Annual Report

31st March 2015

86th Annual General Meeting

THE KANDY HOTELS CO. (1938) PLC

A Member of Galle Face Group


Queen's

Contents

OZO Kandy

Chairman's Review

The Kandy Hotels Company (1938) PLC
Hotel Suisse
No. 30, Sangaraja Mawatha,
Kandy

Annual Report
For the year ended 31st March 2015

I am pleased to welcome you to the 86th Annual General Meeting of Kandy Hotels Co. (1938) PLC.

WORLD TOURISM

The number of international tourists reached a new record total of 1,135 million in 2014 compared to 1,087 Million in 2013.

This was achieved in spite of the global economic crisis and the many challenges such as escalating tensions and terrorism in several regions including the Middle East, Russia and the African Continent, the Ebola scare in West Africa and several aviation disasters.

International tourism revenue once again exceeded the annual growth forecast of 3.8% of United National World Tourism Organizations (UNWTO). Revenue increased to 1.5 Trillion USD as against 1.4 trillion USD in 2013.

TOURISM INDUSTRY IN SRI LANKA

The Sri Lanka Tourism Industry continued to show an upward surge with a growth in arrivals of 1,527,153 in 2014 compared to 1,274,598 arrivals in 2013 an increase of 19.81%.

This resulted in the Tourism Sector contribution being increased to Rs. 3.18 billion in 2014 from Rs. 2.21 billion in 2013, an increase of 43.69%.

We are pleased to note that the Government will continue with the highways being constructed leading to Kandy with access to both Katunayake and Southern Expressways.

The development of Tourism in Kandy will be boosted when this project is completed.

OZO HOTEL – OUR JOINT VENTURE HOTEL INVESTMENT

Suisse Hotel Kandy (Pvt) Ltd was incorporated as a Joint Venture Company, specifically to build the OZO Hotel Kandy.

Directors are M/s Sanjeev Gardiner (Jt. Chairman), Harsha Amarasekera, Kamantha Amarasekera, Lakshman Samarasinghe and Priyantha Maddumage (representing Galle Face Hotel Group) and Bhagwan (Bob) W. Kundanmal (Jt. Chairman) Stefan Furkhan, Mohandas I Bhojwani and Lilaram B Rajan representing Sino Lanka Hotels (Pvt) Ltd.

The OZO Hotel in Kandy was ceremoniously opened on Saturday 16th May 2015, after a soft opening on the 01st of May.

Everybody who visited the Hotel and occupied the rooms were highly impressed with the facilities including OZO Suites 5, Dream Lake Rooms 39, Dream Rooms 22 and Sleep Rooms 56, Rooftop Pool & Lounge Bar, Fitness Centre, Free Wifi, Restaurant for 160 covers and Lounge in the Lobby area.

PERFORMANCE REVIEW

The combined turnover of both Queen's and Suisse Hotel was Rs. 598.4 million which is Rs.40.5 million (7.27%) more than the previous year.

Group Earnings before Interest, Depreciation, Tax and Amortization (EBIDTA) grew by 15.4 million (6.49%) to Rs. 255.87 million (2013/14 - Rs. 240.4).

Resultant profit after tax (PAT) for the company increased 16.7 mill (10.4%) to 177.7 million.

Group profit after tax (NPAT) at 153.4 million was 8.1 million (5.5%) greater than last year.

This result reflects the increase in loss resultant from Suisse Hotel Kandy (Pvt) (OZO Kandy) which was in preopening phase during this period amounting to Rs. 22.4 million in 2015 and Rs, 15.6 million 2014.

We expect the 2015/16 period to record a positive contribution from this JV.

Hotel Suisse had a turnover of Rs. 319 million (2013/14) Rs. 306 million while Queen's Hotel had a turnover of

Rs. 279 million compared to Rs. 252 million last year, an increase of 4.24% and 10.94% respectively.

The above figures were achieved despite new Hotels or additions to existing Hotels and Banquet Halls.

APPRECIATION

I wish to extend my appreciation to my Colleagues on the Board for their guidance and co-operation. I also take this opportunity to thank our Regional General Manager, Mr Ranjan Peiris, who joined the Company in 2007 when Queen's had 27 saleable rooms and Hotel Suisse had 40 saleable rooms. Mr Peiris under the guidance of Galle Face Hotel Management, showed a lot of commitment to increase the saleable rooms to 80 and 90 rooms respectively.

I also thank our Group's Chief Operating Officer Mr Tony Fleming for his valuable service, and the executive and general staff for their contributions.

I also wish to record our gratitude to our loyal Clientele, our Business Partners, Travel Agents, Bankers, Auditors and Secretaries for their continued endeavors.

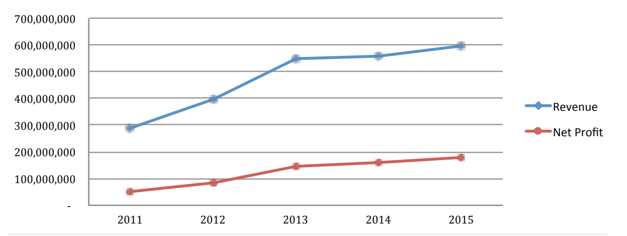
Finally a special word of thanks goes to our Shareholders for being very supportive and for their continued trust and confidence placed in the Board.

Sanjeev Gardiner
Chairman

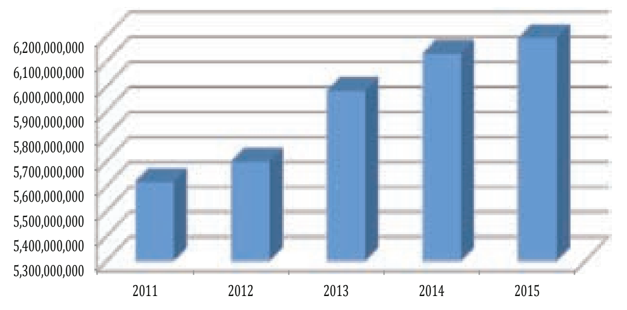
OZO Kandy

	31st March 2015 Rs.		31st March 2014 Rs.		31st March 2013 Rs.		31st March 2012 Rs.	31st March 2011 Rs.
	GROUP	COMPANY	GROUP	COMPANY	GROUP	COMPANY	COMPANY	COMPANY
TRADING RESULTS								
TURNOVER	598,443,491	598,443,491	557,888,862	557,888,862	548,275,881	548,275,881	396,309,897	287,577,355
EBITDA	255,877,339	257,690,057	240,288,834	240,410,645	219,758,743	220,018,215	149,618,746	90,625,481
PROFIT/(LOSS) BEFORE TAX	187,139,670	211,393,148	168,243,705	183,944,828	160,517,594	164,721,237	96,326,756	40,483,121
TAXATION	(33,690,400)	(33,690,400)	(22,975,983)	(22,975,983)	(21,623,063)	(21,623,063)	(12,816,511)	8,037,393
NET PROFIT/(LOSS) FOR THE YEAR	153,449,270	177,702,748	145,267,722	160,968,845	138,894,531	143,098,174	83,510,246	48,520,514
LIQUIDITY RATIOS								
CURRENT RATIO	4.18	4.27	6.05	7.95	4.30	6.10	3.92	1.73
GEARING RATIO	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.15%
INVESTOR RATIOS								
EARNINGS PER ORDINARY SHARE (RS.)	0.27	-	0.25	-	0.24	0.25	0.14	2.94
NET ASSETS PER ORDINARY SHARE (RS.)	10.65	10.72	10.58	10.62	10.35	10.36	9.87	340.42
DIVIDEND PER SHARE	-	0.20	-	0.02	0.015	0.015	0.005	-

Revenue and Profit



Shareholder's Funds



Revenue Contribution - Hotel Suisse and Queen's Hotel

MR SANJEEV GARDINER (CHAIRMAN)

Mr Gardiner who was Co-opted to the Board of Kandy Hotels in Sept 2005, is the Group Chairman and Chief Executive Officer of the Galle Face Hotel Group and counts over 26 years of management experience in a diverse array of business . He is also the Chairman of Ceylon Hotels Holdings (Pvt) Ltd. (holding company of Ceylon Hotels Corporation Plc) United Hotels (Pvt) Ltd and Co-Chairman of Suisse Hotels Kandy (Pvt) Ltd.Owner of the joint venture Hotel OZO. He is the Senior Director of the Ceylon Hotels Corporation PLC (since 1996). He is a Director of many public quoted and unquoted companies including Cargills (Ceylon) Plc (since 1994). He holds a Bachelor of Business Degree from the Royal Melbourne Institute of Technology and a Bachelor of Business Degree (Banking & Finance) from Monash University, Australia. He is a Director and Council member of Helpage Sri Lanka and a member of many prestigious associations. He is the President – elect of the elite Young Presidents Organisation.

MR CHARITHA RATWATTE

Mr Ratwatte who was Co-opted to the Board of Kandy Hotels in May 2002 is an Attorney – at – Law of the Supreme Court of Sri Lanka. He had over 20 years experience in Government Service holding many high offices including that of Secretary to Ministry of Finance & Secretary to the Treasury, Secretary to Ministries of Policy Development & Implementation, Youth Affairs & Employment, Manpower Mobilization, Reconstruction, Rehabilitation & Social Welfare. He is also a Director of many organizations and is the Chairman & Managing Director of Sri Lanka Business Development Centre. His International experience covers a wide spectrum, including world assembly of Youth (Vice President) Asian Youth Council (Vice President) Consultants US AID, World Bank chief of Mission to Mongolia 1995 etc.,

MR LAKSHMAN SAMARASINGHE

Mr Samarasinghe who was Co-opted to the Board of Kandy Hotels in Sept 2005 has been a Director of Galle Face Hotel Co Ltd for over 37 years and a Director of all Group Companies for over 3 decades. He was appointed as an Executive Director of Autodrome Ltd which is a quoted Company in 1973 (for 20 years) and thereafter continued as a non Executive Director until 2007 when he opted to retire under the Stock Exchange rules. He was appointed the Chairman of Ceylon Hotels Corporation Plc in July 2005 and continues in that capacity for 10 consecutive years. He holds a Diploma in Commerce and counts over 45 years of Management experience.

MR NAHIL WIJESURIYA

Mr Wijesuriya who was Co-opted to the Board of Kandy Hotels in May 2002 is the Founder Chairman of East-West Group of Companies. A Marine Engineer by profession he has successfully speculated in the London and Singapore Property Markets and now is a Citizen of Singapore.

MR PRIYANTHA MADDUMAGE

Mr Maddumage who was Co-opted to the Boards of Ceylon Hotels Corporation PLC and Kandy Hotels Co (1938) Ltd in Sept 2005 is the Group Financial Controller of the Galle Face Hotel Group of Companies and counts over 22 years of Finance Management experience. He is also a Director of all subsidiary Companies of CHC. He has a Bachelor of Commerce Special Degree from the University of Sri Jayawardenapura and a Master of Business Management from Edith Cowan University in Australia. He is an Associate member of the Institute of Chartered Accountants of Sri Lanka, an Associate member of The National Institute of Accountants of Australia & Associate Member of CPA Australia, Associate Member of the Institute of Certified Management Accountants of Sri Lanka & Fellow member of Institute of Certified Professional Managers of Sri Lanka.

MR PRADEEP NILANGA DELA

Mr Nilanga Dela who was Co-opted to the Board of Kandy Hotels in July 2006 is the Diyawadana Nilame of Sri Dalada Maligawa.

MR CHANDRA MOHOTTI

Mr Mohotti was Co-opted to the Board of Kandy Hotels in Sept 2004. Having received extensive training in the Southern Cross Inter-Continental Hotel in Australia, he joined the Inter – Continental Hotel (First 5 star Hotel in Colombo) in 1973, and held many Senior Management positions with this chain till 1983. During this period he had exposure in various countries in different Hotel disciplines. He then joined the Meridien International chain and again held various Senior Management positions in Sri Lanka and abroad and was the Executive Assistant Manager when he joined Marriott International Corporation at the opening of the Marriot in Colombo as its Resident Manager. Subsequently he was the first General Manager of the 500 roomed Galadari Hotel for a period of 10 years and has management experience for over 39 years.

MR LAKSHMAN SIRIMANNE

Mr Sirimanne was Co-opted to the Board of Kandy Hotels in Sept 2011 and possesses extensive experience at Senior Management level in the Corporate Sector having served at Ceylon Tobacco Co Ltd for over 26 years and thereafter on the Main Board at East West Properties Plc and its subsidiaries for over 10 years. He holds a Diploma in Mechanical and Chemical Engineering from the University of Moratuwa and an external degree in Management Science from the Institute of Management Science, Middlesex UK. He was also nominated to the Board of The Autodrome Plc in 2007.

MR RANJITH GUNATILEKE

Mr Gunatileke was Co-opted to the Board of Kandy Hotels in November 2011. He possesses extensive experience at Senior Management level in the Corporate Sector having served as a Lecturer in Project Management, in Sri Lanka Institute of Architecture and thereafter as Chief Engineer of Mitsui Construction (Colombo branch) from 1979 to 2003. He is presently Chairman/General Manager of Sanken Lanka (Pvt) Ltd. He holds the position of Chairman of Major & Specialist Constructors, National Construction Association of Sri Lanka and serves as a Director of Advance Construction Training Academy.

He is a Graduate of Faculty of Engineering, University of Peradeniya, in Civil Engineering and achieved the professional status in 1979. He is also a Member of the Institute of Civil Engineers, United Kingdom since 1979.

The Directors are pleased to submit their report together with the Audited Accounts for the Company and the Group, for the year ended 31st March 2015, to be presented at the Eighty Sixth Annual General Meeting of the Company.

Review of the Year

Chairman's review on pages 3 & 4 describes the Company's affairs and mentions important events that occurred during the year, and up to the date of this report. The Financial Review on page 5 elaborates the financial results of the Company. These reports together with the audited financial statements reflect the state of the affairs of the Company.

Principal Activities / Core Business

The principle activities of the Company is the Hospitality Trade. The Company owns Queen's Hotel and Hotel Suisse in Kandy, managed by the Galle Face Hotel Group and 50% of OZO Hotel Kandy.

Financial Statements

The financial statements prepared in compliance with the requirements of Section 151 of the Companies Act No 7 of 2007 are given on pages 18 to 58 in this annual report.

Independent Auditor's Report

The Auditor's Report on the financial statements is given on page 17 in this report.

Accounting Policies

The Accounting Policies adopted in preparation of the financial statements is given on pages 23 to 39 There were no changes in Accounting Policies adopted by the Company during the year under review.

Financial Results / Profit and Appropriations

The company made a profit of Rs. 177,566,630 for the year ended 31.03.2015 after charging depreciation of Rs. 59,018,364 and income tax of Rs. 33,690,400 details of which are given in Chairman's statement and setout in notes to the financial statements.

