THE KANDY HOTELS CO. (1938) PLC

(A member of Galle Face Group)

ANNUAL REPORT

89th Annual General Meeting

for the year ended 31st March

2018

THE KANDY HOTELS CO. (1938) PLC

ANNUAL REPORT

89th Annual General Meeting

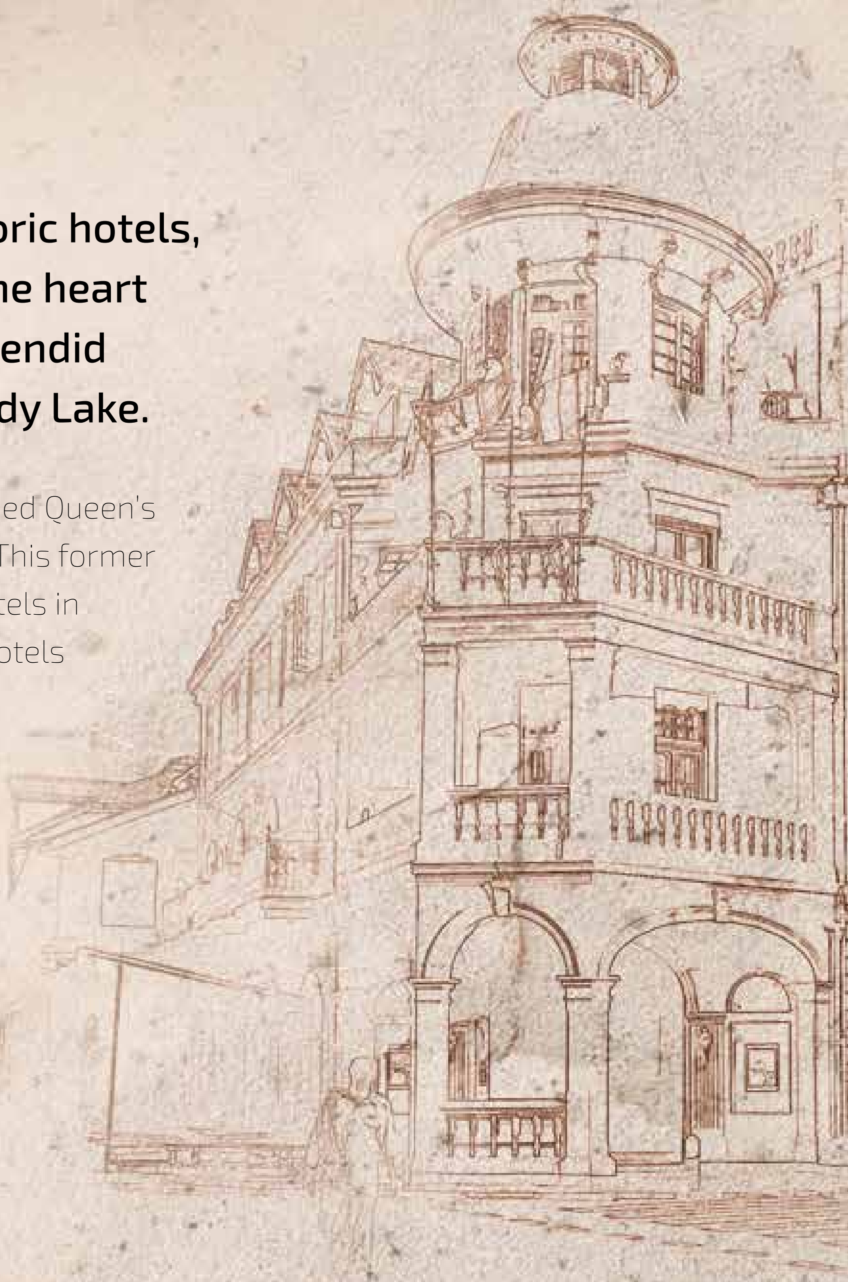
for the year ended 31st March

2018

CONTENTS

Queen's Hotel

One of Sri Lanka's iconic historic hotels, Queen's Hotel, situated in the heart of Kandy, faces the beautiful splendid surroundings alongside the Kandy Lake.



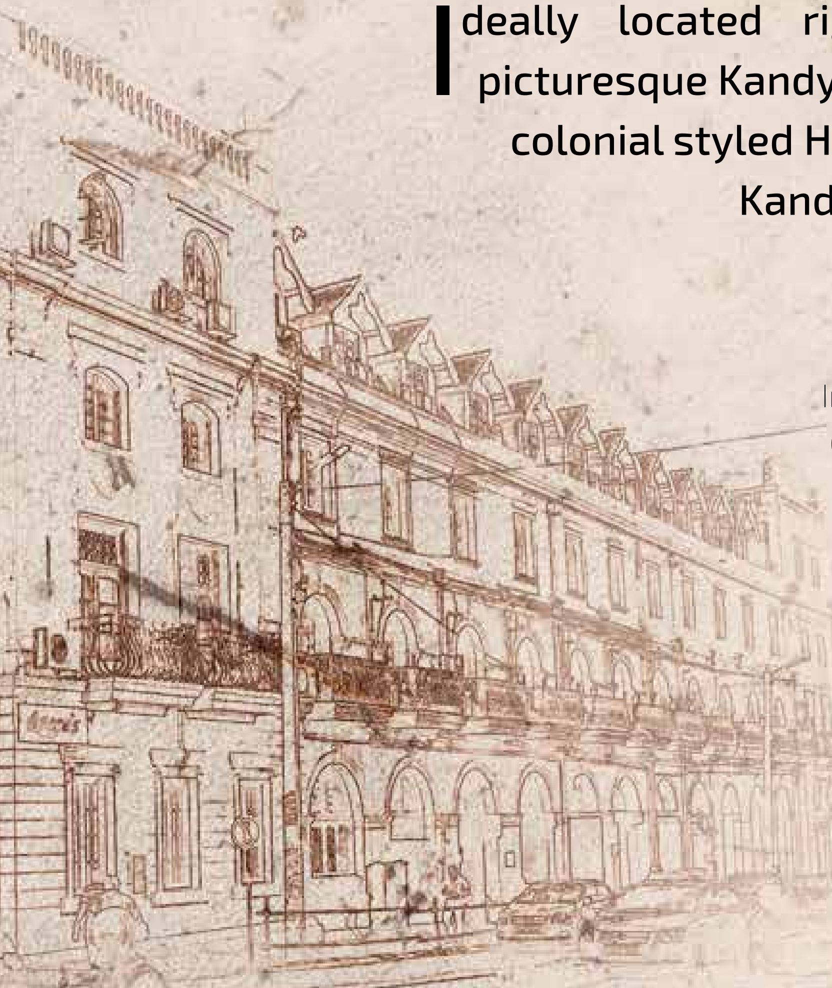
With a history of over 160 years, the 91 roomed Queen's Hotel is a British Colonial style luxury hotel. This former Governor's residence is one of the oldest hotels in Sri Lanka which is managed by the Ceylon Hotels Corporation.

What's momentous about Queen's Hotel is that it is situated in Kandy, where the world prominent "Temple of the Tooth Relic of Lord Buddha" is. Every country has its pageants and festivals and so does Kandy which has the world famous "Kandy Esala Perahera Pageant"

which is held annually. This pageant proceeds alongside the Queen's Hotel's East & West wings, providing the most magnificent viewing facilities for the guests who patronize the hotel.

Hotel Suisse

Ideally located right beside the historic and picturesque Kandy lake, the 90 roomed well known colonial styled Hotel Suisse, the only city hotel in Kandy with a large landscape garden.



In the 17th century, it was the residence of the Chief Minister of the Royal Granary. However, in 1818 this property was acquired by the British and occupied by an officer, who named it "Harmby House". Years later, "Harmby House" was sold to a Swiss lady, who renamed it as "Hotel Suisse". During the second world war from 1943 to 1945, it was used as the Headquarters of the South East Asia Command. This then was the beginning of the present "The Hotel Suisse".

CHAIRMAN'S REVIEW

ANNUAL REPORT

89th Annual General Meeting

for the year ended 31st March

2018

Queen's Hotel - Kandy

CHAIRMAN'S REVIEW

It is with great pleasure that I warmly welcome our share holders to the 89th Annual General Meeting of Kandy Hotels Co. (1938) PLC and present to you the annual report and the audited financial statements for the year ended 31st March 2018.

INTERNATIONAL TOURISM

International Tourist Arrivals grew by a remarkable 7% in 2017 to reach a total 1,322 Million, 87 Million more than in 2016, according to the United Nations World Tourism Organization (UNWTO).

2017 was characterized by sustained growth in many destinations and a firm recovery in those that suffered decreases previously. As the third export sector in the world, tourism sector has become a key driver in economic development. This momentum is expected to continue in 2018 though at a more sustainable pace after eight years of steady expansion following the 2009 economic and financial crisis according to the UNWTO.

SRI LANKA TOURISM

Sri Lanka Tourism was faced with a challenging year due to several factors, which includes the partial closure of the Bandaranaike International Airport for the renovation of the runway during the first 3 - 4 months of the calendar year, followed by floods and a dengue epidemic during the 1st and 2nd quarters of the financial year respectively. As a result, tourist arrivals to the country grew only by 3.2% reaching 2,116,407 during 2017. This was the lowest year on year growth rate recorded since 2009.

India continued as the single largest source country for tourists contributing the most number of tourists, accounting for 18.2% of all arrivals, followed by China that accounted for 12.7% of tourist arrivals. Despite China being the second largest source country for Sri Lanka, arrivals from China resulted in a marginal drop in 2017 decreasing by 1%, eventhough globally the Chinese outbound traveler market witnessed strong growth. Western Europe as a region accounted for 32.2% of all tourist arrivals led by the United Kingdom, continued to grow at an encouraging pace.

Cumulative tourism earnings reached US$ 3.9 Bn in 2017 outpacing the growth rate in tourist arrivals by increasing at a healthy rate of 11.6% compared to 2016. Tourism continues to be one of the most important sectors in Sri Lanka as it cushions the trade deficit by

CHAIRMAN'S REVIEW (Contd..)

being one of the largest foreign exchange providers.

As tourist arrivals continue to grow, the competitive landscape of the tourism industry has also intensified driven by the burgeoning non-hotel tourist accommodations. As per the Sri Lanka Tourism Development Authority, the registered guest houses and homestay units account for more than 30% of the total registered room inventory. In addition to the registered room inventory the industry also consists of an informal sector, which is believed to have increased during the recent past. This increase in the non-hotel room supply (informal and formal) continues to challenge the occupancy levels of the hotel sector resulting in price competition specially during off peak seasons.

Kandy as a region was affected during the 4th quarter of the FY 2017/2018 as a sudden escalation of communal unrest led to travel advisories and bookings cancellations. Nevertheless, after the Government arrested the situation the industry has returned to normalcy.

PERFORMANCE REVIEW

The combined turnover of both Queen's & Hotel Suisse amounted to Rs. 685 Million for the financial year ended 31st March 2018, Rs 4 Million more than Rs. 681 Million of the previous year. The growth in revenue though marginal was achieved amidst competitive supply side industry dynamics as 12 new hotels have come up with 563 additional rooms and new Banquet Halls with adequate parking facility.

Company operating profit for the year under review was Rs.238 Million, compared Rs 239.8 Million recorded last year. Net Profit for the year under review was Rs 194.8 Million, Rs 53 Million less than the previous year, which was Rs.247.8 Million, mainly due to net Finance Expenses amounting to Rs 57.6 Million incurred on account of financing the acquisition of shares in United Hotels Co. Ltd as noted below.

NEW INVESTMENTS

Further to the market announcement made on 25th May 2017, the Company made an investment in United Hotels Co. Ltd (UHCL – a subsidiary of Ceylon Hotels Corporation PLC) by Purchasing 48,000,000 shares (16.1%) at Rs 12.5 per share costing Rs.600,000,000. UHCL operates EKHO Surf Hotel in Bentota (100 Rooms), EKHO Safari in Tissa (50 Rooms), The Lake Hotel (40 Rooms) & EKHO Lake House (14 Rooms) in Polonnaruwa. UHCL, whose fully owned subsidiary Ceylon Hotels Maldives (Pvt) Ltd (CHML) has entered in to a 50 : 50 joint venture with Zhen Hua Engineering Company Ltd (ZHEC), a Group Company of the China Harbour Engineering Company Ltd. China Harbour is currently the developer of the Port City Project Colombo. In terms of the aforesaid Joint Venture CHML and ZHEC have agreed to develop a 85-100 Room Resort on Anbarra Island in Vaavu Atoll in the Maldives with an investment of approximate of USD 50 Million. This investment was completely financed by bank borrowings obtained during the financial year (Please refer the disclosures made in the financial statements enclosed in this regard).

SUISSE HOTEL KANDY (PVT) LTD. / (OZO HOTEL KANDY)

As reported last year, OZO Hotel Kandy has become a popular destination in Kandy. The Revenue for the year was Rs.579.5 Million compared to Rs 563.7 Million in 2017. This year, I am happy to inform you that OZO Hotel Kandy has made a Net Profit of Rs 59.8 Million although in 2017, it made a loss of Rs 3 Million.

OUTLOOK

Tourist arrival growth rates are projected to rebound, with the Tourism Ministry targeting a record 2.5 Mn arrivals in 2018. This is to be supported through global and digital media campaigns to be launched by the Sri Lanka Tourism Development Authority and the Sri Lanka Tourism Promotions Bureau which will lend valuable visibility to the destination.

Sri Lanka has also developed a road map for tourism with the Tourism Strategic Plan 2017 – 2020 a comprehensive document, which if effectively implemented could unleash the potential of the industry.

CHAIRMAN'S REVIEW (Contd..)

In addition to the competition from formal tourist accommodations, the informal tourist accommodations also pose a significant challenge to the hotel sector. However it is important a level playing field is maintained, as at present only the formal sector is contributing to the industry via taxes and employee benefits. It is encouraging to note that the Tourism Ministry has recognized this issue and is actively involved in registering the informal establishments.

In the medium to long term we expect the tourism demand flow to the Kandy region to increase and keep pace with the growing room supply, as road connectivity and travel times improve with the opening of the central expressway, which is expected to be completed in stages by 2019 and 2020.

As owners / operators of established city hotels in Kandy we continue to leverage on the strength of our long standing brands and strategic locations of the properties to optimize shareholder value creation.

APPRECIATION

I wish to thank my Fellow Directors personally for the assistance and co-operation rendered during this year too. I also wish to thank our Vice President & General Manager Mr. Ranjan Pieris for his Commitment and Dedicated Services and thank the Financial Controller and General Staff, who gave their fullest support to him.

I also wish to place on record my sincere thanks to our Loyal Guests, Our Business Partners, Travel Agents, Bankers, Auditors & Secretaries and appreciate the support extended to us during this year.

Finally, a special word of thanks goes to our Shareholders for their encouragement and Continued Confidence and trust placed in the Board.

(Sgd.)

