliance with the requirements set out therein to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit and loss of the Company for the financial year. The Directors are also responsible, under Section 148 for ensuring that proper accounting records are kept to disclose, with reasonable accuracy, the financial position and enable preparation of the Financial Statements.

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

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

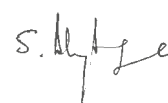
The Directors have taken reasonable measures to safeguard the assets of the Company and in that context, have instituted appropriate systems of internal control in order to prevent and detect fraud and other irregularities.

The External Auditors, Messrs. Ernst & Young, Chartered Accountants, were deemed re-appointed in terms of section 158 of the Companies Act No. 07 of 2007 and were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements. The Report of the Auditors, shown on pages 50 to 53 sets out their responsibilities in relation to the Financial Statements.

## Compliance Report

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

By Order of the Board



Hayleys Group Services (Pvt) Ltd.  
Secretaries

10th May 2018

# RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Related Party Transaction review Committee of Hayleys PLC, the parent Company functions as the Committee of the Company in terms of the 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

Committee met 04 times during the Financial Year 2017/18.

Meetings were held on 17th May 2017, 4th August 2017, 2nd November 2017 and 7th February 2018

|                     | Attendance |
|---------------------|------------|
| Dr. H. Cabral, PC   | 4/4        |
| Mr. M. Y. A. Perera | 4/4        |
| Mr. S. C. Ganegoda  | 1/4        |


## 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 recognized 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

16th May 2018

# 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 18 to 19.

The Committee met formally four times during the financial year ended 31st March 2018. The attendance of the members at these meetings were as follows:

| Independent Non-Executive Director | 8th May 2017 | 27th July 2017 | 26th October 2017 | 30th January 2018 | Total |
|------------------------------------|--------------|----------------|-------------------|-------------------|-------|
| Mr. L. N. De S. Wijeyeratne        | Present      | Present        | Present           | Present           | 4/4   |
| Ms. R. N. Ponnambalam              | Present      | Present        | Out of Country    | Present           | 3/4   |
| Mr. J. P. Van Twest                | Present      | Present        | Via tel con       | Excused           | 3/4   |

The Managing Director, General Manager, Director Finance and the Group Chief Financial Officer (CFO) and the Head of Internal Audit of the Group Management Audit and Systems Review Department of Hayleys PLC attend the meetings of the Audit Committee by invitation. The Chairman of the Company and other Directors attend the meetings as required.

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 Messers. Ernst & Young were independent and objective in performing the yearend 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 finalized 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 following 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

10th May 2018

# EXPERIENCE

Whenever you stay at the Kingsbury, it stays with you for life. The Kingsbury provides a unique experience for every visitor, bringing an atmosphere of warmth and comfort amid the quintessence of luxury.

Our experienced staff dedicate their every effort to serving each guest with a spirit of passion, care and attention to detail, ensuring each stay is equally memorable.





# FINANCIAL STATEMENTS

|   |    |
|---|----|
| Independent Auditors' Report.....       | 50 |
| Statement of Profit or Loss .....       | 54 |
| Statement of Comprehensive Income.....  | 55 |
| Statement of Financial Position .....   | 56 |
| Statement of Changes in Equity .....    | 57 |
| Statement of Cash Flows .....           | 58 |
| Notes to the Financial Statements ..... | 59 |

## Financial Calender

|   |                           |
|---|---------------------------|
| Annual General Meeting                    | 22nd June 2018            |
| Interim Financial Statement - 1st Quarter | 2nd week of August 2018   |
| Interim Financial Statement - 2nd Quarter | 2nd week of November 2018 |
| Interim Financial Statement - 3rd Quarter | 2nd week of February 2019 |
| Interim Financial Statement - 4th Quarter | 2nd week of May 2019      |

# INDEPENDENT AUDITOR'S REPORT



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

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## Independent auditor's 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 31 March 2018, 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 31 March 2018 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 Auditor's 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 auditor's 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 Auditor's 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   |   |   |
|--|--|---|---|
| <p><b>Valuation of Building and Building Integrals</b></p> <p>Buildings and building integrals of the Company are reflected at revaluation and amounts to Rs. 3,080 Mn as at 31 March 2018.</p> <p>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.</p> <p>Due to the magnitude of these assets relative to the total assets (68%), and the significance of estimates and judgements associated with the valuation, this was considered a key audit matter.</p> | <p>Our audit procedures focused on the valuation performed by the external valuer, which included the following among others.</p> <ul style="list-style-type: none"> <li>• We evaluated the competence, capabilities and objectivity of the external valuer appointed by the management. We read the engagement letter issued by the management and the valuation report issued by the valuer to obtain an understanding of the work the valuer, and evaluated its the appropriateness as audit evidence for the recorded valuation of building and building integrals in the Financial Statements.</li> <li>• We engaged internal specialized resources to assist us in evaluating the appropriateness of the valuation method used and range of prices per square foot used.</li> <li>• In addition, we evaluated the overall appropriateness of the related financial statement disclosers in note no 2.2 and note 12.2.</li> </ul> | <p><b>Recoverability of Property, plant &amp; Equipment in Platinum 1</b></p> <p>Property plant &amp; Equipment includes Rs. 44Mn worth of assets relating to Platinum1. Management assessed the recoverability of such assets using significant judgements and estimates, as disclosed in Note 12.2 &amp; 12.8 to the Financial Statements, of which a probable change could lead to material differences in the estimated recoverable amount.</p> <p>This assessment was important to our audit due to the magnitude of the carrying value of the related assets as well as the subjective assumptions and judgment involved.</p> | <p>Our audit procedures focused on the assessment of the recoverable amount performed by the management, include the following, among others:</p> <ul style="list-style-type: none"> <li>• We reviewed management's identification of indicators of impairment under accounting standards.</li> <li>• We involved our internal specialised resources to assist us in evaluating the appropriateness of methodology used and reasonableness of key assumptions.</li> <li>• Further, we checked the reasonability of the assumptions used with the historical experience of the Company.</li> <li>• In addition, we assessed the appropriateness of the disclosures made in the financial statement Note no 2.2 and 12.8 in this regard.</li> </ul> |

## INDEPENDENT AUDITOR'S REPORT

### Other information included in the Company's 2018 Annual Report

Other information consists of the information included in the Annual Report, other than the Financial Statements and our auditor's 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 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.

### Auditor's 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 auditor's 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. 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 auditor's 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 auditor's 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.

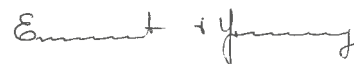
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 auditor's 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 auditor's report is 2199.



Ernst & Young, Colombo

10 May 2018

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

# STATEMENT OF PROFIT OR LOSS

| Year ended 31 March            | Notes | 2018<br>Rs '000 | 2017<br>Rs '000 |
|--------------------------------|-------|-----------------|-----------------|
| Revenue                        | 4     | 3,085,143       | 3,061,048       |
| Cost of sales                  |       | (1,630,688)     | (1,469,351)     |
| Gross profit                   |       | 1,454,455       | 1,591,697       |
| Other income and expenses      | 5     | 12,541          | (4,503)         |
| Administrative expenses        |       | (1,060,184)     | (919,108)       |
| Marketing expenses             |       | (137,734)       | (129,346)       |
| Finance income                 | 8     | 8,765           | 20,905          |
| Finance expense                | 9     | (89,914)        | (134,629)       |
| Profit before tax              | 6     | 187,929         | 425,016         |
| Income tax expense             | 10    | (48,775)        | (44,670)        |
| Net profit after tax           |       | 139,154         | 380,346         |
| Basic earnings per share (Rs.) | 11    | 0.58            | 1.57            |

The Accounting Policies and Notes on pages 59 through 97 form an integral part of the Financial Statements.

# STATEMENT OF COMPREHENSIVE INCOME

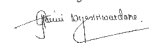
| Year ended 31 March  | Notes | 2018<br>Rs '000 | 2017<br>Rs '000 |
|--|-------|-----------------|-----------------|
| Profit for the year  |       | 139,154         | 380,346         |
| <b>Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods</b> |       |                 |                 |
| Re-measurement loss on defined benefit plans   | 23    | (873)           | (4,508)         |
| Income tax effect on defined benefit plans   | 18    | 123             | 541             |
| Other Comprehensive for the year, net of tax   |       | (750)           | (3,967)         |
| Total Comprehensive Income for the year, net of tax  |       | 138,404         | 376,379         |

The Accounting Policies and Notes on pages 59 through 97 form an integral part of the Financial Statements.

# STATEMENT OF FINANCIAL POSITION

| As at 31 March                      | Notes | 2018<br>Rs '000  | 2017<br>Rs '000  |
|-------------------------------------|-------|------------------|------------------|
| <b>ASSETS</b>                       |       |                  |                  |
| <b>Non-current assets</b>           |       |                  |                  |
| Property, plant and equipment       | 12    | 3,898,611        | 3,860,890        |
| Intangible assets                   | 13    | 21,214           | 25,517           |
|                                     |       | 3,919,825        | 3,886,407        |
| <b>Current assets</b>               |       |                  |                  |
| Inventories                         | 14    | 74,053           | 73,004           |
| Trade and other receivables         | 15    | 147,581          | 127,901          |
| Other non financial assets          | 16    | 67,311           | 92,570           |
| Income tax receivable               |       | 32,713           | 34,077           |
| Short term deposits                 | 17    | 100,934          | 347,949          |
| Cash and Bank                       | 19    | 194,050          | 148,793          |
|                                     |       | 616,642          | 824,294          |
| <b>Total assets</b>                 |       | <b>4,536,467</b> | <b>4,710,701</b> |
| <b>EQUITY AND LIABILITIES</b>       |       |                  |                  |
| <b>Equity</b>                       |       |                  |                  |
| Stated capital                      | 26    | 836,000          | 836,000          |
| Revaluation reserves                | 27    | 904,808          | 940,907          |
| Retained earnings                   |       | 793,072          | 613,646          |
|                                     |       | 2,533,880        | 2,390,553        |
| <b>Non-current liabilities</b>      |       |                  |                  |
| Interest-bearing borrowings         | 22    | 510,618          | 942,101          |
| Post employment benefit obligation  | 23    | 50,673           | 39,519           |
| Deferred tax liability              | 18    | 231,745          | 206,808          |
|                                     |       | 793,036          | 1,188,428        |
| <b>Current liabilities</b>          |       |                  |                  |
| Trade and other payables            | 20    | 327,423          | 262,855          |
| Interest-bearing borrowings         | 22    | 747,354          | 568,755          |
| Other non financial liabilities     | 21    | 134,774          | 300,110          |
|                                     |       | 1,209,551        | 1,131,720        |
| <b>Total equity and liabilities</b> |       | <b>4,536,467</b> | <b>4,710,701</b> |

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



**Ajani Wijesiriwardana**  
Director Finance

The Board of Directors is responsible for these Financial Statements. These Financial Statements were authorised for issue by the Board of Directors on 10 May 2018.



