

FORWARD, TOGETHER



The Kingsbury PLC | Annual Report 2018/19

THE KINGSBURY

At The Kingsbury, we believe in the power of people. Renowned for our trademark hospitality and service with a smile, we now face the future with strength and resolve - standing strong on our promise to deliver memorable experiences in the years ahead.

thekingsburyhotel.com



FORWARD, TOGETHER

The Kingsbury Hotel has delivered delightful experiences and unforgettable moments to visitors from every part of the world; offering the warm hospitality and thoughtful care that is so much a part of our culture to everyone we meet. For several years we have been working to build and refine our business model and today it is an inspiration to the local leisure industry, setting the benchmarks for service excellence, fine dining and classic elegance both in architecture and accommodation.

2018/19 was a complex financial year, yet we remained positive about our own capacity to keep dominating our industry sector. The tragic events that occurred across Sri Lanka in April 2019, directly impacted the hotel and many of its guests and employees. While these unhappy events will long remain in our memories, we are determined to remain resolute and strong in our quest to serve our stakeholders well, whatever our challenges may be.

That is why we look to the future with confidence, for we are strongly positioned with an excellent value creating proposition and we believe that the passion and energy of our outstanding Kingsbury team will continue to drive us forward, together.

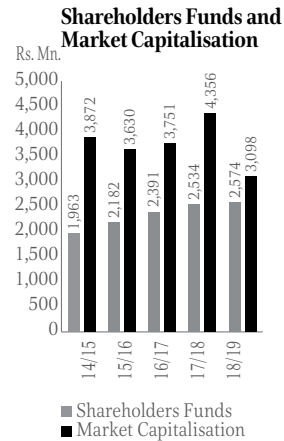
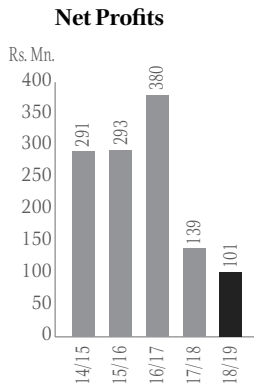
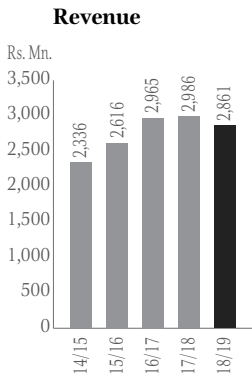
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FINANCIAL HIGHLIGHTS

Year ended 31 March		2019	2018	Change %
Earnings Highlights and Ratios				
Revenue	(Rs '000)	2,861,469	2,986,492	(4)
Earnings Before Interest & Tax (EBIT)	(Rs '000)	239,047	277,843	(14)
Profit Before Tax (PBT)	(Rs '000)	172,788	187,929	(8)
Profit After Tax (PAT)	(Rs '000)	100,777	139,154	(28)
Earnings Per Share (Basic)	(Rs.)	0.42	0.58	(28)
Return on Capital Employed	%	5.54	6.12	(9)
Return on Assets	%	4.01	4.14	(3)
Gross Profit Margin	%	49.98	48.70	3
Financial Position Highlights and Ratios				
Shareholders Fund	(Rs '000)	2,573,699	2,533,880	2
Total Assets	(Rs '000)	4,312,491	4,536,467	(5)
Total Debt	(Rs '000)	1,014,057	1,257,972	(19)
Return on Equity	%	6.71	7.42	(9)
Gearing	%	27.48	32.70	(16)
Debt/Equity	%	39.40	49.65	(21)
Net Assets Per Share	(Rs.)	10.64	10.47	2
Quick Asset Ratio	No. of Times	0.63	0.45	40
Equity Asset Ratio	No. of Times	0.60	0.56	7
Current Ratio	No. of Times	0.71	0.51	39
Market/Shareholder Information				
Market Value (Year Ended)	(Rs.)	12.80	18.00	(29)
Market Capitalisation	(Rs '000)	3,097,600	4,356,000	(29)
Price Earnings Ratio	No. of Times	30.74	31.30	(2)

OPERATIONAL HIGHLIGHTS



Occupancy
69%

Number of Guest
93,400

Food & Beverage Covers
644,180

CHAIRMAN'S REVIEW

The Kingsbury Hotel continued consolidating its reputation as a luxurious 5 Star property at the heart of Colombo offering world class hospitality and exceptional service.

DEAR SHAREHOLDER,

I am pleased to welcome you to your Company's 50th Annual General Meeting and to present the Annual Report and the Financial Statements for the year ended 31st March 2019.

YEAR UNDER REVIEW

Looking back at 2018/19, the year can be surmised as one where The Kingsbury Hotel continued consolidating its reputation as a luxurious 5 Star property at the heart of Colombo offering world class hospitality and exceptional service.

The goal for the year 2018/19 was to drive sales and increase occupancy levels; where the Company ended the year with positive growth but could not reach expectations due to factors such as the drop of the minimum room rate for City hotels and the political uncertainty which prevailed at the latter part of 2018. The privilege enjoyed by 5 Star city properties continues to be threatened by the proliferation of non-graded and informal accommodation including online homestay bookings, which has entered the competitive space at much lower price points.

However, the Company continued to consolidate its operations on all fronts, strengthening the internal processes and addressing areas where efficiency and cost management could be improved. Investments were also made to enhancing the skills of our team in readiness to offer a better service to our guests.

ACHIEVEMENTS FOR THE YEAR

The decision to rebrand our rooftop Sky Lounge as CÉ LA VI Colombo in partnership with the Singaporean owners of the CÉ LA VI Entertainment brand has proved fruitful. The space has established itself among the top entertainment options in Colombo and has seen footfalls of over 31,470 during its first 8 months of operations.

The hotel consistently receives high ratings across its offerings and, the reviews for The Kingsbury on key international sites such as Tripadvisor, Booking.com and Expedia have been positive overall during this period as well.

In the year under review, three of its restaurants, Harbour Court, The Grill and Yue Chuan were lauded with the coveted

Distinguished Restaurant Award by the Rocheston Accreditation Institute in New York, USA. The accolades are provided to hotels which surpass stringent approval standards including excellence in food quality, unparalleled ambience and highly personalised service to its guests.

MARKET PERFORMANCE

Guest arrivals during the year reflected a healthy mix of arrivals from our mainstay markets China (39%), India (13%) and Europe and growing numbers from emerging markets such as Great Britain (11%) and Australia (10%). Business travellers accounted for 35% of guests in comparison to leisure travellers who made up 12%. Along with destination marketing undertaken at country level in several new markets, we too have engaged in targeted sales efforts to develop new markets which led to improved results during the year under review.

The Meetings, Incentives, Conferences & Events (MICE) segment has always been a strong performer for the Hotel and in 2018/19 The Kingsbury successfully hosted 1251 events covering a gamut of weddings, conferences and corporate events.

Our enhanced online presence and digital marketing has opened a critical route for sales growth; in keeping with the growing industry trends, properties must cater to a digitally savvy generation of travellers who rely on the ease of digital booking management and the honesty of reviews by like-minded travellers.

FINANCIAL PERFORMANCE

The Company's revenue, due to the challenging environment, reduced by 4% to Rs. 2,957Mn compared to the last financial year. The resultant Profit before tax and Profit after tax also reduced by 8% and 28%, respectively to Rs. 172.7Mn and Rs. 100.7Mn. The agreement between The Kingsbury and Platinum One Residencies was terminated in December 2018.

OUTLOOK

The Kingsbury Hotel, being a leading City Hotel has borne the brunt of the impact of the unfortunate incidents on Easter Sunday, which has led to a significant drop in our performance.

Given the grim prospects for the tourism industry in 2019/20, we have strengthened our security measures to internationally recognised standards.

We have made it our paramount duty to provide unparalleled quality service to our

guests with minimum inconvenience with the newly introduced security procedures.

CONDOLENCES

I wish to offer my condolences to the grieving families of our deceased employee Mr. Krishman Jayawardana and Guests in the tragedy of April 21st. I also extend my sincere wishes to those recovering from injuries sustained in the attacks.

ACKNOWLEDGEMENTS

I place on record my sincere gratitude to my colleagues on the Board for their guidance and counsel; on behalf of the Board, I thank the management of the hotel for sharing our vision and working towards achieving set goals.

I wish to take this opportunity to commend the leadership and the immense contribution of Mr. Lalin Samarawickrama, who retired at the end of this Financial Year.

I must also extend our appreciation to the authorities, members of the security and health services, and members of staff across the group, who so readily responded to the events of 21st April and related developments thereafter.

I am deeply grateful to the members of The Kingsbury family for their commitment and loyalty, and their bravery in the face of adversity.

To our guests, I say thank you for your loyal patronage over the years and I welcome you to visit our country and our hotel to experience the true hospitality that we are now ready to deliver.



A. M. Pandithage
Executive Chairman

17th May 2019

MANAGING DIRECTOR'S REVIEW

Our focus on our image and brand values resulted in continuous patronage by guests seeking high quality and service excellence.

I am pleased to present the review of operations at The Kingsbury Hotel for the year ended 31st March 2019 and am proud to say that we successfully maintained our brand and reputation during the year, while continuing to invest in improving service quality and standards of excellence across our operations.

Sri Lanka Tourism enjoyed a strong year in 2018/19, winning international recognition as a destination of choice and welcoming more tourists than targeted. While civil tensions in some parts of the East and Central Sri Lanka in March 2018 as well as political instability arising from a constitutional crisis during the third quarter did impact tourism, the overall performance for the year was a good one for both the formal and informal sectors.

As a City Hotel, our operating environment was one of heavy competition, with the rapid addition of star class accommodation and the proliferation of the informal sector changing the entire landscape.

The formal city hotels sector, subject as it is to minimum room rates and heavy competition from the informal sector, was hampered by lower demand leading to lower occupancies and lower room revenue.

The Kingsbury operated an inventory of 229 rooms at The Kingsbury Hotel, and 40 apartments on a rental agreement at Platinum One Residencies during the year.

Our growth strategy included an increased focus on sales and marketing; we undertook engagement across multiple channels while building a representative network in major markets. We also strengthened our financial performance through prudent management of costs; we were able to achieve several cost benefits through sourcing negotiations with nominated suppliers and through Group synergies.

It must be noted that despite a financial performance that was under expectations, we made every effort to ensure regular and proper maintenance of the property while we have also invested in improving

the skills of our employees and on better systems and processes. While these efforts have added to increasing costs, I am of the belief that they are essential components of the value we offer and therefore critical to future revenues.

Our focus on our image and brand values resulted in continuous patronage by guests seeking high quality and service excellence. Food & Beverages Division (F&B) in particular performed well during the year. CÉ LA VI Colombo which came into operation during the year has gained quick success, establishing its reputation among the top entertainment Colombo has on offer.

While the year ahead is expected to be a tough one for the entire industry, I would like to emphasize that every one of us in The Kingsbury family is united in our ambition to make our property a vibrant, luxurious and safe destination for our guests. We have firmly resolved to overcome the setback we faced on that fateful Easter Sunday and show our resilience.