Sanjeev Gardiner
Chairman
27th August 2018

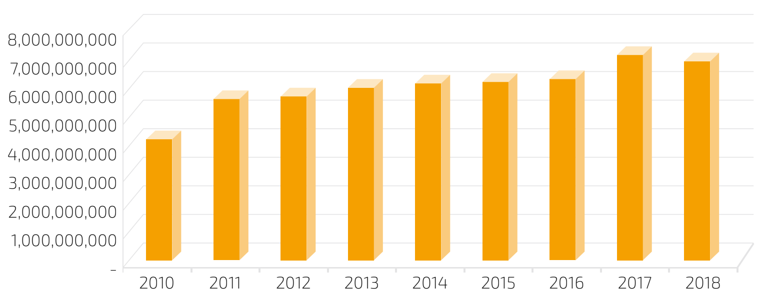
Queen's Hotel - Kandy

FINANCIAL HIGHLIGHTS

Company				
YEAR ENDED	31.03.2018 Rs.	31.03.2017 R.s	Variance Rs.	%
Turnover	685,379,723	681,174,372	4,205,351	1%
Profit After Tax	194,822,002	247,836,930	(53,014,927)	-21%
Results From Operating Activities	238,119,846	239,809,021	(1,689,175)	
Depreciation	57,287,378	63,470,124	(6,182,746)	
Amortization	108,737	769,166	(660,428)	
EBITDA	295,515,961	304,048,311	(8,532,349)	-3%
Turnover- Hotel Suisse	337,590,690	339,752,855		
Turnover- Queen's Hotel	347,789,033	331,421,517		
Dividend Paid Out Ratio	0.30	0.58		
Earning per Share	0.34	0.43		

Group				
YEAR ENDED	31.03.2018 Rs.	31.03.2017 Rs.	Variance Rs.	%
Turnover	685,379,723	681,174,372	4,205,351	1%
Profit After Tax	224,219,521	246,177,301	(21,957,780)	-9%
Results From Operating Activities	238,018,358	239,710,331	(1,691,973)	
Depreciation	57,287,378	63,470,124	(6,182,746)	
Amortization	108,737	769,166	(660,428)	
EBITDA	295,414,473	303,949,621	(8,535,147)	-3%
Turnover- Hotel Suisse	337,590,690	339,752,855		
Turnover- Queen's Hotel	347,789,033	331,421,517		
Earning per Share	0.39	0.43		

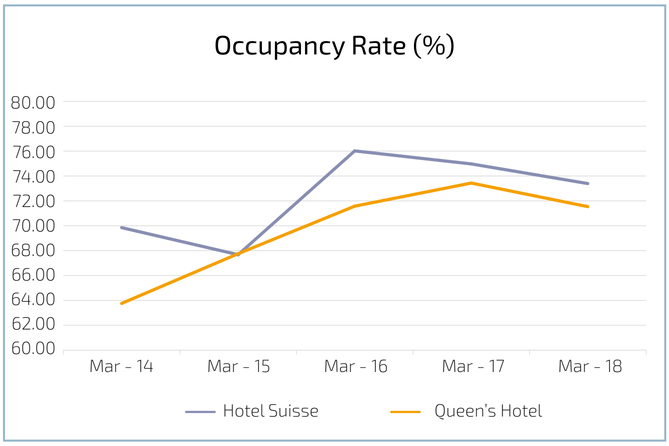
Shareholders' Funds (Rs.)

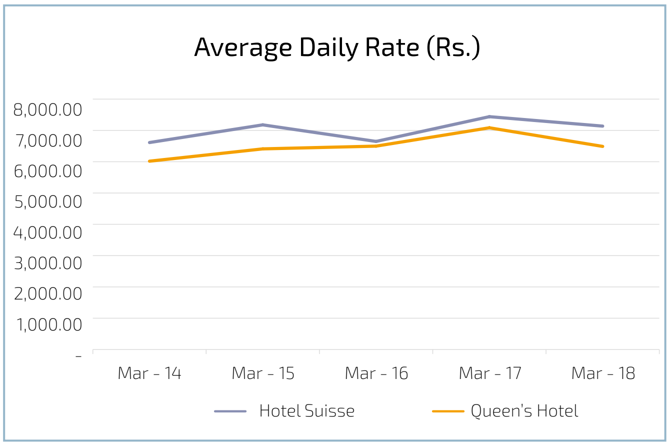


Revenue Contribution
Hotel Suisse and Queen's Hotel

FINANCIAL HIGHLIGHTS (Contd..)

Performance Review - Group						
	Indicator	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18
Occupancy rate (%)	HOTEL SUISSE	69.85	67.67	76.02	74.97	73.39
Average Daily Rate (Rs.)	HOTEL SUISSE	6,612.93	7,177.82	6,648.22	7,439.47	7,137.68
Occupancy rate (%)	QUEENS HOTEL	63.75	67.75	71.57	73.43	71.54
Average Daily Rate (Rs.)	QUEENS HOTEL	6,017.35	6,410.45	6,498.16	7,084.04	6,489.09





OZO Hotel Kandy

PROFILE OF DIRECTORS

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 29 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 Co. Ltd and Co-Chairman of Suisse Hotels Kandy (Pvt) Ltd. owner of the joint venture OZO Hotel Kandy. 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), Dankotuwa Porcelain PLC and Chairman of Taprobane Holdings PLC since 2015. 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 was the past President – of the elite Young Presidents Organisation. Mr. Gardiner was appointed as the Ambassador for prevention of Chronic Kidney Disease (CKD) in Sri Lanka by H.E. The President Maithripala Sirisena. Mr. Gardiner has taken many initiatives towards achieving the desires of the President and also to provide relief to suffering patients who are afflicted by this dreaded disease.

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 22 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. Ratwatte is the Senior Advisor to the Prime Minister Mr. Ranil Wickramasinghe since January 2015.

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 40 years and a Director of all Group Companies for over 3 decades. He was appointed as an Executive Director of Autodrome PLC 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 13 consecutive years. He holds a Diploma in Commerce and counts over 47 years of Management experience.

PROFILE OF DIRECTORS

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 Chief Financial Officer of the Galle Face Hotel Group of Companies and counts over 25 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 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 and retired after serving the board for 8 years. He has been re-elected again.

MR RANJITH GUNATHILLEKE

Mr. Gunathilleke 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.

PROFILE OF DIRECTORS

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. East West Properties PLC is the parent company of Weligama Hotel Properties Limited which owns the 200 rooms 5 star Weligama Bay Marriot Resort and Spa. A Marine Engineer by profession he has successfully speculated in the London and Singapore Property Markets and now is a Citizen of Singapore.

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 Subsequently 500 roomed Galadari Hotel for a period of 10 years and has management experience for over 41 years. Now Mr. Mohotti being appointed an Executive Director of "The ISN Gardiner CKDU" will be assisting Mr. Sanjeev Gardiner to provide relief to patients suffering from Chronic Kidney Disease.

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. He is a non executive independent Director and continue as a Director of the Company for 12 years.

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

The Board of Directors have pleasure in presenting the Annual Report for the year ended 31st March 2018 on the affairs of the Company. Details setout herein provide the pertinent information required by the companies Act No.7 of 2007, Listing Rules of the Colombo Stock Exchange (CSE) and recommended best accounting practices.

The Annual Report was approved by the Directors at a meeting held on 27th August 2018.

1. Principal Activity of the Company

The principal activity of the Company is hospitality trade. Company owns and manage Queen's Hotel and Hotel Suisse in Kandy. Company also owns 50% of the stake in Suisse Hotel Kandy (Pvt) Ltd which owns Ozo Hotel - Kandy.

2. Annual Report

The Board of Directors on 27th August 2018, approved the Company's Financial Statements together with the Reviews which form part of the Annual Report. The appropriate number of copies of the Report would be submitted to the Colombo Stock Exchange, Sri Lanka Accounting and Auditing Standards Monitoring Board and the Registrar General of Companies within the given time frames.

3. Review of the year

Chairman's review on page 05 - 07 describes the Company's affairs and mentions important events that occurred during the year, and up to the date of this report. The Financial Highlights on page 08 - 09 summarize the financial results of the Company. These reports together with the audited financial statements reflect the state of the affairs of the Company

4. Financial Statements

The Financial Statements which include statement of profit and loss and comprehensive income, statement of financial position, statement of changes in equity and the notes to the financial statements of the company & Group for the year ended 31st March 2018 and is prepared in compliance with the requirements of Section 151 of the Companies Act No 7 of 2007 are given on page 29 - 63 in this annual report.

5. Financial Results

The net profit before tax of the company was Rs 231.7 Mn on a turnover of Rs 685.3 Mn for the year ended 31st March 2018 compared to net profit before tax Rs 291.1 Mn on a turnover of Rs 681.1 Mn in 2016/2017.

for the year ended 31st March	2018 Rs. '000	2017 Rs. '000
Profit after taxation	194,822	247,836
Profit brought forward from previous year	903,990	768,173
Other Comprehensive Income	(164)	573
Dividend Paid	(57,787)	(144,412)
Transfer of excess depreciation on revaluation	29,194	31,820
Retained earnings carried forward	1,070,055	903,990

6. Auditors Report

The Auditors' Report on the Financial Statements is given on page 26 - 28 of this Annual Report.

7. Significant Accounting Policies

The Accounting Policies adopted in preparation of the financial statements is given on page 33 - 45. There were no changes in Accounting Policies adopted by the Company during the year under review.

8. Respective Responsibilities of Directors and Auditors for the Financial Statements

The Directors are responsible for the preparation of the Financial Statements so that they present a true and fair view of the state of affairs of the Company. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Companies Act No. 07 of 2007, the Sri Lanka Accounting and Auditing Standard Act and the Continuing Listing Rules of the Colombo Stock Exchange.

9. Dividends

The Board of Directors recommend a final dividend of Rs. 0.10 for the financial year ended 31st March 2018.

10. Stated Capital and Reserves

The Company's stated capital as at 31st March 2018 was Rs.16,750,000/= represented by 577,500,000 ordinary shares and 50,000 cumulative preference shares @15%.

There was no change in the stated capital during the year under review.

The total stated capital and reserves for the group stood at Rs. 6,890.92 Mn as at 31st March 2018 (2017 - Rs.7,080.24 Mn).

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY - (Contd..)

11. Shareholders' funds

Total reserves of the Company as at 31st March 2018 was Rs.6,875.71 Mn (2017: Rs. 7,112.12 Mn) comprising of retained earnings of Rs. 1,070.05 Mn (2017: Rs. 903.99 Mn) and other reserve of Rs. 5,805.66 Mn (2017: Rs. 6,208.13 Mn). Total reserves combined with Stated Capital as at 31st March 2018 was Rs. 6,892.46 Mn (2017: Rs. 7,128.87 Mn) The movements are shown in the Statement of Changes in Equity given on page 31.

12. Property Plant & Equipment

The Company has spent Rs. 16.5 Mn on capital expenditure during the year under review. The movements in property, plant and equipment during the year are set out in Note 13.1 to the Financial Statements.

13. Market Value of Properties

Freehold land and Building was revalued by an independent professional valuer in the financial year 2016/17. The valuation basis/techniques and the assumptions used there in have been deliberated and agreed by the Management. The carrying value of freehold land and building reflected in the Financial Statements as at 31st March 2018 is Rs. 6,106.3 Mn. The details of freehold land and building valuation are given in Note 13 on pages 50 to 51 to the Financial Statements

14. Investments

Details of long-term Investments held by the Company are given in Note 15 - 17 to the financial statements on page 52 - 53.

15. Acquisition of investments

Further to the market announcement made on 25th May 2017, the Company made an investment in United Hotels Co. Ltd (UHCL – a subsidiary of Ceylon Hotels Corporation PLC) by Purchasing 48,000,000 shares (16.1%) at Rs 12.5 per share costing Rs.600,000,000. UHCL operates Ekho Surf Hotel in Bentota, The Lake Hotel & Ekho Lake House in Polonnaruwa and Tissa Resort (Pvt) Ltd (EKHO Safari - Tissa) and Ceylon Hotel Maldives (Pvt) Ltd holding company of Resort Development Project in Maldives.

16. Statutory Payments

To the best of their knowledge and belief, the Directors are satisfied that all statutory payments in relation to the Government and to the Employees have been settled to date or are provided for in the books of the company.

17. Contingent Liabilities and Capital Commitment

The Contingent liabilities and capital commitment made on account of capital expenditure as at 31st March 2018 are given in Note 31 to the Financial Statements.

18. Post Balance Sheet Events

There are no significant events that have occurred after the balance sheet date which would have any material effect on the Company that require adjustments.

19. Going Concern

The Directors are confident that the company has adequate resources to continue business operations. Accordingly, the Directors consider that it is appropriate to adopt the going concern basis in preparing the Financial Statements.

20. Directors as at 31st March 2018

The Board of Directors of The Kandy Hotels Co. (1938) PLC comprise of 09 Directors and 04 of them serves as Independent Non- Executive Directors. The qualification and experience of the Directors are given on page 10 - 12 of the Report.

The names of the Directors who held office during the year under review are as follows:

Name of the Director	Status
Mr. Sanjeev Gardiner (Chairman)	Executive
Mr. Charitha Ratwatte	Independent Non Executive
Mr. Lakshman Samarasinghe	Executive
Mr. Priyantha Maddumage	Executive
Mr. Lakshman Sirimanne	Executive
Mr. Ranjith Gunathilleke	Independent Non Executive
Mr. Nahil Wijesuriya	Independent Non Executive
Mr. Chandra Mohotti	Non Executive
Mr. Nilanga Dela	Independent Non Executive

In terms of Article 90 of the Articles of Association, one of the Directors is required to retire by rotation at each Annual General Meeting (AGM). Article 91 provides that the Directors to retire by rotation at an AGM shall be those who (being subject to retirement by rotation) have been longest in office, since their last re-election or appointment. Accordingly the Board recommended the re-election of Mr. Ranjith Gunathilleke in terms of Article 91 of the Articles of Association.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY - (Contd..)

Mr. Lakshman Samarasinghe retires in terms of section 210 of the Companies Act No.07 of 2007 (Act). A resolution to be proposed in terms of Section 211 of the Act to re-election of Mr. Lakshman Samarasinghe.

Mr. Lakshman Sirimanne retires in terms of section 210 of the Companies Act No.07 of 2007. A resolution to be proposed in terms of Section 211 of the Act to re-election of Mr. Lakshman Sirimanne.

Mr. Nahil Wijesuriya retires in terms of section 210 of the Companies Act No.07 of 2007. A resolution to be proposed in terms of Section 211 of the Act to re-election of Mr. Nahil Wijesuriya.

Mr. Charitha Ratwatte and Mr. Nahil Wijesuriya have completed 09 years as Independent Non Executive Directors. The Board of Directors at its meeting held on 27th August 2018 decided that their independence are not impaired and deemed to be nevertheless independent, under Listing Rule 7.10.3 (b), and therefore suitable to continue serving as Independent Directors.

Directors Dealings with the Shares of the Company:

Directors shareholding in the company as at 31st March 2018 are as follows:

Name of the Director	31st March 2018		31st March 2017	
	Ordinary Shares	Preference Shares	Ordinary Shares	Preference Shares
Mr. Sanjeev Gardiner	87,500	9,500	87,500	9,500
Mr. Charitha Ratwatte	175,000	Nil	175,000	Nil
Mr. Lakshman Samarasinghe	5,500	Nil	5,500	Nil
Mr. Priyantha Maddumage	Nil	Nil	Nil	Nil
Mr. Lakshman Sirimanne	3,500	Nil	3,500	Nil
Mr. Ranjith Gunathilleke	8,990	Nil	Nil	Nil
Mr. Nahil Wijesuriya	Nil	Nil	Nil	Nil
Mr. Chandra Mohotti	Nil	Nil	Nil	Nil
Mr. Nilanga Dela	Nil	Nil	Nil	Nil

As at 31st March 2018, there were 1900 registered shareholders. The number of shares held by the public as per the Colombo Stock Exchange rules as at 31st March 2018 was 1,888 equivalent to 27.7%

21. Interest Registers

In terms with the Companies Act No.07 of 2007, the company maintained an Interest Register and the entries have been made therein. Interest Register is deemed to form part and parcel of this Annual Report and is available for inspection upon request.

The Board of Directors have duly disclosed their directorships in related companies and share dealing with the company and related companies at board meetings.

The related party transactions and Directors' interest in contracts and proposed contracts with the company are also disclosed in Note 21 to the Financial Statements .

22. Board Committees

In terms of rules of Colombo Stock Exchange on Corporate Governance, there are three mandatory board sub committees, ie. Audit committee, Remuneration Committee and Related Party Transactions Review Committee. The sub committees of Ceylon Hotels Corporation PLC being the parent company listed on the Colombo Stock Exchange function as the subcommittees of the company.

22.1 Audit Committee

Following are the names of the Directors comprising the Audit Committee of the parent company, Ceylon Hotels Corporation PLC.

1. Mr. Kuvera De Zoysa (Chairman)
2 Mr. Mangala Boyagoda
3. Mr. Kamantha Amarasekara
4. Ranil Pathirana (appointed w.e.f. 24th May 2018)

The report of the Audit Committee on page 25 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.

22.2 Remuneration Committee

Following are the names of the Directors comprising the Remuneration Committee of the parent company, Ceylon Hotels Corporation PLC.

1. Mr. Kuvera de Zoysa (Chairman)
2. Mr. Mangala Boyagoda
3. Mr. Kamantha Amarasekara

The primary objective of the Remuneration Committee is to lead and establish a formal and transparent procedure for the development of a remuneration policy and the establishment of a remuneration structure.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY - (Contd..)

22.3 Related party tansactions review Committee

Following are the names of the directors comprising Related Party Transactions Review Committee of the parent company, Ceylon Hotels Corporation PLC.

1. Mr. Kuvera de Zoysa (Chairman)
2. Mr. Mangala Boyagoda
3. Mr. Kamantha Amarasekara

The committee met four times during the financial year 2017/2018.

The Related party transactions review committee report is given on page 20-21 on this Annual Report.