**A M Pandithage**  
Executive Chairman



**L T Samarawickrama**  
Director

The Accounting Policies and Notes on pages 8 through 34 form an integral part of the Financial Statements.

10 May 2018  
Colombo

# STATEMENT OF CHANGES IN EQUITY

| As at 31 March   | Notes | Ordinary share capital<br>Rs '000 | Revaluation reserve<br>Rs '000 | Retained earnings<br>Rs '000 | Total<br>Rs '000 |
|--|-------|-----------------------------------|--------------------------------|------------------------------|------------------|
| <b>Balance at 1 April 2016</b>                         |       | 836,000                           | 905,830                        | 440,154                      | 2,181,984        |
| Net profit for the period                              |       | -                                 | -                              | 380,346                      | 380,346          |
| Other comprehensive income                             |       | -                                 | -                              | (3,967)                      | (3,967)          |
| Total comprehensive income                             |       | -                                 | -                              | 376,379                      | 376,379          |
| Transfer to retained earnings from revaluation reserve |       |                                   | (39,113)                       | 39,113                       | -                |
| Deferred tax on transfer                               | 27    | -                                 | 4,694                          | -                            | 4,694            |
| Revaluation adjustment (net of deferred tax)           |       | -                                 | (14,525)                       | -                            | (14,525)         |
| Revaluation during the year                            |       | -                                 | 95,478                         | -                            | 95,478           |
| Deferred tax transfer on revaluation                   | 18    | -                                 | (11,457)                       | -                            | (11,457)         |
| Interim Dividends to equity holders                    |       |                                   |                                | (242,000)                    | (242,000)        |
| <b>Balance at 31 March 2017</b>                        |       | 836,000                           | 940,907                        | 613,646                      | 2,390,553        |
| Net profit for the period                              |       | -                                 | -                              | 139,154                      | 139,154          |
| Other comprehensive income                             |       | -                                 | -                              | (750)                        | (750)            |
| Total comprehensive income                             |       | -                                 | -                              | 138,404                      | 138,404          |
| Transfer to retained earnings from revaluation reserve |       |                                   | (41,022)                       | 41,022                       | -                |
| Deferred tax on transfer                               | 27    | -                                 | 4,923                          | -                            | 4,923            |
| <b>Balance at 31 March 2018</b>                        |       | 836,000                           | 904,808                        | 793,072                      | 2,533,880        |

The Accounting Policies and Notes on pages 59 through 97 form an integral part of the Financial Statements.

# STATEMENT OF CASH FLOWS

| As at 31 March  | Notes | 2018<br>Rs '000  | 2017<br>Rs '000  |
|---|-------|------------------|------------------|
| <b>Operating activities</b>                                     |       |                  |                  |
| Cash generated from operations                                  | 28.1  | 563,076          | 849,740          |
| Interest received   | 8     | 8,765            | 20,905           |
| Interest paid   |       | (80,975)         | (109,080)        |
| Tax paid  |       | (17,217)         | (15,644)         |
| Employee benefit obligations                                    | 23    | (3,293)          | (2,123)          |
| <b>Net cash generated from / (used in) operating activities</b> |       | <b>470,356</b>   | <b>743,798</b>   |
| <b>Investing activities</b>                                     |       |                  |                  |
| Capital work in progress  | 12    | (80,275)         | 1,624            |
| Purchases of property, plant and equipment                      | 12    | (211,775)        | (243,400)        |
| Purchases of intangible assets                                  | 13    | (1,257)          | (6,214)          |
| Proceeds from disposal of property, plant and equipment         |       | 6,706            | 1,181            |
| Investments in fixed deposits                                   |       | (100,934)        | -                |
| <b>Net cash used in investing activities</b>                    |       | <b>(387,535)</b> | <b>(246,809)</b> |
| <b>Financing activities</b>                                     |       |                  |                  |
| Dividends paid  | 28.2  | (121,000)        | (121,000)        |
| Payments on interest-bearing borrowings                         | 28.2  | (453,630)        | (430,128)        |
| <b>Net cash generated from financing activities</b>             |       | <b>(574,630)</b> | <b>(551,128)</b> |
| <b>Net increase in cash and cash equivalents</b>                |       | <b>(491,809)</b> | <b>(54,139)</b>  |
| <b>Movement in cash and cash equivalents</b>                    |       |                  |                  |
| At start of year  |       | 403,035          | 457,174          |
| Net increase  |       | (491,809)        | (54,139)         |
| <b>At end of year</b>   | 19    | <b>(88,774)</b>  | <b>403,035</b>   |

The Accounting Policies and Notes on pages 59 through 97 form an integral part of the Financial Statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

### 1.1 General

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

### 1.2 Principal Activity and Nature of Operations

The principal activity of the Company is hoteliering and there has no changes in the nature of such activities during the year.

### 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 2018 were authorised for issue in accordance with a resolution of the board of directors on 10 May 2018.

## 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 Going Concern

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

#### 2.1.4 Comparative Information

The Financial Statements of the Company provide comparative information in respect of the previous period.

## 2.2 Significant Accounting Judgments And Estimates

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

#### a. 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) and losses in the Statement of Profit or Loss. 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.

## NOTES TO THE FINANCIAL STATEMENTS

### **b. Impairment of property, plant and equipment**

The impairment analysis is principally based upon discounted estimated cash flows from the use and eventual disposal of the assets. Factors like lower than anticipated sales, resulting decreases of net cash flows and changes in the discount rates could lead to impairment. Further details are disclosed in Note 12.8 to the Financial Statements.

### **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 12.6.

### **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 18.

### **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. All assumptions are reviewed at each reporting date. Further details are given in Note 23.

## **2.3 Summary Of Significant Accounting Policies**

### **2.3.1 Foreign currencies**

#### **a. Functional and presentation currency**

Items included in the Financial Statements of the entity are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Financial Statements are presented in Sri 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 capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur.

### **2.3.3 Property, Plant and Equipment**

#### **a. At initial recognition**

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

recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit or loss as incurred.

#### b. At subsequent measurement

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 are met.

Building and building Integrals are subsequently measured at fair value less accumulated depreciation and such valuation 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.

|  | 2018        | 2017        |
|--|-------------|-------------|
| Buildings and building integrals       | 15-50 years | 15-50 years |
| Plant, machinery and equipment         | 8 years     | 8 years     |
| Furniture and fittings                 | 10 years    | 10 years    |
| Motor vehicles                         | 5 years     | 5 years     |
| Linen, cutlery, crockery and glassware | 3-10 years  | 3-10 years  |

#### d. Subsequent costs

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

### 2.3.4 Intangible Assets

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

## NOTES TO THE FINANCIAL STATEMENTS

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 |
|-------------------|---------|

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.

### 2.3.5 Financial Instruments

#### Financial Assets

The Company's financial assets include trade and other receivables, short term deposits and cash and bank balances.

#### a. Initial recognition and measurement

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

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

#### b. Subsequent measurement

The subsequent measurement of financial assets depends on their classification. Cash, short term deposits, trade and other receivables constitute financial assets classified as loans and receivables for measurement purposes.

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

#### c. Impairment of financial assets

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

#### Financial assets carried at amortised cost:

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

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

### 2.3.6 Other Non-Financial Assets

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

### 2.3.7 Impairment of Non-Financial Assets

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

Impairment losses of continuing operations are recognised in the Statement of Profit or Loss 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 Statement of Profit or Loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

### 2.3.8 Fair Value Measurement

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

## NOTES TO THE FINANCIAL STATEMENTS

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.

### 2.3.9 Operating Leases

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

### 2.3.10 Inventories

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

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

### 2.3.11 Cash and Cash Equivalents

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

### 2.3.12 Financial Liabilities

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

#### a. Initial recognition and measurement

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

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

#### b. Subsequent measurement

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

#### Loans and borrowings:

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

#### c. De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Profit or Loss.

### 2.3.13 Other Non-Financial Liabilities

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

### 2.3.14 Provisions

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

### 2.3.15 Employee Benefits

#### a. Defined contribution plans

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

The Company's contributions to the defined contribution plans are charged to the 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.

### 2.3.16 Dividend Distribution

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

### 2.3.17 Taxation

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

Current income tax relating to items recognised directly in equity is recognised in equity and not in the 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 utilised. Un-recognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

## NOTES TO THE FINANCIAL STATEMENTS

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

### Turnover based taxes

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

### 2.3.18 Revenue Recognition

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

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

Other revenues and income earned by the Company including other hotel revenue and interest income are recognised on an accrual basis

## 3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

### SLFRS 15 – Revenue from Contracts with Customers

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

SLFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under SLFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under SLFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Company plans to adopt the new standard on the required effective date using the full retrospective method.

The Company has identified following key areas which relates to the business operation, as having most impact from SLFRS 15

Receipt of advances and Gift cards

Credit card promotions / rebates

Shop rental revenue with increment

Travel agent contracts with bundle services

Pending the completion of the detail impact analysis, possible impact from SLFRS 15 is not estimable as of the reporting date.

### SLFRS 9 – Financial Instruments

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

SLFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory.

The Company plans to adopt the new standard on the required effective date and will not restate comparative information. During 2018, the Company has performed a detailed impact assessment of SLFRS 9.

The Company expects no significant impact on its statement of financial position and equity except for the effect of applying the impairment requirements of SLFRS 9. In addition, the Company will implement changes in classification of certain financial instruments.

### **SLFRS 16 - Leases**

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('Lessee') and the supplier ('Lessor'). SLFRS 16 will replace Sri Lanka Accounting Standard - LKAS 17 (Leases) and related interpretations.

SLFRS 16 introduces a single accounting model for the lessee, eliminating the present classification of leases in LKAS 17 as either operating leases or finance leases.

The new Standard requires a lessee to:

- recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value
- present depreciation of lease assets separately, from interest on lease liabilities in the Statement of Profit or Loss.

SLFRS - 16 substantially carries forward the lessor accounting requirement in LKAS - 17. Accordingly, a lessor continues to classify its leases as operating lease or finance lease, and to account for those two types of leases differently.

SLFRS -16 will become effective on 1 January 2019. The impact on the implementation of the above Standard has not been quantified yet.