I commend the entire team for their commitment, courage and loyalty to The Kingsbury Hotel.

I am deeply grateful to the Chairman and Board of Directors for their guidance and support of our management during the year. Their foresight and counsel during these difficult times has been a source of confidence.

A handwritten signature in black ink, appearing to read 'L. T. Samarawickrama', with a stylized flourish at the end.

L. T. Samarawickrama
Managing Director

17th May 2019

BOARD OF DIRECTORS

A. M. PANDITHAGE

Chairman

Mr. Pandithage joined the Hayleys Group in 1969. Appointed to the Board in 1998. Chairman and Chief Executive of Hayleys PLC since July 2009. Fellow of the Chartered Institute of Logistics & Transport (UK). Honorary Consul of the United Mexican States (Mexico), to Sri Lanka. Council Member of the Employers' Federation of Ceylon. Member of the Advisory Council of the Ceylon Association of Ship's Agents. Recipient of the Best Shipping Personality award by the Institute of Chartered Shipbrokers; Excellence Leadership Recognition - Institute of Chartered Accountants of Sri Lanka; Honoured with lifetime achievement award at Seatrade - Sri Lanka Ports, Trade and Logistics; Life time award for most outstanding Logistics and Transport personality of the year - Chartered Institute of Logistics & Transport.

DHAMMIKA PERERA *

Co-Chairman - Non-Executive

Mr. Dhammika Perera is the quintessential strategist and business specialist with interests in a variety of key industries including manufacturing, banking & finance, leisure, aluminum extrusion,

packaging, plantations, lifestyle, healthcare, consumer and hydropower generation.

Mr. Perera has over 30 years of experience in building formidable businesses through unmatched strategic foresight and extensive governance experience gained through membership of the Boards of quoted and un-quoted companies.

Mr. Perera is the Chairman of Vallibel One PLC, Royal Ceramics Lanka PLC, Lanka Tiles PLC, Lanka Walltiles PLC, The Fortress Resorts PLC, Vallibel Power Erathna PLC, Greener Water Ltd, Unidil Packaging Ltd, Delmege Ltd, and LB Microfinance Myanmar Company Ltd. He is the Co-Chairman of Hayleys PLC and Singer (Sri Lanka) PLC. Executive Deputy Chairman of LB Finance PLC, Deputy Chairman of Horana Plantations PLC. He is also an Executive Director of Vallibel Finance PLC and serves on the Boards of Amaya Leisure PLC, Haycarb PLC, Hayleys Fabric PLC & Dipped Products PLC.

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.

Mr. Samarawickrama 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 Group 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.

Mr. Ganegoda 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.

S. J. WIJESINGHE *

Mr. Wijesinghe joined the Hayleys Group in 2008, was appointed to the Board in 2010 and to the Group Management Committee in 2011. Currently serves as a Director of Travels, Aviation & Projects, Unisyst Engineering PLC, S&T Interiors (Pvt) Ltd, Amaya PLC and also serves as a Director of Sri Lankan Airlines Limited and Sri Lankan Catering Limited.

Mr. Wijesinghe holds an MBA from the University of Leicester (UK) and is a Member of the Chartered Institute of Marketing (UK). Holds over 30 years' experience in the Aviation industry. Prior to joining Hayleys, held several senior positions at Sri Lankan Airlines including management positions in Europe, Middle East, the Far East and the Head Office in

Colombo and was also a member of the Group Senior Management Team of the Airline. Possesses over 5 years' senior management experience in the Hotel industry.

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.

Ms. Ponnambalam has served as a Director of McLaren Holdings Limited & GAC Shipping Limited. She currently serves as Director of Amaya Leisure PLC, Macbertan Holdings (Pvt) Ltd, MCBolon Polymer (Pvt) Ltd, Pidilite Lanka (Pvt) Ltd, and is also the Chairperson of Alliance Finance Company PLC. She is presently the Managing Director of Macbertan (Pvt) Ltd. She has also been in roles of international and local business development and negotiation.

Ms. Ponnambalam was appointed as a Founder Member of the Commonwealth Business Women's Leadership Group (Sri Lanka) on 13th November 2013. She also currently serves as a Board Member and Jt. Secretary of Women's Chamber of Industry & Commerce.

J. P. VAN TWEST **

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

BOARD OF DIRECTORS

Mr. Van Twest graduated from the Ceylon Hotel School, Sri Lanka in Hotel & Catering Operations and Advanced Hotel and Catering Operations from the Carl Duisburg Centre in Munich, Germany. He is a Certified Hotel Trainer with the Chamber of Commerce for Munich and Upper Bavaria and also a graduate of the Technical University of Munich.

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.

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

MS. I. JAMALDEEN **

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

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

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

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

D. J. DE CRUSZ

Mr. De Cruz joined the Board in 2018. He counts over 28 years of work experience in the Leisure Industry holding several senior positions in Operations and Sales & Marketing. Has extensive experience in Destination Marketing including countries such as Australia, Russia and CIS, Middle East and other emerging markets to Sri Lanka and the Maldives. He is a Director of Amaya Leisure PLC and Hayleys Tours (Pvt) Ltd.

Mr. De Cruz holds a Bachelor's Degree in Management with First Class Honours from the Open University of Sri Lanka, an MBA from the Commonwealth of Learning/OUSL specialising in Marketing and an MA in International Relations from the University of Colombo. Also a fellow of the Australian Institute of Management (AIM).

MS. A. A. K. AMARASINGHE *

Alternate Director to Mr. Dhammika Perera

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

Ms. Amarasinghe currently serves as the 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

CORPORATE GOVERNANCE

The Company believes Corporate Governance is an essential part of a culture that enables us to meet our short-term objectives while striving to realise the long-term vision of the hotel and the Hayleys Group. Good Corporate Governance ensures that the Company 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.

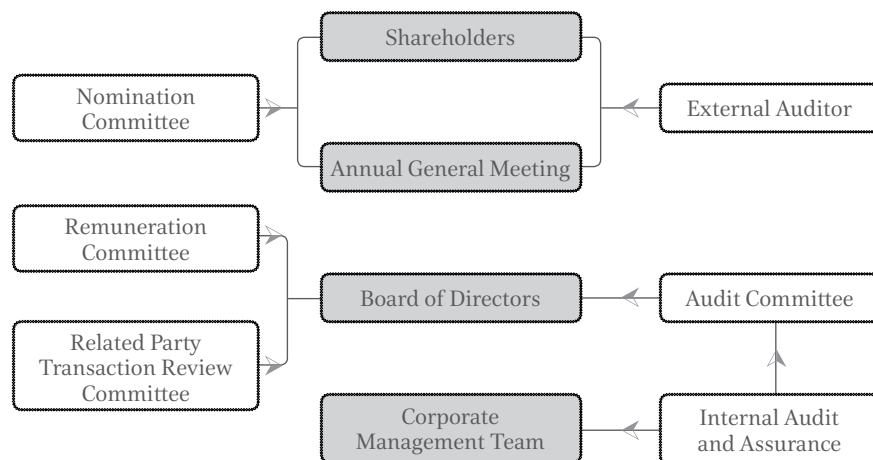
We account the successful infusion of conformance and performance measures to a conscious decision to take good Governance seriously, recognising it as imperative as opposed to requirements of formal codes of practice. Conformance and performance measures are not merely viewed as “policing” tools but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

Governance Structure



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

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

CODE OF BEST PRACTICES ON CORPORATE GOVERNANCE

A. DIRECTORS

A.1 Board of Directors:

The Board is responsible to the Company's shareholders for the success of the entity and for its overall Strategic Direction, Values, and Governance. The Board is responsible for the overall system of internal control for the Company and 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 comprised of Twelve Directors, an Executive Chairman, a Non-Executive Co-Chairman, Three Executive Directors and Seven Non-Executive Directors as at 31st March 2019 of which Five are Independent. The names of the Directors and their profiles are available on page 10 of this report.

A.1.1 Board Meetings:

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

The Board meets quarterly as a practice and ad hoc meetings are held whenever necessary. During the financial year under review, the Board met on four occasions.

CORPORATE GOVERNANCE

The attendance of these meetings is given below:

Name of Director	Executive / Non-Executive / Independent Non-Executive	Attendance
Mr. A. M. Pandithage - Chairman	Executive	04/04
Mr. Dhammika Perera - Co-Chairman	Non-Executive	Please refer the note below
Mr. L. T. Samarawickrama - Managing Director	Executive	04/04
Mr. N. J. De S. Deva-Aditya	Independent Non-Executive	01/04
Mr. S. C. Ganegoda	Non-Executive	04/04
Mr. S. J. Wijesinghe	Non-Executive	03/04
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	04/04
Mr. D. E. Silva	Executive	04/04
Ms. I. Jamaldeen	Independent Non-Executive	03/04
Mr. D. J. De Cruz (Appointed w. e. f. 10.10.2018)	Executive	02/02
Ms. A. A. K. Amarasinghe (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.

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

- Finances & Operational results, Monthly & Quarterly against the previous year’s results.
- Budgets & Targets for the coming Month and Quarter.
- Internal Control breaches or frauds during the period and actions taken.

A.1.2 The Board responsibilities can be broadly listed as follows:

- Enhancing shareholder value, formulating, communicating, implementing, and monitoring of business policies and strategies.
- Ensuring due compliance with applicable legal, ethical, health, environment, 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 Company. 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 of the parent Company, as and when it is necessary.

A.1.4 Company Secretary:

The service and advice of the Company Secretaries, Hayleys Group Services (Pvt) Ltd are made available to Directors as necessary. The Company Secretaries keep the Board informed of new laws, regulations and requirements coming into effect, which

are relevant to them as individual Directors and collectively to the Board. Hayleys Group Services (Pvt) Ltd consists of competent qualified professionals who are registered as Company Secretaries.

The Company has obtained appropriate insurance covers and it is further detailed in page 32 under "Annual Report of the Directors on the Affairs of The Company".

A.1.5 Independent Judgment:

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

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

The Board gives direction to the long term strategy, seeking and contributing views and opinions on strategic options proposed by the Executive Management. All members of the Board have fiduciary duty and statutory liability, regardless of whether they are Executive or Non-Executive.

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

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 a Resolution:

One third of the Directors can call for a resolution to be presented to the Board where they feel it is in the best interest to the Company to do so.

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.

CORPORATE GOVERNANCE

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 2019, the Board consisted of 12 Directors comprising;

4 Executive Directors (ED)

3 Non-Executive Directors (NED)

5 Independent Non-Executive Directors (NED/ID)

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

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

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

Co-Chairman (Non-Executive) of Hayleys PLC. Chief Executive Authority is vested in the Managing Director of the Company and the distinction between the Chairman and Officers wielding executive powers in the Company ensures the balance of power and authority.

A.6 Supply of Information:

Directors are provided with quarterly reports on performance and appropriate documentation in advance of each Board Meeting for individual directors to study matters under discussion.

A.7 Appointments to the Board:

The Board as a whole decides on the appointment of Directors in accordance with the Articles of Association of the Company.