22.3.1 Non-recurrent related party transactions

Further to the market announcement made on 25th May 2017, the Company made an investment in United Hotels Co. Ltd (UHCL – a subsidiary of Ceylon Hotels Corporation PLC) by Purchasing 48,000,000 shares (16.1%) at Rs 12.5 per share costing Rs.600,000,000.

Non recurrent related party transactions, which in aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the company as per Audited Financial Statements of 31st March 2018 is disclosed in Note 21.5 on page 55 to the Financial Statements as required in section 9.3.2 of the listing rules.

23.3.2 Recurrent Related Party Transactions

All the Recurrent Related Party Transactions which in aggregate value exceeds 10% of the revenue of the Company as per audited Financial Statements of 31st March 2018 are disclosed under Note 21.4 on page 55 to the Financial Statements, as required by Colombo Stock Exchange listing Rule 9.3.2.

23. Share Information and Information on earnings, dividend, and net assets and market value

Information relating to earnings, dividend and net assets is given on page 69. Further Information on the shares traded and movement in the number of shares represented by the stated capital of the company is given in the section on "Investor Information" on page 65 - 67.

24. Substantial Shareholding

Names of the twenty largest shareholders for both ordinary and preference shares, percentages of their respective holdings as at 1st April 2017 and 31st March 2018, are given in the section on "Investor Information" on page 65 - 67.

25. Remuneration of Directors

There were no remuneration paid to directors for the year ended 31st March 2018 (2017 - Rs. Nil).

26. Directors Interest in Contracts

The Directors' interest in contracts and proposed contracts with the company are disclosed in Note 21 to the Financial Statements.

27. Auditors

The companies Auditors during the year under review were Messrs Ernst & Young Chartered Accountants, who are willing to continue in office are recommended for re-appointment, at a remuneration to be decided by the Board of Directors.

The fees paid to auditors are disclosed in Note 08 to the Financial Statements.

As far as the Directors are aware, the Auditors do not have any relationship (other than that of an auditor) with the company other than those disclosed above. The auditors also do not have any interest in the Company or its Group Companies. They confirm that they are independent in accordance with the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka.

28. Contributions to Charity

The sum of contributions made to charities by the company during the financial year ended 31st March 2018 is amounting to Rs. 672,596 (2016/17 - 634,752).

29. Annual General Meeting

The Annual General Meeting of the Company will be held on 26th September 2018 at 12:00 noon at the Hotel Suisse-Kandy.

For and on behalf of the Board.

(Sgd.)	(Sgd.)
Lakshman Samarasinghe	Lakshman Sirimanne
Director	Director

By Order of the Board

(Sgd.)

Accounting Systems Secretarial Services (Private) Limited,
Secretaries to the Company,

The Kandy Hotels Co. (1938) PLC.
27th August 2018

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. The Board 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 2018

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

CORPORATE GOVERNANCE (Contd..)

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 improvement 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.

The Company's Corporate Governance Structure is detailed below demonstrate extent to which the Company adheres to

- Provisions of the Companies Act No.07 of 2007
- CSE regulations on Corporate Governance

7.10.1(a)	The board of directors of a Listed Entity shall include at least, - two non-executive directors; or - such number of non-executive directors equivalent to one third of the total number of directors whichever is higher.	Complied	Out of 09 Directors, company has 06 Non Executive Directors.
7.10.2(a)	Two or 1/3 of non-executive directors appointed to the board of directors, whichever is higher shall be 'independent'.	Complied	Out of 09 Directors, company has 04 Independent Non Executive Directors
7.10.2(b)	The board shall require each non-executive director to submit a signed and dated declaration annually of his/her independence or nonindependence against the specified criteria	Complied	All Non-Executive Directors have submitted their confirmation of independence as per the criteria set by the CSE rules, which is in line with the regulatory requirements.
7.10.3(a)	The board shall make a determination annually as to the independence or non-independence of each non-executive director based on such declaration and other information available to the board and shall set out in the annual report the names of directors determined to be 'independent'	Complied	Name of the independent directors are given on page 17 of the Annual Report.
7.10.3(b)	In the event a director does not qualify as 'independent' against any of the criteria set out below but if the board, taking account all the circumstances, is of the opinion that the director is nevertheless 'independent', the board shall specify the criteria not met and the basis for its determination in the annual report. c.	Complied	Mr. Chartitha Ratwatte and Mr. Nahil Wijesuriya have completed 09 years as Independent Non Executive Directors. The Board of Directors at its meeting held on 27th August 2018 assessed the status of the two Directors, and was of the view that their independence are not impaired and deemed to be nevertheless independent and therefore suitable to continue serving as Independent Directors.
7.10.3(c)	the board shall publish in its annual report a brief resume of each director on its board which includes information on the nature of his/her expertise in relevant functional areas.	Complied	Brief Resume of each Director is given on page 10 - 12 of the Annual Report.
7.10.3(d)	Upon appointment of a new director to its board, the Entity shall forthwith provide to the Exchange a brief resume of such director for dissemination to the public.	Complied	Whenever there is a new director appointed to the Board announcement is made to Colombo Stock Exchange together with his or her brief resume.

CORPORATE GOVERNANCE (Contd..)

7.10.5(a)	The remuneration committee shall comprise; of a minimum of two independent non-executive directors (in instances where an Entity has only two directors on its Board); or of non-executive directors a majority of whom shall be independent, whichever shall be higher. In a situation where both the parent company and the subsidiary are 'listed Entities', the remuneration committee of the parent company may be permitted to function as the remuneration committee of the subsidiary.	Complied	Remueration committee of the parent company function as the remuneration committee of the company.
7.10.5(b)	The Remuneration Committee shall recommend the remuneration payable to the executive directors and Chief Executive Officer of the Listed Entity and/or equivalent position thereof, to the board of the Listed Entity which will make the final determination upon consideration of such recommendations	Complied	Remuneration Committee of the parent company review the performance of the executive directors and senior management and assess their remuneration package.
7.10.5(c)	The annual report should set out the names of directors (or persons in the parent company's committee in the case of a group company) comprising the remuneration committee, contain a statement of the remuneration policy and set out the aggregate remuneration paid to executive and non-executive directors.	Complied	Names of the directors on remuneration committee of the parent company is given on page 18 of the Annual Report. Report of the remuneration committee is given on page 21 of the Annual Report.
7.10.6(a)	The audit committee shall comprise; of a minimum of two independent non-executive directors (in instances where a Entity has only two directors on its board); or of non-executive directors a majority of whom shall be independent, whichever shall be higher. In a situation where both the parent company and the subsidiary are 'listed Entities', the audit committee of the parent company may function as the audit committee of the subsidiary.	Complied	Audit committee of the parent company function as the audit committee of the company. Names of the directors on the Audit Committee given on page 25 of the Annual Report.
7.10.6(b)	Function of the Audit committee Shall include, (i) Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements of a Listed Entity, in accordance with Sri Lanka Accounting Standards. (ii) Overseeing of the Entity's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements. (iii) Overseeing the processes to ensure that the Entity's internal controls and risk management, are adequate, to meet the requirements of the Sri Lanka Auditing Standards. (iv) Assessment of the independence and performance of the Entity's external auditors. (v) To make recommendations to the board pertaining to appointment, re-appointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors.	Complied	Report of the Audit Committee setout on page 25 of the Annual Report indicate the functions of the Audit Committee during the year under review.
7.10.6(c)	The names of the directors (or persons in the parent company's committee in the case of a group company) comprising the audit committee should be disclosed in the annual report. The committee shall make a determination of the independence of the auditors and shall disclose the basis for such determination in the annual report. The annual report shall contain a report by the audit committee, setting out the manner of compliance by the Entity in relation to the above, during the period to which the annual report relates.	Complied	Audit Committee review the performance of the external Auditors of the company annually.
9.2.1 & 9.2.2	All Related Party Transactions should be reviewed by the "Related Party Transactions Review Committee. The Committee should comprise a combination of non-executive directors and independent non-executive directors. The composition of the Committee may also include executive directors, at the option of the Listed Entity. One independent non-executive director shall be appointed as Chairman of the Committee.	Complied	Composition of the Related party transactions review committee is given on page 20-21 of the Annual Report.
9.2.3	In a situation where both the parent company and the subsidiary are Listed Entities, the Related Party Transactions Review Committee of the parent company may be permitted to function as the Related Party Transactions Review Committee of the subsidiary.	Complied	Relate party transactions review committee of the Parent company functions as the Related party transactions review committee of the Company.
9.2.4	The Committee shall meet at least once a calendar quarter. The Committee shall ensure that the minutes of all meetings are properly documented and communicated to the Board of Directors.	Complied	During the year under review there were four meetings of the related party transaction review committee.

CORPORATE GOVERNANCE (Contd..)

9.3.1	A Listed Entity shall make an immediate announcement to the Exchange; - of any non-recurrent Related Party Transaction with a value exceeding 10% of the Equity or 5% of the Total Assets whichever is lower, of the Entity as per the latest Audited Financial Statements. OR - of the latest transaction, if the aggregate value of all non-recurrent Related Party Transactions entered into with the same Related Party during the same financial year amounts to 10% of the Equity or 5% of the Total Assets whichever is lower, of the Entity as per the latest Audited Financial Statements. (ii) Listed Entity shall disclose subsequent non-recurrent transactions which exceed 5% of the Equity of the Entity, entered into with the same Related Party during the financial year.	Complied	Immediate market announcement made on non-recurrent related party transactions during the year.
9.3.2 (a)	In the case of Non-recurrent Related Party Transactions, if aggregate value of the non-recurrent Related Party Transactions exceeds 10% of the Equity or 5% of the Total Assets, whichever is lower, of the Listed Entity as per the latest Audited Financial Statements the information must be presented in the Annual Report:	Complied	Required disclosure made in Note 21.5 to the financial statements.
9.3.2 (b)	In the case of Recurrent Related Party Transactions, if the aggregate value of the recurrent Related Party Transactions exceeds 10% of the gross revenue/income (or equivalent term in the Income Statement and in the case of group entity consolidated revenue) as per the latest Audited Financial Statements, the Listed Entity must disclose the aggregate value of recurrent Related Party Transactions entered into during the financial year in its Annual Report. The name of the Related Party and the corresponding aggregate value of the Related Party Transactions entered into with the same Related Party	Complied	Required disclosure made in Note 21.3 - 21.4 to the financial statements.
9.3.2 (c)	Annual Report shall contain a report by the Related Party Transactions Review Committee, setting out the following: • Names of the Directors comprising the Committee; • A statement to the effect that the Committee has reviewed the Related Party Transactions during the financial year and has communicated the comments/ observations to the Board of Directors. • The policies and procedures adopted by the Committee for reviewing the Related Party Transactions. • The number of times the Committee has met during the Financial Year Name of the Related Party Relationship Value of the Related Party Transactions entered into during the financial year Value of Related Party Transactions as a % of Equity and as a % of Total Assets Terms and Conditions of the Related Party Transactions The rationale for entering into the transactions PUBLIC -7- (d) A declaration by the Board of Directors.	Complied	Report of the Related Party Transactions Review committee is given on page 20-21 of the Report.
9.3.2 (d)	A declaration by the Board of Directors in the Annual Report as an affirmative statement of the compliance with these Rules pertaining to Related Party Transactions or a negative statement in the event the Entity has not entered into any Related Party Transaction/s.	Complied	Report of the Related party transactions review committee makes required affirmative statements in its report.

Report of the Related Party Transactions Review Committee

Following are the names of the directors comprising Related Party Transactions Review Committee of the parent company, Ceylon Hotels Corporation PLC.

1. Mr. Kuvera de Zoysa (Chairman)
2. Mr. Mangala Boyagoda
3. Mr. Kamatha Amarasekara.

The committee met four times during the financial year 2017/2018.

The policies and procedures adopted by the Committee for reviewing the Related Party Transactions are as follows :

1. To review all Related Party transactions pertaining to transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged and making a decision if the transaction needs the approval of the Board of Directors prior to entering to the transaction.
2. Details of transactions exceeding 10% of the Company's equity or 5% of the total assets of the Company are promptly disclosed to the Colombo Stock Exchange for transparency.
3. The members of the Board of Directors and their close family members are identified and information pertaining to them for the purpose of identifying parties related to them. The information

Report of the Related Party Transactions Review Committee (Contd..)

is shared with the Company Secretaries in order to fulfil the regulatory requirements.

All recurrent related party transactions, which in aggregate value exceeds 10% of the revenue of the company as per Audited Financial Statements of 31st March 2018 are disclosed under Note 21.3 and 21.4 on page 54 and 55 to the Financial Statements as required in section 9.3.2 of the listing rules.

Non recurrent related party transactions, which in aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the company as per Audited Financial Statements of 31st March 2018 is disclosed in Note 21.5 on page 55 to the Financial Statements as required in section 9.3.2 of the listing rules.

(Sgd.)

Kuvera de Zoysa
Chairman – Related party transactions review Committee
27th August 2018

Report of The Remuneration Committee

In terms of Rule 7.10.5(a) of the listing rule of the Colombo Stock Exchange, the remuneration committee of Ceylon Hotels Corporation PLC function as the remuneration committee of the company and comprise of the following members:

1. Mr. Kuvera de Zoysa (Chairman)
2. Mr. Mangala Boyagoda.
3. Mr. Priyantha Maddumage

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 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
27th August 2018

Queen's Hotel - Kandy

STATEMENT OF DIRECTOR'S RESPONSIBILITIES FOR PREPARING THE FINANCIAL STATEMENTS

In terms of Sections 150 (1), 151, 152 and 153 (1) & (2) of the Companies Act No. 07 of 2007, the Directors of the KHC are responsible for ensuring that the KHC keep proper books of account of all the transactions and prepare Financial Statements that give a true and fair view of the financial position of the KHC as at end of each financial year and of the financial performance of the KHC for each financial year and place them before a general meeting. The Financial Statements comprise of the Statement of Financial Position as at 31st March 2018, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended and Notes thereto.

Accordingly, the Directors confirm that the Financial Statements of the KHC and the Group give a true and fair view of:

(a) the financial position of the KHC as at Reporting date;

and

(b) the financial performance of the KHC for the financial year ended on the Reporting date.

In terms of Section 150(1)(b) and Section 152(1)(b) of the Companies Act these Financial Statements of the KHC have been certified by the KHC's Chief Financial Officer, the Officer responsible for their preparation. In addition, the Financial Statements of the KHC and the Group have been signed by two Directors of the KHC on 27th August 2018 as required by the Sections 150 (1) (c) and 152 (1) (c) of the Companies Act and other regulatory requirements. In terms of Section 148 (1) of the Companies Act, the Directors are also responsible for ensuring that proper accounting records which correctly record and explain the KHC's transactions are maintained to facilitate proper audit of the Financial Statements. Accordingly the Directors have taken reasonable steps to ensure that the KHC and the Group maintain proper books of account and review the financial reporting system through the Board Audit Committee.

The Board of Directors also approves the Interim Financial Statements prior to their release to the Colombo Stock Exchange, upon a review and recommendation by the Board Audit Committee.

The Directors confirm that these Financial Statements for the year ended 31st March 2018, prepared and presented in this Annual Report are in agreement with

a) appropriate accounting policies selected and applied in a consistent manner and material departures if any have been disclosed and explained.

b) all applicable accounting standards that are relevant, have been followed.

c) Judgments and estimates have been made which are reasonable and prudent.

The Directors also confirm that the underlying books of account are in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, and the Listing Rules of the Colombo Stock Exchange.

The Directors also have taken reasonable measures to safeguard the assets of the KHC and to prevent and detect frauds and other irregularities. In this regard, the Directors have instituted an effective and comprehensive system of internal controls comprising of internal audit function directly reporting to the Board.

The Directors are also of the view that the Company has adequate resources to continue in operation and have applied the going concern basis in preparing these financial statements.

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by KHC, all contributions, levies and taxes payable on behalf of and in respect of the employees of KHC, and all other known statutory dues as were due and payable by KHC and its Subsidiary as at the Reporting date have been paid or, where relevant, provided for.