## NOTES TO THE FINANCIAL STATEMENTS

### 4. REVENUE

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

#### 4.1 Summary

| Year ended 31 March                      | 2018<br>Rs '000  | 2017<br>Rs '000  |
|--|------------------|------------------|
| Gross turnover                           | 3,085,143        | 3,061,048        |
| Less: Turnover tax / Nation Building tax | (98,651)         | (96,226)         |
| <b>Net turnover</b>                      | <b>2,986,492</b> | <b>2,964,822</b> |

#### 4.2 Segmentation of the Revenue

| Year ended 31 March         | 2018<br>Rs '000  | 2017<br>Rs '000  |
|-----------------------------|------------------|------------------|
| Room sales                  | 1,306,594        | 1,395,107        |
| Food & Beverage sales       | 1,596,793        | 1,482,763        |
| Other hotel related revenue | 83,105           | 86,952           |
| <b>Total revenue</b>        | <b>2,986,492</b> | <b>2,964,822</b> |

### 5. OTHER INCOME AND EXPENSES

| Year ended 31 March                                 | 2018<br>Rs '000 | 2017<br>Rs '000 |
|---|-----------------|-----------------|
| (Loss) on disposal of property, plant and equipment | (1,058)         | (11,751)        |
| Sundry income                                       | 13,599          | 7,248           |
| <b>Other income and expenses</b>                    | <b>12,541</b>   | <b>(4,503)</b>  |

## 6. PROFIT BEFORE TAX

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

| Year ended 31 March                                     | 2018<br>Rs '000 | 2017<br>Rs '000 |
|---|-----------------|-----------------|
| Directors' emoluments                                   | 2,580           | 2,513           |
| Auditors remuneration - audit fees                      | 846             | 805             |
| - non audit fees  | 424             | 324             |
| Depreciation on property, plant and equipment (Note 12) | 237,422         | 218,305         |
| Amortisation of intangible assets (Note 13)             | 5,560           | 4,806           |
| Repair and maintenance expenditure                      | 65,183          | 84,005          |
| Operating lease rentals on property                     | 140,753         | 45,358          |
| Staff costs (Note 7)                                    | 484,415         | 413,562         |
| Power and energy expenditure                            | 167,567         | 145,732         |
| Loss on disposal of property, plant and equipment       | 1,058           | 11,751          |
| Loss on disposal of cutlery and linen                   | 8,827           | 15,923          |
| Marketing and promotional fee                           | 137,500         | 155,306         |

## 7. STAFF COSTS

| Year ended 31 March                            | 2018<br>Rs '000 | 2017<br>Rs '000 |
|--|-----------------|-----------------|
| Wages and salaries                             | 316,006         | 279,044         |
| Cost of meals                                  | 110,964         | 89,065          |
| Defined contribution plans                     | 43,871          | 39,022          |
| Post employment benefit obligation (Note 23.2) | 13,574          | 6,431           |
| <b>Staff costs</b>                             | <b>484,415</b>  | <b>413,562</b>  |

# NOTES TO THE FINANCIAL STATEMENTS

## 8. FINANCE INCOME

| Year ended 31 March | 2018    | 2017    |
|---------------------|---------|---------|
|                     | Rs '000 | Rs '000 |
| Interest income     | 8,765   | 20,905  |
|                     | 8,765   | 20,905  |

## 9. FINANCE EXPENSES

| Year ended 31 March             | 2018     | 2017      |
|---------------------------------|----------|-----------|
|                                 | Rs '000  | Rs '000   |
| Interest expenses               | (77,554) | (104,744) |
| Foreign exchange gain           | 7,672    | 24,682    |
| Foreign exchange loss           | (20,031) | (54,567)  |
|                                 | (89,913) | (134,629) |
| Net finance income / (expenses) | (81,148) | (113,724) |

## 10. TAXATION

| Year ended 31 March                                 | 2018    | 2017    |
|---|---------|---------|
|   | Rs '000 | Rs '000 |
| 10.1 Current income tax                             | 6,197   | 6,471   |
| (Over)/under provision in respect of previous years | 295     | -       |
| Economic service charge                             | 12,301  | -       |
| Deferred tax (Note 18.1)                            | 29,982  | 38,199  |
| Income tax expense                                  | 48,775  | 44,670  |

**10.2 Reconciliation of accounting profit to income tax expense**

| Year ended 31 March        | 2018          | 2017          |
|----------------------------|---------------|---------------|
|                            | Rs '000       | Rs '000       |
| Profit/(loss) before tax   | 187,929       | 425,016       |
| Disallowable expenses      | 282,502       | 256,867       |
| Allowable expenses         | (399,742)     | (445,397)     |
| Tax credits utilisation    | (27,809)      | (203,463)     |
| Interest income            | 8,765         | 20,905        |
| <b>Taxable income</b>      | <b>51,645</b> | <b>53,928</b> |
| Income tax @ 12%           |               |               |
| Tax on taxable income      | 6,197         | 6,471         |
| <b>Current tax expense</b> | <b>6,197</b>  | <b>6,471</b>  |

**11. BASIC EARNINGS 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 31 March  | 2018    | 2017    |
|--|---------|---------|
| Net profit attributable to shareholders - Rs. '000         | 139,154 | 380,346 |
| Weighted average number of ordinary shares in issue - '000 | 242,000 | 242,000 |
| Basic earnings per share (Rs.)                             | 0.58    | 1.57    |

# NOTES TO THE FINANCIAL STATEMENTS

## 12. PROPERTY, PLANT AND EQUIPMENT

### 12.1

| Year ended 31 March 2017                            | Buildings and building integrals<br>Rs '000 | Plant, machinery & equipment<br>Rs '000 | Furniture & fittings<br>Rs '000 | Motor vehicles<br>Rs '000 | Linen, cutlery, crockery & glassware<br>Rs '000 | Total<br>Rs '000 |
|---|---|---|---------------------------------|---------------------------|---|------------------|
| Cost/valuation                                      |   |   |                                 |                           |   |                  |
| Balance as at 1 April 2016                          | 3,412,113                                   | 530,511                                 | 285,343                         | 17,766                    | 146,668   | 4,392,400        |
| Additions   | 21,495                                      | 68,217                                  | 93,011                          | -                         | 60,678  | 243,400          |
| Disposals   | (15,949)                                    | (5,163)                                 | (864)                           | -                         | -   | (21,976)         |
| Disposals - breakages, losses & discarded           | -   | -                                       | -                               | -                         | (34,271)  | (34,271)         |
| Revaluation   | (281,660)                                   | (42,007)                                | (9,168)                         | -                         | -   | (332,835)        |
| Balance as at 31 March 2017                         | 3,135,998                                   | 551,558                                 | 368,322                         | 17,766                    | 173,074   | 4,246,718        |
| Depreciation  |   |   |                                 |                           |   |                  |
| Balance as at 1 April 2016                          | 298,140                                     | 189,692                                 | 76,460                          | 8,022                     | 76,987  | 649,301          |
| Depreciation charge                                 | 80,673                                      | 73,218                                  | 32,669                          | 1,920                     | 29,825  | 218,305          |
| Disposals   | (1,674)                                     | (2,764)                                 | (436)                           | -                         | -   | (4,874)          |
| Disposals - breakages, losses & discarded           | -   | -                                       | -                               | -                         | (18,348)  | (18,348)         |
| Revaluation   | (377,138)                                   | (27,709)                                | (6,959)                         | -                         | -   | (411,807)        |
| Balance as at 31 March 2017                         | -   | 232,437                                 | 101,735                         | 9,942                     | 88,464  | 432,578          |
| Net book value as at 31 March 2017                  | 3,135,998                                   | 319,121                                 | 266,586                         | 7,824                     | 84,611  | 3,814,140        |
| Capital work in progress                            |   |   |                                 |                           |   |                  |
| Balance as at 1 April 2016                          |   |   |                                 |                           |   | 48,374           |
| Cost incurred during the year                       |   |   |                                 |                           |   | 2,533            |
| Amount transferred to property, plant and equipment |   |   |                                 |                           |   | (4,157)          |
| Balance as at 31 March 2017                         |   |   |                                 |                           |   | 46,750           |
| Total net book value as at 31 March 2017            | 3,135,998                                   | 319,121                                 | 266,586                         | 7,824                     | 84,611  | 3,860,890        |

| Year ended 31 March 2018                  | Buildings and building integrals | Plant, machinery & equipment | Furniture & fittings | Motor vehicles | Linen, cutlery, crockery & glassware | Total     |
|---|----------------------------------|------------------------------|----------------------|----------------|--------------------------------------|-----------|
|   | Rs '000                          | Rs '000                      | Rs '000              | Rs '000        | Rs '000                              | Rs '000   |
| Cost/valuation                            |                                  |                              |                      |                |                                      |           |
| Balance as at 1 April 2017                | 3,135,998                        | 551,558                      | 368,322              | 17,766         | 173,074                              | 4,246,718 |
| Additions                                 | 19,350                           | 99,000                       | 36,880               | -              | 56,546                               | 211,776   |
| Disposals                                 | (708)                            | (8,886)                      | (6,256)              | -              | -                                    | (15,850)  |
| Disposals - breakages, losses & discarded | -                                | -                            | -                    | -              | (24,208)                             | (24,208)  |
| Balance as at 31 March 2018               | 3,154,640                        | 641,672                      | 398,946              | 17,766         | 205,412                              | 4,418,436 |
| Depreciation                              |                                  |                              |                      |                |                                      |           |
| Balance as at 1 April 2017                | -                                | 232,437                      | 101,735              | 9,942          | 88,464                               | 432,578   |
| Depreciation charge                       | 74,682                           | 84,864                       | 38,498               | 1,074          | 38,304                               | 237,422   |
| Disposals                                 | (42)                             | (5,300)                      | (2,788)              | -              | -                                    | (8,130)   |
| Disposals - breakages, losses & discarded |                                  |                              |                      |                | (15,020)                             | (15,020)  |
| Balance as at 31 March 2018               | 74,640                           | 312,001                      | 137,445              | 11,016         | 111,748                              | 646,850   |
| Net book value as at 31 March 2018        | 3,080,000                        | 329,671                      | 261,501              | 6,750          | 93,664                               | 3,771,586 |
| Capital work in progress                  |                                  |                              |                      |                |                                      |           |
| Balance as at 1 April 2017                |                                  |                              |                      |                |                                      | 46,750    |
| Cost incurred during the year             |                                  |                              |                      |                |                                      | 80,275    |
| Balance as at 31 March 2018               |                                  |                              |                      |                |                                      | 127,025   |
| Total net book value as at 31 March 2018  | 3,080,000                        | 329,671                      | 261,501              | 6,750          | 93,664                               | 3,898,611 |

## NOTES TO THE FINANCIAL STATEMENTS

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

#### 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 31 March 2018. The revaluation carried out resulted in a fair value which approximated with the carrying value as at 31 March 2018, and hence no additional revaluation surplus arose in the financial year 2018. The valuation of the buildings and integrals located at principal place of business, No. 48, Janadhipathi Mawatha, Colombo 1 have been determined using direct comparison method by using level 3 of the fair value measurement hierarchy.