A.8 Re-Election of Directors:

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

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

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

A.9 Appraisal of Board Performances:

The Chairman and Remuneration Committee is responsible for evaluating the performance of the Executive Directors. The Board undertakes an annual self-evaluation of its own performance and of its Committees and 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 as at 31st March 2019 are disclosed within this Annual Report as follows:

Name, qualifications, expertise, material business interests and brief profiles on pages 10 to 12.

Related party transactions on page 37.

Membership of sub-committees and attendance at Board Meetings and Sub-Committee meetings on pages 16, 37, 38.

A.11 Appraisal of Chief Executive Officer:

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

B. DIRECTORS' REMUNERATION

B.1 Directors' Remuneration Procedure:

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

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

The Remuneration Committee of the Kingsbury PLC 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

B.2 Level and make up of Remuneration:

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

B.3 Disclosure of Remuneration:

The total value of Directors' remuneration is reported in Note 29.5 to the Financial Statements.

CORPORATE GOVERNANCE

C. RELATIONS WITH SHAREHOLDERS

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

The Annual General Meeting is considered by the Board of Directors as a means of continuing effective dialogue with shareholders and encourages their active participation. The Board offers clarifications and responds to concerns shareholders have over the content of the Annual Report as well as other matters, which are important to them.

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

A copy of the Annual Report including Financial Statements, 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 the Annual General Meeting is circulated to shareholders with every Notice of the 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 Company, will be disclosed in the Quarterly/Annual Financial Statements.

During the year, there were no major transactions as defined by Section 185 of the Companies Act No. 07 of 2007 which materially affect the net asset base of the Company.

D. ACCOUNTABILITY AND AUDIT

D.1 Financial 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 Company 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 32 to 35 cover all areas of this section.
- The “Statement of Directors’ Responsibilities” is given on page 36.
- The Directors’ Statement on Internal Controls is given on page 21.
- The “Independent Auditors’ Report” on page 40 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 & 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.

The Audit Committee 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 38 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. 37 of this report.

D.5 Code of Business Conduct and Ethics:

Operating under the guidance of the Hayleys Group's 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.

CORPORATE GOVERNANCE

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 14 to 27 (of which this paragraph is part of) describes the extent to which The Kingsbury PLC adheres to established principles and practices of good Corporate Governance.

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 93.

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 Company are discussed by the management of the Company at regular intervals. On a quarterly basis the information is gathered and presented to the Group for inclusion in the Sustainability Report of the parent company Hayleys PLC.

Levels of compliance with the CSE's Listing Rules - Section 7.10, Rules on Corporate Governance as at 31st March 2019 are given in the table as 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 Twelve 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 31.03.2019
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' as at 31.03.2019 on pages 10 to 13
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 18 under the heading 'Board Balance'
7.10.3(c)	Disclosure relating to Directors	A brief resumé of each Director should be included in the Annual Report including areas of expertise	Compliant	Please refer 'Board of Directors' as at 31.03.2019 on pages 10 to 13
7.10.3(d)	Disclosure relating to Directors	Forthwith provide a brief resumé of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the Exchange	Compliant	A brief resumé provided to the Exchange at the time of appointment is available on pages 10 to 13
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 19
7.10.5(a)	Composition of Remuneration Committee	Shall comprise a minimum of two Independent Non-Executive Directors or of Non-Executive Directors, a majority of whom shall be Independent.	Compliant	The Committee consists of Two Independent Non-Executive Directors. Please refer page 19

CORPORATE GOVERNANCE

Rule No.	Subject	Applicable Requirement	Compliance Status	Details
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 19 of this Report
7.10.5(c)	Disclosure in the Annual Report relating to Remuneration Committee	Names of Directors comprising the Remuneration Committee	Compliant	Please refer page 19
		Statement of remuneration policy		Please refer page 19
		Aggregated remuneration paid to Executive and Non-Executive Directors		Please refer page 86
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 38
7.10.6(a)	Composition of Audit Committee	Shall comprise Non-Executive Directors, a majority of whom will be Independent	Compliant	Audit Committee consists of Three Independent Non-Executive Directors. Please refer page 38
7.10.6(b)	Audit Committee Functions	A Non-Executive Director shall be appointed as the Chairman of the Committee	Compliant	Chairman of the Audit Committee is an Independent Non-Executive Director
		Chief Executive Officer and Chief Financial Officer should attend Audit Committee meetings	Compliant	Managing Director, General Manager and Director Finance of the company have attended Audit Committee meetings.
		The Chairman of the Audit Committee or one member should be a member of a professional accounting body.	Compliant	Chairman of the Audit Committee is a Senior Chartered Accountant

Rule No.	Subject	Applicable Requirement	Compliance Status	Details
7.10.6(b)	Audit Committee Functions Contd.	<p>Functions shall include:</p> <hr/> <p>Overseeing of the preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Accounting Standards</p> <hr/> <p>Overseeing the compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements</p> <hr/> <p>Overseeing processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards</p> <hr/> <p>Assessment of the independence and performance of the External Auditors</p> <hr/> <p>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</p>	Compliant	The terms of reference of the Audit Committee have been agreed upon by the Board
7.10.6(c)	Disclosure in the Annual Report relating to Audit Committee	<p>Names of Directors comprising the Audit Committee</p> <hr/> <p>The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination</p> <hr/> <p>The Annual Report shall contain a Report of the Audit Committee setting out of the manner of compliance with their functions</p>	<p>Compliant</p> <hr/> <p>Compliant</p> <hr/> <p>Compliant</p>	<p>Please refer page 38</p> <hr/> <p>Please refer 'Audit Committee Report' on page 38</p> <hr/> <p>Please refer 'Audit Committee Report' on page 38</p>

CORPORATE GOVERNANCE

Rule No.	Subject	Applicable Requirement	Compliance Status	Details
9.2	Related Party Transactions Review Committee Functions	<p>Functions shall include:</p> <p>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.</p> <p>Seek any information the Committee requires from management, employees or external parties with regard to any transaction entered into with a related party.</p> <p>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.</p> <p>Recommend, where necessary, to the Board and obtain their approval prior to the execution of any related party transaction.</p> <p>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.</p> <p>Meet with the management, Internal Auditors/External Auditors as necessary to carry out the assigned duties.</p> <p>Review the transfer of resources, services or obligations between related parties regardless of whether a price is charged.</p>	Compliant	The Committee of the Parent Company Hayleys PLC functions as the committee of the Company. Please refer page 37

Rule No.	Subject	Applicable Requirement	Compliance Status	Details
9.2	Related Party Transactions Review Committee Functions Contd.	<p>Review the economic and commercial substance of both recurrent/non recurrent related party transactions</p> <p>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.</p>		
9.2.2	Composition	Two Independent Non-Executive Directors and one Executive Director	Compliant	The Committee of the Parent Company Hayleys PLC functions as the committee of the Company. Please refer page 37
9.2.3	Related Party Transactions Committee	If the Parent Company and the subsidiary Company both are listed entities, the Related Party Transactions Review Committee of the Parent Company may be permitted to function as such Committee of the subsidiary.	Compliant	The Committee of the Parent Company Hayleys PLC functions as the committee of the Company. Please refer page 37
9.2.4	Related Party Transactions Committee	Shall meet once a calendar quarter	Complaint	Committee met 04 times during the financial year. Please refer page 37
9.3.2	Related Party Transactions Review Committee Disclosure in the Annual Report	<p>Report by the Related Party Transactions Review Committee</p> <p>A declaration by the Board of Directors</p>	<p>Complaint</p> <p>Complaint</p>	<p>Please refer page 37</p> <p>Please refer page 37</p>

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 behaviour, 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 properties to maintain the highest standards in quality and efficiency. Meanwhile, implementation of a robust Property Management System has facilitated the tracking and analysis of each aspect of our hotel operations and allows us to benchmark our operational efficiency against global best practices. Strategic emphasis has also been placed on continually investing in training and developing our people.

MANAGING RISKS IN AN EVER CHANGING ENVIRONMENT

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

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.

Alternative accommodation in the market has had an adverse impact on room sales, therefore 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.

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

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

The Company monitors the social media activity and to prevent negative propaganda, measures are taken to maintain brand standards, health and safety standards and also in order to ensure high levels of customer satisfaction, continuous monitoring is being carried out on social media platforms of its own and of the competitors. Striving towards reaching 100% customer satisfaction via continual

RISK MANAGEMENT

improvement by reviewing guest feedback and responding promptly to any issues with necessary corrective measures.

Risk level - Moderate/High

SAFEGUARDING PHYSICAL ASSETS

Natural disasters, fire, accidents, crime and unlawful behaviour in and around the hotel 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 and assets.

Furthermore in relation to machinery and equipment: regular inspections and maintenance are being carried out and preventive maintenance is being done on a regular basis according to a predetermined schedule to ensure uninterrupted continuity of operations. In the event of a breakdown of any machinery or equipment necessary corrective measures are taken immediately and thereby resulting in minimal impact on day to day operations.

Risk Level - Moderate/High

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, disruption 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

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 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

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 ups keeps 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

ANNUAL REPORT OF THE DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Board of Directors is pleased to present their Report and the Audited Financial Statements of the Company for the year ended 31st March 2019.

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

REVIEW OF THE YEAR

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

PRINCIPAL ACTIVITY

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

FINANCIAL STATEMENTS

The Financial Statements of the Company are given in pages 39 to 92.

AUDITOR'S REPORT

The Auditor's report on the Financial Statements is given on page 40.

ACCOUNTING POLICIES

The Accounting Policies adopted in preparation of Financial Statements are given on pages 49 to 92.

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

Directors' Interests in shares are given later in this Report. There were no changes to the shareholdings other than which is disclosed below.

Mr. M. H. Jamaldeen, spouse of Mrs. I. Jamaldeen (Director) sold 1,186,583 shares which were registered in his name in The Kingsbury PLC during the financial year 2018/19.

Directors' Interests in Transactions

The Directors of the Company have made the general disclosure provided as per section 192 (2) of the Companies Act No. 07 of 2007. Note 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 2019 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 2019 is Rs. 11.4Mn The total emoluments of Non-Executive Directors for the year ended 31st March 2019 is Rs. 2.7Mn 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 names of the members of the Committee and their attendance of the Meetings are given on the Related Party

Transaction Review Committee Report on page 37.

The Committee met four times during the financial year 2018/19.

Related party transactions are given in Note 29 in the notes to the Financial Statements.

CORPORATE DONATIONS

Donations made during the year were Rs. 444,419/-.

The amount of Rs. 2,000,000/- was approved by the shareholders for the financial year 2018/19.

DIRECTORS OF THE COMPANY AS AT 31ST MARCH 2019

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 **

Mr. D. J. De Cruz - appointed w.e.f. 10.10.2018

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

* *Non-Executive Director*

** *Independent Non-Executive Director*

Mr. D. J. De Cruz has been appointed to the Board since the last Annual General Meeting and shareholders are requested to elect him at the Annual General Meeting in terms of the Article No. 94 of the Articles of Association of the Company.