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

Accounting Systems Secretarial Services (Private) Limited,
Secretaries to the Company,
27th August 2018

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Queen's Hotel & Hotel Suisse held the yearly Dansala at the Mahamaluwa of Sri Dalada Maligawa on the Poson Poya Day for the 10th year where over Twenty Five thousand lunch packets were distributed to the devotees present. It was done with the participation of the Chairman, Executive Director, and 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 Pieris, thank the Diyawadana Nilame, Pradeep Nilanga Dela, for allowing the Dansala to be held at the Mahamaluwa. The Board and Management sincerely thank Mr. Sarath Ekanayaka (Chief Minister- Central Province), His Lordship Kesara Senanayaka (Mayor), Hon P.B.Dissanayaka (Governor), Mr. Chandana Tennakoon (Municipal Commissioner), Mr. Wickramasinghe (Senior DIG), Mr. Pradeep Nilanga Dela (Diyawadana Nilame), Mr. Raja Pushpakumara and Mr. Mahendra Ratwatte (Former Mayors), Mr. Thusitha Halangoda (OIC – Maligawa Police Post), Mr. Krishantha Heswella (Media Director- Maligawa) and other invitees.

A special word of thanks goes to Major General Wickramarathna (Volunteer Forces- Salawa, Kosgama), Major Ellapola (2nd Riffle Corps-Atabage Gampola), Colonel Karunathilaka (2nd Riffle Corps - Pallekale), Mr. Tennakoon (Prison Superintendent - Pallekele) for providing over 100 officers to help the two Hotels to prepare the food parcels to be distributed.

FINANCIAL REPORTS

ANNUAL REPORT

89th Annual General Meeting

for the year ended 31st March

2018

Queen's Hotel - Kandy

REPORT OF THE AUDIT COMMITTEE

Audit Committee

In accordance with the Colombo Stock Exchange Listing Rules, the Audit Committee of Ceylon Hotels Corporation PLC, the Parent Company of the Kandy Hotels Co. (1938), functions as the Audit Committee of the Company.

1. Mr. Kuvera de Zoysa (Chairman)
2. Mr. Mangala Boyagoda
3. Mr. Kamantha Amarasekara
4. Mr. Ranil Pathirana - appointed w.e.f. 24th May 2018

Meetings of the Audit Committee

Audit Committee held Four (04) Meetings during the financial year to discuss matters relating to the Company. The attendance of the Members of the Committee was as follows:

	Meetings Attended (out of 4)
1. Mr. Kuvera de Zoysa	4
2. Mr. Mangala Boyagoda	4
3. Mr. Kamantha Amarasekara	0
4. Mr. Ranil Pathirana - appointed w.e.f. 24th May 2018	

During the financial year 2017/18 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 Vice President of Kandy Hotels, Group Chief Financial Officer 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.

Purpose of the Audit Committee

To assist the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control over financial reporting, the audit process and the Company's process for monitoring compliance with laws and regulations, Company policies and procedures and the code of conduct.

To ensure that the internal audit activity is well managed, so that it adds value to the organization by being objective in providing relevant assurance, contributing to the effectiveness and efficiency of governance, risk management and control processes.

Financial Statements

The interim financial statements of the Kandy Hotels Co. (1938) PLC have been reviewed by the Audit Committee Members at Audit Committee Meetings. The draft Financial Statements of the Kandy Hotels Co. (1938) PLC for the year ended 31st March 2018 were also reviewed at a meeting of the Audit Committee Members, together with the External Auditors, Messrs. Ernst & Young, prior to release of same to the Regulatory Authorities and to the shareholders.

The Audit Committee Members were provided with confirmations and declarations as required that the said Financial Statements were prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) and the information required by the Companies Act No. 7 of 2007 therein and presented a true and fair view of the Company's as at that date and the Company's activities during the year under review.

Internal Audit

In accordance with the recommendation of the Audit Committee, the financial audits are carried out annually.

External Audit

The Members of the Audit Committee have determined that Messrs. Ernst & Young, Chartered Accountants were independent based on written representation and the Committee has reviewed the external audit plan, as well as the management letter and followed up on issues raised.

The members of the Audit Committee have concurred to recommend to the Board of Directors the re-appointment of Messrs. Ernst & Young, Chartered Accountants, as Auditors for the financial year ending 31st March 2019, subject to the approval of the shareholders of the Kandy Hotels Co. (1938) PLC at the Annual General Meeting.

(Sgd.)

Kuvera de Zoysa
Chairman – Audit Committee
27th August 2018

OZO Hotel Kandy

INDEPENDENT AUDITORS REPORT

Building a better working world

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

Tel : +94 11 2463500
Fax Gen : +94 11 2697369
Tax : +94 11 5578180
eysl@lk.ey.com
ey.com

BW/DIG/DPM/WPH

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of The Kandy Hotels Co. (1938) PLC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of The Kandy Hotels Co. (1938) PLC ("the Company") and the consolidated financial statements of the Company and its subsidiary ("the Group"), which comprise the statement of financial position as at 31st March 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31st March 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

Key audit matters common to both Group and Company

Key audit matter	How our audit addressed the key audit matter
Completeness, Measurement, and disclosure of related party transactions Related party transactions of the company consist of interest bearing receivable from its parent company amounting to Rs. 830,525,711/- which represent 84% of current assets and 10% of the total assets of the Group. Moreover, the Group has earned Rs. 68,575,515/- of interest income on the said loans and which represent 30% of total profit before tax for the year ended 31st March 2018.	Our procedures in relation to the completeness, Measurement, and disclosure of related party transactions included the following: ▪ We evaluated the appropriateness of management's process for identifying and recording related party transactions. ▪ We read contracts and agreements with related parties to understand the nature of the transactions. ▪ Throughout the performance of our audit procedures, we remained alert for any related party transactions outside the normal course of business.

INDEPENDENT AUDITORS REPORT (Contd..)

Key audit matter	How our audit addressed the key audit matter
Due to the magnitude and the higher inherent risk attached to related party transactions, we considered this to be key audit matter.	▪ We independently checked the interest income and interest rates used for the year ended 31st March 2018. ▪ Amounts disclosed were traced to the underlying documentation on a sample basis ▪ We assessed the adequacy of the related disclosures given in note 21 to the financial statements.
Valuation of land and buildings Ass of 31st March 2018 the Group carried free hold land and buildings at fair value amounting to Rs. 6,106,308,534/- which represents 74% of the total assets of the Group and revaluation of reserve of Rs. 5,913,735,699/- as further disclosed in note No. 13 & 24 to the financial statements. Management has determined the carrying value of the assets which is based on the last detailed valuation, approximate the fair value as of the reporting date based on their assessment of changes in applicable market factors such current market price per perch and depreciated replacement cost per square foot of building. Due to the magnitude of the related balances and the significance of judgments and assumptions associated with the management's assessment we considered this as a key audit matter.	Our audit procedures focused on the Management's assessment of fair value included the following, among others: ▪ We understood and evaluated the process & procedures adopted by the Management in ascertaining the fair value. ▪ We engaged our internal specialists' specialized resources to assist us in evaluating the appropriateness of the method used and assessing the reasonableness of the range of values per perch & per square foot prices, in comparison to available market data. ▪ We assessed the adequacy of the related disclosures given in note 13.4 to the financial statements

Other Information included in the 2018 Annual Report of the Company

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Responsibilities of the management and those charged with governance

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

INDEPENDENT AUDITORS REPORT (Contd..)

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

Ernst & Young

Colombo.
27th August 2018

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31st March 2018		Group		Company	
		2018	2017	2018	2017
	Note	Rs.	Rs.	Rs.	Rs.
Revenue	4	685,379,723	681,174,372	685,379,723	681,174,372
Cost of sales		(196,137,671)	(195,516,816)	(196,137,671)	(195,516,816)
Gross profit		489,242,052	485,657,556	489,242,052	485,657,556
Other operating income	5	-	34,249	-	34,249
Administrative expenses		(221,780,241)	(214,130,665)	(221,678,753)	(214,031,975)
Selling and marketing expenses		(29,443,454)	(31,850,809)	(29,443,454)	(31,850,809)
Results from operating activities		238,018,358	239,710,331	238,119,846	239,809,021
Finance expenses	6	(75,560,354)	(1,232)	(75,560,354)	(1,232)
Finance income	7	69,206,071	51,303,214	69,206,071	51,303,214
Net finance cost		(6,354,284)	51,301,982	(6,354,284)	51,301,982
Share of profit/(loss) of joint venture	16	29,499,006	(1,560,939)	-	-
Profit before tax	8	261,163,081	289,451,374	231,765,562	291,111,003
Tax expense	9	(36,943,560)	(43,274,073)	(36,943,560)	(43,274,073)
Profit for the year		224,219,521	246,177,301	194,822,002	247,836,930
Other comprehensive income/(loss) Other comprehensive income not to be reclassified to profit or loss in subsequent periods:					
Revaluation of Property, Plant and Equipment		-	696,239,755	-	696,239,755
Actuarial gains and losses on defined benefit plans		(191,276)	651,859	(191,276)	651,859
Income tax on other comprehensive income		26,779	34,861,006	26,779	34,861,006
Income tax effect on revaluation of land	26.2	(373,280,950)	-	(373,280,950)	-
Share of other comprehensive income attributable to joint venture	16	17,699,209	(14,672)	-	-
Other comprehensive income/(loss) for the year, net of tax		(355,746,239)	731,737,948	(373,445,447)	731,752,620
Total comprehensive income/(loss) for the year, net of tax		(131,526,718)	977,915,249	(178,623,445)	979,589,550
Earnings per share	10	0.39	0.43	0.34	0.43
Dividend per share	11			0.10	0.25

The accounting policies and notes as set out in pages 33 to 63 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31st March 2018	Note	Group 2018 Rs.	Group 2017 Rs.	Company 2018 Rs.	Company 2017 Rs.
ASSETS					
Non-current assets					
Property, plant and equipment	13	6,348,836,223	6,389,609,692	6,348,836,223	6,389,609,692
Intangible assets	14	29,344,272	45,830	29,344,272	45,830
Investment in subsidiary	15	-	-	352,843,177	352,843,177
Investment in joint venture	16	351,355,284	304,157,069	-	-
Investment in equity securities	17	600,000,000	-	600,000,000	-
		7,329,535,779	6,693,812,591	7,331,023,672	6,742,498,699
Current assets					
Inventories	18	35,480,789	34,114,387	35,480,789	34,114,387
Trade and other receivables	19	104,358,913	83,977,537	104,358,913	83,977,537
Advances and prepayments	20	9,623,784	7,454,042	9,623,784	7,454,042
Amounts due from related companies	21.1	830,525,711	549,891,885	830,525,711	549,891,885
Short term deposits	22	-	19,939,411	-	19,939,411
Cash and bank balances		7,691,612	14,889,358	7,655,990	14,755,482
		987,680,809	710,266,619	987,645,187	710,132,743
Total assets		8,317,216,588	7,404,079,210	8,318,668,859	7,452,631,442
EQUITY AND LIABILITIES					
Equity					
Stated capital	23	16,750,000	16,750,000	16,750,000	16,750,000
Retained earnings		960,443,640	764,981,468	1,070,055,487	903,990,760
Revaluation reserve	24	5,913,735,699	6,298,512,089	5,805,663,075	6,208,138,748
Total equity		6,890,929,339	7,080,243,557	6,892,468,563	7,128,879,508
Non-current liabilities					
Interest bearing loans & borrowings	25	508,700,000	-	508,700,000	-
Deferred tax liability	26	569,664,902	201,745,552	569,664,902	201,745,552
Employee benefit liabilities	27	5,157,838	4,448,659	5,157,838	4,448,659
		1,083,522,740	206,194,211	1,083,522,740	206,194,211
Current liabilities					
Interest bearing loans & borrowings	25	91,300,000	-	91,300,000	-
Trade and other payables	28	111,603,375	82,781,747	111,516,422	82,698,030
Amounts due to related companies	21.2	11,607,901	173,881	11,607,901	173,881
Income tax liabilities	29	13,334,501	20,093,238	13,334,501	20,093,238
Other current liabilities	30	4,984,720	5,468,642	4,984,720	5,468,642
Bank overdrafts		109,934,012	9,123,933	109,934,012	9,123,933
		342,764,509	117,641,441	342,677,556	117,557,724
Total equity and liabilities		8,317,216,588	7,404,079,210	8,318,668,859	7,452,631,442

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

P. Sivatheesh
Financial Controller

The Board of Directors is responsible for these financial statements. Signed for and on behalf of the board by,

Lakshman Samarasinghe
Director

Lakshman Sirimanne
Director

The accounting policies and notes as set out in pages 33 to 63 form an integral part of these financial statements.
27th August 2018
Colombo.

STATEMENT OF CHANGES IN EQUITY

Year ended 31st March 2018

Group	Note	Stated capital	Revaluation reserves	Retained earnings	Total equity
		Rs.	Rs.	Rs.	Rs.
Balance as at 01st April 2016		16,750,000	5,599,152,692	630,838,116	6,246,740,808
Net profit for the year		-	-	246,177,301	246,177,301
Total other comprehensive income for the year net of tax		-	731,178,984	573,636	731,752,620
Share of other comprehensive income attributable to joint venture		-	-	(14,672)	(14,672)
Total comprehensive income for the year net of tax		-	731,178,984	246,736,265	977,915,249
Dividends-(15% Cumulative preference shares)		-	-	(37,500)	(37,500)
Dividends to equity holders - First and final 2015/2016	11	-	-	(144,375,000)	(144,375,000)
Transfer of excess depreciation on revaluation	24	-	(31,819,587)	31,819,587	-
Balance as at 31st March 2017		16,750,000	6,298,512,089	764,981,468	7,080,243,557
Net profit for the year		-	-	224,219,521	224,219,521
Other comprehensive income					
Actuarial gains and losses on defined benefit plans		-	-	(191,276)	(191,276)
Income tax on other comprehensive income		-	-	26,779	26,779
Share of other comprehensive income attributable to joint venture, net of tax		-	17,699,282	(74)	17,699,209
Income tax effect on revaluation of land	26.2	-	(373,280,950)	-	(373,280,950)
Total other comprehensive income for the year, net of tax		-	(355,581,668)	(164,571)	(355,746,239)
Total comprehensive income for the year, net of tax		-	(355,581,668)	224,054,950	(131,526,718)
Dividends-(15% Cumulative preference shares)		-	-	(37,500)	(37,500)
Dividends to equity holders - First and final 2016/2017	11	-	-	(57,750,000)	(57,750,000)
Transfer of excess depreciation on revaluation	24	-	(29,194,722)	29,194,722	-
Balance as at 31st March 2018		16,750,000	5,913,735,699	960,443,640	6,890,929,339

Company	Note	Stated capital	Revaluation reserves	Retained earnings	Total equity
		Rs.	Rs.	Rs.	Rs.
Balance as at 01st April 2016		16,750,000	5,508,779,350	768,173,108	6,293,702,458
Net profit for the year		-	-	247,836,930	247,836,930
Other comprehensive income					
Revaluation of property, plant and equipment		-	696,239,755	-	696,239,755
Actuarial gains and losses on defined benefit plans		-	-	651,859	651,859
Income tax on other comprehensive income		-	34,939,229	(78,223)	34,861,006
Total other comprehensive income for the year, net of tax		-	731,178,984	573,636	731,752,620
Total comprehensive income for the year, net of tax		-	731,178,984	248,410,565	979,589,550
Dividends-(15% Cumulative preference shares)				(37,500)	(37,500)
Dividends to equity holders - First and final 2015/2016	11	-	-	(144,375,000)	(144,375,000)
Transfer of excess depreciation on revaluation	24	-	(31,819,587)	31,819,587	-
Balance as at 31st March 2017		16,750,000	6,208,138,747	903,990,760	7,128,879,508
Net profit for the year		-	-	194,822,002	194,822,002
Other comprehensive income					
Actuarial gains and losses on defined benefit plans		-	-	(191,276)	(191,276)
Income tax on other comprehensive income		-	-	26,779	26,779
Income tax effect on revaluation of land	26.2	-	(373,280,950)	-	(373,280,950)
Total other comprehensive income for the year net of tax		-	(373,280,950)	(164,497)	(373,445,447)
Total comprehensive income for the year net of tax		-	(373,280,950)	194,657,505	(178,623,445)
Dividends-(15% Cumulative preference shares)		-	-	(37,500)	(37,500)
Dividends to equity holders - First and final 2016/2017	11	-	-	(57,750,000)	(57,750,000)
Transfer of excess depreciation on revaluation	24	-	(29,194,722)	29,194,722	-
Balance as at 31st March 2018		16,750,000	5,805,663,075	1,070,055,487	6,892,468,563

The accounting policies and notes as set out in pages 33 to 63 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