For level 3 fair value measurement, quantitative information about the key significant unobservable inputs used in the fair value measurement, together with sensitivity information are as follows:

| Valuation Input              | 2018                         | 2017                         | Other Key Information used                       |
|------------------------------|------------------------------|------------------------------|--|
| Price per squar foot (range) | Rs. 11,500/- to Rs. 20,700/- | Rs. 11,750/- to Rs. 21,000/- | - Age of the structure and remaining useful life |

Significant increase or decrease in estimated price per square foot in isolation would result in a significantly higher or lower fair value measurement. Accordingly, a change of Rs. 1,000/- in estimated price per squarefoot will cause a Rs. 156.3 Mn change in the fair value of buildings and building integrals, directionally.

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

**12.4** The Hotel building is constructed on land obtained from the Ceylon Tourist Board on a 99 years lease commencing from 9 May 1970, for which the Company pays a sum of Rs. 2.5 Mn annually as operating lease rental disclosed in Note 25.(b).

**12.5** If the buildings and building integrals were stated at historical cost, the carrying amounts would be as follows:

| Asset category                   | Cost      | Accumulated depreciation | Net book value |
|----------------------------------|-----------|--------------------------|----------------|
|                                  | Rs '000   | Rs '000                  | Rs '000        |
| Buildings and building integrals | 2,632,024 | 462,110                  | 2,169,914      |
|                                  | 2,632,024 | 462,110                  | 2,169,914      |

**12.6** The Company regularly reviewed 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 finishes          | 20 years |
| - Elevators                  | 25 years |
| - Mechanical and engineering | 25 years |

**12.7** During the previous year the management has carried out a comprehensive study of fixed asset register of the Company along with a physical verification. In that exercise, the management has noted the need to make suitable adjustments in the nature of removing non existing items, and other relevant adjustments to carrying values. Accordingly a net adjustment amounting to Rs. 14,524,947/- was made against revaluation reserve in the year 2017.

**12.8** The Company has entered into a mutual understanding with Platinum Reality Investments (Private) Limited and the individual apartments owners to “Lease and Manage” 40 apartments along with Spa, Restaurant, Kitchen and meeting rooms of a luxury residential condominium named “Platinum 1” situated at No 1, Bagatalle Road, Colombo 3. Included in the property, plant & equipment assets having a cost amount of Rs. 62 Mn that relates to this arrangement, of which the Net Book Value as at 31 March 2018 amounts to Rs. 44.7 Mn (2017 - Rs. 51.3 Mn). This arrangement is considered as a separate Cash Generating Unit (CGU) and the Company has assessed the recoverability of the assets in accordance with LKAS 36 and concluded that there is no impairment required. Significant judgements and assumptions were involved in this assessment.

## NOTES TO THE FINANCIAL STATEMENTS

### **Key assumptions used in the assessment of recoverability.**

#### **Gross margin**

The basis used to determine the value assigned to the budgeted gross margins is the gross margins achieved in the year preceding the budgeted year adjusted for the projected market conditions. Gross margin ranging from 65% - 75% has been used.

#### **Inflation**

The basis used to determine the value assigned to the budgeted cost inflation is the inflation rate, based on projected economic conditions ranging from 3% - 5%.

#### **Occupancy growth rate**

Occupancy rate ranging between 55% to 65% has been budgeted by taking into account the growth in occupancy rates in the past two years and forecasts.

Significant increase or decrease in key assumptions in isolation would result in a higher or lower recoverable amounts as follows:

- A negative change in gross margin below 67% will cause an impairment while other key assumptions are intact.
- A positive change in inflation of costs above 7% will cause an impairment while other key assumptions are intact.
- A negative change in occupancy below 59% will cause an impairment while other key assumptions are intact.

The recoverable amount estimated by using the above key assumptions is higher than the carrying value of the property, plant & equipment.

**13. INTANGIBLE ASSETS**

| As at 31 March               | 2018          | 2017          |
|------------------------------|---------------|---------------|
|                              | Rs '000       | Rs '000       |
| <b>Cost</b>                  |               |               |
| Balance as at 1 April        | 43,937        | 37,723        |
| Additions during the year    | 1,257         | 6,214         |
| Balance as at 31 March       | 45,194        | 43,937        |
| <b>Amortisation</b>          |               |               |
| Balance as at 1 April        | 18,420        | 13,614        |
| Amortisation during the year | 5,560         | 4,806         |
| Balance as at 31 March       | 23,980        | 18,420        |
| <b>Net Book Value</b>        | <b>21,214</b> | <b>25,517</b> |

The intangible assets consist of computer software

**14. INVENTORIES**

| As at 31 March              | 2018          | 2017          |
|-----------------------------|---------------|---------------|
|                             | Rs '000       | Rs '000       |
| Food, beverages and tobacco | 47,776        | 34,838        |
| Other inventories           | 26,277        | 38,166        |
| <b>Inventories</b>          | <b>74,053</b> | <b>73,004</b> |

# NOTES TO THE FINANCIAL STATEMENTS

## 15. TRADE AND OTHER RECEIVABLES

| As at 31 March                       | 2018           | 2017           |
|--------------------------------------|----------------|----------------|
|                                      | Rs '000        | Rs '000        |
| Trade receivables                    | 130,921        | 125,255        |
| Less: Impairment allowances          | (7,925)        | (2,565)        |
|                                      | 122,996        | 122,690        |
| Intercompany receivables (Note 29.3) | 24,585         | 5,211          |
| <b>Trade and other receivables</b>   | <b>147,581</b> | <b>127,901</b> |

## 16. OTHER NON FINANCIAL ASSETS

| As at 31 March                    | 2018          | 2017          |
|-----------------------------------|---------------|---------------|
|                                   | Rs '000       | Rs '000       |
| Prepayments                       | 18,849        | 19,225        |
| Advances to suppliers             | 4,464         | 13,398        |
| Advances to employees             | 12,278        | 11,177        |
| Security deposits                 | 19,054        | 19,661        |
| Other receivables                 | 12,666        | 29,109        |
| <b>Other non-financial assets</b> | <b>67,311</b> | <b>92,570</b> |

## 17. SHORT TERM DEPOSITS

| As at 31 March                        | 2018           | 2017           |
|---------------------------------------|----------------|----------------|
|                                       | Rs '000        | Rs '000        |
| Investments more than 3 months        | 100,934        | -              |
| Investments less than 3 months        | -              | 347,949        |
| <b>Other current financial assets</b> | <b>100,934</b> | <b>347,949</b> |

## 18. DEFERRED TAX LIABILITY

- 18.1** Deferred income taxes are calculated on temporary differences under the liability method using a tax rate of 14% (2017 - 12%), which is the tax rate effective from 01 April 2018 as per the Inland revenue Act No. 24 of 2017. The effect of the change in tax rate was Rs. 34,467,940/-.

| As at 31 March                         | Statement of Financial Position |                | Statement of Profit or Loss |               | Statement of other Comprehensive Income |              |
|--|---------------------------------|----------------|-----------------------------|---------------|---|--------------|
|  | 2018                            | 2017           | 2018                        | 2017          | 2018                                    | 2017         |
|  | Rs '000                         | Rs '000        | Rs '000                     | Rs '000       | Rs '000                                 | Rs '000      |
| <b>Deferred Tax Liability</b>          |                                 |                |                             |               |   |              |
| Capital Allowance for tax purpose      | 352,965                         | 313,246        | 44,641                      | 28,212        | (4,923)                                 | 4,783        |
|  | 352,965                         | 313,246        |                             |               |   |              |
| <b>Deferred Tax Assets</b>             |                                 |                |                             |               |   |              |
| Defined Benefit Plans                  | 7,094                           | 4,742          | (2,230)                     | (517)         | (123)                                   | (541)        |
| Un-used Tax Losses                     | 114,126                         | 101,697        | (12,429)                    | 10,504        | -                                       | -            |
|  | 121,220                         | 106,439        |                             |               |   |              |
| <b>Net Deferred Tax Liability</b>      | <b>231,745</b>                  | <b>206,808</b> |                             |               |   |              |
| <b>Deferred Tax Expense /(Benefit)</b> |                                 |                | <b>29,982</b>               | <b>38,199</b> | <b>(5,046)</b>                          | <b>4,242</b> |

- 18.2** Inland Revenue Act No. 24 of 2017 comes into operation on 1 April 2018. As a result the income tax rate of the Company has increased to 14% (2017-12%). Therefore deferred taxes have been calculated at the tax rate of 14%.
- 18.3** The Company has carried forward tax losses of Rs. 815,187,173/- (2017 - Rs. 842,996,794/-) 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.