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

DIRECTORS' SHAREHOLDINGS

The shareholdings of the Directors as at 31st March 2019 were as follows:

No. of Shares	As at 31.03.2019	As at 01.04.2018
Mr. S. C. Ganegoda	55,713	55,713
Mr. K. D. D. Perera	3,216,146	3,216,146

Mr. K. D. D. Perera holds 50.44% directly and indirectly of the total issued shares of Hayleys PLC which holds 87,307,057 shares in the Company.

INSURANCE AND INDEMNITY

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

EMPLOYMENT

No. of persons employed by the Company was 729.

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.

ANNUAL REPORT OF THE DIRECTORS ON THE AFFAIRS OF THE COMPANY

GOING CONCERN

The Directors, after making necessary inquiries and reviews including the reviews of the Company's budget for the ensuing year, capital expenditure requirement, future prospects and risks, cash flows and borrowing facilities, have a reasonable expectation that the Company have adequate resources to continue in operational existence for the foreseeable future.

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

AUDITORS

The Auditors, Messrs. Ernst & Young, Chartered Accountants, were paid Rs. 948,880/- (2018 - Rs. 845,617/-) as audit fees by the Company. In addition, they were paid Rs. 455,441/- (2018 - Rs. 424,382/-) by the Company for non-audit related work.

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

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

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

INVESTMENTS (SHORT TERM DEPOSITS)

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

PROPERTY, PLANT AND EQUIPMENT

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

CAPITAL COMMITMENTS

Details of the capital commitments of the Company as at 31st March 2019 are disclosed in Note 25 (a) to the Financial Statements.

STATED CAPITAL

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

RESERVES

Total Company reserves as at 31st March 2019 amounts to Rs. 1,737,698,418/- (2018 - Rs. 1,697,878,881/-) 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 2019 was 3,862.

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

	2019	2018
Market price per share as at 31st March - Rs.	12.80	18.00
Highest share price during the year (17.04.2018) - Rs.	18.90	19.60
Lowest share price during the year (26.03.2019) - Rs.	12.00	12.90
No. of share transactions	1,521	2,964
No. of shares traded	33,667,038	9,364,324
Value of shares traded - Rs.	635,787,444.90	138,790,695.00
Net Asset per share - Rs.	10.64	10.47
Ordinary shares in issue	242,000,000	242,000,000

MAJOR SHAREHOLDER

The twenty largest shareholders of the Company as at 31st March 2019, together with an analysis are given on pages 93 and 94 of the Annual Report.

PUBLIC SHAREHOLDING

As at 31st March 2019, 39.17% of the issued capital of the Company was held by the public comprising 3,858 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 2019 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, 21st June 2019. The Notice of the Annual General Meeting appears on page 97 of the Annual Report.

For and on behalf of the Board

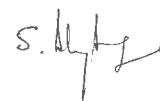
THE KINGSBURY PLC



A. M. Pandithage
Executive Chairman



L. T. Samarawickrama
Managing Director



Hayleys Group Services (Pvt) Ltd
Secretaries

17th May 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible, under the Sections 150 and 151 of the Companies Act No. 07 of 2007, to ensure compliance with the requirements set out therein to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit & 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.

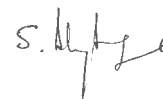
The External Auditors, Messrs. Ernst & Young, Chartered Accountants, were deemed re-appointed in terms of Section 158 of the Companies Act No.7 of 2007 and were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements. The Report of the Auditors, shown on page 40 sets out their responsibilities in relation to the Financial Statements.

COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all statutory payments relating to employees and the Government

that were due in respect of the Company as at the Balance Sheet date have been paid or where relevant, provided for.

By Order of the Board,
The Kingsbury PLC



Hayleys Group Services (Pvt) Ltd
Secretaries

17th May 2019

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Related Party Transaction Review Committee (RPTRC) of Hayleys PLC, the Parent Company functions as the RPTRC Committee of the Company in terms of 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 four times during the Financial Year 2018/19.

Meetings were held on 16th May 2018, 6th August 2018, 8th November 2018 and 6th February 2019.

	Attendance
Dr. H. Cabral, PC	4/4
Mr. M. Y. A. Perera	4/4
Mr. S. C. Ganegoda	2/4

The Duties of the Committee

- To review in advance all proposed related party transactions of the group either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.
- Seek any information the Committee requires from management, employees or external parties to with regard to any transaction entered into with a related party.
- Obtain knowledge or expertise to assess all aspects of proposed related party transactions where necessary including obtaining appropriate professional and expert advice from suitably qualified persons.
- To recommend, where necessary, to the Board and obtain their approval prior to the execution of any related party transaction.
- To monitor that all related party transactions of the entity are transacted on normal commercial terms and are not prejudicial to the interests of the entity and its minority shareholders.
- Meet with the management, Internal Auditors/External Auditors as necessary to carry out the assigned duties.

- To review the transfer of resources, services or obligations between related parties regardless of whether a price is charged.
- To review the economic and commercial substance of both recurrent/non recurrent related party transactions.
- To monitor and recommend the acquisition or disposal of substantial assets between related parties, including obtaining 'competent independent advice' from independent professional experts with regard to the value of the substantial asset of the related party transaction.

TASK OF THE COMMITTEE

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

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



Dr. Harsha Cabral, PC.
Chairman
Related Party Transactions Review
Committee of Hayleys PLC

15th May 2019

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 10 to 13

The Committee met formally four times during the financial year ended 31st March 2019.

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

Independent Non-Executive Director	10th May 2018	26th July 2018	30th October 2018	30th January 2019	
Mr. L. N. De S. Wijeyeratne	Present	Present	Present	Present	4/4
Ms. R. N. Ponnambalam	Present	Overseas	Present	Present	3/4
Mr. J. P. Van Twest	Present	Present	Present	Present	4/4

The Managing Director, General Manager, Director Finance, 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 judgments.

- 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 Messrs. Ernst & Young were independent and objective in performing the year-end audit and had no relationship nor interest in the Company in terms of the Companies Act

No. 7 of 2007 and that the audit was being carried out in accordance with the Sri Lanka Accounting Standards and other statutory and regulatory requirements.

- Reviewed the Management Letter issued by the external auditors.
- Discussed and finalised the nature and scope of audit with the external auditors for the ensuing year.
- The Hayleys PLC's Group Management Audit and Systems Review Department act as the Internal Auditors for the Company. Reviewed the scope, functions and resources of the internal audit department, and was satisfied that the internal audit function was independent of the activities it audited and that it performed with impartiality, proficiency and due professional care.
- Discussed and approved the Internal Audit Plan for the ensuing year.

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

Minutes of the Audit Committee meetings are approved by the Committee Chairman at the 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

17th May 2019

FINANCIAL STATEMENTS

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FINANCIAL CALENDER

Interim Financial Statement - 1st Quarter 26 July 2018

Interim Financial Statement - 2nd Quarter31 October 2018

Interim Financial Statement - 3rd Quarter.....31 January 2019

Interim Financial Statement - 4th Quarter 17 May 2019

Annual General Meeting.....21 June 2019

INDEPENDENT AUDITOR'S REPORT



Ernst & Young
Chartered Accountants
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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 31st March 2019, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31st March 2019 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>Valuation of Building and Building Integrals</p> <p>Buildings and building integrals of the Company are reflected at revaluation amounts to Rs. 3,105Mn as at 31st March 2019.</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 (71%), 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"> • We evaluated the competence, capabilities and objectivity of the external valuer appointed by the management. We read the valuation report issued by the valuer to obtain an understanding of the work of the valuer, and evaluated its appropriateness as audit evidence for the recorded valuation of building and building integrals in the Financial Statements. • We engaged internal specialised resources to assist us in evaluating the appropriateness of the valuation method used and range of prices per square foot used. • In addition, we evaluated the overall appropriateness of the related Financial Statement disclosures in Note 2.2 and Note 12.2.
<p>Adoption of SLFRS 15 - Revenue from Contracts with Customers</p> <p>The Company adopted SLFRS 15 Revenue from Contracts with Customers (New Revenue Standard) with effect from 1 April 2018 and management was required to evaluate compliance of existing revenue recognition policies with the new Revenue Standard.</p> <p>As the determination of the appropriate accounting policy required significant judgement by management and in consideration of the various revenue arrangements that the Company has in place, we considered the application of SLSFRS 15 as a key audit matter.</p>	<p>Among other audit procedures in adoption of new revenue accounting standard, we performed following specific procedures:</p> <ul style="list-style-type: none"> • We assessed the completeness and adequacy of the SLFRS 15 implementation process adopted by the Company. • We examined a sample of contracts to assess whether method for revenue recognition was relevant and consistent with SLFRS 15 and applied consistently. • In addition, we assessed the adequacy of the related Financial Statement disclosures in Note 2.1.4, 2.3.19 & 4

INDEPENDENT AUDITOR'S REPORT

Other information included in the Company's 2019 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 or conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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 Auditors' Report is 1884.



Ernst & Young, Colombo
17 May 2019

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 Sajeewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA
Principal T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

STATEMENT OF PROFIT OR LOSS

Year ended 31 March	Notes	2019 Rs '000	2018 Rs '000
Revenue	4	2,956,631	3,085,143
Cost of sales		(1,526,383)	(1,630,688)
Gross profit		1,430,248	1,454,455
Other income and expenses	5	(28,985)	12,541
Administrative expenses		(1,020,714)	(1,060,184)
Marketing expenses		(150,783)	(137,734)
Finance income	8	9,281	8,765
Finance expenses	9	(66,259)	(89,914)
Profit before tax	6	172,788	187,929
Income tax expense	10	(72,011)	(48,775)
Net profit after tax		100,777	139,154
Basic earnings per share (Rs.)	11	0.42	0.58

The Accounting Policies and Notes on pages 49 through 92 form an integral part of the Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March	Notes	2019 Rs '000	2018 Rs '000
Profit for the year		100,777	139,154
Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods			
Re-measurement loss on defined benefit plans	23	(5,234)	(873)
Income tax effect on defined benefit plans	18	733	123
		(4,501)	(750)
Other Comprehensive Income to be reclassified to profit or loss in subsequent periods			
Net movement of cash flow hedges	27	(59,573)	-
Other Comprehensive Income for the year, net of tax		(64,074)	(750)
Total Comprehensive Income for the year, net of tax		36,703	138,404

The Accounting Policies and Notes on pages 49 through 92 form an integral part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March	Notes	2019 Rs '000	2018 Rs '000
ASSETS			
Non-current assets			
Property, plant and equipment	12	3,690,668	3,898,611
Intangible assets	13	17,128	21,214
		3,707,796	3,919,825
Current assets			
Inventories	14	70,107	74,053
Trade and other receivables	15	136,808	147,581
Other non financial assets	16	123,741	67,311
Income tax receivable		20,883	32,713
Short term deposits	17	-	100,934
Cash and Bank	19	253,156	194,050
		604,695	616,642
Total assets		4,312,491	4,536,467
EQUITY AND LIABILITIES			
Equity			
Stated capital	26	836,000	836,000
Reserves	27	826,093	904,808
Retained earnings		911,606	793,072
		2,573,699	2,533,880
Non-current liabilities			
Interest-bearing borrowings	22	550,611	510,618
Post employment benefit obligation	23	65,025	50,673
Deferred tax liability	18	270,855	231,745
		886,491	793,036
Current liabilities			
Trade and other payables	20	284,777	327,423
Interest-bearing borrowings	22	463,446	747,354
Other non financial liabilities	21	104,078	134,774
		852,301	1,209,551
Total equity and liabilities		4,312,491	4,536,467

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



Choliya de Silva
Group Chief Financial Officer

The Board of Directors is responsible for these Financial Statements. These Financial Statements were authorised for issue by the Board of Directors on 17 May 2019.