Year ended 31st March 2018

	Note	Group 2018 Rs.	Group 2017 Rs.	Company 2018 Rs.	Company 2017 Rs.
Profit before tax		261,163,081	289,451,374	231,765,562	291,111,003
Adjustments for:					
Finance income		(68,690,931)	(50,709,273)	(68,690,931)	(50,709,273)
Depreciation of property, plant and equipment	13.2	57,287,378	63,470,124	57,287,378	63,470,124
Finance costs		75,560,354	1,232	75,560,354	1,232
Provision/(reversal) for bad and doubtful debts		(13,700)	(9,068)	(13,700)	(9,068)
Amortisation of intangible assets	14.2	108,737	769,166	108,737	769,166
Loss/(profit) on disposal of property, plant and equipment		42,379	(34,249)	42,379	(34,249)
Share of results of equity accounted investee		(29,499,006)	1,560,939	-	-
Provision for retirement benefit plans - gratuity	27.1	1,294,953	1,187,883	1,294,953	1,187,883
Operating profit before working capital changes		297,253,245	305,688,128	297,354,733	305,786,818
(Increase)/decrease in inventories		(1,366,402)	(4,926,518)	(1,366,402)	(4,926,518)
(Increase)/decrease in trade and other receivables		(20,367,676)	1,647,644	(20,367,676.3)	1,647,644
(Increase)/decrease in advances and prepayments		(2,169,741)	2,943,923	(2,169,741)	2,943,923
(Increase)/decrease in amount due from related parties		(3,500,402)	(40,003,829)	(3,500,402)	(32,631,148)
Increase/(decrease) in trade and other creditors		28,821,627	9,652,174	28,818,392	9,643,454
Increase/(decrease) in other current liabilities		(483,922)	(719,769)	(483,922)	(719,769)
Increase/(decrease) in amount due to related parties		11,434,020	(193,702)	11,434,020	(7,566,383)
Cash generated from/ (used in) operations		309,620,748	274,088,050	309,719,001	274,178,021
Finance cost paid		(75,560,354)	(1,232)	(75,560,354)	(1,232)
Income tax paid		(49,037,118)	(41,112,938)	(49,037,118)	(41,112,938)
Gratuity paid	27	(777,050)	(489,285)	(777,050)	(489,285)
Net cash flow from/(used in) operating activities		184,246,226	232,484,596	184,344,479	232,574,566
Cash flows from/ (used in) investing activities					
Interest received		68,690,931	50,709,273	68,690,931	50,709,273
Purchase and construction of property, plant and equipment	13.7	(16,569,286)	(13,502,776)	(16,569,286)	(13,502,776)
Acquisition of intangible assets		(29,407,179)	(55,000)	(29,407,179)	(55,000)
Proceeds from disposal of property, plant and equipment		12,998	34,249	12,998	34,249
Decrease in interest bearing loans due from related parties		(277,133,424)	(105,552,785)	(277,133,424)	(105,552,785)
Investment in equity securities	17	(600,000,000)	-	(600,000,000)	-
Net cash flow from/(used in) investing activities		(854,405,959)	(68,367,039)	(854,405,959)	(68,367,039)
Cash flows from/ (used in) financing activities					
Dividend paid		(57,787,500)	(144,375,000)	(57,787,500)	(144,375,000)
Long term loan obtained during the year	25.1	600,000,000	-	600,000,000	-
Net cash flow from /(used in) financing activities		542,212,500	(144,375,000)	542,212,500	(144,375,000)
Net Increase/(decrease) in cash and cash equivalents		(127,947,235)	19,742,556	(127,848,981)	19,832,527
Cash and cash equivalents at the beginning of the year		25,704,835	5,962,279	25,570,959	5,738,433
Cash and cash equivalents at the end of the year (Note A)		(102,242,400)	25,704,835	(102,278,022)	25,570,959
Note -A					
Analysis of cash and cash equivalents					
Favorable cash and cash equivalent balances					
Short term investments		-	19,939,411	-	19,939,411
Cash in hand and at bank		7,691,612	14,889,358	7,655,990	14,755,482
Unfavourable cash and cash equivalents balances					
Bank overdrafts		(109,934,012)	(9,123,933)	(109,934,012)	(9,123,933)
Total cash and cash equivalents at the end of the year		(102,242,400)	25,704,835	(102,278,022)	25,570,959

The accounting policies and notes as set out in pages 33 to 63 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2018

1. CORPORATE INFORMATION

1.1 General

The Kandy Hotels Co. (1938) PLC is a public limited Company incorporated and domiciled in Sri Lanka and whose shares are listed on Colombo Stock Exchange and publicly traded. The registered office of the Company is located at No 30, Sangaraja Mawatha, Kandy, and the principal places of business are situated at Hotel Suisse No: 30, Sangaraja Mawatha, Kandy and Queen's Hotel, No. 04, Dalada Veediya, Kandy.

1.2 Consolidated financial statements

The consolidated financial statements of the Group for the year ended 31st March 2018 comprise the Company and its subsidiary (together referred to as "the Group").

The consolidated financial statements of the Group for the year ended 31st March 2018 were authorized for issue in accordance with a resolution of the Board of Directors on 27th August 2018.

1.3 Principal Activities and nature of operations

During the year, the principal activities of the Group 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 The Galle Face Hotel Co. Ltd, 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 31st March.

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.

2.3 Functional and presentation currency

The financial statements are presented in Sri Lanka Rupee (Rs.), which is the Group's functional currency.

2.4 Comparative information

The presentation and classification of the financial statements of the previous years have been amended, where relevant including the following for better presentation and to be comparable with those of the current year.

2.5 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.

3. SIGNIFICANT ACCOUNTING POLICES

3.1 Basis of consolidation

The Consolidated financial statements comprise the financial statements of the Company and its subsidiary.

Subsidiary is 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2018 (Contd..)

Generally, there is a presumption that a majority of voting rights results 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(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group

obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

3.2 Subsidiary

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

Subsidiary	2018	2017
Suisse Hotel (Private) Limited	100%	100%

The principal activity of the Company is to carry on the business of financiers, advisors, consultants, developers, managers and providers of service of whatsoever nature to the hotel and tourism industry; and to facilitate the improvement and development of hotels, resorts and restaurants to restore equip and furnish the same.

The Financial Statements of the subsidiary are prepared in compliance with the Group's accounting policies unless stated otherwise.

3.3 Investment 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 statement of financial position 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	2018	2017
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.

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.

3.5 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 Profit or Loss.

3.6 Current versus non-current classification

The Group presents assets and liabilities in Statement of Financial Position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when it is:

- Expected to be settled in normal operating cycle
- Held primarily for the purpose of trading
- Due to be settled within twelve months after the reporting period, or
- No unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities

3.7 Statement of Profit or Loss

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2018 (Contd..)

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

Room, Food and Beverage 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 Profit or Loss.

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 Profit or Loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

3.7.2 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 Profit or Loss in the year in which the expenditure is incurred.

3.7.3 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.7.4 Finance income and finance costs

Finance income comprises interest income on funds invested on call deposits and saving accounts. Interest income is recognised as it accrues in statement of Profit or Loss.

Finance costs comprise interest expense on loans and 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.

3.7.5 Tax expense

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in statement of Profit or Loss 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2018 (Contd..)

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 subsidiary 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 subsidiary 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 subsidiary is recognised as an expense in the Consolidated statement of Profit or Loss at the same time as the liability to pay the related dividend is recognised.

3.8 Fair value measurement

The Group measures property plant and equipment 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:

- Property, plant and equipment 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2018 (Contd..)

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.

3.9 Assets and bases of their valuation

3.9.1 Property, plant and equipment

3.9.1.1 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 with subject to net of tax 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
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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st MARCH 2018 (Contd..)

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.

3.9.1.2 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.

3.9.1.3 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.

3.9.1.4 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 Profit or Loss 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.

3.9.2 Intangible assets

Basis of Recognition

An Intangible asset is recognised if it is probable that future economic benefit associated with the assets will flow to the Group and cost of the asset can be reliably measured.

Basis of measurement

Intangible assets acquired separately are measured on initial recognition at cost. The costs of intangible assets acquired in a business combination are their fair value as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful life of intangible asset is assessed as finite.

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 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.

De-recognition of Intangible Assets

Intangible assets are de-recognised on disposal or when no future economic benefits are expected from its use. Gains or losses arising from de-recognition 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 derecognised.

3.9.3 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: -

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2018 (Contd..)

At actual cost on Weighted Average Methods.

3.9.4 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.

3.9.5 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.

3.9.6 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.

3.9.7 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 Profit or Loss. 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.

3.10 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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st MARCH 2018 (Contd..)

the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

Investment in equity securities (AFS financial assets)

AFS financial assets include equity investments. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt

securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited to the AFS reserve until the investment is derecognised, at which time, the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still

appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive

markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2018 (Contd..)

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 Profit or Loss. 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 Profit or Loss.

Investment in equity securities (AFS financial assets)

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from OCI and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in OCI. The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, 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. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2018 (Contd..)

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

3.10.1 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.

3.11 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 Profit or Loss 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2018 (Contd..)

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 27. 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.

Recognition of actuarial gains or losses

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

c) Short term benefits

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

3.12 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.

3.13 Capital commitments and contingencies

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

3.14 General

3.14.1 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.

3.14.2 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.

a) 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. Further details on revaluation of property plant and equipment are disclosed in note 13.4 to the Financial Statements.

b) 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 27. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

3.15 Standards 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 issued may 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.

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. A detailed review is being carried out by the Group management considering all the contracts entered in to with travel agents, online bookings and walk in customers as of the reporting date.

SLFRS 9 - Financial Instruments: Classification and Measurement

SLFRS 09 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. SLFRS 9 is effective for annual periods beginning on or after 1 January 2018. Management has assessed and are of the view that the effects of applying this standard do not have a material impact on the Group's financial statements.

SLFRS 16 - Leases

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under LKAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short term. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

SLFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies SLFRS 15.

This standard will affect primarily the accounting for operating leases and the Management are of the view that the adoption of SLFRS 16 do not have any impact to the financial statements as the Group do not have any operating leases.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st MARCH 2018 (Contd..)

Year ended 31st March		Group		Company	
		2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
4	**REVENUE**				
4.1	Summary				
	Revenue analysis				
	Room revenue	339,745,996	361,723,640	339,745,996	361,723,640
	Food and beverage revenue	305,456,325	280,271,803	305,456,325	280,271,803
	Other revenue	40,177,401	39,178,929	40,177,401	39,178,929
		685,379,723	681,174,372	685,379,723	681,174,372
5	**OTHER OPERATING INCOME**				
	Profit on sale of property, plant and equipment	-	34,249	-	34,249
		-	34,249	-	34,249
6	**FINANCE EXPENSES**				
	Interest expense on bank overdrafts	7,543,204	1,232	7,543,204	1,232
	Interest expense on bank loans	68,017,151	-	68,017,151	-
		75,560,354	1,232	75,560,354	1,232
7	**FINANCE INCOME**				
	Interest income on fixed deposits	55,944	89,032	55,944	89,032
	Interest income on saving accounts	59,472	97,141	59,472	97,141
	Interest income on intercompany loan	68,575,515	44,522,999	68,575,515	44,522,999
	Interest income on re-purchase agreements	-	6,000,101	-	6,000,101
	Net foreign exchange gain	515,139	593,941	515,139	593,941
		69,206,071	51,303,214	69,206,071	51,303,214
8	**PROFIT BEFORE TAX**				
	Profit before tax is stated after charging all expenses including the following;				
	Auditors' remuneration				
	- External audit services	892,000	870,040	812,000	777,600
	- Other audit services	328,165	299,300	328,165	299,300
	- Non audit services	-	209,275	-	209,275
	Staff costs				
	- Salaries	95,139,783	91,242,912	95,139,783	91,242,912
	- Defined benefit plan cost	1,249,743	1,187,883	1,249,743	1,187,883
	- Defined contribution plan cost - EPF and ETF	7,038,587	7,086,323	7,038,587	7,086,323
	- Other staff expenses	3,070,860	3,189,248	3,070,860	3,189,248
	Depreciation of property, plant and equipment	57,287,378	63,470,125	57,287,378	63,470,125
	Legal expenses	98,600	100,050	98,600	100,050
	Professional charges	874,688	188,404	874,688	188,404
	Sales promotions and advertising	718,382	4,946,533	718,382	4,946,533
	Provision/(reversal) for bad and doubtful debts	-	(9,068)	-	(9,068)
	Amortisation of intangible assets	108,725	769,166	108,725	769,166
	Donations	672,596	634,752	672,596	634,752

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2018 (Contd..)

Year ended 31st March	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
9 TAX EXPENSE				
The major components of income tax expenses for the year ended 31st March are as follows :-				
Current income tax				
Income statement				
Current income tax charge (Note 9.1)	42,278,381	46,323,058	42,278,381	46,323,058
Deferred income tax				
Deferred tax charge /(reversal) (Note 9.2)	(5,334,822)	(3,048,985)	(5,334,822)	(3,048,985)
Income tax expense reported in the income statement	36,943,560	43,274,073	36,943,560	43,274,073

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

	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Accounting profit before tax	261,163,081	289,451,374	231,765,562	291,111,003
Share of loss of joint venture	(29,499,006)	1,560,939	-	-
	231,664,074	291,012,313	231,765,562	291,111,003
Less: Non business income	(68,690,931)	(50,743,521)	(68,690,931)	(50,743,521)
Add: Aggregate disallowed items	59,636,805	67,398,609	59,636,805	67,398,609
Add: Taxable profit on disposal	31,500	34,249	31,500	34,249
Less: Aggregate allowable items	(30,611,406)	(40,096,488)	(30,611,406)	(40,096,488)
Tax loss of subsidiary	101,488	98,690	-	-
Taxable business income	192,131,530	267,703,850	192,131,530	267,703,850
Other sources of income				
Interest income	68,652,127	50,709,273	68,652,127	50,709,273
Taxable other income	68,652,127	50,709,273	68,652,127	50,709,273
Total taxable income	260,783,657	318,413,123	260,783,657	318,413,123
Income tax provision for the year is made up of the following:				
- Income tax on business profit @ 12%	23,055,786	32,124,462	23,055,786	32,124,462
- Income tax on interest income @ 28%	19,222,596	14,198,596	19,222,596	14,198,596
Current income tax expense	42,278,381	46,323,058	42,278,381	46,323,058
9.2 Deferred tax expense /(reversal)				
Income statement				
Deferred tax arising from				
- Accelerated depreciation for tax purposes	(5,173,342)	(3,043,377)	(5,173,342)	(3,043,377)
- Retirement benefit obligation	(161,480)	(5,609)	(161,480)	(5,609)
Total deferred tax charge/(reversal)	(5,334,822)	(3,048,985)	(5,334,822)	(3,048,985)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2018 (Contd..)

10 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		Company	
Year ended 31st March	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Amounts used as the numerator :				
Profit for the year	224,219,521	246,177,301	194,822,002	247,836,930
Dividends on preference shares	(37,500)	(37,500)	(37,500)	(37,500)
Net profit for the year attributable to the owners of the parent	224,182,021	246,139,801	194,784,502	247,799,430
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	577,500,000	577,500,000
Basic earning per share (Rs.)	0.39	0.43	0.34	0.43

11 DIVIDEND PER SHARE

	Company	
	2018 Rs.	2017 Rs.
Equity dividend on ordinary shares Declared and paid during the year		
Total dividends to equity holders	57,750,000	144,375,000
Dividend per share	0.10	0.25

12 FINANCIAL INSTRUMENTS

12.1 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	AFS Financial Assets			
	Group		Company	
As at 31st March	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Financial instruments in non-current assets				
Investment in equity securities	600,000,000	-	600,000,000	-
	600,000,000	-	600,000,000	-

Financial liabilities by categories	Loans and receivables			
	Group		Company	
As at 31 March	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Financial instruments in current assets				
Trade and other payables	104,358,913	83,977,537	104,358,913	83,977,537
Amounts due from related companies	830,525,711	549,891,885	830,525,711	549,891,885
Short term deposits	-	19,939,411	-	19,939,411
Cash and bank balances	7,691,612	14,889,358	7,655,990	14,755,482
Total	942,576,236	668,698,190	942,540,614	668,564,314

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2018 (Contd..)

Financial assets by categories	Financial liabilities measured at amortized cost			
As at 31st March	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Financial instruments in non-current liabilities				
Interest bearing loans & borrowings	508,700,000	-	508,700,000	-
	508,700,000	-	508,700,000	-
Financial instruments in current liabilities				
Interest bearing loans & borrowings	91,300,000	-	91,300,000	-
Trade and other payables	73,220,340	64,185,915	73,133,387	64,185,915
Amounts due to related companies	11,607,901	173,881	11,607,901	173,881
Bank overdrafts	109,934,012	9,123,933	109,934,012	9,123,933
Total	286,062,253	73,483,729	285,975,300	73,483,729

The management assessed that the fair value of cash and short-term deposits, trade receivables, trade payable, Amounts due from/to related parties and bank overdrafts approximate their carrying amounts largely due to the short-term maturities of these instruments.