## NOTES TO THE FINANCIAL STATEMENTS

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

| As at 31 March  | 2018<br>Rs '000 | 2017<br>Rs '000 |
|---|-----------------|-----------------|
| <b>Deferred tax assets</b>                                  |                 |                 |
| As at 1 April   | 106,439         | 115,885         |
| Income statement release                                    | 14,658          | (9,987)         |
| Tax income recognized in Other Comprehensive Income         | 123             | 541             |
| <b>As at 31 March</b>                                       | <b>121,220</b>  | <b>106,439</b>  |
| <b>Deferred tax liabilities</b>                             |                 |                 |
| As at 1 April   | 313,247         | 280,252         |
| Deferred tax on amount transferred to revaluation reserve   | -               | 11,457          |
| Income statement charge                                     | 44,641          | 28,212          |
|   | 357,888         | 319,921         |
| Deferred tax on amount transferred from revaluation reserve | (4,923)         | (6,674)         |
| <b>As at 31 March</b>                                       | <b>352,965</b>  | <b>313,246</b>  |
| <b>Deferred tax liabilities (net)</b>                       | <b>231,745</b>  | <b>206,808</b>  |

**19. CASH AND CASH EQUIVALENTS**

| As at 31 March                         | 2018           | 2017           |
|--|----------------|----------------|
|  | Rs '000        | Rs '000        |
| <b>19.1</b> Cash at bank and in hand   | 194,050        | 148,793        |
| Short term deposits less than 3 months | -              | 347,949        |
| <b>Cash and short term deposits</b>    | <b>194,050</b> | <b>496,742</b> |

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

| As at 31 March  | 2018            | 2017           |
|---|-----------------|----------------|
|   | Rs '000         | Rs '000        |
| Cash and short term deposits                              | 194,050         | 496,742        |
| Bank overdraft (Note 22.1)                                | (282,826)       | (93,707)       |
| <b>Cash and Cash equivalents at the end of the period</b> | <b>(88,774)</b> | <b>403,035</b> |

**20. TRADE AND OTHER PAYABLES**

| As at 31 March                    | 2018           | 2017           |
|-----------------------------------|----------------|----------------|
|                                   | Rs '000        | Rs '000        |
| Trade payables                    | 129,976        | 102,359        |
| Intercompany payables (Note 29.4) | 25,392         | 17,005         |
| Accrued expenses                  | 103,372        | 67,948         |
| Service charge payable            | 23,798         | 25,769         |
| Other payables                    | 44,885         | 32,260         |
| Payables to contractors           | -              | 17,514         |
| <b>Trade and other payables</b>   | <b>327,423</b> | <b>262,855</b> |

## NOTES TO THE FINANCIAL STATEMENTS

### 21. OTHER NON FINANCIAL LIABILITIES

| As at 31 March                     | 2018    | 2017    |
|------------------------------------|---------|---------|
|                                    | Rs '000 | Rs '000 |
| Advances received for reservations | 98,029  | 146,236 |
| Reserve for breakages              | 6,387   | 1,096   |
| VAT payable                        | 14,514  | 15,126  |
| Other payables                     | 15,844  | 137,652 |
| Other non financial liabilities    | 134,774 | 300,110 |

### 22. INTEREST BEARING BORROWINGS

#### 22.1 Borrowings

| As at 31 March                                 | 2018             | 2017             |
|--|------------------|------------------|
|  | Rs '000          | Rs '000          |
| <b>Current liabilities</b>                     |                  |                  |
| Bank overdraft                                 | 282,826          | 93,707           |
| Borrowings from banks / Financial institutions | 464,529          | 475,048          |
|  | 747,355          | 568,755          |
| <b>Non-current liabilities</b>                 |                  |                  |
| Borrowings from banks / Financial institutions | 510,618          | 942,101          |
|  | 510,618          | 942,101          |
| <b>Total borrowings</b>                        | <b>1,257,973</b> | <b>1,510,856</b> |

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

| Nature of assets pledged  | Nature of Security  |
|---|---|
| Leasehold land, buildings and fixtures  | A first ranking mortgage pari passu with DEG-Deutsche Investitions-und-Entwicklungsgesellschaft mbH (DEG) for a sum of Rs. 1,335,000,000/-                      |
|   | 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 favor of DEG |
| Movable assets, furniture, equipment and technical equipment<br>(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 favor of DEG                      |

**22.3 Terms and conditions**

| Description        | Bank / Financial Institution |                     |
|--------------------|------------------------------|---------------------|
|                    | BOC                          | DEG                 |
| Commencement date  | 1 October 2011               | 7 June 2013         |
| End date           | 7 March 2019                 | 15 December 2020    |
| Grace period       | 1 year and 6 months          | 2 years             |
| Installment amount | Rs. 17,171,717               | USD 833,333         |
| Interest rate      | AWPLR                        | 3% + 6 months LIBOR |
| Term               | 7 years & 6 months           | 8 years             |

## NOTES TO THE FINANCIAL STATEMENTS

### 23. POST EMPLOYMENT BENEFIT OBLIGATION

#### 23.1 Gratuity

| Year ended 31 March        | 2018<br>Rs '000 | 2017<br>Rs '000 |
|----------------------------|-----------------|-----------------|
| As at 1 April              | 39,519          | 30,703          |
| Charge for the year (23.2) | 14,447          | 10,939          |
| Benefits paid              | (3,293)         | (2,123)         |
| As at 31 March             | 50,673          | 39,519          |

#### 23.2 Charge for the year

| Year ended 31 March  | 2018<br>Rs '000 | 2017<br>Rs '000 |
|--|-----------------|-----------------|
| <b>Reported in Statement of Profit or Loss</b>                                   |                 |                 |
| Current service cost   | 8,996           | 3,170           |
| Interest cost  | 4,578           | 3,261           |
| Service cost   | 13,574          | 6,431           |
| <b>Reported in Other Comprehensive Income</b>                                    |                 |                 |
| Net actuarial (Gain) / Loss recognised immediately to Other Comprehensive Income | 873             | 4,508           |
| <b>Charge for the year</b>   | <b>14,447</b>   | <b>10,939</b>   |

- 23.3** The Company obtained an actuarial valuation from an independent professional actuary, Messrs Actuarial and Management Consultants (Pvt) Ltd, in March 2018, to ascertain the post employment benefit obligation arising in respect of Gratuity.

The principal actuarial assumptions used in determining the liability were:

|                                    | 2018     | 2017     |
|------------------------------------|----------|----------|
| Discount rate (per annum)          | 11%      | 12%      |
| Future salary increase (per annum) | 10%      | 11%      |
| Retiring age                       | 55 years | 55 years |

| Staff Turnover rate at age category | Age Group | Executives | Non Executives |
|-------------------------------------|-----------|------------|----------------|
|                                     | 18 - 24   | 25%        | 25%            |
|                                     | 25 - 29   | 16%        | 25%            |
|                                     | 30 - 34   | 14%        | 16%            |
|                                     | 35 - 39   | 10%        | 12%            |
|                                     | 40 - 44   | 8%         | 11%            |
|                                     | 45 - 49   | 6%         | 10%            |
|                                     | 50 - 54   | 0%         | 5%             |
|                                     | >54       | 0%         | 0%             |

## NOTES TO THE FINANCIAL STATEMENTS

### 23.4 Sensitivity of assumptions employed in actuarial valuation

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

| Year ended 31 March 2018               |   |  |   |         |
|--|---|--|---|---------|
| Increase / (decrease) in discount rate | Increase / (decrease) in salary increment | Effect on comprehensive Income increase / (decrease) in results for the year | Effect on post employment benefit obligation increase / (decrease) in the liability |         |
|  |   | Rs '000  |   | Rs '000 |
| 1%                                     | -   | 2,400  |   | (2,400) |
| (1%)                                   | -   | (2,647)  |   | 2,647   |
| -                                      | 1%  | (2,882)  |   | 2,882   |
| -                                      | (1%)                                      | 2,656  |   | (2,656) |
| Year ended 31 March 2017               |   |  |   |         |
| Increase / (decrease) in discount rate | Increase / (decrease) in salary increment | Effect on comprehensive Income increase / (decrease) in results for the year | Effect on Post employment benefit obligation increase / (decrease) in the liability |         |
|  |   | Rs '000  |   | Rs '000 |
| 1%                                     | -   | 2,149  |   | (2,149) |
| (1%)                                   | -   | (2,388)  |   | 2,388   |
| -                                      | 1%  | (2,399)  |   | 2,399   |
| -                                      | (1%)                                      | 2,195  |   | (2,195) |

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

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

| As at 31 March                              | 2018<br>Rs '000 | 2017<br>Rs '000 |
|---|-----------------|-----------------|
| Less than or equal 1 year                   | 8,695           | 6,058           |
| Over 1 year and less than or equal 5 years  | 23,522          | 14,555          |
| Over 5 year and less than or equal 10 years | 11,620          | 10,579          |
| Beyond 10 years                             | 6,836           | 8,327           |
| <b>Total</b>                                | <b>50,673</b>   | <b>39,519</b>   |

## 24. CONTINGENCIES

### Contingent liabilities

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

- (a) The application filed by legal counsel on behalf of the Company objecting the order made by the Learned Magistrate of Maligakanda Magistrate Court for the Company to pay 1% of the turnover of the Hotel as license fees to the Colombo Municipal Council (CMC). The Company filed a petition of appeal on 27 January 2011 in the court of appeal. The Court of appeal has abated the matter pending the decision of the court in the writ Application filed challenging the levying of 1% of Turnover as License Duty.
- (b) There are seven 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) and 2016 (15689/17). The above cases will be called before the Magistrate's Court of Maligakanda in following manner:  
  
Cases filed for 2009 and 2013 are fixed for trial on 14 May 2018 for trial, the case filed for 2010, 2011, 2014 and 2015 are fixed for trial on 21 May 2018 and the case filed for 2016 will be called on 14 May 2018 for objections against the charges filed respectively.
- (c) The writ application (766/2010) filed by the company challenging, inter alia, the decision taken by Colombo Municipal Council to levy license fees equivalent to 1% of the annual turnover as a pre-condition to issue Annual Trade License for year 2008, 2009 and 2010 in respect of the restaurant operated at hotel premises and this matter will be called on 14 June 2018.

## NOTES TO THE FINANCIAL STATEMENTS

### 25. COMMITMENTS

#### a. Capital Commitments

The Company has capital commitment as at the reporting date Rs. 93.4 Mn. (2017 - Rs. 23.9 Mn).

#### b. Operating Lease Commitments

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

| As at 31 March                              | Leasehold Land |         |
|---|----------------|---------|
|   | 2018           | 2017    |
|   | Rs '000        | Rs '000 |
| Not later than 1 year                       | 2,500          | 2,500   |
| Later than 1 year and no later than 5 years | 10,000         | 10,000  |
| Later than 5 years                          | 115,000        | 117,500 |
|   | 127,500        | 130,000 |

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

The Company has a monthly commitment to pay a sum of Rs. 10,444,159/- to Platinum Reality Investments (Private) Limited and the individual apartments owners for “Lease and Manage” 40 apartments along with Spa, Restaurant, Kitchen and Meeting Rooms of a luxury residential condominium named “Platinum 1” situated at No. 1, Bagatalle Road, Colombo 3. There is no non-cancellable period on these agreements.