A M Pandithage
Executive Chairman



L T Samarawickrama
Managing Director

The Accounting Policies and Notes on pages 49 through 92 form an integral part of the Financial Statements.

17 May 2019
Colombo

STATEMENT OF CHANGES IN EQUITY

	Notes	Ordinary share capital	Revaluation reserve	Cash flow hedge reserve	Retained earnings	Total
		Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Balance at 01 April 2017		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	27	-	(41,022)	-	41,022	-
Deferred tax on transfer	27	-	4,923	-	-	4,923
Balance at 31 March 2018		836,000	904,808	-	793,072	2,533,880
Net profit for the period		-	-	-	100,777	100,777
Net movement of cash flow hedges	27	-	-	(59,573)	-	(59,573)
Other comprehensive income		-	-	-	(4,501)	(4,501)
Total comprehensive income		-	-	(59,573)	96,276	36,703
Transfer to retained earnings from Revaluation reserve	27	-	(22,258)	-	22,258	-
Deferred tax on transfer	27	-	3,116	-	-	3,116
Balance at 31 March 2019		836,000	885,666	(59,573)	911,606	2,573,699

The Accounting Policies and Notes on pages 49 through 92 form an integral part of the Financial Statements.

STATEMENT OF CASH FLOWS

As at 31 March	Notes	2019 Rs '000	2018 Rs '000
Operating activities			
Cash generated from operations	28	430,043	563,076
Interest received	9	9,281	8,765
Interest paid		(81,889)	(80,975)
Tax paid		(17,221)	(17,217)
Employee benefit obligations	23	(5,970)	(3,293)
Net cash generated from operating activities		334,244	470,356
Investing activities			
Capital work in progress	12	(6,451)	(80,275)
Purchases of property, plant and equipment	12	(96,825)	(211,775)
Purchases of intangible assets	13	(1,692)	(1,257)
Proceeds from disposal of property, plant and equipment		19,454	6,706
Investments in fixed deposits		100,934	(100,934)
Net cash generated from/(used in) investing activities		15,420	(387,535)
Financing activities			
Dividends paid		-	(121,000)
Proceeds from interest-bearing borrowings		350,000	-
Payments on interest-bearing borrowings	28	(429,065)	(453,630)
Net cash (used in) financing activities		(79,065)	(574,630)
Net increase in cash and cash equivalents		270,599	(491,809)
Movement in cash and cash equivalents			
At beginning of the year		(88,774)	403,035
Net increase		270,599	(491,809)
At end of the year	19	181,825	(88,774)

The Accounting Policies and Notes on pages 49 through 92 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

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

1.3 Parent Entity and Ultimate Parent Entity

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

1.4 Date of Authorisation for Issue

The Financial Statements of The Kingsbury PLC, for the year ended 31 March 2019 were authorised for issue in accordance with a resolution of the board of directors on 17 May 2019.

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 Changes in Accounting Policies

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

New and amended standards and interpretations

The following are the new significant accounting policies applied by the Company in preparing its Financial Statements. Several other amendments and interpretations apply for the first time in financial year 2018/19, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued, but are not yet effective.

NOTES TO THE FINANCIAL STATEMENTS

SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 supersedes LKAS 11 construction contracts, LKAS 18 Revenue and related interpretations. It applies with limited exceptions, to all revenue arising from contracts with its customers. SLFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue will be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to customers.

SLFRS 15 requires entities to exercise judgment, taking into consideration all the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental cost of obtaining a contract and the cost directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted SLFRS 15 using the modified retrospective method of adoption. Based on the assessment performed, the company concluded that SLFRS 15 does not have a material impact on the Company's Financial Statements.

SLFRS 9 Financial Instruments

SLFRS 9 Financial Instruments replaces LKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 April 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting.

The effect of adopting SLFRS 9 as at 1 April 2018 did not have a significant financial impact to the balances as at 1 April 2018.

The nature of significant changes are described below:

a. Classification and Measurement Under SLFRS 9

Debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: The Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Company's business model was made as of the date of initial application, 1 April 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 April 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

Trade and other receivables, short term deposits and cash and bank balances previously classified as loans and receivables are now classified as debt instruments at amortised cost.

b. Impairment

The adoption of SLFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing LKAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. SLFRS 9 requires the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets. No significant impact was identified in relation to the impairment recognised by the Company on adoption of SLFRS 9.

2.1.5 Comparative Information

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

No reclassification have been made on the Company's adoption of SLFRS 15 & SLFRS 9 as disclosed in Note 2.1.4

2.2 Significant Accounting Judgments and Estimates

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

a. Revaluation of Property, Plant and Equipment

The Company measures buildings and building integrals at revalued amounts with gains in fair value being recognised in equity (Revaluation Reserve). The Company usually engages an external, independent and qualified valuer to determine the fair values. When current market prices of similar assets are available, such evidences are considered in estimating fair values of these assets. In the absence of such information the Company determines within reasonable fair value estimates, amounts that can be attributed as fair values, with the assistance of an independent professional valuer. Further details are given in Note 12.2.

b. Components of Buildings and Useful Life

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

c. Deferred Tax Assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Further details are given in Note 18.

d. Post-Employment Benefit Obligation

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

NOTES TO THE FINANCIAL STATEMENTS

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 criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major refurbishment is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the Statement of Profit or Loss as incurred.

b. At Subsequent Measurement

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

Building and building integrals are subsequently measured at fair value less accumulated depreciation and such valuations are carried out by external independent valuers. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

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

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

c. Depreciation

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

	2019	2018
Buildings and building integrals	15 - 50 years	15 - 50 years
Plant, machinery and equipment	08 years	08 years
Furniture and fittings	10 years	10 years
Motor vehicles	05 years	05 years
Linen, cutlery, crockery and glassware	03 - 10 years	03 - 10 years

d. Subsequent Costs

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

e. De-recognition

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising

on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Profit or Loss when the asset is de-recognised. The revaluation surplus included in the equity in respect of an item of property, plant and equipment is transferred directly to equity when the assets are de-recognised.

2.3.4 Intangible Assets

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

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

Computer software	8 years
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The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit or Loss in the expense category consistent with the function of the intangible asset.

NOTES TO THE FINANCIAL STATEMENTS

2.3.5 Financial Instruments

Accounting Policy applied after 1 April 2018

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

a. Initial Recognition and Subsequent Measurement

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

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

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

place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

b. Subsequent Measurement

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

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

Financial Assets at Amortised Cost (Debt Instruments)

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

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

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

c. Derecognition

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

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

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

d. Impairment of Financial Assets

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

Trade Receivables:

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

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

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

Accounting Policy applied up to 31 March 2018

Financial Assets

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

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.

NOTES TO THE FINANCIAL STATEMENTS

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.

d. 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 favourable solution from the debtors.

2.3.6 Other Non-Financial Assets

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

2.3.7 Impairment of Non-Financial Assets

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

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

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

2.3.8 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are

available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

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

For assets and liabilities that are recognised in the Financial Statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

NOTES TO THE FINANCIAL STATEMENTS

2.3.9 Operating Leases

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

2.3.10 Inventories

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

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

2.3.11 Cash and Cash Equivalents

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

2.3.12 Financial Liabilities

Accounting Policy applied after 1 April 2018

a. Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans

and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

b. Subsequent Measurement

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

Loans and Borrowings (Financial liabilities at amortised cost)

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

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

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

c. De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The

difference in the respective carrying amounts is recognised in the statement of profit or loss.

Accounting Policy applied up to 31 March 2018

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 Hedge Accounting

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

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

Cash Flow Hedges

For designated and qualifying cashflow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognised directly in equity in the “Cash flow hedge reserve”. The ineffective portion of the gains or losses on the hedge instrument is recognised immediately in the Statement of Profit or Loss.

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

2.3.14 Other Non-Financial Liabilities

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

2.3.15 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic

benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

2.3.16 Employee Benefits

a. Defined Contribution Plans

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

The Company’s contributions to the defined contribution plans are charged to the Statement of Profit or Loss in the year to which they relate.

b. Defined Benefit Plan

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

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

2.3.17 Dividend Distribution

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

2.3.18 Taxation

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

Current income tax relating to items recognised directly in equity is recognised in equity and not in the Statement of Profit or Loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Tax

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

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Turnover Based Taxes

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

2.3.19 Revenue Recognition

a. Revenue from contracts with Customers

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

b. Revenue from other income sources

- Interest income is accrued on a time basis with reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimates future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.
- Other income is recognised on an accrual basis. Net gains and losses of a revenue nature on the disposal of Property, Plant & Equipment has been accounted for in the Statement of Profit or Loss, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses.

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

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

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

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 income statement.

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.

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	2019 Rs '000	2018 Rs '000
Gross turnover	2,956,631	3,085,143
Less: Turnover tax / Nation Building tax	(95,163)	(98,651)
Net turnover	2,861,468	2,986,492

4.2 Segmentation of the Revenue

Year ended 31 March	2019 Rs '000	2018 Rs '000
Room sales	1,181,265	1,306,594
Food & Beverage sales	1,589,086	1,596,793
Other Hotel Related revenue	91,117	83,105
Total revenue	2,861,468	2,986,492

5. OTHER INCOME AND EXPENSES

Year ended 31 March	2019 Rs '000	2018 Rs '000
Loss on disposal of property, plant and equipment	(41,873)	(1,058)
Sundry income	12,888	13,599
Other income and expenses	(28,985)	12,541

NOTES TO THE FINANCIAL STATEMENTS

6. PROFIT BEFORE TAX

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

Year ended 31 March	2019 Rs '000	2018 Rs '000
Directors' emoluments	2,742	2,580
Auditors' remuneration - audit fees	949	846
- non audit fees	455	424
Depreciation on property, plant and equipment (Note 12)	239,675	237,422
Amortisation of intangible assets (Note 13)	5,778	5,560
Repair and maintenance expenditure	74,977	65,183
Operating lease rentals on property	114,257	140,753
Staff costs (Note 7)	497,961	484,415
Power and energy expenditure	112,655	167,567
Loss on disposal of property, plant and equipment	41,873	1,058
Loss on disposal of cutlery and linen	10,231	8,827
Marketing and promotional fees	128,405	137,500

7. STAFF COSTS

Year ended 31 March	2019 Rs '000	2018 Rs '000
Wages and salaries	351,139	316,006
Cost of meals	83,147	110,964
Defined contribution plans	48,587	43,871
Post employment benefit obligation (Note 23.2)	15,088	13,574
Staff costs	497,961	484,415