Property, Plant & Equipment

During the year under review the Company invested a sum of Rs. 71,592,255 (2014 – Rs 24,708,432) in property, plant & equipment of which Rs 6,872,681 is in plant & machinery, Rs 3,849,487 is in Computer and other equipment, Rs. 2,723,859 is in freehold buildings, Rs. 290,738 is in airconditioners Rs. 38,191,761 is in generator, Rs. 16,601,778 is in sewerage plant and Rs. 3,061,951 is in Furniture and fixtures.

Information relating to movement in Property, Plant & Equipment during the year is disclosed under Note 13 to the financial statements.

Market Value of Freehold Land

The freehold land classified as Investment Properties of the Company, is revalued on a routine basis by an independent qualified valuer. The most recent revaluation was carried out as at 31st March 2013. The details of the revaluation are given is the Note 13.4 to the financial statements on page 45 in this report.

Investments

Details of long-term Investments held by the Company are given in Notes 15 & 16 to the financial statements on page 47.

Directors' Responsibilities

The Statement of the Directors' Responsibilities is given on page 11 of this report.

Corporate Governance

The Company has compiled with the corporate governance rules laid down under the listing rules of the Colombo Stock Exchange, and is given on pages 11 to 12.

Dividend

The Directors recommend the payment of a dividend of Rs. 0.20 per share for the financial year ended 31st March 2015.

Reserves
The Reserves and Accumulated Profits as at 31st March 2015 amount to Rs. 6,192,269,457 (before the proposed final dividend) vs Rs. 6,130,240,327 as at 31st March 2014. The breakup and the movement are shown in the Statement of Changes in Equity in the financial statements.

Stated Capital
As per the terms of the Companies Act No. 7 of 2007, the stated capital of the Company was Rs. 16,750,000/- as at 31st March 2015 and was unchanged during the year. The details are given in Note 22 to the financial statements on page 51.

Post Balance Sheet Events
There were no material events occurring after the Balance Sheet date that require adjustments, or disclosure which require adjustment in the financial statements other than those mentioned in Note 32 to the Financial Statements.

Statutory Payments
The declaration relating to Statutory Payments is made in the Statement of Directors' Responsibilities on page 13.

Interests Register
Details of the transactions with Director-related entities are disclosed in Note 20 to the financial statements on page 49, and have been declared at the Board meeting, pursuant to Section 192 (2) of the Companies Act No. 7 of 2007.

BOARD COMMITTEES

Audit Committee
The Audit committee which comprises of Messrs Kamantha Amarasekera (Committee Chairman), Kuvera De Zoysa and Mangala Boyagoda are all Non Executive Independent Directors of the holding company Ceylon Hotels Corporation PLC.

The report of the Audit Committee on page 16 set out the manner of compliance by the Company in accordance with the requirements of the Rule 7.10.6 (c) of the Rules of the Colombo Stock Exchange on Corporate Governance.

Remuneration Committee
Following are the names of the Directors comprising the Remuneration Committee of the Board

1. Mr. Kuvera De Zoysa (Chairman)
   (Non Executive Independent Director of Holding Company)
2. Mr Mangala Boyagoda
   (Non Executive Independent Director of Holding Company)
3. Mr. Charitha Ratwatte
   (Non Executive Independent Director)

The report of the Remuneration committee on page 12 contain a statement of the remuneration policy. None of the Directors (Executive or Non Executive) drew any remuneration or fees during the financial year and since 2005.

Share Information and Substantial Share holdings
The distribution of share holding market value of shares and Twenty largest Shareholders are given in pages 60 to 63.

The earnings per share, dividends per share, net assets per share are given in Financial Highlights on page 5 of this Annual Report.

Directors
The Directors of the Company as at 31st March 2015 and their brief profiles are given on pages 6 & 7 in this report.

In terms of Section 91 of the Articles of Association of the Company, Mr. Ranjith Gunatilleke retire by rotation and being eligible had offered himself for re-election.

Directors' Shareholding

The interest of the Directors in the shares of the Company as at 31st March were as follows;

No. of Ordinary Shares	As at 31.03.2015	As at 31.03.2014
Mr. Sanjeev Gardiner	87,500	87,500
Mr. J. C. Ratwatte	175,000	175,000
Mr. Lakshman Samarasinghe	5,500	5,500
Mr.C.L.Sirimanne	3,500	3,500

No. of Preference Shares	As at 31.03.2015	As at 31.03.2014
Mr. Sanjeev Gardiner	9,500	9,500

Independence of Directors

In accordance with Rule 7.10.2 of Colombo Stock Exchange Rules on Corporate Governance ('CSECG Rules'), Mr Charitha Ratwatte, Mr Nahil Wijesuriya, Mr. Pradeep Nilanga Dela and Mr Ranjith Gunathilake who are Non-Executive Directors of the Company, have submitted a signed and dated declaration to the Board of their Independence.

Donations

During the year, donations amounting to Rs. 1,334,113 (2014 – Rs. 2,329,424) were made by the Company.

Auditors

The resolutions to appoint the present Auditors, Messrs. Ernst & Young Chartered Accountants, who have expressed their willingness to continue in office, will be proposed at the Annual General Meeting.

The Audit and non-audit fees paid to the auditors is disclosed in the Note 7 on page 40 in this Annual Report.

As far as the Directors are aware, the Auditors do not have any relationship on interest in the Company.

The Audit committee reviews the appointment of the Auditor, its effectiveness and its relationship with the Company including the level of audit and non-audit fees paid to the Auditor. Details on the work on the Audit Committee are set out in the Audit Committee Report.

Notice of Meeting

The Annual General Meeting will be held at Hotel Suisse, No. 30, Sangaraja Mawatha, Kandy on 24th September 2015 at 11.00 a.m.

The Notice of the Annual General Meeting appears on page 65.

For and on behalf of the Board.

(Sgd.)
Lakshman Samarasinghe
Director

(Sgd)
Priyantha Maddumage
Director

(Sgd)
Managers & Secretaries (Pvt) Ltd)
Secretaries

The Kandy Hotels Co. (1938) PLC.
30th July 2015
Colombo

Corporate Governance deals with the systems by which companies are led, directed and controlled, the role of the Board of Directors, the frame-work of internal controls and relationships between the Board of Directors, Shareholders and Auditors.

The platform on which Corporate Governance principals are structured in Sri Lanka is that the Board of Directors is responsible for the proper Governance of the Company. In that context, the Board of Directors of Kandy Hotels Co (1938) PLC, have recognized that their responsibilities include the setting out of the Company's strategic aims, providing the necessary leadership to implement such aims, supervising the management of the business and reporting to the shareholders on their stewardship. Therefore, they strive to discharge such duties collectively.

The shareholders responsibilities cover the re-election and appointment of Directors and Auditors and satisfying themselves that the appropriate Governance structures are in place.

The Board of Directors

The Board of Directors of Kandy Hotels Co (1938) PLC takes responsibility for good corporate Governance of the Company together with Group Executive Committee (GEC) of Galle Face Hotel Management Co (Pvt.) Ltd. The Board and the GEC set out the Company's strategic focus, and oversees business and connected affairs of the Company and it also formulates the strategic objectives and policy frame work for the Company.

Board composition and Director's Independence as at 31st March 2015

Name of the Director	Type	Shareholding
Sanjeev Gardiner	Chairman	Yes
Lakshman Samarasinghe	Executive Director	Yes
Priyantha Maddumage	Executive Director	No
Charitha Ratwatte	Independent Non-executive Director	Yes
Chandra Mohotti	Non-Executive Director	No
Nahil Wijesuriya	Independent Non-executive Director	No
Pradeep Nilanga Dela	Independent Non-executive Director	No
Lakshman Sirimanne	Executive Director	Yes
Ranjith Gunatileke	Independent Non-executive Director	No

Directors Responsibility for the Preparation of the Financial Statements

The Board of Directors accepts the responsibility for the preparation of the financial statements, maintaining adequate records for safeguarding the assets of the Company, and preventing and detecting fraud and/or other irregularities. The Board of Directors also confirm that the applicable Sri Lanka Accounting Standards have been adhered to, subject to any material departures being disclosed and explained in the Notes to the Financial Statements.

The Board of Directors further confirm that suitable accounting policies consistency applied and supported by reasonable and prudent judgment and estimates, have been applied in the preparation of the financial statements.

Compliance regarding Payments

The Board of Directors confirm that all known statutory payments have been paid up to date and all retirement gratuities have been provided for in the financial statements. At the same time, all management fees and payments made to related parties have been reflected in the financial statements.

Internal Control

The Board is responsible for ensuring that the Company has adequate and effective internal controls in place.

Stakeholders

The Board is conscious of its relationship with all stakeholders including the community within which it operates with sustainable and eco-friendly practices. The hotels enhance and uplift staff standards and morale through regular training and improved facilities. This facilitates improvements in service levels, thereby enriching guest experience. Satisfied guests, apart from providing repeat business, also act as ambassadors for the hotels.

Going Concern

The Board of Directors is satisfied that the Company is a going concern and has adequate resources to continue in business for the foreseeable future. For this reason, the Company follows the "going concern" basis when preparing financial statements.

REMUNERATION COMMITTEE

Following are the names of the Directors comprising the Remuneration Committee :

1)	Mr Kuvera de Zoysa (Chairman)	Non Executive Independent Directors of Holding Company
2)	Mr Mangala Boyagoda	
3)	Mr Charitha Ratwatte	- Non-Executive/Independent Director

REPORT OF THE REMUNERATION COMMITTEE

The purpose of the Remuneration Committee is to ensure that remuneration for the staff of the two hotels is commensurate with their skills and expertise and also on par with industry standards. The Chairman, Executive Directors, Group Chief Operating Officer and the Regional General Manager of Queen's & Suisse attend meetings by invitation and provide information to the Committee to assist the Committee on the deliberations and decision making.

The main objective of the remuneration package is designed to retain Quality Managerial Staff and reward those who are performing well. The Chairman and Executive Directors, the Chief Operating Officer and the General Manager attend the meetings by invitation and provide information to the committee and participate in the deliberations.

(sgd)

Kuvera de Zoysa
Chairman – Remuneration Committee
30th July 2015

STATEMENT OF DIRECTOR'S RESPONSIBILITIES FOR PREPARING THE FINANCIAL STATEMENTS

The Board of Directors is responsible for preparing and presenting the financial statements, which are set out on pages 16 to 58.

As per the provisions of the Companies Act, No. 7 of 2007 the Directors are required 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.

In preparing the financial statements, the Directors have selected appropriate accounting polices and applied them in a consistent manner. Such policies are supported by reasonable and prudent judgment and all applicable Accounting Standards have been followed.

The Directors are also confident that the Company has adequate resources to continue in operation and have applied the going concern basis in preparing these Financial Statements. Further, the Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose, with reasonable accuracy the financial position of the Company and to ensure that the financial statements presented comply with the requirements of the Companies Act, No. 7 of 2007.

The Directors have taken reasonable steps to safeguard the assets of the Company and established appropriate internal control systems with a view to preventing and for the detection of fraud and other irregularities.

The Directors are confident that they have discharged their responsibility as set out in this statement. They also confirm that to the best of their knowledge all statutory payments payable by the Company as at the balance sheet date have been paid or where relevant, provided for.

Managers & Secretaries (Pvt) Ltd.
Secretaries
No. 08, Tickell Road,
Colombo 08.

30th July 2015

POSON DANSALA 2015

Queens Hotel & Suisse Hotel held the yearly Dansala at the Mahamaluwa of Sri Dalada Maligawa on the Poson Poya day for the 8th consecutive year where over Twenty five thousand lunch packets were distributed to the devotees present. It was done with the participation of the executive directors, entire staff of the company and with the help of the Army and Police.

The Chairman Mr Sanjeev Gardiner and the Board of Directors and the Management headed by Mr Ranjan Peiris thank the Diyawadana Nilame Pradeep Nilanga Dela for allowing the Dansala to be held at the Mahamaluwa. They also sincerely thank Governor Hon. Mrs. Surangani Ellawala, Chief Minister of Central Province Mr. Sarath Ekanayake, His Lordship the Mayor Mr. Mahendra Ratwatte, Government Agent Mr. H. M. P. Hitisekera, Former Governor Mr. Tikiri Kobbekaduwa, Deputy Mayor Mr. Sena Dissanayake, Municipal Commissioner Mr. Chandana Thennakoon, Director Environmental Authority Mr. K. G. T. N. Kiriella, Deputy Indian High Commissioner, Senior DIG Kandy, DIG Kandy, Senior Army Officers including Commanding Officer ISLRC Lt. Col. Jagoda who sent 100 officers to help the project and other dignatories who grace the occasion.

Financial Reports

REPORT OF THE AUDIT COMMITTEE

The Audit Committee comprises the following Holding Company Non-Executive independent Directors namely Messrs Kamantha Amarasekera (Chairman), Kuvera de Zoysa and Mangala Boyagoda.

During the Financial Year 2014/15 the Committee met on four occasions to review the interim financial statements and the year end financial statements and recommend them to the Board for approval prior to these statements being released to the Stock Exchange. The Audit Committee invites the Executive Directors, Group General Manager, Group Finance Director, the Regional General Manager and Financial Controller when required to attend these meetings. This enables issues (including Internal Audit Reports) to be discussed and rectifying measures agreed on expeditiously. The Groups Chief Operating Officer is also invited and when necessary the Regional Manager in Charge of the two hotels where relevant to the deliberations and decision making.

The Audit Committee has recommended that Ernst & Young be re-appointed auditors for the ensuing financial year, subject to approval of shareholders.

(Sgd)
Kamantha Amarasekera
Chairman – Audit Committee
30th July 2015

Ernst & Young
Chartered Accountants
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BW/DIG/TRK

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF THE KANDY HOTELS COMPANY (1938) PLC

Report on the Financial Statements
We have audited the accompanying financial statements of The Kandy Hotels Company (1938) PLC, ("the Company"), and the consolidated financial statements of the Company and its subsidiaries ("Group"), which comprise the statement of financial position as at 31 March 2015, and the statements of comprehensive Income, statement of changes in equity and, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board's Responsibility for the Financial Statements
The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

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

a) The basis of opinion and scope and limitations of the audit are as stated above.

b) In our opinion:
- we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

- the financial statements of the Company give a true and fair view of its financial position as at 31 March 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards, and

- the financial statements of the Company and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.