### 26. STATED CAPITAL

| As at 31 March                   | 2018            |         | 2017            |         |
|----------------------------------|-----------------|---------|-----------------|---------|
|                                  | Ordinary shares |         | Ordinary shares |         |
|                                  | Number '000     | Rs '000 | Number '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 |

**27. REVALUATION RESERVE**

| As at 31 March                  | 2018           | 2017           |
|---------------------------------|----------------|----------------|
|                                 | Rs '000        | Rs '000        |
| Revaluation reserve (Note 27.1) | 904,808        | 940,907        |
| <b>Revaluation reserve</b>      | <b>904,808</b> | <b>940,907</b> |

**27.1 Revaluation Reserve**

The movement in the revaluation reserve is as follows:

| As at 31 March  | 2018           | 2017           |
|---|----------------|----------------|
|   | Rs '000        | Rs '000        |
| <b>At beginning of year</b>                                       | <b>940,907</b> | 905,830        |
| Revaluation gain during the year                                  | -              | 95,478         |
| Deferred tax on revaluation gain                                  | -              | (11,457)       |
| Transfer to retained earnings*                                    | (41,022)       | (39,113)       |
| Revaluation adjustment made during the year (Net of deferred tax) | -              | (14,525)       |
| Deferred tax on transfers to retained earnings                    | 4,923          | 4,694          |
| <b>At end of year</b>   | <b>904,808</b> | <b>940,907</b> |

\*The amount transferred to retained earnings represents current year depreciation effect of the revaluation gain of previous years and the revaluation gain of those assets which disposed or de-recognised during the year.

## NOTES TO THE FINANCIAL STATEMENTS

### 28. CASH GENERATED FROM OPERATIONS

#### 28.1 Reconciliation of profit before tax to cash generated from operations:

| Year ended 31 March  | 2018<br>Rs '000 | 2017<br>Rs '000 |
|--|-----------------|-----------------|
| Profit before tax  | 187,929         | 425,016         |
| Adjustments for:   |                 |                 |
| Depreciation on property, plant and equipment              | 237,423         | 218,305         |
| Amortisation of intangible assets                          | 5,560           | 4,806           |
| Provision for bad and doubtful debts                       | 5,360           | (1,796)         |
| Interest income  | (8,765)         | (20,905)        |
| Interest expense   | 77,554          | 104,744         |
| Foreign exchange loss, Net                                 | 12,359          | 29,885          |
| (Profit)/loss on disposal of property, plant and equipment | 9,885           | 33,024          |
| Post employment benefit plans                              | 13,574          | 6,431           |
| Changes in working capital:                                |                 |                 |
| - Receivable and prepayments                               | 3,014           | 6,089           |
| - Inventories  | (1,048)         | (7,569)         |
| - Payables   | 20,232          | 51,711          |
| <b>Net cash generated from / (used in) operations</b>      | <b>563,076</b>  | <b>849,740</b>  |

#### 28.2 Changes in liabilities arising from financing activities

| Year ended 31 March                                | Balance as at<br>1 April 2017<br>Rs '000 | Cash flows<br>Rs '000 | Foreign<br>exchange<br>movement<br>Rs '000 | Other<br>Rs '000 | Balance as at<br>31 March 2018<br>Rs '000 |
|--|--|-----------------------|--|------------------|---|
| Interest bearing loans and borrowings              | 1,510,856                                | (453,630)             | (18,097)                                   | 218,843          | 1,257,972                                 |
| Dividend payable                                   | 121,000                                  | (121,000)             | -  | -                | -   |
| <b>Total liabilities from financing activities</b> | <b>1,631,856</b>                         | <b>(574,630)</b>      | <b>(18,097)</b>                            | <b>218,843</b>   | <b>1,257,972</b>                          |

## 29. RELATED PARTY DISCLOSURE

### 29.1 Parent and ultimate controlling party

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

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

| Year ended 31 March                  | Parent  |         | Fellow subsidiaries |         | Entities connected to KMP |         | Total   |         |
|--------------------------------------|---------|---------|---------------------|---------|---------------------------|---------|---------|---------|
|                                      | 2018    | 2017    | 2018                | 2017    | 2018                      | 2017    | 2018    | 2017    |
| Nature of Transaction                | Rs '000 | Rs '000 | Rs '000             | Rs '000 | Rs '000                   | Rs '000 | Rs '000 | Rs '000 |
| Rooms and banquet sales              | 14,831  | 20,438  | 51,325              | 25,889  | 26,584                    | 18,698  | 92,740  | 65,025  |
| Purchase of goods / services         | -       | -       | 30,474              | 10,528  | 26,172                    | 26,503  | 56,646  | 37,031  |
| Marketing and promotional fees       | 79,723  | 91,898  | 87,730              | 87,730  | -                         | -       | 167,453 | 179,627 |
| Sectorial and administration charges | 32,435  | 18,766  | 3,007               | 1,694   | -                         | -       | 35,442  | 20,460  |

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

| As at 31 March            | 2018    | 2017    |
|---------------------------|---------|---------|
|                           | Rs '000 | Rs '000 |
| Parent                    | 2,039   | 1,969   |
| Fellow subsidiaries       | 22,546  | 3,242   |
| Intercompany receivable   | 24,585  | 5,211   |
| Entities connected to KMP | 2,859   | 2,271   |

## NOTES TO THE FINANCIAL STATEMENTS

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

| As at 31 March              | 2018<br>Rs '000 | 2017<br>Rs '000 |
|-----------------------------|-----------------|-----------------|
| Parent                      | 10,429          | 7,219           |
| Fellow subsidiaries         | 14,963          | 9,787           |
| <b>Intercompany payable</b> | <b>25,392</b>   | <b>17,006</b>   |
| Entities connected to KMP   | 698             | 557             |

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

### 29.5 Key management compensation

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

| Year ended 31 March   | 2018<br>Rs '000 | 2017<br>Rs '000 |
|---|-----------------|-----------------|
| <b>a. Key Management Personnel Compensation</b>                                     |                 |                 |
| Short-term employee benefits  | 4,440           | 4,440           |
| Directors' emoluments   | 2,580           | 2,513           |
|   | <b>7,020</b>    | <b>6,953</b>    |
| <b>b. Transactions, with KMP and their close family members</b>                     |                 |                 |
| - Rooms and banquet sales   | 17,371          | 18,778          |
| <b>c. Outstanding receivable/ (payable) balance arising from above transactions</b> | <b>2,012</b>    | <b>1,993</b>    |

### 30. 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.

#### 30.1 Financial Instruments carried at Fair Value

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

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

Given below is a comparison, by class, of the carrying amounts and fair values of the company's financial instruments that are not carried at fair value in the Financial Statements. This table does not include the fair values of non-financial assets and non-financial liabilities.

| As at 31 March                        | 2018           |            | 2017           |            |
|---------------------------------------|----------------|------------|----------------|------------|
|                                       | Carrying Value | Fair Value | Carrying Value | Fair Value |
|                                       | Rs '000        | Rs '000    | Rs '000        | Rs '000    |
| <b>Financial assets</b>               |                |            |                |            |
| Short term deposits                   | 100,934        | 100,934    | 347,949        | 347,949    |
| Cash and bank                         | 194,050        | 194,050    | 148,793        | 148,793    |
| Trade and other receivables           | 147,581        | 147,581    | 127,901        | 127,901    |
|                                       | 442,565        | 442,565    | 624,642        | 624,642    |
| <b>Financial liabilities</b>          |                |            |                |            |
| Trade and other payables              | 327,423        | 327,423    | 262,855        | 262,855    |
| Interest-bearing loans and borrowings | 1,257,972      | 1,257,972  | 1,510,856      | 1,510,856  |

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:

## NOTES TO THE FINANCIAL STATEMENTS

### **Other current financial assets and trade and other receivables and trade and other payables**

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

### **Trade and other payables**

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

### **Interest-bearing loans and borrowings**

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

## **31. RISK MANAGEMENT**

### **31.1 Introduction**

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

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

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

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

### **31.2 Credit Risk**

#### **a. Introduction**

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

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

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

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

| As at 31 March              | 2018<br>Rs '000 | 2017<br>Rs '000 |
|-----------------------------|-----------------|-----------------|
| Trade and other receivables | 147,581         | 127,901         |

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

| As at 31 March          | Gross Receivable |                 | Impairment Allowance* |                 | Carrying Value  |                 |
|-------------------------|------------------|-----------------|-----------------------|-----------------|-----------------|-----------------|
|                         | 2018<br>Rs '000  | 2017<br>Rs '000 | 2018<br>Rs '000       | 2017<br>Rs '000 | 2018<br>Rs '000 | 2017<br>Rs '000 |
| Not due 0 - 30 days     | 92,828           | 78,354          | -                     | -               | 92,828          | 78,354          |
| <b>Past due:</b>        |                  |                 |                       |                 |                 |                 |
| Past due 31 - 60 days   | 25,290           | 16,464          | 135                   | -               | 25,155          | 16,464          |
| Past due 61 - 90 days   | 4,965            | 4,468           | 61                    | -               | 4,904           | 4,468           |
| Past due 91 - 120 days  | 6,115            | 1,491           | 1,000                 | -               | 5,115           | 1,491           |
| Past due 121 - 180 days | 7,386            | 1,568           | 294                   | 649             | 7,092           | 919             |
| More than 181 days      | 6,435            | 1,915           | 6,435                 | 1,915           | -               | -               |
| <b>Total</b>            | <b>143,019</b>   | <b>104,259</b>  | <b>7,925</b>          | <b>2,565</b>    | <b>135,094</b>  | <b>101,695</b>  |

\* Movement in the Impairment Allowance

| As at 31 March             | 2018<br>Rs '000 | 2017<br>Rs '000 |
|----------------------------|-----------------|-----------------|
| Balance at 1 April         | 2,565           | 8,577           |
| Impairment recognised      | 5,360           | (1,796)         |
| Written-off                | -               | (4,216)         |
| <b>Balance at 31 March</b> | <b>7,925</b>    | <b>2,565</b>    |

## NOTES TO THE FINANCIAL STATEMENTS

### 31.3 Liquidity Risk

#### a. Introduction

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

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

| As at 31 March 2018         | Contractual maturities of financial liabilities |                |               |             |
|-----------------------------|---|----------------|---------------|-------------|
|                             | Carrying amount                                 | Up to 3 Months | 3 - 12 Months | 1 - 5 Years |
|                             | Rs '000   | Rs '000        | Rs '000       | Rs '000     |
| Trade and other payables    | 327,423   | 271,096        | 15,492        | 40,835      |
| Interest-bearing borrowings | 1,289,945                                       | 490,684        | 255,501       | 543,760     |
|                             | 1,617,368                                       | 761,780        | 270,993       | 584,595     |

| As at 31 March 2017         | Contractual maturities of financial liabilities |                |               |             |
|-----------------------------|---|----------------|---------------|-------------|
|                             | Carrying amount                                 | Up to 3 Months | 3 - 12 Months | 1 - 5 Years |
|                             | Rs '000   | Rs '000        | Rs '000       | Rs '000     |
| Trade and other payables    | 262,855   | 210,628        | 9,967         | 42,260      |
| Interest-bearing borrowings | 1,655,854                                       | 309,378        | 332,654       | 1,013,822   |
|                             | 1,918,709                                       | 920,006        | 342,621       | 1,056,082   |