8. FINANCE INCOME

Year ended 31 March	2019 Rs '000	2018 Rs '000
Interest income	9,281	8,765
	9,281	8,765

9. FINANCE EXPENSES

Year ended 31 March	2019 Rs '000	2018 Rs '000
Interest expenses	(80,753)	(77,554)
Foreign exchange gain	24,640	7,672
Foreign exchange loss	(10,145)	(20,031)
	(66,258)	(89,913)
Net Finance Income / (Expenses)	(56,977)	(81,148)

10. TAXATION

Year ended 31 March	2019 Rs '000	2018 Rs '000
10.1 Current income tax	-	6,197
Under provision in respect of previous years	8,261	295
Economic Service Charge	20,791	12,301
Deferred tax (Note 18.1)	42,959	29,982
Income Tax Expense	72,011	48,775

NOTES TO THE FINANCIAL STATEMENTS

10.2 Reconciliation of Accounting Profit to Income Tax Expense

Year ended 31 March	2019 Rs '000	2018 Rs '000
Profit before tax	172,788	187,929
Disallowable expenses	295,666	282,502
Allowable expenses	(319,689)	(399,742)
Tax credits utilisation	(158,045)	(27,809)
Interest income	9,280	8,765
Taxable income	-	51,645
Income tax @ 14% (2018 -12%)		
Tax on taxable income	-	6,197
Current tax expense	-	6,197

11. BASIC EARNINGS/(LOSS) PER SHARE

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

Year ended 31 March	2019	2018
Net profit attributable to shareholders - Rs '000	100,777	139,154
Weighted average number of ordinary shares in issue - '000	242,000	242,000
Basic earnings per share (Rs.)	0.42	0.58

12. PROPERTY, PLANT AND EQUIPMENT

12.1

12.1.1

Year ended 31 March 2018	Buildings and building integrals Rs '000	Plant, machinery & equipment Rs '000	Furniture & fittings Rs '000	Motor vehicles Rs '000	Linen, cutlery, crockery & glassware Rs '000	Total Rs '000
Cost/valuation						
Balance as at 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	-	230,175	101,407	9,942	91,054	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	309,739	137,117	11,016	114,338	646,850
Net book value as at 31 March 2018	3,080,000	331,933	261,829	6,750	91,074	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	331,933	261,829	6,750	91,074	3,898,611

NOTES TO THE FINANCIAL STATEMENTS

12. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

12.1.2

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

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 2019. The revaluation carried out resulted in a fair value which approximated with the carrying value as at 31 March 2019. The valuation of the buildings and integrals located at principal place of business, No. 48, Janadhipathi Mawatha, Colombo 1, have been determined using direct capital comparison method by using level 3 of the fair value measurement hierarchy. Approximate price per sq.ft is Rs. 16,000/- (2018 – Rs. 16,000/-). Significant increase or decrease in estimated price per square foot in isolation would result in a significantly higher or lower fair value measurement.

12.3 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. 2.5Mn annually as operating lease rental disclosed in Note 25.b.

12.4 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	2,765,483	507,799	2,257,684
	2,765,483	507,799	2,257,684

NOTES TO THE FINANCIAL STATEMENTS

12.5 The Company regularly reviews 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 the 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

12.6 The Company has terminated “Lease and Management” agreement of 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, with effect from 31 December 2018. The loss incurred due to termination is Rs. 22Mn which is disclosed under Note 5.

13. INTANGIBLE ASSETS

Year ended 31 March	2019 Rs '000	2018 Rs '000
Cost		
Balance as at 1 April	45,194	43,937
Additions during the year	1,692	1,257
Balance as at 31 March	46,886	45,194
Amortisation		
Balance as at 1 April	23,980	18,420
Amortisation during the year	5,778	5,560
Balance as at 31 March	29,758	23,980
Net Book Value	17,128	21,214

The intangible assets consist of computer software.

14. INVENTORIES

As at 31 March	2019 Rs '000	2018 Rs '000
Food, Beverages and Tobacco	41,243	47,776
Consumables	28,864	26,277
Inventories	70,107	74,053

NOTES TO THE FINANCIAL STATEMENTS

15. TRADE AND OTHER RECEIVABLES

As at 31 March	2019 Rs '000	2018 Rs '000
Trade receivables	134,341	130,921
Less: Impairment allowances (Note 31.2.c)	(6,078)	(7,925)
	128,263	122,996
Intercompany receivables (Note 29.3)	8,545	24,585
Trade and other receivables	136,808	147,581

16. OTHER NON FINANCIAL ASSETS

As at 31 March	2019 Rs '000	2018 Rs '000
Prepayments	56,146	18,849
Advances to suppliers	31,115	4,464
Advances to employees	11,570	12,278
Security deposits	20,520	19,054
Other receivables	4,390	12,666
Other non-financial assets	123,741	67,311

17. SHORT TERM DEPOSITS

As at 31 March	2019 Rs '000	2018 Rs '000
Investments more than 3 months	-	100,934
Other current financial assets	-	100,934

18. DEFERRED TAX LIABILITY

18.1

Year ended 31 March	Statement of Financial Position		Statement of Profit or Loss		Statement of Other Comprehensive Income	
	2019 Rs '000	2018 Rs '000	2019 Rs '000	2018 Rs '000	2019 Rs '000	2018 Rs '000
Deferred Tax Liability						
Capital allowance for tax purpose	370,182	352,965	20,333	44,641	(3,116)	(4,923)
	370,182	352,965				
Deferred Tax Assets						
Defined benefit plans	9,103	7,094	(1,276)	(2,230)	(733)	(123)
Un-used tax losses	90,224	114,126	23,902	(12,429)	-	-
	99,327	121,220				
Net Deferred Tax Liability	270,855	231,745				
Deferred Tax Expense/(Benefit)			42,959	29,982	(3,848)	(5,046)

- 18.2** The Company has carried forward tax losses of Rs. 644,455,953/- (2018 - Rs. 802,501,256/-) 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

18.3 The Movement on the Deferred Income Tax Account is as Follows:

Year ended 31 March	2019 Rs '000	2018 Rs '000
Deferred tax assets		
As at 1 April	121,220	106,439
Income statement release	(22,626)	14,658
Tax income recognised in Other Comprehensive Income	733	123
As at 31 March	99,327	121,220
Deferred tax liabilities		
As at 1 April	352,965	313,247
Income statement charge	20,333	44,641
	373,298	357,888
Deferred tax on amount transferred from revaluation reserve (Note 27.1)	(3,116)	(4,923)
As at 31 March	370,182	352,965
Deferred tax liabilities (net)	270,855	231,745

19. CASH AND CASH EQUIVALENTS

As at 31 March	2019 Rs '000	2018 Rs '000
19.1 Cash at bank and in hand	253,156	194,050
Cash and short term deposits	253,156	194,050

19.2 For the Purposes of the Statement of Cash Flows, The Year End Cash and Cash Equivalents Comprise the Following:

As at 31 March	2019 Rs '000	2018 Rs '000
Cash and short term deposits	253,156	194,050
Bank overdraft (Note 22.1)	(71,331)	(282,826)
Cash and Cash equivalents at the end of the period	181,825	(88,774)

20. TRADE AND OTHER PAYABLES

As at 31 March	2019 Rs '000	2018 Rs '000
Trade payables	112,806	129,976
Intercompany payables (Note 29.4)	26,970	25,392
Accrued expenses	71,934	103,372
Service charge payable	21,474	23,798
Other payables	51,593	44,885
Trade and other payables	284,777	327,423

21. OTHER NON FINANCIAL LIABILITIES

As at 31 March	2019 Rs '000	2018 Rs '000
Advances received for reservations*	72,749	98,029
Reserve for breakages	350	6,387
VAT payable	15,213	14,514
Other payables	15,766	15,844
Other non financial liabilities	104,078	134,774

*The Company recognises advances received for future reservations as contract liabilities.

NOTES TO THE FINANCIAL STATEMENTS

22. INTEREST-BEARING BORROWINGS

22.1 Borrowings

As at 31 March	2019 Rs '000	2018 Rs '000
Current liabilities		
Bank overdraft	71,331	282,826
Borrowings from Banks/Financial Institutions	392,115	464,529
	463,446	747,355
Non-current liabilities		
Borrowings from Banks/Financial Institutions	550,611	510,618
	550,611	510,618
Total borrowings	1,014,057	1,257,973

22.2 The Details of the Security Pledged are as Follows:

Nature of Assets Pledged	Nature of Security
Leasehold land, buildings and fixtures	Existing concurrent mortgage bond with 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 favour of DEG
Movable assets, furniture, equipment and technical equipment (Note 12 - Plant, Machinery & Equipment, Furniture & Fittings, Motor Vehicles, Linen and Cutlery, Crockery & Glassware)	A first ranking mortgage for the balance sum of USD 1,000,000 from and out of the loan plus interest and fees and expenses in favour of DEG

22.3 Terms and Conditions

Description	Bank / Financial Institutions	
	Bank of Ceylon	DEG
Commencement date	10 July 2018	7 June 2013
End date	10 July 2022	15 December 2020
Grace period	1 year	2 years
Instalment amount	Rs. 9,722,222.22	USD 833,333.33
Interest rate	0.5% + AWPLR	3.0% + 6 months LIBOR
Term	4 years	8 years

23. POST EMPLOYMENT BENEFIT OBLIGATION (GRATUITY)

23.1 Summary

Year ended 31 March	2019 Rs '000	2018 Rs '000
As at 1 April	50,673	39,519
Transfers	1,789	-
Charge for the year (Note 23.2)	20,322	14,447
Benefits paid	(7,759)	(3,293)
As at 31 March	65,025	50,673

NOTES TO THE FINANCIAL STATEMENTS

23.2 Charge for the Year

Year ended 31 March	2019 Rs '000	2018 Rs '000
Reported in Income Statement		
Current service cost	9,842	8,996
Interest cost	5,246	4,578
Service cost	15,088	13,574
Reported in Other Comprehensive Income		
Net actuarial Loss recognised immediately in Other Comprehensive Income	5,234	873
Charge for the year	20,322	14,447

23.3 The Company obtained an actuarial valuation from an independent professional actuary, Messrs. Actuarial and Management Consultants (Pvt) Ltd. in March 2019, to ascertain the post employment benefit obligation arising in respect of Gratuity.