Ernst + Young

30 July 2015
Kandy

For the year ended 31 March	Note	Group 2015 Rs.	Group 2014 Rs.	Company 2015 Rs.	Company 2014 Rs.
Revenue	3	**598,443,491**	557,888,862	**598,443,491**	557,888,862
Cost of sales		**(184,285,017)**	(179,224,332)	**(184,285,017)**	(179,224,332)
Gross profit		**414,158,474**	378,664,530	**414,158,474**	378,664,531
Other operating income	4	**1,487,824**	2,245,788	**1,487,824**	2,245,788
Administrative expenses		**(190,853,851)**	(177,373,092)	**(189,041,133)**	(177,251,281)
Selling and distribution expenses		**(28,693,471)**	(20,403,989)	**(28,693,471)**	(20,403,989)
Results from operating activities		**196,098,975**	183,133,238	**197,911,693**	183,255,049
Finance expenses	5	**(8,398)**	(259,831)	**-**	(259,672)
Finance income	6	**13,481,454**	949,451	**13,481,454**	949,451
Net finance cost		**13,473,056**	689,620	**13,481,454**	689,779
Share of loss of joint venture	16	**(22,432,362)**	**(15,579,153)**	**-**	-
Profit before tax	7	**187,139,670**	168,243,705	**211,393,148**	183,944,828
Tax expense	8	**(33,690,400)**	(22,975,983)	**(33,690,400)**	(22,975,983)
Profit for the year		**153,449,269**	145,267,722	**177,702,747**	160,968,845
Other comprehensive income					
Other comprehensive income not to be reclassified to profit or loss in subsequent period (net of tax):					
Actuarial gains and losses on defined benefit plans		**(147,252)**	(616,519)	**(147,252)**	(616,519)
Income tax on other comprehensive income		**11,135**	64,511	**11,135**	64,511
Other comprehensive income for the year, net of tax		**(136,117)**	(552,008)	**(136,117)**	(552,008)
Total comprehensive income for the year, net of tax		**153,313,152**	144,715,714	**177,566,630**	160,416,837
Earnings per share	9	**0.27**	0.25	**-**	-
Dividend per share	10	**-**	-	**0.20**	0.02

The accounting policies and notes as set out in pages 23 to 58 form an integral part of these financial statements.

As at 31 March		Group		Company	
		2015	2014	**2015**	2014
	Note	**Rs.**	Rs.	**Rs.**	Rs.
ASSETS					
Non-current assets					
Property, plant and equipment	13	**5,800,899,327**	5,811,738,605	**5,800,899,327**	5,811,738,605
Intangible assets	14	**1,520,000**	2,280,000	**1,520,000**	2,280,000
Investment in subsidiary	15	**-**	-	**345,217,600**	100
Investment in joint venture	16	**308,393,925**	132,506,677	**-**	-
		6,110,813,252	5,946,525,282	**6,147,636,927**	5,814,018,705
Current assets					
Inventories	17	**25,695,271**	24,006,943	**25,695,271**	24,006,943
Trade and other receivables	18	**72,953,481**	87,754,106	**72,953,481**	87,754,106
Advances and prepayments	19	**8,194,182**	7,833,423	**8,194,182**	7,833,423
Amounts due from related companies	20	**240,502,400**	353,769,471	**248,127,977**	505,799,372
Short term deposits	21	**1,140,540**	1,035,711	**1,140,540**	1,035,711
Cash and bank balances		**33,959,146**	20,907,852	**33,546,317**	20,906,411
		382,445,020	495,307,507	**389,657,768**	647,335,967
Total assets		**6,493,258,272**	6,441,832,789	**6,537,294,695**	6,461,354,672
EQUITY AND LIABILITIES					
Equity					
Stated capital	22	**16,750,000**	16,750,000	**16,750,000**	16,750,000
Retained earnings		**590,762,276**	514,078,465	**634,920,520**	533,983,231
Other components of equity	23	**5,540,598,937**	5,579,507,096	**5,540,598,937**	5,579,507,096
Total equity		**6,148,111,213**	6,110,335,561	**6,192,269,457**	6,130,240,327
Non-current liabilities					
Deferred tax liability	24	**249,560,464**	246,390,418	**249,560,464**	246,390,418
Employee benefit liabilities	25	**4,153,125**	3,286,855	**4,153,125**	3,286,855
		253,713,589	249,677,273	**253,713,589**	249,677,273
Current liabilities					
Trade and other payables	26	**63,614,661**	54,042,687	**63,492,839**	53,935,866
Amounts due to related companies	20	**7,648,723**	12,534,162	**7,648,723**	12,258,100
Income tax liabilities	27	**10,034,219**	9,279,820	**10,034,219**	9,279,820
Other current liabilities	28	**5,323,458**	5,542,734	**5,323,458**	5,542,734
Bank overdrafts		**4,812,409**	420,552	**4,812,409**	420,552
		91,433,470	81,819,955	**91,311,648**	81,437,072
Total equity and liabilities		**6,493,258,272**	6,441,832,789	**6,537,294,695**	6,461,354,672

I certify that the financial statements comply with the requirements of the Companies Act No. 7 of 2007.

Sgd - Priyantha Maddumage
Group Financial Officer

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Sgd - Sanjeev Gardiner
Chairman

Sgd - Lakshman Samarasinghe
Director

The accounting policies and notes as set out in pages 23 to 58 form an integral part of these financial statements.

30 July 2015
Kandy

Year ended 31 March 2015

Group	**Stated capital**	**Other components on equity**		**Retained earnings**	**Total equity**
		Revaluation reserves	**Other reserves**		
	Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Balance as at 01 April 2013	16,750,000	5,607,486,205	3,840,478	349,130,664	5,977,207,347
Profit for the year	-	-	-	145,267,722	145,267,722
Total other comprehensive income for the year net of tax	-	-	-	(552,008)	(552,008)
Total comprehensive income for the year net of tax	-	-	-	144,715,714	144,715,714
Dividends-(15% Cumulative preference shares)	-	-	-	(37,500)	(37,500)
Dividends to equity holders -First and final 2012/2013	-	-	-	(11,550,000)	(11,550,000)
Depreciation transfer for land and building	-	(31,819,587)	-	31,819,587	-
Balance as at 31 March 2014	**16,750,000**	**5,575,666,618**	**3,840,478**	**514,078,465**	**6,110,335,561**
Profit for the year	**-**	**-**	**-**	**153,449,269**	**153,449,269**
Total other comprehensive income for the year net of tax	-	-	-	(136,117)	(136,117)
Total comprehensive income for the year net of tax	**-**	**-**	**-**	**153,313,152**	**153,313,152**
Dividends-(15% Cumulative preference shares)	-	-	-	(37,500)	(37,500)
Dividends to equity holders -First and final 2013/2014	-	-	-	(115,500,000)	(115,500,000)
Realisation of revaluation reserve	-	(3,248,094)	-	3,248,094	-
Depreciation transfer for land and building	-	(31,819,587)	-	31,819,587	-
Transfer to retained earnings	16,750,000	5,540,598,937	(3,840,478)	3,840,478	-
Balance as at 31 March 2015	**16,750,000**	**5,540,598,937**	**-**	**590,762,276**	**6,148,111,213**

Company	**Stated capital**	**Other components on equity**		**Retained earnings**	**Total equity**
		Revaluation reserves	**Other reserves**		
	Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Balance as at 01 April 2013	**16,750,000**	**5,607,486,205**	**3,840,478**	**353,334,307**	**5,981,410,990**
Profit for the year	-	-	-	160,968,845	160,968,845
Total other comprehensive income for the year net of tax	-	-	-	(552,008)	(552,008)
Total comprehensive income for the year net of tax	-	-	-	160,416,837	160,416,837
Dividends-(15% Cumulative preference shares)	-	-	-	(37,500)	(37,500)
Dividends to equity holders -First and final 2012/2013	-	-	-	(11,550,000)	(11,550,000)
Depreciation transfer for land and building	-	(31,819,587)	-	31,819,587	-
Balance as at 31 March 2014	**16,750,000**	**5,575,666,618**	**3,840,478**	**533,983,231**	**6,130,240,327**
Profit for the year	-	-	-	177,702,747	177,702,747
Total other comprehensive income for the year net of tax	-	-	-	(136,117)	(136,117)
Total comprehensive income for the year net of tax	-	-	-	177,566,630	177,566,630
Dividends-(15% Cumulative preference shares)	-	-	-	(37,500)	(37,500)
Dividends to equity holders -First and final 2013/2014	-	-	-	(115,500,000)	(115,500,000)
Realisation of revaluation reserve	-	(3,248,094)	-	3,248,094	-
Depreciation transfer for land and building	-	(31,819,587)	-	31,819,587	-
Transfer to retained earnings			(3,840,478)	3,840,478	
Balance as at 31 March 2015	**16,750,000**	**5,540,598,937**	**-**	**634,920,520**	**6,192,269,457**

The accounting policies and notes as set out in pages 23 to 58 from an integral part of these financial statements.

Year ended 31 March	Note	Group 2015 Rs.	Group 2014 Rs.	Company 2015 Rs.	Company 2014 Rs.
Cash flows from/(used in) operating activities					
Profit before tax		**187,139,670**	168,243,705	**211,393,148**	183,944,828
Adjustments for:					
Finance income	6	**(13,481,454)**	(949,451)	**(13,481,454)**	(949,451)
Finance expenses	5	**8,398**	259,831	**-**	259,672
Depreciation of property, plant and equipment	13	**59,018,364**	56,395,596	**59,018,364**	56,395,596
Impairment of bad and doubtful debts		**336,402**	(3,221,837)	**336,402**	(3,221,837)
Bad debtors written off		**989,481**	-	**989,481**	-
Provision for written-down value of inventory		**-**	34,060	**-**	34,060
Amortisation of intangible assets	14	**760,000**	760,000	**760,000**	760,000
Loss on disposal of shares		**-**	19,371	**-**	19,371
Loss on disposal of property, plant and equipment		**1,738,280**	-	**1,738,280**	-
Reversal of excess provisions and payables		**(631,326)**	-	**(631,326)**	-
Share of results of equity accounted investee		**22,432,362**	15,579,153	**-**	-
Provision for retirement benefit plans - gratuity	25	**1,227,463**	961,361	**1,227,463**	961,361
Operating profit before working capital changes		**259,537,640**	238,081,790	**261,350,358**	238,203,600
(Increase)/decrease in inventories		**(1,688,328)**	(3,226,551)	**(1,688,328)**	(3,226,551)
(Increase)/decrease in trade and other receivables		**(373,570)**	(1,209,164)	**(373,570)**	(1,209,164)
(Increase)/decrease in advances and prepayments		**(360,759)**	193,129	**(360,759)**	193,129
(Increase)/decrease in amount due from related parties		**(85,052,539)**	(194,368,676)	**257,671,395**	(194,368,676)
Increase/(decrease) in trade and other creditors		**10,203,300**	(3,396,497)	**10,188,300**	(3,419,907)
Increase/(decrease) in other current liabilities		**(219,276)**	228,197	**(219,276)**	228,197
Increase/(decrease) in amount due to related parties		**(4,885,439)**	17,831,545	**(4,609,377)**	17,781,544
Cash generated from/ (used in) operations		**177,161,030**	54,133,772	**521,958,744**	54,182,173
Finance expenses paid	5	**(8,398)**	(259,831)	**-**	(259,672)
Income tax paid	27	**(29,754,821)**	(32,637,406)	**(29,754,821)**	(32,637,406)
Gratuity paid	25	**(508,445)**	(202,000)	**(508,445)**	(202,000)
Net cash flow from/(used in) operating activities		**146,889,366**	21,034,536	**491,695,478**	21,083,095
Cash flows from/ (used in) investing activities					
Interest received	6	**13,481,454**	949,451	**13,481,454**	949,451
Purchase and construction of property, plant and equipment		**(38,137,006)**	(40,379,501)	**(38,137,006)**	(40,379,501)
Investment in subsidiaries	15	**-**	-	**(345,217,500)**	-
Proceeds from disposal of property, plant and equipment		**2,067,952**	-	**2,067,952**	-
Net cash flow from/(used in) investing activities		**(22,587,599)**	(39,430,050)	**(367,805,099)**	**(39,430,050)**

Year ended 31 March	Note	Group 2015 Rs.	Group 2014 Rs.	Company 2015 Rs.	Company 2014 Rs.
Cash flows from/ (used in) financing activities					
Dividend paid		(115,537,500)	(11,587,500)	(115,537,500)	(11,587,500)
Repayment of long term borrowings		-	(605,015)	-	(605,015)
Net cash flow from /(used in) financing activities		**(115,537,500)**	(12,192,515)	**(115,537,500)**	(12,192,515)
Net Increase/(decrease) in cash and cash equivalents		**8,764,266**	(30,588,029)	**8,352,877**	(30,539,470)
Cash and cash equivalents at the beginning of the year		**21,523,011**	52,111,040	**21,521,570**	52,061,040
Cash and cash equivalents at the end of the year (Note A)	**29**	**30,287,277**	21,523,011	**29,874,448**	21,521,570
Note -A					
Analysis of cash and cash equivalents					
Favorable cash and cash equivalent balances					
Short term investments		**1,140,540**	1,035,711	**1,140,540**	1,035,711
Cash in hand and at bank		**33,959,146**	20,907,852	**33,546,317**	20,906,411
Unfavourable cash and cash equivalents balances					
Bank overdrafts		**(4,812,409)**	(420,552)	**(4,812,409)**	(420,552)
Total cash and cash equivalents at the end of the year	**29**	**30,287,277**	21,523,011	**29,874,448**	21,521,570

The accounting policies and notes as set out in pages 23 to 58 form an integral part of these financial statements.

1 CORPORATE INFORMATION

1.1 General

The Kandy Hotels Company (1938) PLC is a limited liability company incorporated and domiciled in Sri Lanka. The registered office of the company is located at Hotel Suisse, No 30, Sangaraja Mawatha, Kandy, and the principal place of business is situated at Hotel Suisse No: 30, Sangaraja Mawatha, Kandy and Queens Hotel, No. 04, Dalada Veediya, Kandy.

1.2 Consolidated financial statements

The consolidated financial statements of the Group for the year ended 31 March 2015 comprise the Group and its subsidiaries (together referred to as "the Group").

The consolidated financial statements of the Group for the year ended 31 March 2015 were authorized for issue in accordance with a resolution of the Board of Directors on 30 July 2015.

1.3 Principal activities and nature of operations

During the year, the principal activities of the group and its subsidiaries were provision of food, beverage, lodging and other hospitality industry related activities.

1.4 Parent entity and ultimate parent entity

The Group's parent undertaking is Ceylon Hotels Corporation PLC. In the opinion of the Directors, the Group's ultimate parent undertaking and controlling party is also Ceylon Hotels Corporation PLC, which is incorporated in Sri Lanka.

The Financial Statements of all companies in the Group are prepared for a common financial year, which ends on 31 March and are incorporated in Sri Lanka.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, which requires compliance with Sri Lanka Accounting Standards (SLFRS's and LKAS's) promulgated by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), and with the requirements of the Companies Act No. 7 of 2007.

2.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the property plant and equipment are recognised at cost at the time of the acquisition and subsequently measured at fair value.

Where appropriate, the specific policies are explained in the succeeding notes.

No adjustments have been made for inflationary factors in the consolidated financial statements.

2.2.1 Functional and presentation currency

The financial statements are presented in Sri Lankan Rupee, which is the Group's functional currency.