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

| Increase / (decrease) in interest rate | Sensitivity effect on comprehensive income increase / (decrease) in results for the year<br>Rs '000 | Sensitivity effect on borrowings liability increase / (decrease) in the Liability<br>Rs '000 |
|--|---|--|
| 1%                                     | (11,289)  | 11,289   |
| (1%)                                   | 11,289  | (11,289)   |

### 31.4 Market Risk

#### a. Introduction

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

#### b. Foreign currency risk

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

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

| As at 31 March | Increase / (decrease) in<br>market rate | Sensitivity effect on comprehensive<br>income increase / (decrease) in<br>results for the year<br>Rs '000 |
|----------------|---|---|
|                | 1%                                      | (124)   |
|                | (1%)                                    | 124   |

### 32. CAPITAL MANAGEMENT

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

### 33. EVENTS OCCURRING AFTER THE REPORTING DATE

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

# INFORMATION TO SHARE HOLDERS

Ordinary shareholders as at 31st March 2018

| No. of shares held  | Residents           |               |       | Non Residents       |               |      | Total               |               |        |
|---------------------|---------------------|---------------|-------|---------------------|---------------|------|---------------------|---------------|--------|
|                     | No. of Shareholders | No. of Shares | %     | No. of Shareholders | No. of Shares | %    | No. of Shareholders | No. of Shares | %      |
| 1 - 1,000           | 2,424               | 848,837       | 0.35  | 17                  | 7,836         | 0.00 | 2,441               | 856,673       | 0.35   |
| 1,001 - 10,000      | 1,088               | 4,094,113     | 1.69  | 14                  | 56,230        | 0.02 | 1,102               | 4,150,343     | 1.72   |
| 10,001 - 100,000    | 262                 | 8,402,367     | 3.48  | 6                   | 147,000       | 0.06 | 268                 | 8,549,367     | 3.53   |
| 100,001 - 1,000,000 | 41                  | 10,358,958    | 4.28  | 2                   | 302,110       | 0.12 | 43                  | 10,661,068    | 4.41   |
| Over 1,000,000      | 18                  | 217,782,549   | 89.99 | 0                   | 0             | 0.00 | 18                  | 217,782,549   | 89.99  |
|                     | 3,833               | 241,486,824   | 99.79 | 39                  | 513,176       | 0.21 | 3,872               | 242,000,000   | 100.00 |
| Category            |                     |               |       |                     |               |      |                     |               |        |
| Individuals         | 3,667               | 28,946,934    | 11.96 | 39                  | 513,176       | 0.21 | 3,706               | 29,460,110    | 12.17  |
| Institutions        | 166                 | 212,539,890   | 87.83 | 0                   | 0             | 0.00 | 166                 | 212,539,890   | 87.83  |
|                     | 3,833               | 241,486,824   | 99.79 | 39                  | 513,176       | 0.21 | 3,872               | 242,000,000   | 100.00 |

|   |               |
|---|---------------|
| Percentage of Public Holding                                | 38.68%        |
| Total No. of Shareholders Represented in the Public Holding | 3,867         |
| Float Adjusted Market Capitalisation Rs.                    | 1,684,900,800 |

The Company complies with option 5 of the listing rules 7.13.1 (a) - less than Rs. 2.5 Bn float adjusted market capitalisation which requires 20% minimum public holding.

## Share Transactions of First Twenty Shareholders as at 31.03.2018 (Decending Order)

|    | Name of Shareholder  | No. of Shares    | % of Holding | No. of Shares    | % of Holding |
|----|--|------------------|--------------|------------------|--------------|
|    |  | as at 31.03.2018 |              | as at 31.03.2017 |              |
| 1  | Hayleys PLC, Share Investment Account No. 3                  | 112,307,057      | 46.41        | 112,307,057      | 46.41        |
| 2  | Carbotels (Pvt) Ltd.   | 31,625,000       | 13.07        | 31,625,000       | 13.07        |
| 3  | Employees' Provident Fund                                    | 25,559,947       | 10.56        | 25,559,947       | 10.56        |
| 4  | Bank of Ceylon, Ceybank Unit Trust Account                   | 9,673,894        | 4.00         | 8,045,877        | 3.32         |
| 5  | Bank of Ceylon, Account No. 2                                | 7,833,500        | 3.24         | 7,833,500        | 3.24         |
| 6  | Mr. K. D. A. Perera  | 6,581,352        | 2.72         | 6,581,352        | 2.72         |
| 7  | National Savings Bank  | 4,469,876        | 1.85         | 4,669,876        | 1.93         |
| 8  | Mr. K. D. D. Perera  | 3,216,146        | 1.33         | -                | 0.00         |
| 9  | Renuka Hotels Ltd.   | 2,371,300        | 0.98         | 2,371,300        | 0.98         |
| 10 | Renuka City Hotels PLC                                       | 2,260,300        | 0.93         | 2,260,300        | 0.93         |
| 11 | Associated Electrical Corporation Ltd.                       | 2,133,400        | 0.88         | 2,124,400        | 0.88         |
| 12 | Merchant Bank of Sri Lanka Ltd. & Finance PLC, Account No. 1 | 1,937,727        | 0.80         | 1,938,297        | 0.80         |
| 13 | Renuka Consultants & Services Ltd.                           | 1,835,100        | 0.76         | 1,835,100        | 0.76         |
| 14 | Mr. K. D. H. Perera  | 1,453,567        | 0.60         | 1,453,567        | 0.60         |
| 15 | People's Leasing & Finance PLC / Mr. L. P. Hapangama         | 1,227,700        | 0.51         | 1,227,700        | 0.51         |
| 16 | Mr. M. H. Jamaldeen  | 1,186,583        | 0.49         | 1,186,583        | 0.49         |
| 17 | Mr. A. P. Somasiri   | 1,100,000        | 0.45         | 1,000,000        | 0.41         |
| 18 | Cargo Boat Development Company PLC                           | 1,010,100        | 0.42         | 1,010,100        | 0.42         |
| 19 | Sampath Bank PLC / Mrs. Priyani Dharshini Ratnagopal         | 1,000,000        | 0.41         | 1,200,000        | 0.41         |
| 20 | Mrs. V. R. Jayasinghe  | 904,111          | 0.37         | 904,111          | 0.37         |
|    |  | 219,686,660      | 90.78        | 215,134,067      | 88.82        |

# 5 YEAR FINANCIAL SUMMARY AND KEY INDICATORS

| 31 March 2018   | 2017/18          |            | 2016/17          |            | 2015/16          |            | 2014/15          |            | 2013/14          |            |
|---|------------------|------------|------------------|------------|------------------|------------|------------------|------------|------------------|------------|
|   | Rs '000          | %          | Rs '000          | %          | Rs '000          | %          | Rs '000          | %          | Rs '000          | %          |
| <b>Revenue</b>  |                  |            |                  |            |                  |            |                  |            |                  |            |
| Rooms   | 1,306,594        | 44         | 1,395,107        | 47         | 1,184,102        | 45         | 1,082,468        | 46         | 990,553          | 46         |
| Food & Beverages  | 1,596,793        | 53         | 1,482,763        | 50         | 1,345,185        | 51         | 1,196,535        | 51         | 1,114,205        | 52         |
| Other Operating Income  | 83,105           | 3          | 86,952           | 3          | 87,202           | 3          | 56,724           | 2          | 38,528           | 2          |
| <b>Total Revenue</b>  | <b>2,986,492</b> | <b>100</b> | <b>2,964,822</b> | <b>100</b> | <b>2,616,489</b> | <b>100</b> | <b>2,335,727</b> | <b>100</b> | <b>2,143,285</b> | <b>100</b> |
| <b>Direct Cost</b>  |                  |            |                  |            |                  |            |                  |            |                  |            |
| Food & Beverage Cost  | 661,287          | 22         | 571,473          | 19         | 506,877          | 19         | 461,371          | 20         | 453,020          | 21         |
| <b>Cost of Sales</b>  | <b>661,287</b>   | <b>22</b>  | <b>571,473</b>   | <b>19</b>  | <b>506,877</b>   | <b>19</b>  | <b>461,371</b>   | <b>20</b>  | <b>453,020</b>   | <b>21</b>  |
| <b>Gross Operating Profit</b>                                     | <b>2,325,205</b> | <b>78</b>  | <b>2,393,349</b> | <b>81</b>  | <b>2,109,612</b> | <b>81</b>  | <b>1,874,356</b> | <b>80</b>  | <b>1,690,265</b> | <b>79</b>  |
| <b>Expenses</b>   |                  |            |                  |            |                  |            |                  |            |                  |            |
| Administration & General  | 1,493,970        | 50         | 1,298,944        | 44         | 1,053,851        | 40         | 971,685          | 42         | 904,004          | 42         |
| Advertising & Sales   | 98,966           | 3          | 98,314           | 3          | 97,795           | 4          | 63,496           | 3          | 79,095           | 4          |
| Heat, Light & Power   | 167,567          | 6          | 145,732          | 5          | 137,972          | 5          | 146,257          | 6          | 150,304          | 7          |
| Repairs & Maintenance   | 65,183           | 2          | 84,005           | 3          | 74,211           | 3          | 57,072           | 2          | 69,136           | 3          |
| <b>Operating Expenses</b>   | <b>1,825,686</b> | <b>61</b>  | <b>1,626,995</b> | <b>55</b>  | <b>1,363,829</b> | <b>52</b>  | <b>1,238,510</b> | <b>53</b>  | <b>1,202,539</b> | <b>56</b>  |
| Operating Profit  | 499,519          | 17         | 766,354          | 26         | 745,783          | 29         | 635,846          | 27         | 487,727          | 23         |
| Other Income and Expenses   | 12,541           | 0          | (4,503)          | (0)        | 2,919            | 0          | 5,559            | 0          | 2,156            | 0          |
| De-recognition of Property, plant and equipment                   | -                | -          | -                | -          | -                | -          | (9,369)          | (0)        | -                | -          |
|   | 512,060          | 17         | 761,851          | 26         | 748,702          | 29         | 632,036          | 27         | 489,883          | 23         |
| Net Finance Expenses  | 81,148           | 3          | 113,724          | 4          | 169,889          | 6          | 129,594          | 6          | 274,378          | 13         |
| Depreciation  | 242,983          | 8          | 223,110          | 8          | 220,952          | 8          | 202,321          | 9          | 181,910          | 8          |
|   | 324,131          | 11         | 336,834          | 11         | 390,841          | 15         | 331,915          | 14         | 456,288          | 21         |
| <b>Profit Before Tax</b>  | <b>187,929</b>   | <b>6</b>   | <b>425,016</b>   | <b>14</b>  | <b>357,861</b>   | <b>14</b>  | <b>300,121</b>   | <b>13</b>  | <b>33,595</b>    | <b>2</b>   |
| Income Tax Expenses   | (48,775)         | (2)        | (44,670)         | (2)        | (64,493)         | (2)        | (8,698)          | (0)        | (874)            | (0)        |
| <b>Net Profit/(Loss) After Tax</b>                                | <b>139,154</b>   | <b>5</b>   | <b>380,346</b>   | <b>13</b>  | <b>293,368</b>   | <b>11</b>  | <b>291,423</b>   | <b>12</b>  | <b>32,721</b>    | <b>2</b>   |
| Re-measurement Gain/(Loss) on Defined Benefit Plans               | (873)            | (0)        | (4,508)          | (0)        | (6,102)          | (0)        | (2,117)          | (0)        | (1,123)          | (0)        |
| Income Tax Effect on Defined Benefit Plans                        | 122              | 0          | 541              | 0          | 732              | 0          | 254              | 0          | 135              | 0          |
| <b>Other Comprehensive Income/(Loss) for the Year, Net of Tax</b> | <b>(750)</b>     | <b>(0)</b> | <b>(3,967)</b>   | <b>(0)</b> | <b>(5,370)</b>   | <b>(0)</b> | <b>(1,864)</b>   | <b>(0)</b> | <b>(988)</b>     | <b>(0)</b> |
| <b>Total Comprehensive Income for the Year, Net of Tax</b>        | <b>138,404</b>   | <b>5</b>   | <b>376,379</b>   | <b>13</b>  | <b>287,998</b>   | <b>11</b>  | <b>289,560</b>   | <b>12</b>  | <b>31,733</b>    | <b>1</b>   |