The principal actuarial assumptions used in determining the liability were:

Year ended 31 March	2019	2018
Discount rate (per annum)	11%	11%
Future salary increase (per annum)	10%	10%
Retiring age	55 years	55 years

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

23.4 Sensitivity of Assumptions Employed in Actuary Valuation

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

Year ended 31 March 2019

Increase/(decrease) in discount rate	Increase/(decrease) in salary increment	Effect on comprehensive income increase/ (decrease) in results for the year Rs '000	Effect on post employment benefit obligation increase/(decrease) in the liability Rs '000
1%	-	3,025	(3,025)
(1%)	-	(3,329)	3,329
-	1%	(3,628)	3,628
-	(1%)	3,352	(3,352)

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 Rs '000	Effect on post employment benefit obligation increase/(decrease) in the liability Rs '000
1%	-	2,400	(2,400)
(1%)	-	(2,647)	2,647
-	1%	(2,882)	2,882
-	(1%)	2,656	(2,656)

NOTES TO THE FINANCIAL STATEMENTS

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	2019 Rs '000	2018 Rs '000
Less than or equal to 1 year	9,570	8,695
Over 1 year and less than or equal to 5 years	33,822	23,522
Over 5 years and less than or equal to 10 years	13,786	11,620
Beyond 10 years	7,847	6,836
Total	65,025	50,673

24. CONTINGENCIES

Contingent Liabilities

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

- The application filed by legal counsel on behalf of the Company objecting the order made by the Learned Magistrate of Maligakanda Magistrate Court for the Company to pay 1% of the turnover of the Hotel as license fees to the Colombo Municipal Council (CMC). The Company filed a petition of appeal on 27th January 2011 in the court of appeal. The Court of appeal has abated the matter pending the decision of the court in the Writ Application filed challenging the levying of 1% of Turnover as License Duty.
- There are eight cases filed by the Colombo Municipal Council at the Maligakanda Magistrate Court for operating a restaurant without obtaining a requisite license in the years 2009 (13219/M), 2010 (14158/M), 2011 (15464/R), 2013 (28930/14), 2014 (16397/15), 2015 (15580/16), 2016 (15689/17) and 2017 (16909/18). The above cases will be called before the Magistrate's Court of Maligakanda in following manner;
Case filed for 2014 is fixed for trial on 31 May 2019, Case filed for 2013 is fixed for trial on 10 June 2019, Cases filed for 2016 and 2017 are fixed for trial on 24 June 2019, Cases filed for 2010 and 2011 are fixed for trial on 01 July 2019 and Cases filed for 2009 and 2015 are fixed for trial on 15 July 2019 respectively.
- 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 14th June 2019 for the Judgment of the Court of Appeal.

25. COMMITMENTS

(a) Capital Commitments

The Company has capital commitment as at the reporting date Rs. 7.4Mn (2018 - Rs. 93.4Mn).

(b) Operating Lease Commitments

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

As at 31 March	Leasehold Land	
	2019 Rs '000	2018 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	112,500	115,000
	125,000	127,500

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

26. STATED CAPITAL

As at 31 March	2019 Ordinary shares		2018 Ordinary shares	
	Numbers '000	Rs '000	Numbers '000	Rs '000
Balance at beginning of the year	242,000	836,000	242,000	836,000
Balance at end of the year	242,000	836,000	242,000	836,000

NOTES TO THE FINANCIAL STATEMENTS

27. RESERVES

As at 31 March	2019 Rs '000	2018 Rs '000
Revaluation reserve (Note 27.1)	885,666	904,808
Cash flow hedge reserve (Note 27.2)	(59,273)	-
Total	826,093	904,808

27.1 Revaluation Reserve

The movement in the revaluation reserve is as follows:

As at 31 March	2019 Rs '000	2018 Rs '000
At beginning of the year	904,808	940,907
Transfer to retained earnings *	(22,258)	(41,022)
Deferred tax on transfers to retained earnings	3,116	4,923
At end of the year	885,666	904,808

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

27.2 Cashflow Hedge Reserve

The movement in cash flow hedge reserve is as follows:

As at 31 March	2019 Rs '000	2018 Rs '000
At the beginning of the year	-	-
Movement of Cashflow hedge reserve		
- recognised through revenue	20,407	-
- recognised through foreign exchange loss	(79,980)	-
At the end of the year	(59,573)	-

28. CASH GENERATED FROM OPERATIONS

28.1 Reconciliation of Profit Before Tax to Cash Generated from Operations:

Year ended 31 March	2019 Rs '000	2018 Rs '000
Profit before tax	172,788	187,929
Adjustments for:		
- Depreciation on property, plant and equipment	239,676	237,423
- Amortisation of intangible assets	5,778	5,560
- Provision for bad and doubtful debts	(974)	5,360
- Interest income	(9,281)	(8,765)
- Interest expense	80,753	77,554
- Foreign exchange gain/loss net	(14,495)	12,359
- Loss on disposal of property, plant and equipment	52,104	9,885
- Post employment benefit plans	15,088	13,574
Changes in working capital:		
- Receivable and prepayments	(41,998)	3,014
- Inventories	3,946	(1,048)
- Payables	(73,342)	20,232
Net cash generated from operations	430,043	563,076

NOTES TO THE FINANCIAL STATEMENTS

28.2 Changes in Liabilities Arising from Financing Activities

Year ended 31 March	Balance as at 1 April 2018 Rs '000	Cash inflows Rs '000	Cash outflows Rs '000	Foreign exchange movement Rs '000	Other Rs '000	Balance as at 31 March 2019 Rs '000
Interest bearing Loans and Borrowings	1,257,972	350,000	(429,065)	(90,125)	(74,725)	1,014,057
Total Liabilities from Financing activities	1,257,972	350,000	(429,065)	(90,125)	(74,725)	1,014,057

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:

	Parent		Fellow subsidiaries		Entities connected to KMP		Total	
Year ended 31 March	2019	2018	2019	2018	2019	2018	2019	2018
Nature of Transaction	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Rooms and banquet sales	30,072	14,831	65,840	51,325	19,347	26,584	115,259	92,740
Purchase of goods/services	-	-	44,815	30,474	14,790	26,172	59,605	56,647
Marketing and promotional fees	74,078	79,723	74,068	87,730	-	-	148,146	167,453
Sectorial and administration charges	48,003	32,435	20,107	3,007	-	-	68,110	35,442

29.3 Outstanding Receivables Balance Arising From the Above Transactions

As at 31 March	2019 Rs '000	2018 Rs '000
Parent	1,451	2,039
Fellow subsidiaries	7,094	22,546
Intercompany receivable	8,545	24,585
Entities connected to KMP	3,410	2,859

29.4 Outstanding Payable Balance Arising From the Above Transactions

As at 31 March	2019 Rs '000	2018 Rs '000
Parent	19,617	10,429
Fellow subsidiaries	7,353	14,963
Intercompany payable	26,970	25,392
Entities connected to KMP	597	698

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.

NOTES TO THE FINANCIAL STATEMENTS

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	2019 Rs '000	2018 Rs '000
a. Key Management Personnel Compensation		
Short-term employee benefits	11,445	4,440
Directors emoluments	2,742	2,580
	14,187	7,020
b. Transactions, with KMP and their close family members		
Rooms and banquet sales	28,210	17,371
c. Outstanding receivable balance arising from above transactions	6,317	2,012

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	2019		2018	
	Carrying Value Rs '000	Fair Value Rs '000	Carrying Value Rs '000	Fair Value Rs '000
Financial assets				
Short term deposits	-	-	100,934	100,934
Cash and bank	253,156	253,156	194,050	194,050
Trade and other receivables	136,808	136,808	147,581	147,581
	389,964	389,964	442,565	442,565
Financial liabilities				
Trade and other payables	284,777	284,777	327,423	327,423
Interest-bearing loans and borrowings	1,014,057	1,014,057	1,257,972	1,257,972
	1,298,834	1,298,834	1,585,395	1,585,395

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

Other current financial assets, trade and other receivables and trade and other payables

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

Trade and other payables

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

NOTES TO THE FINANCIAL STATEMENTS

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 credit worthiness in relation 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	2019 Rs '000	2018 Rs '000
Trade and other receivables	136,808	147,581

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

As at 31 March	Gross Receivable		Impairment Allowance*		Carrying Value	
	2019 Rs '000	2018 Rs '000	2019 Rs '000	2018 Rs '000	2019 Rs '000	2018 Rs '000
Not due 0 - 30 days	97,358	105,315	-	-	97,358	105,315
Past due:						
Past due 31 - 60 days	30,218	25,290	344	135	29,874	25,155
Past due 61 - 90 days	2,968	4,965	-	61	2,968	4,904
Past due 90 - 120 days	1,337	6,115	-	1,000	1,337	5,115
Past due 120 - 180 days	5,271	7,386	-	294	5,271	7,092
More than 180 days	5,734	6,435	5,734	6,435	-	-
Total	142,886	155,506	6,078	7,925	136,808	147,581

*Movement in the Impairment Allowance

Year ended 31 March	2019 Rs '000	2018 Rs '000
Balance at 1 April	7,925	2,565
Impairment recognised	(974)	5,360
Written-off	(873)	-
Balance at 31 March	6,078	7,925

NOTES TO THE FINANCIAL STATEMENTS

31. RISK MANAGEMENT (CONTD.)

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 2019	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	284,777	214,695	20,524	49,558
Interest-bearing borrowings	1,155,954	165,881	280,518	709,555
	1,440,731	380,576	301,042	759,113

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

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

Year ended 31 March 2019

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

Year ended 31 March 2018

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

NOTES TO THE FINANCIAL STATEMENTS

31. RISK MANAGEMENT (CONTD.)

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

Year ended 31 March 2019	Increase/(decrease) in market rate	Sensitivity effect on comprehensive income increase/(decrease) in results for the year Rs '000
	1%	(145)
	(1%)	145
Year ended 31 March 2018	Increase/(decrease) in market rate	Sensitivity effect on comprehensive income increase/(decrease) in results for the year 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

Subsequent to the year end, on 21 April 2019, the hotel was attacked by terrorists, which was amongst the series of attacks carried out throughout the country on the same day. Due to this two restaurants namely Harbour Court and The Grill were severely damaged. The hotel has already taken necessary steps to claim the insured loss arising from this incident and the hotel operations resumed with banquets from 24 April 2019 and accommodations and outlets later on.

There were no other material events occurring after the reporting date that require adjustments to or disclosure in the financial statements.