2.2.2 Comparative information

The accounting policies have been consistently applied by the Group and, are consistent with those used in the previous year. Previous year's figures and phrases have been re-arranged as disclosed in note 30 to this financial statements whenever necessary to conform to current presentation.

2.2.3 Materiality and aggregation

Each material class of similar items is presented separately in the consolidated financial statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

2.3 Basis of consolidation

The consolidated financial statements (referred to as the "Group") comprise the financial statements of the Group and its subsidiaries.

2.3.1 Subsidiaries

Subsidiaries are those entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The subsidiary and their controlling percentages of the Group, which have been consolidated, are as follows:

Subsidiary	**2015**	**2014**
Suisse Hotel (Private) Limited	100%	100%

The interest of outside shareholders in Group Companies is disclosed separately under the heading of "Non-controlling Interest".

The results of subsidiaries acquired or incorporated during the period have been consolidated from the date of acquisition or incorporation, while the results of subsidiaries disposed, have been accounted up to the date of disposal. Non- controlling Interest is measured at the proportionate share of the acquiree's identifiable net assets.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary.
- Derecognises the carrying amount of any non-controlling interest.
- Derecognises the cumulative translation differences, recorded in equity.
- Recognises the fair value of the consideration received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in statement of income.
- Reclassifies the parent's share of components previously recognised in other comprehensive income to statement of income or retained earrings, as appropriate.

2.3.2 Interest in joint venture

A joint venture is a jointly controlled entity, whereby the Group and other parties have a contractual arrangement that establishes joint control over the economics activities of the entity. The arrangement requires unanimous agreement for financial and operating decisions among the ventures.

The Group's investment in joint venture is accounted for using the equity method of accounting. A joint venture is an entity in which the Group has significant influence and which is neither a subsidiary nor an associate.

Under the equity method, the investment in the joint venture is carried in the balance sheet at cost plus post acquisition changes in the Group's share of net assets of the joint venture. Goodwill relating to a joint venture is included in the carrying amount of the investment and is not amortized. The income statement reflects the share of the results of operations of the joint venture. Where there has been a change recognized directly in the equity of the joint venture, the Group recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity. Profits and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The reporting dates of the joint venture and the Group are identical and the joint venture's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Joint ventures entered into by the Group, which have been accounted for under the equity method are;

Joint venture	**2015**	**2014**
Suisse Hotels Kandy (Pvt) Ltd	50%	50%

Upon loss of joint control, the Group measures and recognises its remaining investment at its fair value. Any differences between the carrying amount of the former jointly controlled entity upon loss of joint control and the fair value of remaining investment and proceeds from disposal are recognised in the income statement. When the remaining investment constitutes significant influence, it is accounted for as investment in a joint venture.

2.3.3 Transactions with non - controlling interests

The profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the parent, directly or indirectly through subsidiaries, is disclosed separately under the heading "Non- controlling Interest".

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

2.3.4 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

2.4. Foreign currency translations

The Group's consolidated financial statements are presented in Sri Lanka Rupees, which is the functional and presentation currency of the Group. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction.

Transactions in foreign currencies are initially recorded by the Group at the functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items is recognized in line with the gain or loss of the item that gave rise to the translation difference (translation differences on items whose gain or loss is recognized in other comprehensive income or statement of income is also recognized in other comprehensive income or profit or loss respectively).

2.5 Statement of comprehensive income

For the purpose of presentation of the statement of comprehensive income, the function of expenses method is adopted, as it represents fairly the elements of Group performance.

2.5.1 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognised.

Room revenue

Room revenue is recognized on the rooms occupied on a daily basis and food and beverage and other hotel related sales are accounted for at the point of sales.

Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of income.

Rental income

Rental income is recognised in profit and loss as it accrues.

Gains and losses on disposal of assets

Gains and losses on disposal of Assets are determined by comparing the net sales proceeds with the carrying amounts of the Assets and are recognised net within “other operating income” in the Statement of Income. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

2.5.2 Expenses

All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year.

Repairs and renewals are charged to the Statement of Income in the year in which the expenditure is incurred.

2.5.3 Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred, except to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalized as part of the cost of that asset.

2.5.4 Finance income and finance costs

Finance income comprises interest income on funds invested on short term deposits and saving accounts. Interest income is recognised as it accrues in statement of comprehensive income.

Finance costs comprise interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

The interest expense component of finance lease payments is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Foreign currency gains and losses are reported on a net basis.

2.5.5 Tax expense

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in statement of income except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date and any adjustments to tax payable in respect of previous years.

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, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised 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, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences 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 that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed.

Tax withheld on dividend income from subsidiaries is recognised as an expense in the consolidated income statement at the same time as the liability to pay the related dividend is recognised.

2.6 Fair value measurement

The Group measures land and building at fair value. Fair value related disclosures for financial and non-financial assets that are measured at fair value are summarised in the following notes:

- Quantitative disclosures of fair value measurement hierarchy - Note 12
- Land and Building under revaluation model - Note 13.4

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 either:

- 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 Group.

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.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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 Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for recurring fair value measurement, such as lands and buildings.

2.7 Assets and bases of their valuation

2.7.1 Property, plant and equipment

2.7.1.1 Recognition and measurement

Property, plant and equipment are measured at fair value less accumulated depreciation and impairment losses recognized after the date of the revaluation. Valuations are performed frequently to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is recorded in other comprehensive income and hence, credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case, the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

The Group has elected to transfer the revaluation surplus to retained earnings as the asset is being used. 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 asset's original cost.

Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Assets	Years
Building	50
Swimming pool	50
Plant and machinery	10
Equipment	13
Furniture and fittings	13

Motor vehicles	05
Computer equipment	03
Air Conditioners	05
Generator	10
Solar Power Hot water System	10
Satellite Receiver	03

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.7.2 Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised in accordance with the derecognition policy given below.

The costs of the day-to-day servicing of property, plant and equipment are recognised in profit and loss as incurred.

2.7.2.1 Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal; or when no future economic benefits are expected from its use. Gains and losses on derecognition are recognised in statement of income and gains are not classified as revenue. When revalued assets are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

2.7.2.2 Depreciation

Depreciation is calculated by using a straight-line method on the cost or valuation of all property, plant and equipment, other than freehold land, in order to write off such amounts over the estimated useful economic life of such assets.

2.7.2.3 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following the initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful life of intangible asset is assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end.

The useful life of intangible asset is as follows;

Computer Software Over 5 Years

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function/nature of the intangible asset. Amortisation was commenced when the assets were available for use.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually either individually or at the cash generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognized.

2.7.3 Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. Net realisable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

Costs incurred in bringing inventories to its present location and conditions are accounted using the following formulae: -

At actual cost on Weighted Average methods.

2.7.4 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short term deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

2.7.5 Impairment of non-financial assets

The carrying amounts of the Group's non financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date or more frequently, if events or changes in circumstances indicate that they might be impaired.

2.7.6 Calculation of recoverable amount

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, 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. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

2.7.7 Impairment/ Reversal of Impairment

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in statement of income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.8 Financial instruments – initial recognition and subsequent measurement

i) Non-derivative 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 and available-for-sale financial assets. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

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 Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables.

b) Subsequent measurement

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. 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 in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs for loans and in other operating expenses for receivables.

c) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Group 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 Group has transferred substantially all the risks and rewards of the asset, or

  (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group 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 Group 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 Group could be required to repay.

d) Impairment of financial assets

The Group 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, and only 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. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the statement of income.

ii. Financial liabilities

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 Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts.

b) Subsequent measurement

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

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process.

Amortized 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 amortization is included in finance costs in the income statement.

c) Derecognition

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 income statement.

d) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts

And

- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

2.8.1 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models.

2.8.2 Employee benefits

a) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Provident and Trust Funds covering all employees are recognised as an employee benefit expense in statement of income in the periods during which services are rendered by employees.

The Group contributes 12% and 3% of gross emoluments to employees as Provident Fund and Trust Fund contribution respectively.

b) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated by independent actuaries using Projected Unit Credit (PUC) method as recommended by LKAS 19 – "Employee benefits". The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability.

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in note 25. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

Provision has been made for retirement gratuities from the first year of service for all employees, in conformity with LKAS 19 on employee benefit. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

c) Recognition of actuarial gains or losses

Actuarial gains or losses in full are recognized in the other comprehensive income.

d) Measurement of the defined benefit obligations

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in note 25. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

2.8.3 Short term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

2.8.4 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

2.8.5 Capital commitments and contingencies

Capital commitments and contingent liabilities of the Group are disclosed in the respective Note 31 to the financial statements.

2.8.6 Stated capital

2.8.6.1 Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

2.8.7 General

2.8.7.1 Events occurring after the reporting date

All material events occurring after the reporting date have been considered and where appropriate adjustments or disclosures have been made in the respective notes to the financial statements.

2.8.7.2 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period.

2.8.8 Cash flow statement

The Cash Flow Statement has been prepared using the "indirect method".

Interest paid is classified as an operating cash flow. Which are related to purchase and construction of property, plant and equipment are classified as investing cash flows. Dividend and interest income are classified as cash flows from investing activities.

Dividends paid are classified as financing cash flows and dividends received are classified as investing cash flows.

2.8.9 Use of estimates and judgements

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

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

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

2.8.9.1 Revaluation of property plant and equipment

The Group measures property, plant and equipment at revalued amount with change in value being recognised in the Statement of Other comprehensive income. The valuer has used valuation techniques such as open market value.

2.8.9.2 Measurement of the defined benefit obligations

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in note 25. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

2.9 SRI LANKA ACCOUNTING STANDARDS (SLFRS/LKAS) ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

Pending the completion of detailed review, the financial impact is reasonably estimatable at the date of the publication of these Financial Statements.

SLFRS 9 -Financial instruments: classification and measurement

SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities.

This standard was originally effective for annual periods commencing on or after 01 January 2015. However the effective date has been deferred subsequently and the revised effective date is yet to be announced.

SLFRS 15 -Revenue from contracts with customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. This standard is effective for the annual periods beginning on or after 01 January 2018.

Year ended 31 March		Group 2015 Rs.	Group 2014 Rs.	Company 2015 Rs.	Company 2014 Rs.
3	**REVENUE**				
3.1	**Summary**				
	Revenue analysis (net)				
	Room revenue	**296,595,187**	268,854,091	**296,595,187**	268,854,091
	Food and beverage revenue	**267,099,050**	258,513,940	**267,099,050**	258,513,940
	Other revenue	**34,749,254**	30,520,831	**34,749,254**	30,520,831
		598,443,491	557,888,862	**598,443,491**	557,888,862
4	**OTHER OPERATING INCOME**				
	Net foreign exchange gain	**856,498**	1,977,588	**856,498**	1,977,588
	Profit on sale of property, plant and equipment	**-**	268,200	**-**	268,200
	Creditors written back	**631,326**	-	**631,326**	-
		1,487,824	2,245,788	**1,487,824**	2,245,788
5	**FINANCE EXPENSES**				
	Interest expense on bank overdrafts	**8,398**	10,074	**-**	10,074
	Interest expense on bank loans	**-**	249,757	**-**	249,598
		8,398	259,831	**-**	259,672
6	**FINANCE INCOME**				
	Interest income on fixed deposits	**129,604**	807,857	**129,604**	807,857
	Interest income on saving accounts	**155,829**	141,594	**155,829**	141,594
	Interest income on intercompany loan	**13,196,021**	-	**13,196,021**	-
		13,481,454	949,451	**13,481,454**	949,451
7	**PROFIT BEFORE TAX**				
	Profit before tax is stated after charging all expenses including the following;				
	Auditors' remuneration				
	- External audit services	**946,929**	720,000	**856,665**	660,000
	- Other audit services	**391,100**	-	**391,100**	-
	- Non-audit services	**229,366**	165,000	**229,366**	165,000
	Costs of defined employee benefits				
	- Salaries	**37,788,587**	28,509,916	**37,788,587**	28,509,916
	- Defined benefit plan cost	**1,227,463**	961,361	**1,227,463**	961,361
	- Defined contribution plan cost - EPF and ETF	**2,292,287**	2,123,410	**2,292,287**	2,123,410
	- Other staff expenses	**3,317,744**	3,102,728	**3,317,744**	3,102,728
	Depreciation of property, plant and equipment	**59,018,364**	56,395,596	**59,018,364**	56,395,596
	Legal expenses	**164,696**	60,214	**164,696**	60,214
	Professional charges	**196,951**	936,447	**196,951**	905,447
	Sales promotions and advertising	**2,106,239**	2,816,922	**2,106,239**	2,816,922
	Surcharges and fines	**-**	693,238	**-**	693,238
	Provision/(reversal) for bad and doubtful debts	**209,115**	(3,221,837)	**209,115**	(3,221,837)
	Amortisation of intangible assets	**760,000**	760,000	**760,000**	760,000
	Provision for written - down value of inventory	**-**	34,060	**-**	34,060
	Donations	**1,334,113**	2,329,424	**1,334,113**	2,329,424

Year ended 31 March ended 31 March		Group 2015 Rs.	Group 2014 Rs.	Company 2015 Rs.	Company 2014 Rs.
8 TAX EXPENSE					
The major components of income tax expenses for the year ended 31 March are as follows :-					
Current income tax					
Income statement					
Current income tax charge	(note 8.1)	**30,509,220**	27,279,820	**30,509,220**	27,279,820
		30,509,220	27,279,820	**30,509,220**	27,279,820
Deferred income tax					
Deferred tax charge /(reversal)	(note 8.2)	**3,181,180**	(4,303,837)	**3,181,180**	(4,303,837)
Income tax expense reported in the income statement		**33,690,400**	22,975,983	**33,690,400**	22,975,983

8.1 A reconciliation between income tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows;

	Group 2015 Rs.	Group 2014 Rs.	Company 2015 Rs.	Company 2014 Rs.
Accounting profit before tax	**187,139,670**	168,243,705	**211,393,148**	183,944,828
Share of loss of joint venture	**22,432,362**	15,579,153	**-**	-
	209,572,032	183,822,858	**211,393,148**	183,944,828
Less: Non business income	**(13,519,917)**	(949,451)	**(13,519,917)**	(949,451)
Add: Aggregate disallowed items	**66,667,131**	62,019,253	**64,846,015**	61,897,283
Add: Taxable profit on disposal	**2,062,298**	-	**2,062,298**	-
Less: Aggregate allowable items	**(41,994,774)**	(19,776,216)	**(41,994,774)**	(19,776,216)
Taxable business income	**222,786,769**	225,116,444	**222,786,769**	225,116,444
Other sources of income				
Interest income	**13,481,454**	949,451	**13,481,454**	949,451
Taxable other income	**13,481,454**	949,451	**13,481,454**	949,451
Total taxable income	**236,268,223**	226,065,895	**236,268,223**	226,065,895
Income tax provision for the year is made up of the following:				
- Income tax on business profit @ 12%	**26,734,412**	27,013,973	**26,734,412**	27,013,973
- Income tax on interest income @ 28%	**3,774,807**	265,846	**3,774,807**	265,846
Current income tax expense	**30,509,220**	27,279,820	**30,509,220**	27,279,820

8.2 Deferred tax expense /(reversal)

	Group 2015 Rs.	Group 2014 Rs.	Company 2015 Rs.	Company 2014 Rs.
Income statement				
Deferred tax arising from				
- Accelerated depreciation for tax purposes	**3,273,998**	(4,203,242)	**3,273,998**	(4,203,242)
- Retirement benefit obligation	**(92,817)**	(100,595)	**(92,817)**	(100,595)
Total deferred tax charge/(reversal)	**3,181,180**	(4,303,837)	**3,181,180**	(4,303,837)

Year ended 31 March

9 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the period attributable to ordinary shareholders (after deducting preference share dividends) by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the basic earnings per share computations.