| 31 March 2018                | 2017/18   | 2016/17   | 2015/16   | 2014/15   | 2013/14   |
|------------------------------|-----------|-----------|-----------|-----------|-----------|
|                              | Rs '000   | Rs '000   | Rs '000   | Rs '000   | Rs '000   |
| <b>Operating Results</b>     |           |           |           |           |           |
| Total Revenue                | 2,986,492 | 2,964,822 | 2,616,489 | 2,335,727 | 2,143,285 |
| Sales Growth %               | 0.73      | 13.31     | 12.02     | 8.98      | 995.74    |
| Operating Profit             | 499,519   | 766,354   | 745,783   | 635,846   | 487,727   |
| Net Profit/(Loss) Before Tax | 187,929   | 425,016   | 357,861   | 300,121   | 33,595    |
| Net Finance Expenses         | 81,148    | 113,724   | 169,889   | 129,594   | 274,378   |
| Depreciation                 | 242,983   | 223,110   | 220,952   | 202,321   | 181,910   |
| <b>Capital Employed</b>      |           |           |           |           |           |
| Stated Capital               | 836,000   | 836,000   | 836,000   | 836,000   | 836,000   |
| Revaluation & Other Reserves | 904,808   | 940,907   | 905,830   | 930,576   | 952,126   |
| Retained Earnings            | 793,072   | 613,646   | 440,154   | 196,636   | (117,414) |
| Shareholder's Fund           | 2,533,880 | 2,390,553 | 2,181,984 | 1,963,212 | 1,670,713 |
| <b>Assets Employed</b>       |           |           |           |           |           |
| Non Current Assets           | 3,919,825 | 3,886,407 | 3,815,582 | 3,861,454 | 3,819,611 |
| Net Current Assets           | (592,909) | (307,426) | (88,412)  | (69,219)  | 64,333    |
|                              | 3,326,916 | 3,578,981 | 3,727,170 | 3,792,234 | 3,883,944 |
| <b>Long Term Liabilities</b> |           |           |           |           |           |
| Long Term Liabilities        | 561,291   | 981,620   | 1,380,819 | 1,723,584 | 2,115,492 |
| Deferred Liabilities         | 231,745   | 206,808   | 164,367   | 105,439   | 97,739    |
|                              | 2,533,880 | 2,390,553 | 2,181,984 | 1,963,212 | 1,670,713 |
| <b>Key Indicators</b>        |           |           |           |           |           |
| Current Ratio                | 0.51      | 0.73      | 0.90      | 0.91      | 1.11      |
| Net Assets Per Share         | 10.47     | 9.88      | 9.02      | 8.11      | 6.90      |
| Market Price Per Share       | 18.00     | 15.50     | 15.00     | 16.00     | 12.80     |
| Earnings Per Share           | 0.58      | 1.57      | 1.21      | 1.20      | 0.15      |

# NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Forty Ninth 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 22nd June 2018 at 3.00 p.m. and the business to be brought before the meeting will be:

## AGENDA

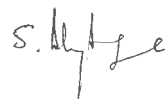
- 1) To consider and adopt the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March 2018, with the Report of the Auditors thereon.
- 2) To re-elect Mr. A. M. Pandithage who retires by rotation at the Annual General Meeting, a Director.
- 3) To re-elect Mr. N. J. De S. Deva-Aditya who retires by rotation at the Annual General Meeting, a Director.
- 4) To re-elect Mr. S. J. Wijesinghe who retires by rotation at the Annual General Meeting, a Director.
- 5) To ratify the sum of Rs. 40,000/- made as donations for the year 2017/18 in excess of the sum approved by the shareholders.
- 6) To authorise the Directors to determine contributions to Charities for the financial year 2018/19.
- 7) To authorise the Directors to determine the remuneration of the Auditors, Messrs. Ernst & Young, Chartered Accountants, who are deemed to have been re-appointed as Auditors in terms of Section 158 of the Companies Act No. 07 of 2007 for the financial year 2018/19.
- 8) To consider any other business of which due notice has been given.

Note :

A Shareholder is entitled to appoint a proxy to attend and vote instead of himself/herself and a proxy need not be a shareholder of the Company. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited with Hayleys Group Services (Pvt) Ltd, Secretaries, No. 400, Deans Road, Colombo 10, Sri Lanka, by 3.00 p.m. on 20th June 2018.

By Order of the Board

THE KINGSBURY PLC



Hayleys Group Services (Private) Limited  
Secretaries  
Colombo

23rd May 2018

# FORM OF PROXY

I/We\* .....  
 (Full Name of Shareholder, NIC No. /Reg. No.\*\*\*) of .....

..... being a shareholder shareholders\* of The Kingsbury PLC hereby appoint,

- 1 ..... (Full Name of Proxyholder and NIC No.\*\*\*) of ..... or failing him/her/them,\*
2. ABEYAKUMAR MOHAN PANDITHAGE (Chairman of the Company) of Colombo, or failing him, One of the Directors of the Company as my/our\* proxy to attend, speak and vote as indicated hereunder for me/us\* and on my/our\* behalf at the Forty Ninth Annual General Meeting of the Company to be held on 22nd June 2018 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 2018 together with the Report of the Auditors thereon.   | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. To re-elect, Mr. A. M. Pandithage who retires by rotation at the Annual General Meeting, a Director.  | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. To re-elect, Mr. N. J. De S. Deva-Aditya who retires by rotation at the Annual General Meeting, a Director.   | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. To re-elect, Mr. S. J. Wijesinghe who retires by rotation at the Annual General Meeting, a Director.  | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. To ratify the sum of Rs. 40,000/- made as donations for the year 2017/18 in excess of the sum approved by the shareholder.  | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. To authorise the Directors to determine contributions to charities for the financial year 2018/19.  | <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 2018/19. | <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 ..... 2018.

Witness Signature : .....  
 Name : .....  
 Address : .....  
 NIC No. : .....

.....  
 Signature of Shareholder

## Notes:

- \* Please delete the inappropriate words.
- 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.
- A shareholder is not entitled to appoint more than one proxy to attend on the same occasion.
- Instructions are noted on the reverse hereof.
- This "Form of Proxy" is in terms of the Articles of Association of the Company.

# 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 more than 48 hours before the Meeting.
2. In perfecting the Form of Proxy, please ensure that all requested details are filled in legibly including mandatory details. Kindly Sign and fill in the date of signing.
3. If you wish to appoint a person other than the Chairman of the Company (or failing him, one of the Directors) as your proxy, please insert the relevant details at (1) overleaf. The proxy need not be a member of the Company.
4. Please indicate with an X in the space provided how your proxy is to vote on the resolutions. If no indication is given, the proxy in his/her discretion will vote as he/she thinks fit. Please also delete (\*\*\*) if you do not wish your Proxy to vote as He/She thinks fit on any other resolution brought before the meeting.
5. In the case of a Company / Corporation the proxy must be under its common seal which should be affixed and attested in the manner prescribed by its Articles of Association. In the case of the individual shareholders, the signature of the shareholder should be witnessed by any person over 18 years of age.
6. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company, the original POA together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company along with the Form of Proxy.
7. In case of Marginal Trading Accounts (slash accounts), the form of Proxy should be signed by the respective authorised Fund Manager/Banker with whom the account is maintained.

# CORPORATE STRUCTURE

## LEGAL FORM

A Public Limited Company

Incorporated in Sri Lanka on 4th May 1969

## COMPANY NUMBER

PQ 203

## DIRECTORS

A. M. Pandithage - Executive Chairman

Dhammika Perera - Co-Chairman (Non-Executive)

L. T. Samarawickrama - Managing Director

N. J. De S. Deva-Aditya

S. C. Ganegoda

S. J. Wijesinghe

L. N. De S. Wijeyeratne

Ms. R. N. Ponnambalam

J. P. Van Twest

D. E. Silva

Ms. I. Jamaldeen

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

## AUDIT COMMITTEE

L. N. De S. Wijeyeratne - Chairman

Ms. R. N. Ponnambalam

J. P. Van Twest

## SECRETARIES

Hayleys Group Services (Private) Limited

No. 400, Deans Road,

Colombo 10,

Sri Lanka.

Telephone +94 112 627 650 - 3 (4 Lines)

Fax +94 112 627 645, +94 11 2627 655

## AUDITORS

Ernst and Young Chartered Accountants

No. 201, De Saram Place,

Colombo 10,

Sri Lanka.

## STOCK EXCHANGE LISTING

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

## REGISTERED OFFICE

The Kingsbury Hotel Colombo

No. 48, Janadhipathi Mawatha,

Colombo 01,

Sri Lanka.



# THE KINGSBURY

COLOMBO - SRI LANKA