13 PROPERTY, PLANT AND EQUIPMENT - Group/Company

13.1 Gross carrying amounts

	Balance as at 01.04.2017	Additions/ transfers	Disposals	Balance as at 31.03.2018
	Rs.	Rs.	Rs.	Rs.
At valuation				
Freehold land	4,622,555,000	-	-	4,622,555,000
Freehold buildings	1,513,605,937	475,000	-	1,514,080,937
Furniture and fittings	102,401,785	2,125,957	(57,600)	104,470,142
Equipment	62,961,275	3,249,149	-	66,210,424
Air conditioners	9,447,750	1,534,164	-	10,981,914
Generator	32,626,000	-	-	32,626,000
Computer equipment	12,832,445	8,880,017	-	21,712,462
Solar power hot water	9,701,500	260,000	-	9,961,500
Sewerage plant	22,124,250	-	-	22,124,250
Satellite receiver	889,750	-	-	889,750
Motor vehicles	464,000	-	-	464,000
	6,389,609,692	16,524,286	(57,600)	6,406,076,378

Capital work in progress	Balance as at 01.04.2017	Incurred during the	Transfers / Retirements	Balance as at 31.03.2018
	Rs.	Rs.	Rs.	Rs.
Buildings	-	45,000	-	45,000
	-	45,000	-	45,000
Total gross carrying amount	6,389,609,692	16,569,286	(57,600)	6,406,121,378

13.2 Depreciation

	Balance as at 01.04.2017	Charge for the year	Disposals	Balance as at 31.03.2018
	Rs.	Rs.	Rs.	Rs.
At valuation				
Freehold buildings	-	30,327,403	-	30,327,403
Furniture and fittings	-	7,926,159	(2,223)	7,923,936
Equipment	-	4,994,721	-	4,994,721
Air conditioners	-	1,982,419	-	1,982,419
Generator	-	3,266,928	-	3,266,928
Computer equipment	-	5,229,130	-	5,229,130

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st MARCH 2018 (Contd..)

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

13.2 Depreciation	Balance as at 01.04.2017	Charge for the year	Disposals	Balance as at 31.03.2018
	Rs.	Rs.	Rs.	Rs.
Solar power hot water	-	989,213	-	989,213
Severage plant	-	2,212,425	-	2,212,425
Satellite receiver	-	297,041	-	297,041
Motor vehicles	-	61,939	-	61,939
Total depreciation	-	57,287,378	(2,223)	57,285,155

	Group / Company	
	2018	2017
	Rs.	Rs.
13.3 Net book value		
Freehold land	4,622,555,000	4,622,555,000
Freehold buildings	1,483,753,534	1,513,605,937
Furniture and fittings	96,546,205	102,401,785
Equipment	61,215,703	62,961,275
Air conditioners	8,999,496	9,447,750
Generator	29,359,072	32,626,000
Computer equipment	16,483,331	12,832,445
Solar power hot water	8,972,287	9,701,500
Severage plant	19,911,825	22,124,250
Satellite receiver	592,709	889,750
Motor vehicles	402,061	464,000
	6,348,791,223	6,389,609,692
In the course of construction		
Capital work in progress	45,000	-
	45,000	-
Total carrying amount of property , plant and equipment	6,348,836,223	6,389,609,692

13.4 Revaluation of property, plant and equipment

The Company uses the revaluation model of measurement of property, plant and equipment. The Company engaged by Messers S. Sivaskantha (RICS) valuer and consultant in report dated 31st March 2017, 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.

Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used for the Group in measuring Level 3 fair values, and the significant unobservable inputs used.

Property	Valuation technique	Effective date of valuation	Significant unobservable inputs	Sensitivity of the input to the fair value
Land	Open market value method This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for difference in size, nature and location of the property.	31st March 2017	Price per perch of land Rs. 5,000,000 - Rs. 11,500,000	Estimated fair value would increase/ (decrease) if ;- Price per perch increases/ (decreases)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2018 (Contd..)

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

Property	Valuation technique	Effective date of valuation	Significant unobservable inputs	Sensitivity of the input to the fair value
Buildings	Depreciated replacement cost method	31st March 2017	Rate per square feet of building Rs. 5,000 - Rs. 13,500	Estimated fair value would increase/ (decrease) if ;- Rate per square feet increases/ (decreases)

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:

As at 31st March	Group/Company			
	2018			2017
	Cost	Cumulative depreciation if assets are carried at cost	Net carrying amount	Net carrying amount
	Rs.	Rs.	Rs.	Rs.
At cost				
Freehold land	1,956,262,500	-	1,956,262,500	1,956,262,500
Freehold buildings	639,725,022	309,448,220	330,276,802	342,596,302
Furniture and fittings	15,182,480	11,219,172	3,963,308	2,182,785
Equipment	29,595,428	22,244,012	7,351,416	4,747,856
Air conditioners	20,335,578	18,546,598	1,788,980	748,865
Generator	38,937,672	16,007,158	22,930,514	26,824,281
Computer equipment	19,117,775	12,492,244	6,625,531	1,411,040
Solar power hot water	4,066,385	3,400,385	666,000	486,000
Severage plant	18,475,107	8,051,321	10,423,785	11,844,947
Satellite receiver	1,521,810	1,521,810	-	-
Motor vehicles	1,496,624	1,496,624	-	-
	2,744,716,379	404,427,543	2,340,288,836	2,347,104,577

13.6 Value of land and ownership

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

Location	Properties	Ownership	Extent	Carrying value
				Rs.
Hotel Suisse No 30, Sangaraja Mawatha, Kandy.	Land Building	Freehold Freehold	2A 2R 24.13P 80,861.5 Sq.ft	2,149,250,000 650,969,884
Hotel Queen's No 04, Dalada Vidiya, Kandy.	Land Building	Freehold Freehold	1A 1R 15.07P 114,885.5 Sq.ft	2,473,305,000 832,783,650

13.7 During the financial year, the Group acquired property, plant and equipment for cash to the aggregate value of Rs. 16,524,286/- (2017 Rs. 13,502,776/-)

14 INTANGIBLE ASSETS

As at 31st March	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
14.1 Computer software				
At the beginning of the year	3,855,000	3,800,000	3,855,000	3,800,000
Acquired/ incurred during the year	29,407,179	55,000	29,407,179	55,000
At the end of the year	33,262,179	3,855,000	33,262,179	3,855,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2018 (Contd..)

14 INTANGIBLE ASSETS (Contd..)

		Group		Company	
	As at 31st March	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
14.2	Amortization				
	At the beginning of the year	(3,809,170)	(3,040,004)	(3,809,170)	(3,040,004)
	Amortization for the year	(108,737)	(769,166)	(108,737)	(769,166)
	At the end of the year	(3,917,907)	(3,809,170)	(3,917,907)	(3,809,170)
	Net book value as at 31st March	29,344,272	45,830	29,344,272	45,830

15 INVESTMENT IN SUBSIDIARY - Company

Non-Quoted	Cost 2018 Rs.	Holding 2018 %	Cost 2017 Rs.	Holding 2017 %
Suisse Hotel (Pvt) Ltd	352,843,177	100	352,843,177	100
	352,843,177	100	352,843,177	100

16 INVESTMENTS IN JOINT VENTURE - Group

The Group has a 50% interest in Suisse Hotel Kandy (Pvt) Limited, a joint venture involved in the provision of food, beverage, lodging and other hospitality industry related activities. The Group's interest in Suisse Hotel Kandy (Pvt) Limited is accounted for using the equity method in the consolidated financial statements. Summarised financial information of the joint venture and reconciliation with the carrying amount of the investment in consolidated financial statements are set out below:

Carrying value of the investment Name of the Company	2018		2017		Total	Total
	No of Shares	Share Holding %	No of Shares	Share Holding %	2018 Rs.	2017 Rs.
Suisse Hotel Kandy (Pvt) Limited	161,961,962	50	161,961,962	50	304,157,069	305,732,679
Share of loss of joint venture					29,499,006	(1,560,939)
Share of other comprehensive income attributable to joint venture					17,699,209	(14,672)
Group's carrying amount of the investment					351,355,284	304,157,069

16.1 Summarised Financial information of joint venture - Group

As at 31st March	2018 Rs.	2017 Rs.
Current assets, including cash and cash equivalents Rs. 18,953,862/- (2017: Rs. 88,833,064/-)	134,767,102	186,957,518
Non current asset, including property, plant and equipment Rs. 1,770,795,165/- (2017: Rs. 1,806,471,564/-)	1,882,968,274	1,871,408,503
Current liabilities, including trade and other payables Rs. 113,284,266/- (2017: Rs. 142,518,299/-)	(330,702,870)	(307,056,379)
Non-current liabilities, including long-term borrowing Rs. 948,309,422/- (2017: Rs. 1,142,584,051/-)	(984,321,938)	(1,142,995,504)
Equity	702,710,568	608,314,138
Group's carrying amount of the investment	351,355,284	304,157,069

For the year ended 31st March	2018 Rs.	2017 Rs.
Summarised statement of profit or loss and other comprehensive income		
Revenue	579,503,286	563,704,869
Cost of sales	(77,913,162)	(74,705,054)
Administrative expenses, including depreciation Rs. 65,528,798/- (2017: 84,939,846/-)	(312,629,128)	(333,034,901)
Marketing and promotional expenses	(29,463,698)	(36,601,559)
Net finance costs, including foreign exchange loss Rs. 30,491,683/- (2017: 44,503,330/-)	(100,499,285)	(122,485,232)
Profit/(loss) for the year	58,998,013	(3,121,877)
Group's share of profit/(loss) for the year	29,499,006	(1,560,939)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2018 (Contd..)

16 INVESTMENTS IN JOINT VENTURE - Group (Contd..)

	2018	2017
Other comprehensive income		
Revaluation of land	70,585,000	-
Deferred tax effect on revaluation of lands	(35,186,436)	-
Actuarial gains and losses on defined benefit plans	(147)	(29,344)
Other comprehensive income for the year	35,398,417	(29,344)
Group's share of other comprehensive income for the year	17,699,209	(14,672)

16.2 The joint venture had no other contingent liabilities or capital commitments as at 31st March 2018 and 31st March 2017.

16.3 Assets pledged

Primary and Secondary Mortgage over freehold right of properties situated at No.31, Sangaraja Mawatha, Kandy in extent of 94.02 Perches has been pledged as security for the facility for USD 9,343,289/-.

17 INVESTMENT IN EQUITY SECURITIES

Non-quoted	2018 No of shares	2018 Holding %	2018 Rs.	2017 Rs.
United Hotels Co. Ltd (Note 21.5)	48,000,000	16.1%	600,000,000	-
			600,000,000	-

Acquisition was carried out during the financial year 2017/2018, and the investment stated at transaction value which is fair value of the investment.

18 INVENTORIES

As at 31st March	Group 2018 Rs.	Group 2017 Rs.	Company 2018 Rs.	Company 2017 Rs.
Food and beverage	5,823,472	5,594,442	5,823,472	5,594,442
Linen	21,141,423	19,410,253	21,141,423	19,410,253
Housekeeping and maintenance	8,580,866	9,174,664	8,580,866	9,174,664
	35,545,762	34,179,359	35,545,762	34,179,359
Less: Provision for obsolete and slow moving items	(64,973)	(64,973)	(64,973)	(64,973)
	35,480,789	34,114,387	35,480,789	34,114,387

19 TRADE AND OTHER RECEIVABLES

As at 31st March		Group 2018 Rs.	Group 2017 Rs.	Company 2018 Rs.	Company 2017 Rs.
Trade debtors	(Note 19.1)	92,260,973	77,198,341	92,260,973	77,198,341
Less: Impairment for trade debtors		-	(13,700)	-	(13,700)
		92,260,973	77,184,641	92,260,973	77,184,641
Other receivables		15,819,365	10,514,321	15,819,365	10,514,321
Less: Impairment for other receivables		(3,721,425)	(3,721,425)	(3,721,425)	(3,721,425)
		12,097,940	6,792,896	12,097,940	6,792,896
		104,358,913	83,977,537	104,358,913	83,977,537

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

	Total	Neither past due nor impaired	Past due but not impaired				
			30-60 days	60-90 days	90-120 days	120-365 days	>365 days
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
31st March 2018	92,260,973	42,281,459	31,739,689	15,496,752	1,078,026	1,665,048	-
31st March 2017	77,198,341	38,069,893	28,893,810	7,061,758	1,066,795	2,092,385	13,700

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st MARCH 2018 (Contd..)

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

	Individually impaired	
	2018	2017
	Rs.	Rs.
At 1st April	13,700	22,768
Unused amounts reversed	(13,700)	(9,068)
At 31st March	-	13,700

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

	Individually impaired	
	2018	2017
	Rs.	Rs.
At 1st April	3,721,425	3,721,425
Unused amounts reversed	-	-
At 31st March	3,721,425	3,721,425

As at 31st March	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
20 ADVANCES AND PREPAYMENTS				
Advances and deposits	3,754,599	2,408,557	3,754,599	2,408,557
Prepayments	5,869,185	5,045,485	5,869,185	5,045,485
	9,623,784	7,454,042	9,623,784	7,454,042

21 RELATED PARTY TRANSACTIONS - (RPT)

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

21.1 Amounts due from related companies

	Relationship	Group		Company	
		2018	2017	2018	2017
		Rs.	Rs.	Rs.	Rs.
Loan receivable					
Ceylon Hotels Corporation PLC	Parent company	787,021,480	509,888,056	787,021,480	509,888,056
Current account balance					
Ceylon Hotels Corporation PLC	Parent company	43,504,231	40,003,829	43,504,231	40,003,829
		830,525,711	549,891,885	830,525,711	549,891,885

21.2 Amounts due to related companies	Relationship	Group 2018 Rs.	Group 2017 Rs.	Company 2018 Rs.	Company 2017 Rs.
Suisse Hotel Kandy (Pvt) Ltd	Joint venture	11,000,000	-	-	-
Suisse Hotel (Pvt) Ltd	Subsidiary	-	-	11,000,000	-
United Hotels Co. Ltd	Other related entity	607,901	173,881	607,901	173,881
		11,607,901	173,881	11,607,901	173,881
Total		818,917,810	549,718,004	818,917,810	549,718,004

21.3 Related Party Transactions (RPT) Disclosures

Group

Transaction with the parent and related companies - Recurrent	Parent company *		Other companies ***		Total		Aggregate Value of RPT as % of Net Revenue
	2018	2017	2018	2017	2018	2017	
Nature of transaction	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	2018
As at 01st April	549,891,885	404,335,271	(173,881)	(367,583)	549,718,004	403,967,688	
Reimbursement of expenses	771,501	1,660,860	4,132,521	4,137,573	4,904,021	5,798,434	0.72%
Expenses paid by Intercompany on behalf of KHCL	(863,194)	(1,660,859)	(4,566,540)	(3,943,872)	(5,429,735)	(5,604,731)	0.79%
Fund transfers from	-	(332,000,000)	(11,000,000)	-	(11,000,000)	(332,000,000)	29.35%
Fund transfers to	212,150,000	433,033,615	-	-	212,150,000	433,033,615	
Interest earned on intercompany loan	68,575,520	44,522,998	-	-	68,575,520	44,522,998	10.01%
As at 31st March	830,525,711	549,891,885	(11,607,901)	(173,881)	818,917,810	549,718,004	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2018 (Contd..)

21 RELATED PARTY TRANSACTIONS - (RPT) (Contd..)

Company

21.4 Transaction with the related companies - Recurrent

Nature of transaction	Parent company *		Subsidiary company**		Other related entities***		Total		Aggregate Value of RPT as % of Net Revenue
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.	2018
As at 01st April	549,891,885	404,335,271	-	7,625,577	(173,881)	(367,583)	549,718,004	411,593,265	
Reimbursement of expenses	771,501	1,660,860	-	-	4,132,521	4,137,573	4,904,021	5,798,434	0.72%
Expenses paid by Intercompany on behalf of KHCL	(863,194)	(1,660,859)	-	-	(4,566,540)	(3,943,872)	(5,429,735)	(5,604,731)	0.79%
Fund transfers from	-	(332,000,000)	(11,000,000)	-	-	-	(11,000,000)	(332,000,000)	29.35%
Fund transfers to	212,150,000	433,033,615	-	-	-	-	212,150,000	433,033,615	
Interest earned on intercompany loan	68,575,520	44,522,998	-	-	-	-	68,575,520	44,522,998	10.01%
Investment in shares	-	-	-	(7,625,577)	-	-	-	(7,625,577)	
As at 31st March	830,525,711	549,891,885	(11,000,000)	-	(607,901)	(173,881)	818,917,810	549,718,004	

*Parent company is Ceylon Hotels Corporation PLC.