	Group	
	2015	2014
	Rs.	Rs.
Amounts used as the numerator :		
Profit for the year	**153,449,269**	145,267,722
Dividends on preference shares	**(37,500)**	(37,500)
Net profit for the year attributable to the owners of the parent	**153,411,769**	145,230,222
Amounts used as the denominator :		
Weighted average number of ordinary shares in issue applicable to basic earnings per share	**577,500,000**	577,500,000
Basic earning per share (Rs.)	**0.27**	0.25

10 DIVIDEND PER SHARE

	Group	
	2015	2014
	Rs.	Rs.
Equity dividend on ordinary shares Declared and paid during the year		
Tota dividends to equity holders	**115,500,000**	11,550,000
Dividend per share	**0.20**	0.02

11 FINANCIAL INSTRUMENTS

11.1 FINANCIAL ASSETS AND LIABILITIES BY CATEGORIES

Financial assets and liabilities in the tables below are split into categories in accordance with LKAS 39.

Financial assets by categories	Loans and receivables			
	Group		Company	
As at 31 March	**2015 Rs.**	2014 Rs.	**2015 Rs.**	2014 Rs.
Financial instruments in current assets				
Trade and other receivables	**72,953,481**	87,754,106	72,953,481	87,754,106
Amounts due from related companies	**240,502,400**	353,769,472	248,127,977	505,799,373
Short term deposits	**1,140,540**	1,035,711	1,140,540	1,035,711
Cash and bank balances	**33,959,146**	20,907,852	33,546,317	20,906,411
Total	**348,555,567**	463,467,141	355,768,315	615,495,601

Financial liabilities by categories	Financial liabilities measured at amortized cost			
	Group		Company	
As at 31 March	**2015 Rs.**	2014 Rs.	**2015 Rs.**	2014 Rs.
Financial instruments in current liabilities				
Trade and other payables	**63,614,661**	54,042,687	63,492,839	53,935,865
Amounts due to related companies	**7,648,723**	12,534,161	7,648,723	12,258,099
Bank overdrafts	**4,812,409**	420,552	4,812,409	420,552
Total	**76,075,793**	66,997,400	75,953,971	66,614,516

The management assessed that cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

12 FAIR VALUE MEASUREMENT

The Group/Company uses the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation techniques:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly or indirectly

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The following table provides the fair value measurement hierarchy of the Group's assets.

As at 31 March 2015	Date of valuation	Level 2	Level 2	Level 3	Total
Assets measured at fair value :					
Non financial assets					
Property, plant and equipment					
- Freehold land	31 March 2013	-	-	3,635,155,000	3,635,155,000
- Freehold building	31 March 2013	-	-	1,906,310,134	1,906,310,134
Total non financial assets				5,541,465,134	5,541,465,134

13 PROPERTY, PLANT AND EQUIPMENT - GROUP/ COMPANY

13.1 Gross carrying amounts

	Balance as at 01.04.2014	Additions/ transfers	Disposal	Balance as at 31.03.2015
	Rs.	Rs.	Rs.	Rs.
At cost or valuation				
Freehold land	**3,635,155,000**	-	-	**3,635,155,000**
Freehold buildings	**1,989,701,515**	2,723,859	-	**1,992,425,374**
Furniture and fittings	**101,942,757**	3,061,951	(443,850)	**104,560,857**
Plant and machinery	**31,314,914**	6,872,681	(448,250)	**37,739,345**
Air conditioners	**7,615,371**	290,738	-	**7,906,109**
Generator	**8,548,543**	38,191,761	(4,364,703)	**42,375,601**
Computer equipments	**6,735,354**	3,849,487	(62,500)	**10,522,341**
Solar power hot water	**10,021,133**	-	-	**10,021,133**
Sewerage plant	**5,522,495**	16,601,778	-	**22,124,273**
Satellite receiver	**858,078**	-	-	**858,078**
Motor vehicles	**463,143**	-	-	**463,143**
	5,797,878,302	71,592,255	(5,319,303)	**5,864,151,254**

Capital work in progress	Balance as at 01.04.2014	Additions/ transfers	Disposal	Balance as at 31.03.2015
	Rs.	Rs.	Rs.	Rs.
Buildings	51,146,844	32,565	(812,469)	50,366,940
Sewerage plant	6,609,887	9,991,891	(16,601,778)	-
Generator	12,404,955	3,397,045	(15,802,000)	-
Plant and machinery	94,213	187,808	-	282,021
	70,255,899	13,609,310	(33,216,247)	50,648,961
Total gross carrying amount	5,868,134,201	85,201,565	(38,535,550)	5,914,800,216

13.2 Depreciation

	Balance as at 01.04.2014	Additions/ transfers	Disposal	Balance as at 31.03.2015
	Rs.	Rs.	Rs.	Rs.
At cost or valuation				
Freehold buildings	**39,766,215**	39,811,523	-	79,577,737
Furniture and fittings	**7,503,608**	7,991,774	(443,850)	15,051,532
Plant and machinery	**3,069,566**	3,579,030	(448,250)	6,200,346
Air conditioners	**1,474,497**	1,572,938	-	3,047,435
Generator	**739,112**	1,552,485	(558,471)	1,733,126
Computer equipments	**2,084,031**	2,577,611	(62,500)	4,599,142
Solar power hot water	**984,699**	1,002,098	-	1,986,797
Severage plant	**552,250**	552,250	-	1,104,499
Satellite receiver	**128,997**	286,025	-	415,022
Motor vehicles	**92,620**	92,633	-	185,253
Total depreciation	**56,395,596**	59,018,364	(1,513,071)	113,900,889

13 PROPERTY, PLANT AND EQUIPMENT - GROUP/ COMPANY (Contd..)

	Company	
	2015	2014
	Rs.	Rs.
13.3 Net book value		
At cost or valuation		
Freehold land	3,635,155,000	3,635,155,000
Freehold buildings	1,912,847,637	1,949,935,300
Furniture and fittings	89,509,325	94,439,149
Plant and machinery	31,538,999	28,245,347
Air conditioners	4,858,674	6,140,874
Generator	40,642,475	7,809,431
Computer equipments	5,923,199	4,651,323
Solar power hot water	8,034,336	9,036,434
Severage plant	21,019,774	4,970,246
Satellite receiver	443,055	729,080
Motor vehicles	277,890	370,523
	5,750,250,365	5,741,482,706
In the course of construction		
Capital work in progress	50,648,961	70,255,899
	50,648,961	70,255,899
Total carrying amount of property , plant and equipment	5,800,899,327	5,811,738,605

13.4 The Company uses the revaluation model of measurement of property, plant and equipment. The Company engaged Mr.K.A.Arthur Perera Dip.Agric:A.M.I.V.(Sri Lanka) valuer and consultant in report dated 31 March 2013, to determine the fair value of its property, plant and equipment. Fair value is determined by reference to market-based evidences. Valuations are based on active market prices, adjusted for any difference in the nature, location or condition of the property plant and equipment.

Details of the company's land, building and other properties stated at valuation are indicated below;

Property	**Method of valuation**	**Effective date of valuation**	**Property valuer**
Land	Open market value method	31 March 2013	Mr. K. A. Arthur Perera
Building	Depreciated replacement cost method	31 March 2013	Mr. K. A. Arthur Perera

13 PROPERTY, PLANT AND EQUIPMENT - GROUP/ COMPANY (Contd..)

13.5 The carrying amount of revalued assets that would have been included in the financial statements had the assets been carried at cost less depreciation is as follow:

	Group / Company			
As at 31 March 2015	**Cost**	**2015 Cumulative depreciation if assets are carried at cost**	**Net carrying amount**	**2014 Net carrying amount**
At cost	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Freehold land	3,564,150,000	-	3,564,150,000	3,564,150,000
Freehold buildings	1,984,553,086	158,220,030	1,826,333,056	1,866,024,117
Furniture and fittings	93,840,376	28,742,527	65,097,849	72,316,340
Plant and machinery	30,326,065	11,210,237	19,115,828	22,148,435
Air conditioners	10,866,487	9,429,602	1,436,885	3,610,183
Generator	13,643,287	5,516,698	8,126,589	9,490,917
Computer equipments	5,962,051	5,866,768	95,283	2,082,634
Solar power hot water	9,859,023	3,952,264	5,906,759	6,892,662
Severage plant	5,578,277	2,231,311	3,346,966	3,904,793
Motor vehicles	517,298	419,237	98,061	201,520
	5,719,295,950	**225,588,674**	**5,493,707,276**	**5,550,821,601**

13.6 Value of land and ownership

Information on the freehold lands and freehold buildings of the Group is as follows;

Company	**Location**	**Ownership**	**Extent**	**Carrying value Rs.**
Hotel Suisse	No 30, Sangaraja Mawathe, Kandy.	Freehold	424.13 Perches	1,484,455,000
		Freehold	79,257.5 Sq.ft.	918,372,026
Hotel Queens	No 04, Dalada Vidiya, Kandy.	Freehold	215.07 Perches	2,150,700,000
		Freehold	93,636.5 Sq.ft	994,475,611

13.7 During the financial year, the group acquired property, plant & equipment for cash to the aggregate value of Rs. 38,137,006/- (2014 Rs 40,379,501/-)

	Group		Company	
As at 31 March	**2015 Rs.**	2014 Rs.	**2015 Rs.**	2014 Rs.
14 INTANGIBLE ASSETS				
14.1 Computer software				
Gross carrying amounts	**3,800,000**	3,800,000	**3,800,000**	3,800,000
Acquired/ incurred during the year	**-**	-	**-**	-
As at 31 March	**3,800,000**	3,800,000	**3,800,000**	3,800,000
14.2 Amortization				
At the beginning of the year	**(1,520,000)**	(760,000)	**(1,520,000)**	(760,000)
Amortization for the year	**(760,000)**	(760,000)	**(760,000)**	(760,000)
At the end of the year	**(2,280,000)**	(1,520,000)	**(2,280,000)**	(1,520,000)
Net book value as at 31 March	**1,520,000**	2,280,000	**1,520,000**	2,280,000

As at 31 March

15 INVESTMENTS IN SUBSIDIARY - Company

	Holding 2015	Cost 2015	Holding 2014	Cost 2014
Non-Quoted	%	Rs.	%	Rs.
Suisse Hotel (Pvt) Ltd	100	345,217,600	100	100
	100	345,217,600	100	100

16 INVESTMENTS IN JOINT VENTURE - Group

	2015		2014		Total	Total
Carrying value of the investment	No of Shares	Share Holding	No of Shares	Share Holding	2015	2014
Name of Company		%		%	Rs.	Rs.
Suisse Hotel Kandy (Pvt) Limited	161,961,962	50	142,130,001	50	**330,826,287**	148,085,830
Share of movement in equity value					**(22,432,362)**	(15,579,153)
					308,393,925	132,506,677

16.1 Summarised Financial information of joint venture - Group

As at 31 March	Total 2015 Rs.	Total 2014 Rs.
Assets and liabilities	**1,094,995**	31,331,000
Current asset	**893,580,368**	384,348,444
Non current asset	**(48,821,864)**	(78,704,852)
Current liabilities	**(537,459,574)**	(204,467,915)
Non current liabilities	**308,393,925**	132,506,677

For the year ended 31 March	2015 Rs.	2014 Rs.
Revenue and profit/(loss)		
Revenue	-	-
Losses before income tax	**(22,432,362)**	(15,193,353)
Income tax	-	(385,800)
Share of profit/(loss)	**(22,432,362)**	(15,579,153)

16.2 Assets pledged

Mortgage over project assets of Hotel to be constructed at No.30 and 32,Sangaraja Mawatha, Kandy in extent of 94.02 Perches has been pledged as security for the facility for USD 6.583 Mn.

	Group		Company	
	2015 Rs.	2014 Rs.	**2015 Rs.**	2014 Rs.
17 INVENTORIES				
Food and beverage	**3,778,834**	3,801,921	**3,778,834**	3,801,921
Linen	**14,409,608**	13,054,615	**14,409,608**	13,054,615
Housekeeping and maintenance	**7,571,802**	7,215,380	**7,571,802**	7,215,380
	25,760,244	24,071,916	**25,760,244**	24,071,916
Less: Provision for obsolete and slow moving items	**(64,973)**	(64,973)	**(64,973)**	(64,973)
	25,695,271	24,006,943	**25,695,271**	24,006,943

As at 31 March		Group		Company	
18 TRADE AND OTHER RECEIVABLES		**2015**	**2014**	**2015**	**2014**
		Rs.	**Rs.**	**Rs.**	**Rs.**
Trade debtors	**(Note 18.1)**	**68,760,633**	67,996,773	**68,760,633**	67,996,773
Less: Impairment for trade debtors		**(265,867)**	(147,732)	**(265,867)**	(147,732)
		68,494,766	67,849,041	**68,494,766**	67,849,041
Other receivables		**8,180,142**	24,397,707	**8,180,142**	24,397,707
Less: Impairment for other receivables		**(3,721,427)**	(4,492,641)	**(3,721,427)**	(4,492,641)
		4,458,715	19,905,066	**4,458,715**	19,905,066
		72,953,481	87,754,106	**72,953,481**	87,754,106

18.1 The aging analysis of trade debtors is as follows: - Group / Company

		Neither past	Past due but not impaired				
	Total	**due nor impaired**	**30-60 days**	**60-90 days**	**90-120 days**	**120-365 days**	**>365 days**
	Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
31 March 2015	68,494,766	34,609,673	20,773,637	7,950,986	1,368,987	3,386,956	404,526
31 March 2014	67,849,041	35,972,925	22,956,389	6,248,681	1,988,381	605,725	76,940

18.2 Movements in the provision for impairment for trade debtors. - Group / Company

	Individually impaired	
	2015	**2014**
	Rs.	**Rs.**
At 1 April	**147,732**	2,463,475
Charge for the year	**209,115**	1,826,547
Unused amounts reversed	**(90,980)**	(4,142,290)
At 31 March	**265,867**	147,732

18.3 Movements in the provision for impairment for other receivables - Group / Company

	Individually impaired	
	2015	**2014**
	Rs.	**Rs.**
At 1 April	**4,492,641**	5,439,188
Charge for the year	**127,287**	880,000
Unused amounts reversed	**(898,501)**	(1,826,547)
At 31 March	**3,721,427**	4,492,641

		Group		Company	
As at 31 March		**2015**	**2014**	**2015**	**2014**
		Rs.	**Rs.**	**Rs.**	**Rs.**
19	**ADVANCES AND PREPAYMENTS**				
	Advances and deposits	**3,965,695**	4,583,462	**3,965,695**	4,583,462
	Prepayments	**4,228,487**	3,249,961	**4,228,487**	3,249,961
		8,194,182	7,833,423	**8,194,182**	7,833,423

20 RELATED PARTY TRANSACTIONS

The Group carried out transactions in the ordinary course of business with the following related entities.