INFORMATION TO SHAREHOLDERS

Ordinary Shareholders as at 31.03.2019

No. of Shares Held	Residents			Non Residents			Total		
	No. of Shareholders	No. of Shareholders	%	No. of Shareholders	No. of Shareholders	%	No. of Shareholders	No. of Shareholders	%
1 - 1,000	2,459	834,787	0.35	16	7,093	0.00	2,475	841,880	0.35
1,001 - 10,000	1,068	3,993,164	1.65	15	57,970	0.02	1,083	4,051,134	1.67
10,001 - 100,000	243	7,556,907	3.12	6	187,500	0.08	249	7,744,407	3.20
100,001 - 1,000,000	36	8,868,156	3.67	1	102,110	0.04	37	8,970,266	3.71
Over 1,000,000	18	220,392,313	91.07	0	0	0.00	18	220,392,313	91.07
	3,824	241,645,327	99.86	38	354,673	0.14	3,862	242,000,000	100.00
Category									
Individuals	3,676	33,022,259	13.64	38	354,673	0.14	3,714	33,376,932	13.79
Institutions	148	208,623,068	86.22	0	0	0.00	148	208,623,068	86.21
	3,824	241,645,327	99.86	38	354,673	0.14	3,862	242,000,000	100.00

Percentage of Public Shareholding	39.17%
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Total No. of Shareholders Represent in the Public Holding	3,858
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Float Adjusted Market Capitalisation (Rs.)	1,213,329,920
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The Company complies with option 5 of the Listing Rules 7.13.1(a) which requires a minimum Public Holding of 20% for a Company having a float adjusted market capitalisation of less than Rs. 2.5Bn

INFORMATION TO SHAREHOLDERS

First Twenty Shareholders as at 31.03.2019 (Descending Order)

	Name of Shareholder	No. of Shares as at 31.03.2019	% of Holding	No. of Shares as at 31.03.2018	% of Holding
1	Hayleys PLC, Share Investment Account No. 03	87,307,057	36.08	112,307,057	46.41
2	Carbotels (Pvt) Ltd.	56,625,000	23.40	31,625,000	13.07
3	Employees Provident Fund	25,559,947	10.56	25,559,947	10.56
4	Bank of Ceylon, Ceybank Unit Trust Account	8,256,194	3.41	9,673,894	4.00
5	Bank of Ceylon, Account No. 02	7,833,500	3.24	7,833,500	3.24
6	Mr. G. Weeraratna	6,812,257	2.81	653	-
7	Mr. K. A. D. A. Perera	6,581,352	2.72	6,581,352	2.72
8	Mr. K. D. D. Perera	3,216,146	1.33	3,216,146	1.33
9	National Savings Bank	2,871,666	1.19	4,469,876	1.85
10	Renuka Hotels PLC	2,371,300	0.98	2,371,300	0.98
11	Renuka City Hotels PLC	2,260,300	0.93	2,260,300	0.93
12	Associated Electrical Corporation Ltd.	2,133,400	0.88	2,133,400	0.88
13	Merchant Bank of Sri Lanka & Finance PLC, Account No. 01	1,937,727	0.80	1,937,727	0.80
14	Renuka Consultants & Services Ltd.	1,835,100	0.76	1,835,100	0.76
15	Mr. K. D. H. Perera	1,453,567	0.60	1,453,567	0.60
16	People's Leasing & Finance PLC / Mr. L. P. Hapangama	1,227,700	0.51	1,227,700	0.51
17	Mr. A. P. Somasiri	1,100,000	0.45	1,100,000	0.45
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	1,000,000	0.41
20	Ellawala Exports (Pvt) Ltd.	825,000	0.34	825,000	0.34
		222,217,313	91.83	218,421,619	90.26

5 YEAR FINANCIAL SUMMARY AND KEY INDICATORS

	2018/19 Rs '000	%	2017/18 Rs '000	%	2016/17 Rs '000	%	2015/16 Rs '000	%	2014/15 Rs '000	%
Revenue										
Rooms	1,181,265	42	1,306,594	44	1,395,107	47	1,184,102	46	1,082,468	46
Food & Beverages	1,589,086	56	1,596,793	53	1,482,763	50	1,345,185	51	1,196,535	51
Other Operating Income	91,117	3	83,105	3	86,952	3	87,202	3	56,724	3
Total Revenue	2,861,468	100	2,986,492	100	2,964,822	100	2,616,489	100	2,335,727	100
Direct Cost										
Food & Beverage Cost	595,092	21	661,287	22	571,473	19	506,877	19	461,371	20
Cost of Sales	595,092	21	661,287	22	571,473	19	506,877	19	461,371	20
Gross Operating Profit	2,266,376	79	2,325,205	78	2,393,349	81	2,109,612	81	1,874,356	80
Expenses										
Administration & General	1,451,320	50	1,493,970	50	1,298,944	44	1,053,851	40	971,685	42
Advertising & Sales	106,304	4	98,966	3	98,314	3	97,795	4	63,496	3
Heat, Light & Power	129,569	4	167,567	6	145,732	5	137,972	5	146,257	6
Repairs & Maintenance	74,978	3	65,183	2	84,005	3	74,211	3	57,072	2
Operating Expenses	1,762,171	61	1,825,686	61	1,626,995	55	1,363,829	52	1,238,510	53
Operating Profit	504,205	18	499,519	17	766,354	26	745,783	29	635,846	27
Other Income and Expenses	(28,985)	(1)	12,541	-	(4,503)	-	2,919	-	5,559	-
De-recognition of Property, Plant and Equipment	-	-	-	-	-	-	-	-	(9,369)	-
	475,220	17	512,060	17	761,851	26	748,702	29	632,036	27
Net Finance Expenses	56,977	2	81,148	3	113,724	4	169,889	6	129,594	6
Depreciation	245,455	9	242,983	8	223,110	8	220,952	8	202,321	9
	302,432	11	324,131	11	336,834	11	390,841	14	331,915	15
Profit Before Tax	172,788	6	187,929	6	425,016	15	357,861	15	300,121	12
Income Tax Expenses	(72,011)	(3)	(48,775)	(2)	(44,670)	(2)	(64,493)	(2)	(8,698)	-
Net Profit After Tax	100,777	3	139,154	4	380,346	13	293,368	13	291,423	12
Net Loss on Cash Flow Hedges	(59,573)	(2)	-	-	-	-	-	-	-	-
Re-measurement Loss on Defined Benefit Plans	(5,234)	-	(873)	-	(4,508)	-	(6,102)	-	(2,117)	-
Income Tax Effect on Defined Benefit Plans	733	-	122	-	541	-	732	-	254	-
Other Comprehensive Income for the Year, Net of Tax	(64,074)	(2)	(750)	-	(3,967)	-	(5,370)	-	(1,864)	-
Total Comprehensive Income for the Year, Net of Tax	36,703	1	138,404	4	376,379	13	287,998	13	289,560	12

5 YEAR FINANCIAL SUMMARY AND KEY INDICATORS

	2018/19 Rs '000	2017/18 Rs '000	2016/17 Rs '000	2015/16 Rs '000	2014/15 Rs '000
OPERATING RESULTS					
Total Revenue	2,861,469	2,986,492	2,964,822	2,616,489	2,335,727
Sales Growth %	(4.19)	0.73	13.31	12.02	8.98
Operating Profit	504,206	499,519	766,354	745,783	635,846
Net Profit Before Tax	172,789	187,929	425,016	357,861	300,121
Net Finance Expenses	56,977	81,148	113,724	169,889	129,594
Depreciation	245,455	242,983	223,110	220,952	202,321
CAPITAL EMPLOYED					
Stated Capital	836,000	836,000	836,000	836,000	836,000
Revaluation & Other Reserves	826,093	904,808	940,907	905,830	930,576
Retained Earnings	911,606	793,072	613,646	440,154	196,636
Shareholder's Fund	2,573,699	2,533,880	2,390,553	2,181,984	1,963,212
ASSETS EMPLOYED					
Non Current Assets	3,707,796	3,919,825	3,886,407	3,815,582	3,861,454
Net Current Assets	(247,606)	(592,909)	(307,426)	(88,412)	(69,219)
	3,460,190	3,326,916	3,578,981	3,727,170	3,792,234
LIABILITIES EMPLOYED					
Long Term Liabilities	615,636	561,291	981,620	1,380,819	1,723,584
Deferred Liabilities	270,855	231,745	206,808	164,367	105,439
	2,573,699	2,533,880	2,390,553	2,181,984	1,963,212
KEY INDICATORS					
Current Ratio	0.71	0.51	0.73	0.90	0.91
Net Assets Per Share	10.64	10.47	9.88	9.02	8.11
Market Price Per Share	12.80	18.00	15.50	15.00	16.00
Earnings Per Share	0.42	0.58	1.57	1.21	1.20

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Fiftieth 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 21st June 2019 at 3.00 p.m. and the business to be brought before the meeting will be:

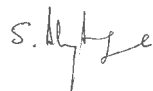
AGENDA

- 1) To consider and adopt the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March 2019, with the Report of the Auditors thereon.
- 2) To elect Mr. D. J. De Cruz who has been appointed as a Director by the Board since the last Annual General Meeting.
- 3) To elect Mr. R. J. Karunarajah as a Director, with effect from 1st June 2019 as recommended by the Board.
- 4) To re-elect Mr. L. N. De S. Wijeyeratne, who retires by rotation at the Annual General Meeting, a Director.
- 5) To re-elect Mr. Dhammika Perera, who retires by rotation at the Annual General Meeting, a Director.
- 6) To re-elect Ms. R. N. Ponnambalam, who retires by rotation at the Annual General Meeting, a Director.
- 7) To authorise the Directors to determine contributions to Charities for the financial year 2019/20.
- 8) To authorise the Directors to determine the remuneration of the Auditors, Messrs. Ernst & Young, Chartered Accountants, who are deemed to have been reappointed as Auditors in terms of Section 158 of the Companies Act No. 07 of 2007 for the financial year 2019/20.
- 9) To consider any other business of which due notice has been given.

NOTE:

A Shareholder is entitled to appoint a proxy to attend and vote instead of himself/herself and a proxy need not be a shareholder of the Company. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited with Hayleys Group Services (Pvt) Ltd, Secretaries, No. 400, Deans Road, Colombo 10, Sri Lanka, by 3.00pm on 19th June 2019.

By Order of the Board
THE KINGSBURY PLC



Hayleys Group Services (Private) Limited
Secretaries
Colombo

24th May 2019

NOTES

[illegible]

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,*

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 Fiftieth Annual General Meeting of the Company to be held on 21st June 2019 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 2019 together with the Report of the Auditors thereon	<input type="checkbox"/>	<input type="checkbox"/>
2. To elect, Mr. D. J. De Cruz who has been appointed as a Director by the Board since the last Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>
3. To elect, Mr. R. J. Karunarajah as a Director with effect from 1st June 2019 as recommended by the Board.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Mr. L. N. De S. Wijeyeratne, who retires by rotation at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect, Mr. Dhammika Perera who retires by rotation at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-elect, Ms. R. N. Ponnambalam who retires by rotation at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
7. To authorise the Directors to determine contributions to charities for the financial year 2019/20.	<input type="checkbox"/>	<input type="checkbox"/>
8. To authorise Directors to determine the remuneration of the Auditors, Messrs. Ernst & Young, Chartered Accountants, who are deemed to have been re-appointed as Auditors in terms of Section 158 of the Companies Act No. 07 of 2007 for the financial year 2019/20.	<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 2019.

.....
Signature of Shareholder

Witness Signature :

Name :

Address :

NIC No. :

FORM OF PROXY

Notes:

- (a) * Please delete the inappropriate words.
- (b) A shareholder entitled to attend and vote at the Annual General meeting of the Company, is entitled to appoint a proxy to attend and vote instead of him/her and the proxy need not be a shareholder of the Company.

** Full name of shareholder/proxy holder and their NIC No's and Witness are mandatory. Your Proxy Form will be rejected if these details are not completed.
- (c) A shareholder is not entitled to appoint more than one proxy to attend on the same occasion.
- (d) Instructions are noted below.
- (e) This Form of Proxy is in terms of the Articles of Association of the Company.

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 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

D. J. De Cruz
- Appointed w.e.f. 10.10.2018

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.

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