**Subsidiary company is Suisse Hotel (Pvt) Ltd.

***Other related entities include United Hotels Co. Ltd and Suisse Hotel Kandy (Pvt) Ltd.

21.5 Transactions with the related Companies - Non Recurrent

Name of the Related Party	Relationship	Amount Rs	Value of RPT as % of Equity 2018	Value of RPT as % of Total Assets 2018
United Hotels Co. Ltd.	Affiliate	600,000,000	8.71%	7.21%

21.5.1 During the year, the Company made an investment in the United Hotels Co. Ltd. (a subsidiary of Ceylon Hotels Corporation PLC) by purchasing 48 Mn shares (16.1) at 12.50 per share costing Rs. 600 Mn. Market announcement in this regards made on 25th May 2017.

	Group 2018 Rs.	Group 2017 Rs.	Company 2018 Rs.	Company 2017 Rs.
Parent:	830,525,711	549,891,885	830,525,711	549,891,885
Subsidiary Company:	-	-	(11,000,000)	-
Other related Companies:	(11,607,901)	(173,881)	(607,901)	(173,881)
	818,917,810	549,718,004	818,917,810	549,718,004

21.6 Terms and conditions related to intercompany borrowings/lending

Borrower	Repayment	Interest rate	Terms of lending
Ceylon Hotels Corporation PLC	On Demand	AWPLR% p.a	An amount equal to at least Rs. 100,000 or in excess

21.6.1 Transactions with related parties are carried out in the ordinary course of the business and are at arm's length price.

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st MARCH 2018 (Contd..)

22 SHORT TERM DEPOSIT

	Group		Company	
Year ended 31st March	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Investments in re-purchase agreements	-	19,939,411	-	19,939,411
	-	19,939,411	-	19,939,411

23 STATED CAPITAL - Company

	2018		2017	
	Number of shares	Value of shares Rs.	Number of shares	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

23.1 Shares held by the parent company

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

	Company			
	Holding %	2018	Holding %	2017
Held by parent company (Ceylon Hotels Corporation PLC)	69.54	401,567,250	69.54	401,567,250

24 REVALUATION RESERVE

Nature and purpose of the reserve

Revaluation reserve is used to record increments and decrements on the revaluation of property, plant and equipment of the group. In the event of a sale or disposal of an asset, any balance in the reserve in relation to the asset is transferred to retained earnings, see accounting policy note 3.9.1 for details.

	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Revaluation reserve at the beginning of the year	6,298,512,089	5,599,152,692	6,208,138,748	5,508,779,350
Revaluation of property, plant and equipment	-	696,239,755	-	696,239,755
Deferred tax on revaluation of property, plant and equipment	-	34,939,229	-	34,939,229
Transfer of excess depreciation on revaluation	(29,194,722)	(31,819,587)	(29,194,722)	(31,819,587)
Income tax effect on revaluation of land	(373,280,950)	-	(373,280,950)	-
Income tax effect on revaluation of land in joint venture	17,699,282	-	-	-
Revaluation reserve at the end of the year	5,913,735,699	6,298,512,089	5,805,663,075	6,208,138,748

25 INTEREST BEARING LOANS & BORROWINGS - Group/ Company

	2018	2018	2018	2017	2017
	Amounts repayable within 1 year Rs.	Amounts repayable after 1 year Rs.	Total Rs.	Amounts repayable within 1 year Rs.	Total Rs.
Bank loans (Note 25.1)	91,300,000	508,700,000	600,000,000	-	-
	91,300,000	508,700,000	600,000,000	-	-

25 INTEREST BEARING LOANS & BORROWINGS - Group/ Company (Contd..)

Year ended 31st March	2018	2017
25.1 Bank loans	Rs.	Rs.
Movement		
At the beginning of the year	-	-
New loan obtained during the year	600,000,000	-
Loan repaid during the year	-	-
At the end of the year	600,000,000	-
Repayable within one year	91,300,000	-
	91,300,000	-
Repayable after one year		
Repayable between two and five years	398,400,000	-
Repayable after five year	110,300,000	-
	508,700,000	-

25.2 Security and repayment terms

Lending institution	Nature of facility	Interest rate	Security	Repayment terms	Carrying amount pledged 2018 Rs.	Carrying amount pledged 2017 Rs.
Sampath Bank PLC	Long Term Loan	AWPLR +2% p.a.	Share Certificates of United Hotels Co. Ltd (48,000,000 no. shares)	In 71 equal monthly installments of Rs. 8,300,000/- and final installment of Rs. 10,700,000 after a grace period of 12 months	600,000,000	-

26 DEFERRED TAX LIABILITY

	Group/Company 2018	Group/Company 2017
	Rs.	Rs.
At the beginning of the year	201,745,552	239,655,544
Amount origination/ (reversal) of temporary differences		
- Recognised in profit or loss		
Accelerated depreciation for tax purposes	(5,173,342)	(3,043,377)
Retirement benefit obligation	(161,480)	(5,609)
- Recognised in other comprehensive income		
Revaluation of property, plant and equipment	-	(34,939,229)
Actuarial gains and losses on defined benefit plans	(26,779)	78,223
Deferred tax effect on revaluation of lands (Note 26.2)	373,280,950	-
At the end of the year	569,664,902	201,745,552

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

	2018	2017
Accelerated depreciation for tax purposes	197,106,050	202,279,391
Deferred tax effect on revaluation of lands	373,280,950	-
Employee benefit liability	(722,097)	(533,839)
	569,664,902	201,745,552

26.2 Deferred tax impact on revaluation

As per the new inland revenue act No 24 of 2017 which is effective from 01st April 2018, Business assets including land will attract income tax at the corporate tax rate applicable to the company, at the time of realization of such assets. Accordingly, land carried under revaluation model in the financial statements has now been considered as a business asset and subjected to taxable temporary differences. Accordingly a deferred tax liability amounted to Rs. 373,280,950/- has recognized through other comprehensive income (OCI) and charged to revaluation reserve.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st MARCH 2018 (Contd..)

26 DEFERRED TAX LIABILITY (Contd..)

26.3 The new inland revenue act has introduced a new tax rate of 14% (previously 12%) for tourism industry. The new tax rate will be applicable to the company from 01st April 2018. Accordingly the revised rate of 14% has been applied for deferred tax computation of the company for the year ended 31st March 2018. Due to the tax rates revision additional deferred tax liability of Rs. 81,367,144/- has recognized in these financial statements of the group/company.

27 EMPLOYEE BENEFIT LIABILITIES

	Group/Company	
	2018	2017
	Rs.	Rs.
At the beginning of the year	4,448,659	4,401,920
Current service cost	738,871	725,681
Interest cost on benefit obligation	556,082	462,202
Payments made during the year	(777,050)	(489,285)
Actuarial (gains)/losses	191,276	(651,859)
At the end of the year	5,157,838	4,448,659
27.1 Expense recognized in profit or loss		
Current service cost	738,871	725,681
Interest cost	556,082	462,202
	1,294,953	1,187,883
27.2 Actuarial gains and losses recognized directly in OCI		
Recognized during the period	191,276	(651,859)
	191,276	(651,859)

Messrs. Actuarial and Management Consultants (Pvt) Ltd Actuaries, carried out an actuarial valuation of the defined benefit plan gratuity on 31st March 2018. 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.

27.3 Actuarial assumptions

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

	Group/Company	
	2018	2017
	%	%
Discount rate	11%	12.50%
Future salary increases	10%	10%

27.4 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 2018 Discount rate		Group/Company 2018 Salary increment rate	
	+1%	-1%	+1%	-1%
	Rs.	Rs.	Rs.	Rs.
A one percentage point change				
Effect on defined benefit obligation liability	(90,746)	95,048	87,198	(84,619)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st MARCH 2018 (Contd..)

27 EMPLOYEE BENEFIT LIABILITIES (Contd..)

27.5 Maturity analysis of the payments

	Group/Company	
	2018	2017
	Rs.	Rs.
The following payments are expected on employee benefit liabilities in future years		
Less than or equal 1 year	2,338,941	1,921,291
Over 1 year and less than or equal 2 years	992,471	651,365
Over 2 years and less than or equal 5 years	1,382,883	1,317,079
Over 5 years and less than or equal 10 years	408,597	478,271
Over 10 years	34,946	80,653
Total expected payments	5,157,838	4,448,659

The average duration of the defined benefit plan obligation at the end of the reporting period is 2.14 years (2017: 2.47 years).

	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
28 TRADE AND OTHER PAYABLES				
Trade payables	31,103,933	34,876,260	31,103,933	34,876,260
Accrued Expenses	19,089,578	15,502,769	19,089,578	15,419,052
Advances and deposits	19,293,456	3,093,063	19,293,456	3,093,063
Sundry creditors	42,116,408	29,309,655	42,029,455	29,309,655
	111,603,375	82,781,747	111,516,422	82,698,030
29 INCOME TAX LIABILITIES				
At the beginning of the year	20,093,238	14,883,117	20,093,238	14,883,117
Charge for the year	42,278,381	46,323,058	42,278,381	46,323,058
Under provision in respect of prior year-income tax	-	-		-
Payments and set off against refunds	(49,037,118)	(41,112,938)	(49,037,118)	(41,112,938)
At the end of the year	13,334,501	20,093,238	13,334,501	20,093,238
30 OTHER CURRENT LIABILITIES				
Value added tax payable	1,664,370	2,004,265	1,664,370	2,004,265
Tourism development levy payable	1,925,370	2,026,771	1,925,370	2,026,771
Nation building tax payable	1,381,620	1,432,667	1,381,620	1,432,667
Other tax payable	13,361	4,938	13,361	4,938
	4,984,720	5,468,642	4,984,720	5,468,642

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2018 (Contd..)

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 31st March 2018.

Name/Institution	Type of Cases	Case No.
Ms. H.M Dingiri Menike	Tenant	RE 2645
Tourist Shopping Centre	Tenant	DSP/0009/18

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 31st March 2018.

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.

Hotel Suisse - Kandy

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.

33.1 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	2018						2017					
	Cash in hand and at bank	Trade and other receivables	Other investments	Amounts due from related parties	Total	% of allocation	Cash in hand and at bank	Trade and other receivables	Other investments	Amounts due from related parties	Total	% of allocation
	Rs.	Rs.	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.	Rs.	Rs.	
Deposits with bank	-	-	-	-	-	0%	-	-	19,939,411	-	19,939,411	3%
Investment in equity securities	-	-	600,000,000	-	600,000,000	39%	-	-	-	-	-	0%
Trade and other receivables	-	104,358,913	-	-	104,358,913	7%	-	83,977,537	-	-	83,977,537	13%
Amounts due from related parties	-	-	-	830,525,711	830,525,711	54%	-	-	-	549,891,885	549,891,885	82%
Cash and bank balances	7,691,612	-	-	-	7,691,612	0%	14,889,358	-	-	-	14,889,358	2%
Total credit risk exposure	7,691,612	104,358,913	600,000,000	830,525,711	1,542,576,236	100%	14,889,358	83,977,537	19,939,411	549,891,885	668,698,190	100%

Company	2018						2017					
	Cash in hand and at bank	Trade and other receivables	Other investments	Amounts due from related parties	Total	% of allocation	Cash in hand and at bank	Trade and other receivables	Other investments	Amounts due from related parties	Total	% of allocation
	Rs.	Rs.	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.	Rs.	Rs.	
Deposits with bank	-	-	-	-	-	0%	-	-	19,939,411	-	19,939,411	3%
Investment in equity securities	-	-	600,000,000	-	600,000,000	39%						
Trade and other receivables	-	104,358,913	-	-	104,358,913	7%	-	83,977,537	-	-	83,977,537	13%
Amounts due from related parties	-	-	-	830,525,711	830,525,711	54%	-	-	-	549,891,885	549,891,885	82%
Cash and bank balances	7,655,990	-	-	-	7,655,990	0%	14,755,482	-	-	-	14,755,482	2%
Total credit risk exposure	7,655,990	104,358,913	600,000,000	830,525,711	1,542,540,614	100%	14,755,482	83,977,537	19,939,411	549,891,885	668,564,314	100%

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 Group held cash and bank balances of Rs. 7.7 Million at 31st March 2018 (2017 - Rs. 14.9 Million).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st MARCH 2018 (Contd..)

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	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Short term investments	-	19,939,411	-	19,939,411
Cash in hand and at bank	7,691,612	14,889,358	7,655,990	14,755,482
Total liquid assets	7,691,612	34,828,768	7,655,990	34,694,892
Bank overdrafts	109,934,012	9,123,933	109,934,012	9,123,933
Total liabilities	109,934,012	9,123,933	109,934,012	9,123,933
Net (debt)/cash	(102,242,400)	25,704,835	(102,278,022)	25,570,959

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 financial liabilities at 31st March 2018 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
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Trade and other payables	73,220,340	-	-	-	-	-	73,220,340
Amounts due to related companies	11,607,901	-	-	-	-	-	11,607,901
Interest bearing loans & borrowings	91,300,000	99,600,000	99,600,000	99,600,000	99,600,000	110,300,000	600,000,000
Bank overdrafts	109,934,012	-	-	-	-	-	109,934,012

Company	Within 1 year	Between 1-2	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	73,133,387	-	-	-	-	-	73,133,387
Amounts due to related companies	11,607,901	-	-	-	-	-	11,607,901
Interest bearing loans & borrowings	91,300,000	99,600,000	99,600,000	99,600,000	99,600,000	110,300,000	600,000,000
Bank overdrafts	109,934,012	-	-	-	-	-	109,934,012

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 four 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.

	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Trade and other payables	111,603,374	82,781,747	111,516,421	82,698,030
Amounts due to related companies	11,607,901	173,881	11,607,901	173,881
Due to banks	709,934,012	9,123,933	709,934,012	9,123,933
Less: cash and short-term deposits	(7,691,612)	(34,828,768)	(7,655,990)	(34,694,892)
Net debt	825,453,675	57,250,793	825,402,344	57,250,793
Equity	6,890,929,339	7,080,243,557	6,892,468,563	7,128,879,508
Total capital	6,890,929,339	7,080,243,557	6,892,468,563	7,128,879,508
Capital and net debt	7,716,383,014	7,137,494,350	7,717,870,906	7,186,180,460
Gearing ratio	12%	1%	12%	1%

INVESTOR
INFORMATION

ANNUAL
REPORT
89th Annual General Meeting

for the year ended 31st March
2018

Hotel Suisse - Kandy

Analysis of Ordinary Shareholders According to the No of Shares As At 31st March 2018

Share Range				No. of Shareholders			Total Holdings			Percentage		
				Non Resident	Resident	Total	Non Resident	Resident	Total	Non Resident	Resident	Total
1	To	1,000	SHARES	2	1,117	1,119	800	262,266	263,066	0.00	0.05	0.05
1,001	To	5,000	SHARES	4	375	379	10,300	1,087,392	1,097,692	0.00	0.19	0.19
5,001	To	10,000	SHARES	0	125	125	0	943,010	943,010	0.00	0.16	0.16
10, 001	To	20,000	SHARES	3	74	77	45,500	1,133,022	1,178,522	0.01	0.20	0.21
20,001	To	50,000	SHARES	2	80	82	71,750	2,528,487	2,600,237	0.01	0.44	0.45
50,001	To	100,000	SHARES	2	45	47	119,350	3,385,414	3,504,764	0.02	0.59	0.61
100,001	To	& above	SHARES	20	51	71	131,703,250	436,209,459	567,912,709	22.810	75.53	98.34
TOTAL				33	1,867	1,900	131,950,950	445,549,050	577,500,000	22.850	77.16	100.00

Analysis of Ordinary Shareholders According to the No of Shares As At 31st March 2018

Shareholdings				No. of Holders	Total Holdings	%
1	To	1,000	SHARES	1,119	263,066	0.04
1,001	To	5,000	SHARES	379	1,097,692	0.19
5,001	To	10,000	SHARES	125	943,010	0.16
10, 001	To	20,000	SHARES	77	1,178,522	0.20
20,001	To	50,000	SHARES	82	2,600,237	0.45
50,001	To	100,000	SHARES	47	3,504,764	0.61
100,001	To	& above	SHARES	71	567,912,709	98.34
TOTAL				1,900	577,500,000	100.00

Distribution of Ordinary Shares

Class of Member	No. of Holders	No. of Shares	%
Individuals	1,822	49,586,434	8.59
Company	78	527,913,566	91.41
TOTAL	1,900	577,500,000	100.00

Analysis of Preference Shareholders - Resident and Non-Resident Shareholding As At 31st March 2018

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

INVESTOR INFORMATION (Contd..)