			Group		Company	
20.1	**RELATED PARTY TRANSACTIONS**	**Relationship**	**2015**	**2014**	**2015**	**2014**
			Rs.	**Rs.**	**Rs.**	**Rs.**
	Ceylon Hotels Corporation PLC	Parent company	**240,502,400**	352,849,473	**240,502,400**	352,849,473
	Suisse Hotel (Pvt) Ltd	Subsidiary	**-**	-	**7,625,577**	152,029,901
	CHC Rest House (Pvt) Ltd	Affiliate	**-**	919,999	**-**	919,999
			240,502,400	353,769,472	**248,127,977**	505,799,373
20.2	**Amounts due to related companies**	**Relationship**				
	Ceylon Hotels Corporation PLC	Parent company	**7,372,681**	5,148,264	**7,372,681**	4,872,203
	CHC Rest House (Pvt) Ltd	Affiliate	**-**	4,679,241	**-**	4,679,241
	CHC Foods (Pvt) Ltd	Affiliate	**-**	14,348	**-**	14,348
	The Galle Face Hotel Co. Ltd	Affiliate	**140,720**	2,692,309	**140,720**	2,692,309
	Galle Face Hotel 1994 (Pvt) Ltd	Affiliate	**65,098**	-	**65,098**	-
	United Hotels Company (Pvt) Ltd	Affiliate	**70,224**	-	**70,224**	-
			7,648,723	12,534,162	**7,648,723**	12,258,100
	Total		**232,853,677**	341,235,310	**240,479,254**	493,541,272

20.3 RELATED PARTY DISCLOSURES

Group

Transaction with the parent and related companies	Parent company *		Other companies ***		Total	
	2015	2014	2015	2014	2015	2014
Nature of transaction	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
As at 1 April	**347,701,209**	170,420,168	**(6,465,899)**	(4,628,375)	**341,235,310**	165,791,793
Reimbursement of expenses	**744,475**	-	**31,425,527**	-	**32,170,002**	-
Expenses paid by Intercompany on behalf of KHCL	**(6,044,457)**	(2,994,162)	**(23,785,060)**	(2,659,816)	**(29,829,517)**	(5,653,978)
Settlement of advance and debtor collection	**(347,913)**	-	**(1,450,609)**	-	**(1,798,522)**	-
Fund transfers from	**(244,319,615)**	-	**-**	-	**(244,319,615)**	-
Fund transfers to	**122,200,000**	180,275,203	**-**	-	**122,200,000**	180,275,203
Payment received from trade and other debtors	**-**	-	**-**	822,292	**-**	822,292
Interest earned on intercompany loan	**13,196,021**	-	**-**	-	**13,196,021**	-
As at 31 March	**233,129,719**	347,701,209	**(276,042)**	(6,465,899)	**232,853,677**	341,235,310

Company

Transaction with the related companies	Parent company*		Subsidiary companies**		Other companies***		Total	
Nature of transaction	2015	2014	2015	2014	2015	2014	2015	2014
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
As at 1 April	**347,977,270**	170,420,167	**152,029,901**	141,029,901	**(6,465,899)**	(4,628,375)	**493,541,272**	306,821,693
Reimbursement of expenses	**744,475**	-	**-**	-	**31,425,527**	-	**25,105,008**	(2,718,100)
Expenses paid by Intercompany on behalf of KHCL	**(6,320,519)**	(2,718,100)	**-**	-	**(23,785,060)**	(2,659,816)	**(23,040,585)**	(2,659,816)
Settlement of advance and debtor collection	**(347,913)**	-	**-**	-	**(1,450,609)**	-	**(1,798,522)**	-
Fund transfers from	**(244,319,615)**	-	**(23,200,000)**	-	**-**	-	**(267,519,615)**	-
Fund transfers to	**122,200,000**	180,275,203	**224,013,176**	11,000,000	**-**	-	**346,213,176**	191,275,203
Investment in shares	**-**	-	**(345,217,500)**	-	**-**	-	**(345,217,500)**	-
Payment received from trade and other debtors	**-**	-	**-**	-	**-**	822,292	**-**	822,292
Interest earned on intercompany loan	**13,196,021**	-	**-**	-	**-**	-	**13,196,021**	-
As at 31 March	**233,129,719**	347,977,270	**7,625,577**	152,029,901	**(276,042)**	(6,465,899)	**240,479,254**	493,541,272

*Parent company includes Ceylon Hotels Corporation PLC.
**Subsidiary companies include Suisse Hotel (Pvt) Ltd.
***Group of companies include The Galle Face Hotel Company Ltd , Galle Face Hotel 1994 (Pvt) Ltd and United Hotels Company (Pvt) Ltd.

	Group		Company	
	2015	2014	2015	2014
	Rs.	Rs.	Rs.	Rs.
Parent:	**233,129,719**	347,701,209	**233,129,719**	347,977,270
Subsidiary Companies:	**-**	-	**7,625,577**	152,029,901
Other Companies:	**(276,042)**	(6,465,899)	**(276,042)**	(6,465,899)
	232,853,677	341,235,310	**240,479,254**	493,541,272

20.4 Terms and conditions related to intercompany borrowings/lending

Borrower	Agreement period	Interest rate	Terms of lending
Ceylon Hotels Corporation	01 April 2014 to 01 April 2016	6 % p.a	An amount equal to at least Rs. 100,000 or in excess

20.5 Transactions with the key management personnel of the company or parent

There are no material transactions with the key management personnel of the company and its parent. Further there are no key management compensation during the year.

As at 31 March	Group 2015 Rs.	Group 2014 Rs.	Company 2015 Rs.	Company 2014 Rs.
21 SHORT TERM DEPOSIT				
Investments in call deposits	**1,140,540**	1,035,711	**1,140,540**	1,035,711
	1,140,540	1,035,711	**1,140,540**	1,035,711

22 STATED CAPITAL - Company	2015 Number of shares	2015 Value of shares Rs.	2014 Number of shares	2014 Value of shares Rs.
Issued & fully-paid - ordinary shares	**577,500,000**	16,500,000	**577,500,000**	16,500,000
Fully paid preference shares - 15% cumulative	**50,000**	250,000	**50,000**	250,000
	577,550,000	16,750,000	**577,550,000**	16,750,000

22.1 Shares held by the parent company

The shares of the company held by the parent company is as follows;

	Holding %	2015 Rs.	Holding %	2014 Rs.
Held by parent company (Ceylon Hotel Corporation PLC)	76.54	**441,992,250**	**76.54**	**441,992,250**

23 OTHER COMPONENTS OF EQUITY	Group 2015 Rs.	Group 2014 Rs.	Company 2015 Rs.	Company 2014 Rs.
Revaluation reserve at the beginning of the year	**5,575,666,618**	5,607,486,205	**5,575,666,618**	5,607,486,205
Realisation of revaluation reserve	**(3,248,094)**	-	**(3,248,094)**	-
Transfer of revaluation reserve to retained earnings	**(31,819,587)**	(31,819,587)	**(31,819,587)**	(31,819,587)
Revaluation reserve at the end of the year	**5,540,598,937**	5,575,666,618	**5,540,598,937**	5,575,666,618
Other reserves	**-**	3,840,478	**-**	3,840,478
Total other components of equity	**5,540,598,937**	5,579,507,096	**5,540,598,937**	5,579,507,096

23.1 Revaluation reserve consists of the net surplus on the revaluation of property, plant and equipment.

	Group / Company 2015 Rs.	Group / Company 2014 Rs.
24 DEFERRED TAX LIABILITY		
At the beginning of the year	**246,390,418**	250,758,766
Amount origination/ (reversal) of temporary differences		
- Recognised in profit or loss	**3,181,180**	(4,303,837)
- Recognised in other comprehensive income	**(11,135)**	(64,511)
At the end of the year	**249,560,463**	246,390,418

24.1 The closing deferred tax asset and liability balances relate to the following;

	2015 Rs.	2014 Rs.
Accelerated depreciation for tax purposes	**250,058,839**	246,784,841
Employee benefit liability	**(498,375)**	(394,423)
	249,560,464	246,390,418

	As at 31 March	Group / Company 2015 Rs.	2014 Rs.
25	**EMPLOYEE BENEFIT LIABILITIES**		
	At the beginning of the year	**3,286,855**	1,910,975
	Current service cost	**898,777**	751,154
	Interest cost on benefit obligation	**328,686**	210,207
	Payments made during the year	**(508,445)**	(202,000)
	Actuarial (gains)/losses	**147,252**	616,519
	At the end of the year	**4,153,125**	3,286,855
25.1	**Expense recognized in profit or loss**		
	Current service cost	**898,777**	751,154
	Interest cost	**328,686**	210,207
		1,227,463	961,361
25.2	**Actuarial gains and losses recognized directly in OCI**		
	Recognized during the period	**147,252**	616,519
		147,252	616,519

Messrs. Actuarial and Management Consultants (Pvt) Ltd Actuaries, carried out an actuarial valuation of the defined benefit plan gratuity on 31 March 2015. for Appropriate and compatible assumptions were used in determining the cost of retirement benefits.The liability is not externally funded.

The Projected Unit Credit Method is used to determine the present value of the defined benefit obligation and the current service cost.

25.3 Actuarial assumptions

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	Group/Company 2015	2014
Discount rate	**9.5%**	10%
Future salary increases	**8%**	8%
Retirement age	**55 Years**	55 Years

25.4 Sensitivity of assumptions used

Values appearing in the Financial Statements are very sensitive to the changes in financial and Non financial assumptions used. A Sensitivity analysis was carried out as follows,

	Group/Company 2015 Discount rate		Group/Company 2015 Salary increment rate	
A one percentage point change	+1%	-1%	+1%	-1%
The present value of defined benefit obligation	4,005,800	4,312,770	4,320,960	3,995,639

25 EMPLOYEE BENEFIT LIABILITIES (Contd..)

As at 31 March	Group / Company 2015 Rs.	Group / Company 2014 Rs.
25.5 Maturity analysis of the payments		
The following payments are expected on employee benefit liabilities in future years		
Less than or equal 1 year	**666,933**	477,888
Over 1 year and less than or equal 2 years	**54,928**	21,740
Over 2 years and less than or equal 5 years	**3,431,264**	2,659,099
Over 5 years and less than or equal 10 years	**-**	128,128
Total expected payments	**4,153,125**	3,286,855

	Group 2015 Rs.	Group 2014 Rs.	Company 2015 Rs.	Company 2014 Rs.
26 TRADE AND OTHER PAYABLES				
Trade payables	**25,249,983**	24,239,245	**25,249,983**	24,239,245
Advances and deposits	**14,590,752**	14,540,014	**14,590,752**	14,540,014
Sundry creditors	**23,773,926**	15,263,428	**23,652,104**	15,156,606
	63,614,661	54,042,687	**63,492,839**	53,935,866
27 INCOME TAX LIABILITIES				
At the beginning of the year	**9,279,820**	14,637,406	**9,279,820**	14,637,406
Charge for the year	**30,509,220**	27,279,820	**30,509,220**	27,279,820
Payments and set off against refunds	**(29,754,821)**	(32,637,406)	**(29,754,821)**	(32,637,406)
At the end of the year	**10,034,219**	9,279,820	**10,034,219**	9,279,820
28 OTHER CURRENT LIABILITIES				
Value added tax payable	**2,923,204**	2,583,590	**2,923,204**	2,583,590
Tourism development levy payable	**1,430,045**	1,658,037	**1,430,045**	1,658,037
Nation building tax payable	**959,593**	1,284,235	**959,593**	1,284,235
Other tax payable	**10,616**	16,870	**10,616**	16,870
	5,323,458	5,542,734	**5,323,458**	5,542,734
29 CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT				
Components of cash and cash equivalents				
Favorable cash and cash equivalent balances				
Cash and bank balances	33,959,146	20,907,852	**33,546,317**	20,906,411
Short term deposits **(Note 21)**	**1,140,540**	1,035,711	**1,140,540**	1,035,711
Unfavorable cash and cash equivalent balances				
Bank overdrafts	**(4,812,409)**	(420,552)	**(4,812,409)**	(420,552)
Total cash and cash equivalents for the purpose of cash flow statement	**30,287,277**	21,523,011	**29,874,448**	21,521,570

30 COMPARATIVE INFORMATION

The presentation and classification of the following item in the financial statements were amended to ensure comparability with the current year.

	Group / 2014 Rs.	Company 2014 Rs.
Guest in house receivables		
- Trade and other receivables	**1,237,009**	-
- Other debtors	-	1,237,009
Credit card receivables		
- Trade and other receivables	**831,886**	-
- Other debtors	-	831,886
Provision for doubtful rent receivable		
- Trade and other receivables	**880,000**	-
- Trade and other payables	-	880,000
GFH Management Company (Pvt) Ltd		
- Trade payables	**10,151,819**	-
- Amounts due to related companeis		10,151,819

31 COMMITMENTS AND CONTINGENCIES

31.1 Capital Commitments

The Company and Group do not have significant capital commitments as at the reporting date.

31.2 Contingent Liabilities

Lawsuits

The Group is pursuing or is being pursued with legal action on the following legal cases. As per the representation given by the management these cases are still outstanding as at 31 March 2015.

Name/Institution	Type of Cases	Case No.
Mr. C.M.B. Amunupura	Labour	LT Case No 03/70/2012
Ms. H.M. Dingiri Manike	Tenant	RE 2645
Men's Tailors	Tenant	Rent Board Case

Although, there can be no assurance , the directors believe, based on the information currently available, that the ultimate resolution of such legal procedures would not likely have a material adverse affect on the results of operations, financial position or liquidity of the company. Accordingly no provision for any liability has been made in the financial statements, nor has any liability been determined by the ongoing legal cases, as at 31 March 2015.

32 EVENT OCCURRING AFTER THE REPORTING DATE

There have been no any material events occurring after the reporting date that require adjustment to or disclosure in the Financial Statements.

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments held by the Group principally comprise of cash, trade and other receivables, trade and other payables, loans and borrowings/leases. The main purpose of these financial instruments is to manage the operating, investing and financing activities of the Company.

Financial risk management of the Group is carried out based on guidelines established by its parent Group's finance department which comes under the preview of the Board of Directors.

Parent company Finance department evaluates financial risk in close co - operation with the hotel operational units. The parent company provides guidelines for overall risk management as well, covering specific areas such as Credit Risk ,Liquidity Risk ,Interest Rate Risk and Foreign Currency Risk.

The Hotel has established guidelines for risk controlling procedures and for the use of financial instruments, including a clear segregation of duties with regard to financial activities , settlements, accounting and related controlling . The guide lines and systems are regularly reviewed and adjusted accordingly to changes in markets and products. The Group's Executive Directors monitor these risks primarily through its operating and financing activities.

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd..)

33.1 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

33.1.1 Credit risk exposure

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts. Following table shows the maximum risk positions.

Group	2015 Cash in hand and at bank	2015 Trade and other receivables	2015 Other investments	2015 Amounts due from related parties	2015 Total	2015 % of allocation	2014 Cash in hand and at bank	2014 Trade and other receivables	2014 Other investments	2014 Amounts due from related parties	2014 Total	2014 % of allocation
	Rs.	Rs.	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.	Rs.	Rs.	
Deposits with bank	-	-	1,140,540	-	1,140,540	0%	-	-	1,035,711	-	1,035,711	0%
Trade and other receivables	-	72,953,481	-	-	72,953,481	21%	-	87,754,106	-	-	87,754,106	19%
Amounts due from related parties	-	-	-	240,502,400	240,502,400	69%	-	-	-	353,769,472	353,769,472	76%
Cash and bank balances	33,959,146	-	-	-	33,959,146	10%	20,907,852	-	-	-	20,907,852	5%
Total credit risk exposure	33,959,146	72,953,481	1,140,540	240,502,400	348,555,567	100%	20,907,852	87,754,106	1,035,711	353,769,472	463,467,141	100%
Total	33,959,146	72,953,481	1,140,540	240,502,400			20,907,852	87,754,106	1,035,711	353,769,472		

Company	2015 Cash in hand and at bank	2015 Trade and other receivables	2015 Other investments	2015 Amounts due from related parties	2015 Total	2015 % of allocation	2014 Cash in hand and at bank	2014 Trade and other receivables	2014 Other investments	2014 Amounts due from related parties	2014 Total	2014 % of allocation
	Rs.	Rs.	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.	Rs.	Rs.	
Deposits with bank	-	-	1,140,540	-	1,140,540	0%	-	-	1,035,711	-	1,035,711	0%
Trade and other receivables	-	72,953,481	-	-	72,953,481	21%	-	87,754,106	-	-	87,754,106	14%
Amounts due from related parties	-	-	-	248,127,977	248,127,977	70%	-	-	-	505,799,373	505,799,373	82%
Cash and bank balances	33,546,317	-	-	-	33,546,317	9%	20,906,411	-	-	-	20,906,411	3%
Total credit risk exposure	33,546,317	72,953,481	1,140,540	248,127,977	355,768,315	100%	20,906,411	87,754,106	1,035,711	505,799,373	615,495,601	100%
Total	33,546,317	72,953,481	1,140,540	248,127,977			20,906,411	87,754,106	1,035,711	505,799,373		

33.1.2 Credit risk relating to cash and bank balances

In order to mitigate concentration, settlement and operational risks related to cash and bank balances, the company limits the maximum cash amount that can be deposited with a single counterparty. In addition, the company maintains an authorised list of acceptable cash counterparties based on current ratings and economic outlook, taking into account analysis of fundamentals and market indicators. The company held cash and bank balances of Rs. 33.5 Million at 31 March 2015 (2014 - Rs. 20.9 million).

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd..)

33.2 Liquidity Risk

The Group's policy is to hold cash and undrawn committed facilities at a level sufficient to ensure that the Group and company has available funds to meet its medium term capital and funding obligations, including organic growth and acquisition activities, and to meet any unforeseen obligations and opportunities. The Group holds cash and undrawn committed facilities to enable the Group to manage its liquidity risk.

The Group monitors its risk to shortage of funds using a daily cash management process. This process considers the maturity of both the Group's financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations.

33.2.1 Net (debt)/cash

	Group		Company	
	2015	2014	**2015**	2014
	Rs.	Rs.	**Rs.**	Rs.
Short term investments	**1,140,540**	1,035,711	**1,140,540**	1,035,711
Cash in hand and at bank	**33,959,146**	20,907,852	**33,546,317**	20,906,411
Total liquid assets	**35,099,686**	21,943,563	**34,686,857**	21,942,122
Bank overdrafts	**4,812,409**	420,552	**4,812,409**	420,552
Total liabilities	**4,812,409**	420,552	**4,812,409**	420,552
Net (debt)/cash	**30,287,277**	21,523,011	**29,874,448**	21,521,570

33.2.2 Liquidity risk management

The mixed approach combines elements of the cash flow matching approach and the liquid assets approach. The business units attempt to match cash outflows in each time against a combination of contractual cash inflows plus other inflows that can be generated through the sale of assets, repurchase agreement or other secured borrowing.

Maturity analysis

The table below summarises the maturity profile of the Company's and Group's financial liabilities at 31 March 2015 based on contractual undiscounted payments.

Group	**Within 1 year**	**Between 1-2 years**	**Between 2-3 years**	**Between 3-4 years**	**Between 4-5 years**	**More than 5 years**	**Total**
Trade and other payables	63,614,661	-	-	-	-	-	63,614,661
Amounts due to related companies	7,648,723	-	-	-	-	-	7,648,723
Bank overdrafts	4,812,409	-	-	-	-	-	4,812,409

Company	**Within 1 year**	**Between 1-2 years**	**Between 2-3 years**	**Between 3-4 years**	**Between 4-5 years**	**More than 5 years**	**Total**
	Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Trade and other payables	63,492,839	-	-	-	-	-	63,492,839
Amounts due to related companies	7,648,723	-	-	-	-	-	7,648,723
Bank overdrafts	4,812,409	-	-	-	-	-	4,812,409

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd..)

33.3 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market prices comprise two types of risk:

- Interest rate risk
- Currency risk
- Commodity price risk
- Equity price risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

33.4 Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong financial position and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure, and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares, have a rights issue or buy back of shares.

		Group		**Company**	
		2015	**2014**	**2015**	**2014**
		Rs.	**Rs.**	**Rs.**	**Rs.**
Trade and other payables	(Note 26)	**63,614,661**	54,042,687	**63,492,839**	53,935,866
Amounts due to related companies	(Note 20)	**7,648,723**	12,534,162	**7,648,723**	12,258,100
Less: cash and short-term deposits	(Note 21 and note 29)	**(35,099,686)**	(21,943,563)	**(34,686,857)**	(21,942,122)
Net debt		**36,163,698**	44,633,286	**36,454,705**	44,251,843
Equity		**6,148,111,213**	6,110,335,561	**6,192,269,457**	6,130,240,327
Total capital		**6,148,111,213**	6,110,335,561	**6,192,269,457**	6,130,240,327
Capital and net debt		**6,184,274,911**	6,154,968,848	**6,228,724,162**	6,174,492,171
Gearing ratio		**1%**	1%	**1%**	1%

Investor Information

The Kandy Hotels Company (1938) PLC
Hotel Suisse
No. 30, Sangaraja Mawatha,
Kandy

Annual Report
For the year ended 31st March 2015

Analysis of Ordinary Shareholders

According to the No of Shares As At 31st March 2015

Shareholdings				No. of Shareholders			Total Holdings			Percentage		
				FOREIGN	LOCAL	TOTAL	FOREIGN	LOCAL	TOTAL	FOREIGN	LOCAL	TOTAL
LESS THAN		1,000	SHARES	1	910	911	1,000	240,696	241,696	0.00	0.04	0.04
1001	To	10,000	SHARES	3	399	402	9,000	1,649,853	1,658,853	0.00	0.29	0.29
10001	To	100,000	SHARES	7	175	182	276,117	6,237,435	6,513,552	0.05	1.08	1.13
100001	To	1,000,000	SHARES	8	43	51	2,884,000	13,876,338	16,760,338	0.50	2.40	2.90
1000001		10,000,000	SHARES	10	8	18	16,910,250	19,070,979	35,981,229	3	3.30	6.23
OVER		**10000001**	**SHARES**	**-**	**3**		**-**	**516,344,332**	**516,344,332**	**-**	**89.41**	**89.41**
TOTAL				**29**	**1,538**	**1,564**	**20,080,367**	**557,419,633**	**577,500,000**	**3.48**	**96.52**	**100.00**

Analysis of Ordinary Shareholders

According to the No of Shares As At 31st March 2015
(CDS + normal)

Shareholdings				No. of Holders	Total Holdings	%
LESS THAN		**1000**	SHARES	911	241,696	0.04
1001	**To**	10000	SHARES	402	1,658,853	0.29
10001	To	100000	SHARES	182	6,513,552	1.13
100001	To	1000000	SHARES	51	16,760,338	2.90
1000001	To	10000000	SHARES	18	35,981,229	6.23
OVER		10000001	SHARES	3	516,344,332	89.41
			TOTAL	**1,567**	**577,500,000**	**100**

Distribution of Ordinary Shares			
Class of Member	**No. of Holders**	**No. of Shares**	**%**
Individuals	1,510	50,064,315	8.67
Company	57	527,435,685	91.33
TOTAL	**1,567**	**577,500,000**	**100.00**

Analysis of Preference Shareholders
According to the No of Shares As At 31st March 2015

Shareholdings				No. of Shareholders			Total Holdings			Percentage		
				FOREIGN	LOCAL	TOTAL	FOREIGN	LOCAL	TOTAL	FOREIGN	LOCAL	TOTAL
LESS THAN		1,000	SHARES	15	42	57	1,443	6,430	7,873	2.89	12.86	15.75
1,001	To	10,000	SHARES	0	4	4	0	26,336	26,336	0.00	52.67	52.67
10,001	To	100,000	SHARES	0	1	1	0	15,791	15,791	0.00	31.58	31.58
			TOTAL	15	47	62	1,443	48,557	50,000	2.89	97.11	100.00

Analysis of Preference Shareholders
According to the No of Shares As At 31st March 2015

Shareholdings	No. of Holders	Total Holdings	%
LESS THAN 1,000 SHARES	57	7,873	15.75
1,001 To 10,000 SHARES	4	26,336	52.67
10,001 To 100,000 SHARES	1	15,791	31.58
TOTAL	**62**	**50,000**	**100.00**

Distribution of Preference Shares			
Class of Member	**No. of Holders**	**No. of Shares**	**%**
Individuals	55	17,802	35.60
Company	7	32,198	64.40
TOTAL	**62**	**50,000**	**100%**

DIRECTORS SHAREHOLDING

		31st March 2015		31st March 2014	
	Name Of The Director	Preference	Ordinary	Preference	Ordinary
1	Mr. S Gardiner	9,500	87,500	9,500	87,500
2	Mr. J C Ratwatte	Nil	175,000	Nil	175,000
3	Mr. M W A D J N Wijesuriya	Nil	Nil	Nil	Nil
4	Mr. S C Mohotti	Nil	Nil	Nil	Nil
5	Mr. D P M L Samarasinghe	Nil	5500	Nil	5500
6	Mr. P P Maddumage	Nil	Nil	Nil	Nil
7	Mr. P N Dela	Nil	Nil	Nil	Nil
8	Mr. C L Sirimanne	Nil	3500	Nil	3500
9	Mr. M D R Gunatilleke	Nil	Nil	Nil	Nil

Highest & Lowest Share Prices for the period from 01/04/2014 to 31/03/2015

	2014/2015		2013/2014	
	Date	Share Prices	Date	Share Prices
High	11/09/2014	10.70	09/05/2013	11.00
Low	26/06/2014	6.70	11/03/2014	6.40
Closing	31/03/2015	7.50	31/03/2014	6.70

Share Trading Information for the Period ended 31/03/2015 & 31/03/2014

	2014/2015	2013/2014
No. of Transactions	6,590	3,619
No. of Shares Traded	16,628,434	4,285,271
Value of Shares Traded(Rs)	148,274,474.10	37,051,338.70

SHARE INFORMATION

Public Holdings as at 31st March 2015

Issued Share Capital				**577,500,000**
1)	**Parent, subsidiary ,Affiliated or associate entities or any subsidiaries or associates of its Parent Entity**			
	Ceylon Hotels Corporation PLC	Parent	(441,992,250)	
	Ceylon Hotel Holdings (Pvt)Ltd	Parent	(56,485,454)	
	Hotel International Ltd	Associate	(17,866,628)	
	Cyril Gardiner Ltd	- do -	(8,120,000)	
	The Galle Face Hotel Co. Ltd	- do -	(466,375)	
	Seven 77 Ltd	- do -	(8,750)	
	Deepthi Ltd	- do -	(4,375)	(524,943,832)
2)	**Directors of the entity & their close family members**			
	Mr. Sanjeev Gardiner	Chairman	(87,500)	
	Mr. J C Ratwatte	Director	(175,000)	
	Mr. D P M L Samarasinghe	Director	(5,500)	
	Mr. C L Sirimanne	Director	(3,500)	**(271,500)**
				525,215,332
3)	Chief Executive Officer & his close family members			**0**
4)	Key management Personnel and their close family members			**0**
5)	Any party acting in concert with the parties set out in 1,2,3, and 4			**0**
6)	Entities, Single shareholders or Single shareholders jointly or severally holding 10% or more shares other than			**0**
	Public Share Holding			**52,284,668**
	Public Holding %			**9.05%**
	Nos. of Public Shareholders			**1,524**

Top 20 Shareholders as at 31st March 2015

Serial	NAME	Shares	%
1	Ceylon Hotels Corporation PLC	441,992,250	76.54
2	Ceylon Hotel Holdings (Pvt) Ltd	56,485,454	9.78
3	Hotel International Ltd	17,866,628	3.09
4	Cyril Gardiner Limited	8,120,000	1.41
5	Mr. Noel Victor Stopford -Dec`D- Saackville	4,368,000	0.76
6	Mr. Peter Renuf Frossard, C/O. Executor Mr. Charles Keith, Collas	1,965,250	0.34
7	Mrs. Lilamanie Ratwatte	1,850,250	0.32
8	Mrs. Mary Frances Gunasekera	1,750,000	0.30
9	Mr. Percy Vivian Gunasekera	1,750,000	0.30
10	Ms. Helene Sauties	1,496,250	0.26
11	Mr. Edonard -Dec`D- Laravoire	1,496,250	0.26
12	Mr. John Paul Sauties	1,496,250	0.26
13	Ms. Martha Chevallaz	1,496,250	0.26
14	Mr. Jeane Laravoire	1,496,250	0.26
15	Mr. Paul Chevallaz	1,496,250	0.26
16	Mr. Albert Chevallaz	1,496,250	0.26
17	Mrs. Areenie Upendra Ratwatte Pethiyagoda	1,491,750	0.26
18	Pan Asia Banking Corporation PLC / Mr. R.P.L.Eheliyagoda	1,121,729	0.19
19	Mr. Francis David Micheal Badcock	1,034,250	0.18
20	Mr. John Felix Charles Badcock	1,034,250	0.18
Total Shares : 577,500,000		**551,303,561**	**95.46**
Balance held by Others		26,196,439	4.54
Total Number of Shares		577,500,000	100.00

Top 20 Shareholders as at 31st March 2014

Serial No		No of Shares	%
1	Ceylon Hotels Corporation PLC	441,992,250	76.54
2	Ceylon Hotel Holdings (Pvt) Ltd	56,485,454	9.78
3	Hotel International Ltd	17,866,628	3.09
4	Cyril Gardiner Limited	8,120,000	1.41
5	Mr. Noel Victor Stopford -Dec`D- Saackville	4,368,000	0.76
6	Mr. Peter Renuf Frossard, C/O. Executor Mr. Charles Keith, Collas	1,965,250	0.34
7	Mrs. Lilamanie Ratwatte	1,850,250	0.32
8	Mrs. Mary Frances Gunasekera	1,750,000	0.30
9	Mr. Percy Vivian Gunasekera	1,750,000	0.30
10	Ms. Helene Sauties	1,496,250	0.26
11	Mr. Edonard -Dec`D- Laravoire	1,496,250	0.26
12	Mr. John Paul Sauties	1,496,250	0.26
13	Ms. Martha Chevallaz	1,496,250	0.26
14	Mr. Jeane Laravoire	1,496,250	0.26
15	Mr. Paul Chevallaz	1,496,250	0.26
16	Mr. Albert Chevallaz	1,496,250	0.26
17	Mrs. Areenie Upendra Ratwatte Pethiyagoda	1,491,750	0.26
18	Pan Asia Banking Corporation PLC /Mr.R.P.L.Eheliyagoda	1,121,729	0.19
19	Mr. Francis David Micheal Badcock	1,034,250	0.18
20	Mr. John Felix Charles Badcock	1,034,250	0.18
Total Shares		**551,488,511**	**95.50**
Balance held by Others		26,011,489	4.50
Total Number of Shares		577,500,000	100.00

10 YEARS AT A GLANCE

YEAR ENDED	31st March 2015 Rs.		31st March 2014 Rs.		31st March 2013 Rs.		31st March 2012 Rs.	31st March 2011 Rs.	31st March 2010 Rs.	31st March 2009 Rs.	31st March 2008 Rs.	31st March 2007 Rs.	31st March 2006 Rs.
	Group	Company	Group	Company	Group	Company	Company	Company	Company	Company	Company	Company	Company
TRADING RESULTS													
Turnover	598,443,491	598,443,491	557,888,862	557,888,862	548,275,881	548,275,881	396,309,897	287,577,355	185,121,230	142,513,487	163,771,249	124,323,677	98,264,908
Profit/(Loss) Before Tax	187,139,670	211,393,148	168,243,705	183,944,828	160,517,594	164,721,237	96,326,756	40,483,121	4,970,830	(5,796,449)	(10,037,463)	8,553,604	(3,592,003)
Taxation	(33,690,400)	(33,690,400)	(22,975,983)	(22,975,983)	(21,623,063)	(21,623,063)	(12,816,511)	8,037,393	(1,328,569)	10,514,783	782,173	(219,308)	(777,506)
Net Profit/(Loss) for the Year	153,449,270	177,702,748	145,267,722	160,968,845	138,894,531	143,098,174	83,510,246	48,520,514	3,642,261	4,718,334	(77,645,430)	8,334,296	(2,559,355)
Property Plant & Equipment	5,800,899,327	5,800,899,327	5,811,738,605	5,811,738,605	5,827,754,700	5,827,754,700	5,768,168,282	5,814,764,787	4,443,368,967	4,487,773,846	2,854,174,398	2,879,422,045	1,030,371,022
Intangible Assets	1,520,000	1,520,000	2,280,000	2,280,000	3,040,000	3,040,000	-	-	-	-	-	-	-
Investments	-	345,217,600	-	100	-	100	-	-	-	475,000	475,000	-	-
Investment in Joint Venture	308,393,925	-	132,506,677	-	137,085,831	-	-	-	-	-	-	-	-
Other Non Current Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
NET CURRENT ASSETS	6,110,813,252	6,147,636,927	5,946,525,282	5,814,018,705	5,967,880,530	,830,794,800	5,768,168,282	5,814,764,787	4,443,368,967	4,488,248,846	2,854,649,398	2,879,422,045	1,030,371,022
Current Assets	382,445,020	389,657,768	495,307,507	647,335,967	341,357,573	482,337,476	233,048,765	115,997,299	62,286,102	40,309,930	66,730,009	30,291,238	31,094,468
Current Liabilities	91,433,469	91,311,648	81,819,954	81,437,072	79,361,017	79,051,545	59,446,886	66,958,603	83,198,015	103,868,067	49,819,571	36,395,468	41,631,385
Net Current Assets	291,011,551	298,346,120	413,487,553	565,898,895	261,996,556	403,285,931	173,601,879	49,038,696	(20,911,913)	(63,558,137)	16,910,438	(6,104,230)	(10,536,917)
TOTAL ASSETS	6,401,824,803	6,445,983,047	6,360,012,835	6,379,917,600	6,229,877,087	,234,080,731	5,941,770,161	5,863,803,483	4,422,457,054	4,424,690,709	2,871,559,836	2,873,317,815	1,019,834,105
LESS LIABILITIES													
Loan	-	-	-	-	-	-	-	3,250,000	6,250,000	9,250,000	12,250,000	3,718,000	24,878,912
Leases	-	-	-	-	-	-	660,004	1,265,010	1,925,019	139,498	557,974	1,360,054	-
Deferred Tax Liabilities	249,560,464	249,560,464	246,390,418	246,390,418	250,758,766	250,758,766	241,606,592	240,874,113	197,002,265	200,316,373	975,575,161	100,714,069	2,566,680
Retirement Benefit Obligations	4,153,125	4,153,125	3,286,855	3,286,855	1,910,975	1,910,975	1,849,897	1,538,441	897,382	2,207,210	88,366,292	17,022,979	12,124,777
NET ASSETS	6,148,111,213	6,192,269,457	6,110,335,562	6,130,240,327	5,977,207,346	,981,410,991	5,697,653,668	5,616,875,919	4,216,382,388	4,212,777,628	2,672,810,409	2,750,502,713	980,263,736
SHARE CAPITAL & RESERVES													
Paid-up- capital	16,750,000	16,750,000	16,750,000	16,750,000	16,750,000	16,750,000	16,750,000	16,750,000	16,750,000	16,750,000	16,750,000	16,750,000	16,750,000
Debentures	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	6,131,361,213	6,175,519,457	6,093,585,562	6,113,490,327	5,960,457,346	5,964,660,990	5,680,958,667	5,600,125,919	4,199,632,388	4,196,027,628	2,656,060,409	2,733,752,713	960,513,738
SHARE HOLDERS FUNDS	6,148,111,213	6,192,269,457	6,110,335,562	6,130,240,327	5,977,207,346	5,981,410,990	5,697,708,667	5,616,875,919	4,216,382,388	4,212,777,628	2,672,810,409	2,750,502,713	977,263,738
RATIOS AND STATISTICS													
Current Ratio	4.18	4.27	6.00	7.87	4.30	6.10	3.92	1.73	0.75	0.39	1.34	0.83	0.75
Earnings per Ordinary Share (Rs.)	0.27	0.00	0.25	0.00	0.24	0.25	0.14	2.94	0.22	0.29	(46.36)	0.50	(0.16)
Net Assets per Ordinary Share (Rs.)	10.65	10.72	10.58	10.62	10.35	10.36	9.87	340.42	251.72	255.32	159.57	166.70	59.41
MARKET SHAREHOLDER INFORMATION													
No of shares in issue	577,500,000	577,500,000	577,500,000	577,500,000	577,500,000	577,500,000	577,500,000	16,500,000	16,500,000	16,500,000	16,500,000	16,500,000	16,500,000
Highest	9.50	9.50	6.80	6.80	12.70	12.70	300.00	290.00	131.00	83.00	100.00	108.00	283.00
Lowest	7.50	7.50	6.70	6.70	4.60	4.60	4.10	201.00	99.25	28.00	45.00	58.00	30.00
Market Capitalization	4,331,250,000	4,331,250,000	3,869,250,000	3,869,250,000	577,500,000	577,500,000	4,100,250,000	3,923,700,000	1,815,000,000	829,125,000	1,196,250,000	1,369,500,000	2,582,250,000

Notice is hereby given that the 86th Annual General Meeting of The Kandy Hotels Co. (1938) PLC will be held at "Hotel Suisse", No. 30, Sangaraja Mawatha, Kandy on 24th September 2015 at 11.00 a.m. for the following purposes.

1. To receive and consider the statement of Accounts for the year ended 31st March 2015 with the Annual report of the Board of Directors and Auditors thereon.
2. To re-elect Mr. Sarath Chandra Mohotti who retires by rotation in terms of Article 91, of the Articles of Association of the Company, and being eligible offers himself for re-election.
3. Appointment of Directors in terms of Section 211 of the Companies Act No.07 of 2007.
   - Mr. D.P.M.Lakshman Samarasinghe, who is 72 years of age as a Director in terms of Section 211 of the Companies Act No. 07 of 2007. Accordingly, the following resolution to be passed for this purpose, if thought fit.

IT IS HEREBY RESOLVED: "To re-elect Mr. D.P.M.Lakshman Samarasinghe, who is 72 years of age as a Director in terms of Section 211 of the Companies Act No. 7 of 2007 and it is specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Mr. D.P.M.Lakshman Samarasinghe.

   - Mr.C.L.Sirimanne, who is 72 years of age as a Director in terms of Section 211 of the Companies Act No.07 of 2007 Accordingly, the following resolution to be passed for this purpose, if thought fit.

IT IS HEREBY RESOLVED: "To re-elect Mr. C.L. Sirimanne, who is 72 years of age as a Director in terms of Section 211 of the Companies Act No. 7 of 2007 and it is specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Mr.C.L.Sirimanne.

   - Mr. M W A D J Nahil Wijesuriya , who is 70 years of age as a Director in terms of Section 211 of the Companies Act No.07 of 2007 Accordingly, the following resolution to be passed for this purpose, if thought fit.

IT IS HEREBY RESOLVED: "To re-elect Mr. M W A D J Nahil Wijesuriya , who is 70 years of age as a Director in terms of Section 211 of the Companies Act No. 7 of 2007 and it is specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Mr. M W A D J Nahil Wijesuriya.

4. To declare a Final Dividend of Rs. 115,500,000/- (Rs.0.20 per share) for the financial year ended 31st March 2015.
5. To re-appoint the Auditors Messer. Ernst & Young and authorize the Board of Directors to determine their remuneration
6. To authorise the Board of Directors to determine payments for charitable and other purposes for the year 2015/2016.

By Order of the Board
The Kandy Hotels Co. (1938) PLC

MANAGERS & SECRETARIES (PRIVATE) LIMITED
Secretaries
21st August 2015

NOTE:

a. Only persons who are shareholders of the Company and whose names appear on the share Register as at AGM date will be entitled to attend the above meeting.

b. A Shareholder entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote in his/her place by completing the From of Proxy enclosed herewith.

c. A proxy need not be shareholder of the Company .However the proxy must be above 18 years of age.

d. Shareholders/Proxy holders are kindly advises to bring along with them their National Identity Card or a similar form of acceptable identity when attending the meeting.

e. The Completed form of proxy must be deposited at the registered office "Hotel Suisse" , No. 30, Sangaraja Mawatha, Kandy not less than forty eight hours before the time fixed for the meeting

NOTES

FORM OF PROXY

I/we ....

of ....

being a member/members of The Kandy Hotels Co. (1938) PLC hereby appoint ; ....

....

....

of ....

.... or failing him

Mr. Sanjeev Gardiner	or failing him
Mr. Charitha Ratwatte	or failing him
Mr. Lakshman Samarasinghe	or failing him
Mr. Priyantha Maddumage	or failing him
Mr. Jayantha Nahil Wijesuriya	or failing him
Mr. Chandra Mohotti	or failing him
Mr. Pradeep Nilanga Dela	or failing him
Mr. Lakshman Sirimanne	or failing him
Mr. Ranjith Gunatilleke	

as my/our proxy to represent me/us and *vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 24th September 2015 and at any adjournment thereof and at every poll which may be taken in consequence thereof

Signed this ....day of 2015

……………………………..
Signature of Shareholder

• Speak

Note: Instructions to complete are noted on the following page

INSTRUCTIONS AS TO COMPLETION

Instructions as to completion

- Kindly perfect, the Form of Proxy, by filling in legibly your full name and address, signing in space provided, and filling in the signature.

- If the form of proxy is signed by an Attorney, the relative Power of Attorney should also accompany the Form of Proxy for registration, if such Power of Attorney has not already been registered with the company.

- In 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.

- The completed Form of Proxy should be deposited at the registered office of the Company "Hotel Suisse", No. 30, Sangaraja Mawatha, Kandy, not less than forty eight (48) hours before the time appointed for the holding of the meeting.

CORPORATE INFORMATION

NAME OF THE COMPANY	The Kandy Hotels Company (1938) PLC
LEGAL FORM	A Public quoted Company with Limited Liability (Incorporated in Sri Lanka)
STOCK EXCHANGE LISTING	The Ordinary Shares of the Company are listed with the Colombo Stock Exchange of Sri Lanka
DIRECTORS	Sanjeev Gardiner (Chairman) Lakshman Samarasinghe Priyantha Maddumage Charitha Ratwatte Chandra Mohotti Nahil Wijesuriya Pradeep Nilanga Dela Lakshman Sirimanne Ranjith Gunatileke
CORPORATE MANAGEMENT	Ranjan Pieris (General Manager –Suisse & Queens Hotels) P Sivatheesh (Financial Controller)
REGISTERED OFFICE	The Kandy Hotels Co. (1938) PLC Hotels Suisse No. 30, Sangaraja Mawatha, Kandy.
SECRETARIES	Managers & Secretaries (Pvt) Ltd. No. 08, Tickell Road, Colombo 08.
AUDITORS	M/s Ernst & Young Chartered Accountants No. 839/2, Peradeniya Road, Kandy
BANKERS	Commercial Bank of Ceylon Ltd. Nations Trust Bank Ltd. National Development Bank PLC
E'MAIL	QUEEN'S HOTEL : queens@kandymail.lk SUISSE HOTEL : suisse@kandy.ccom.lk

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THE KANDY HOTELS CO. (1938) PLC

Hotel Suisse,
No. 30, Sangaraja Mawatha,
Kandy