Analysis of Preference Shareholders - Based on No. of Shares As At 31st March 2018

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 2018		31st March 2017	
	Name of The Director	Preference	Ordinary	Preference	Ordinary
1	Mr. Sanjeev Gardiner	9,500	87,500	9,500	87,500
2	Mr. Charitha Ratwatte	Nil	175,000	Nil	175,000
3	Mr. Lakshman Samarasinghe	Nil	5,500	Nil	5,500
4	Mr. Priyantha Maddumage	Nil	Nil	Nil	Nil
5	Mr. Lakshman Sirimanne	Nil	3,500	Nil	3,500
6	Mr. Ranjith Gunathilleke	Nil	8,990	Nil	Nil
7	Mr. Nahil Wijesuriya	Nil	Nil	Nil	Nil
8	Mr. Chandra Mohotti	Nil	Nil	Nil	Nil
9	Mr. Nilanga Dela	Nil	Nil	Nil	Nil

Highest & Lowest Share Prices for the Period 01/04/2017 & 31/03/2018

	2017/2018		2016/2017	
	Date	Share Prices	Date	Share Prices
Highest Market Price	13.03.2018	6.60	03.01.2017	7.10
Lowest Market Price	03.04.2017	4.80	27.03.2017	4.70
Last Traded Price	31.03.2018	5.30	31.03.2017	5.00

Market Capitalization

- Market capitalization of the company, which is the number of Ordinary shares in issue multiplied by the market value of a share was Rs. 3,060.75 Mn as at 31st March 2018 (2017 - Rs. 2,887.5 Mn).

Share Trading Information for the Period ended 01/04/2017 & 31/03/2018

	2017/18	2016/17
No. of Transactions	2,489	1,559
No. of Shares Traded	46,313,764	72,920,460
Value of Shares Traded(Rs)	317,232,821	605,060,245

Public Shareholding as at 31st March 2018

- Market capitalization of Public shareholding Rs. 847.8 Mn (2017 - Rs. 605.31 Mn).
- Percentage of the Ordinary shares held by public - 27.7% (2017 - 20.96%).
- Number of Public Shareholders - 1,888 (2017 - 1,788).

INVESTOR INFORMATION (Contd..)

Top 20 Shareholders as at 31st March 2018

Serial	NAME	Shares	%
1	Ceylon Hotels Corporation PLC	401,567,250	69.54
2	Progruss Investments Limited	69,300,000	12.00
3	Adiuvat Investment Fund	40,775,000	7.06
4	Hotel International Limited	13,282,696	2.30
5	N.V.S. Saackville -Deceased	4,368,000	0.76
6	Mr. P.R.F Collas,C/o.Executor Mr.C.Keith.	1,965,250	0.34
7	Mrs. L Rathwatthe	1,853,000	0.32
8	Mrs. M.F. Gunasekera	1,750,000	0.30
9	Mr. P.V. Gunasekera	1,750,000	0.30
10	Mrs. A U R Pethiyagoda	1,500,000	0.26
11	Mr. M Chevallaz	1,496,250	0.26
12	Mr. P Chevallaz	1,496,250	0.26
13	Mr. A Chevallaz	1,496,250	0.26
14	Mr. J Laravoire	1,496,250	0.26
15	Mr. E Laravoire	1,496,250	0.26
16	Ms H Sauties	1,496,250	0.26
17	Mr. J P Sauties	1,496,250	0.26
18	Mr. H A Van Starrex	1,075,451	0.19
19	Mr. F D M Badcock	1,034,250	0.18
20	Mr. J F C Badcock	1,034,250	0.18
Total Shares		551,728,897	95.54
Balance held by Others		25,771,103	4.46
Total Number of Shares		577,500,000	100.00

Top 20 Shareholders as at 31st March 2017

Serial	NAME	Shares	%
1	Ceylon Hotels Corporation PLC	401,567,250	69.54
2	Progruss Investments Limited	69,300,000	12.00
3	Ceylon Hotel Holdings (Pvt) Limited	27,610,454	4.78
4	Hotel International Limited	18,389,196	3.18
5	Cyril Gardiner (Private) Limited	8,120,000	1.41
6	Mr. Noel Victor Stopford -Dec`D- Saackville	4,368,000	0.76
7	Mr. Peter Renuf Frossard, C/O.executor Mr. Charles Keith, Collas	1,965,250	0.34
8	Mrs. Lilamanie Ratwatte	1,853,000	0.32
9	Mrs. Mary Frances Gunasekera	1,750,000	0.30
10	Mr. Percy Vivian Gunasekera	1,750,000	0.30
11	Ms. Helene Sauties	1,496,250	0.26
12	Mr. Edonard -Dec`D- Laravoire	1,496,250	0.26
13	Mr. John Paul Sauties	1,496,250	0.26
14	Ms. Martha Chevallaz	1,496,250	0.26
15	Mr. Jeane Laravoire	1,496,250	0.26
16	Mr. Paul Chevallaz	1,496,250	0.26
17	Mr. Albert Chevallaz	1,496,250	0.26
18	Mrs. Areenie Upendra Ratwatte Pethiyagoda	1,491,750	0.26
19	Mr. Hans Anton Van Starrex	1,138,803	0.20
20	Mr. Francis David Micheal Badcock	1,034,250	0.18
Total Shares		550,811,703	95.38
Balance held by Others		26,688,297	4.62
Total Number of Shares		577,500,000	100

Queen's Hotel
Kandy

Hotel Suisse
Kandy

OZO Hotel
Kandy

05 YEARS AT A GLANCE

YEAR ENDED	31st March 2018 Rs.		31st March 2017 Rs.		31st March 2016 Rs.		31st March 2015 Rs.		31st March 2014 Rs.	
	Group	Company	Group	Company	Group	Company	Group	Company	Group	Company
TRADING RESULTS										
Turnover	685,379,723	685,379,723	681,174,372	681,174,372	639,791,102	639,791,102	598,443,491	598,443,491	557,888,862	557,888,862
Profit / (Loss) Before Tax	261,163,081	231,765,562	289,451,374	291,111,003	152,019,289	245,196,037	187,139,670	211,393,148	168,243,705	183,944,828
Taxation	(36,943,560)	(36,943,560)	(43,274,073)	(43,274,073)	(28,106,525)	(28,106,525)	(33,690,400)	(33,690,400)	(22,975,983)	(22,975,983)
Net Profit/(Loss) for the Year	**224,219,521**	**194,822,002**	246,177,301	247,836,930	123,912,764	217,089,512	153,449,270	177,702,748	145,267,722	160,968,845
Property Plant & Equipment	6,348,836,223	6,348,836,223	6,389,609,692	6,389,609,692	5,743,337,285	5,743,337,285	5,800,899,327	5,800,899,327	5,811,738,605	5,811,738,605
Intangible Assets	29,344,272	29,344,272	45,830	45,830	759,996	759,996	1,520,000	1,520,000	2,280,000	2,280,000
Investment in subsidiary		352,843,177	-	352,843,177	-	345,217,600	-	345,217,600	-	100
Investment in Joint Venture	351,355,284	-	304,157,069	-	305,732,679	-	308,393,925	-	132,506,677	-
Investment in equity securities	600,000,000	600,000,000	-	-	-	-	-	-	-	-
NON CURRENT ASSETS	**7,329,535,779**	**7,331,023,672**	6,693,812,591	6,742,498,699	6,049,829,960	6,089,314,881	6,110,813,252	6,147,636,927	5,946,525,282	5,814,018,705
Current Assets	987,680,809	987,645,187	710,266,619	710,132,743	539,932,835	554,707,247	382,445,020	389,657,768	495,307,507	647,335,967
Current Liabilities	342,764,508	342,677,555	117,641,441	117,557,724	98,964,523	106,262,206	91,433,470	91,311,648	81,819,954	81,437,072
Net Current Assets	644,916,300	644,967,631	592,625,178	592,575,019	440,968,311	448,445,041	291,011,550	298,346,120	413,487,553	565,898,895
TOTAL ASSETS	**7,974,452,079**	**7,975,991,303**	7,286,437,769	7,335,073,719	6,490,798,272	6,537,759,922	6,401,824,802	6,445,983,047	6,360,012,835	6,379,917,600
LESS LIABILITIES										
Loan & Bank Overdraft	709,934,012	709,934,012	-	-	-	-			-	-
Leases	-	-	-	-	-	-			-	-
Deferred Tax Liabilities	569,664,902	569,664,902	201,745,552	201,745,552	239,655,544	239,655,544	249,560,464	249,560,464	246,390,418	246,390,418
Retirement Benefit Obligations	5,157,838	5,157,838	4,448,659	4,448,659	4,401,920	4,401,920	4,153,125	4,153,125	3,286,855	3,286,855
NET ASSETS	**6,689,695,327**	**7,392,044,630**	7,080,243,558	7,128,879,507	6,246,740,808	6,293,702,458	6,148,111,213	6,192,269,457	6,110,335,562	6,130,240,327
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
Debetures	-	-	-	-	-	-	-	-	-	-
Reserves	6,874,179,339	6,875,718,563	7,063,493,557	7,112,129,508	6,229,990,808	6,276,952,458	6,131,361,214	6,175,519,458	6,093,585,561	6,113,490,327
SHARE HOLDERS FUNDS	**6,890,929,339**	**6,892,468,563**	7,080,243,557	7,128,879,508	6,246,740,808	6,293,702,458	6,148,111,214	6,192,269,458	6,110,335,561	6,130,240,327
RATIOS AND STATISTICS										
Current Ratio	2.88	2.88	6.04	6.04	5.46	5.22	4.18	4.27	6.05	7.95
Earnings per Ordinary Share (Rs.)	0.39	0.34	0.43	0.43	0.21	0.38	0.27	0.31	0.25	-
Net Assets per Ordinary Share (Rs.)	11.58	12.80	12.26	12.34	10.82	10.90	10.65	10.72	10.58	10.62
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	577,500,000	577,500,000	577,500,000
Highest	6.60	6.60	8.70	8.70	8.10	8.10	9.50	9.50	6.80	6.80
Lowest	4.80	4.80	4.70	4.70	5.00	5.00	7.50	7.50	6.70	6.70
Market Capitalization	3,060,750,000	3,060,750,000	2,887,500,000	2,887,500,000	3,465,000,000	3,465,000,000	4,331,250,000	4,331,250,000	3,869,250,000	3,869,250,000

Hotel Suisse - Kandy

THE KANDY HOTELS CO. (1938) PLC - PQ201

Hotel Suisse, No. 30, Sangaraja Mawatha, Kandy

Notice is hereby given that the 89th Annual General Meeting of
The Kandy Hotels Co. (1938) PLC
will be held at "Hotel Suisse", No. 30, Sangaraja Mawatha, Kandy
on 26th September 2018 at 12.00 noon
for the following business.

1. To receive, consider and adopt the Report of the Directors, the Audited Accounts for the year ended 31st March 2018 and the Report of the Auditors.

2. To re-elect Mr. Ranjith Gunathilleke who retires by rotation in terms of Articles of Association.

3. To re-elect Mr. Lakshman Samarasinghe as a Director of the Company in terms of Section 211 of the Companies Act No.07 of 2007 by passing the following ordinary resolution.

"RESOLVED that Mr. Lakshman Samarasinghe who has reached the age of 76 be and is hereby re-elected as a Director of the Company and is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No.07 of 2007 shall not apply to the said Director in accordance with section 211 of the Companies Act No. 07 of 2007.

4. To re-elect Mr. Lakshman Sirimanne as a Director of the Company in terms of Section 211 of the Companies Act No.07 of 2007 by passing the following ordinary resolution.

"RESOLVED that Mr. Lakshman Sirimanne who has reached the age of 75 be and is hereby re-elected as a Director of the Company and is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No.07 of 2007 shall not apply to the said Director in accordance with section 211 of the Companies Act No. 07 of 2007.

5. To re-elect Mr. Nahil Wijesuriya as a Director of the Company in terms of Section 211 of the Companies Act No.07 of 2007 by passing the following ordinary resolution.

"RESOLVED that Mr. Nahil Wijesuriya who has reached the age of 73 be and is hereby re-elected as a Director of the Company and is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No.07 of 2007 shall not apply to the said Director in accordance with section 211 of the Companies Act No. 07 of 2007.

6. To declare a final dividend of Rs. 0.10 per share for the year ended 31st March 2018.

7. To re-appoint Messrs Ernst & Young, Chartered Accountants, the retiring Auditors and authorize the Directors to fix their remuneration.

8. To authorize the Directors to determine donations for the year 2018/2019 and up to the date of the next Annual General Meeting.

9. To transact any other business that may properly be brought before the meeting.

By Order of the Board
THE KANDY HOTELS CO. (1938) PLC

Accounting Systems Secretarial Services (Private) Limited
Company Secretaries
Colombo, this 27th of August 2018

NOTE:

A shareholder who is unable to attend the meeting is entitled to appoint a proxy to attend and vote in his/her place. A proxy need not be a member of the Company. A Form of Proxy accompanies this Notice.

NOTES

FORM OF PROXY

I/we ....

(NIC No.) .... of ....

....

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

....

....

of ....

.... (or failing him)

Mr. Sanjeev Gardiner	of Colombo	(or failing him)
Mr. Charitha Ratwatte	of Colombo	(or failing him)
Mr. Lakshman Samarasinghe	of Colombo	(or failing him)
Mr. Priyantha Maddumage	of Colombo	(or failing him)
Mr. Lakshman Sirimanne	of Colombo	(or failing him)
Mr. Ranjith Gunathilleke	of Colombo	(or failing him)
Mr. Nahil Wijesuriya	of Colombo	(or failing him)
Mr. Chandra Mohotti	of Colombo	(or failing him)
Mr. Nilanga Dela	of Dela	(or failing him)

as my/our Proxy to represent and speak and vote for me/us* and on my/our behalf at the Annual General Meeting of the Company to be held on 26th September 2018 and at any adjournment thereof and at every poll which may be taken in consequence thereon.

I/We* the undersigned, hereby direct my/our* proxy to speak and vote for me/us and on my/our behalf on the resolution set out in the Notice convening the meeting , as follows:

		For	Against
1	To receive, consider and adopt the Report of the Directors, the Audited Accounts for the year ended 31st March 2018 and Report of the Auditors thereon.		
2	To re-elect Mr. Ranjith Gunathilleke who retires by rotation and is eligible for re-election		
3	To re-elect Mr. Lakshman Samarasinghe who retires in terms of Section 210 of the Companies Act No. 07 of 2007		

FORM OF PROXY (Contd..)

		For	Against
4	To re-elect Mr. Lakshman Sirimanne who retires in terms of section 210 the Companies Act No. 07 of 2007.		
5	To re-elect Mr. Nahil Wijesuriya who retires in terms of section 210 the Companies Act No. 07 of 2007.		
6	To declare a final dividend of Rs. 0.10 per share for the year ended 31st March 2018.		
7	To re-appoint Messrs Ernst & Young Chartered Accountants., the retiring Auditors and authorize the Directors to fix their remuneration.		
8	To authorize the Directors to determine donations for the year 2018 /2019 and up to the date of the next Annual General Meeting.		

In witness my/our* hands this…………………day of……………..Two Thousand and Eighteen.

……………………………………

Signature

Notes:*

Instructions as to completion appear ………overleaf.
Please indicate with and "x" in the space provided, how your Proxy is to vote on the Resolutions.
If no indication is given, the Proxy in his discretion will votes as he thinks fit.

Instructions as to completion

1. Kindly perfect the Form of Proxy by filling in legibly your full name, address and the National Identity Card number and by signing in the space provided and filling in the date of signature.
2. The completed Form of Proxy should be deposited at Secretaries, Accounting Systems Secretarial Services (Private) Limited, Level 03, No.11, Castle Lane, Colombo 04 not later than 48 hours prior to the date of the meeting.
3. If you wish to appoint a person other than the Chairman or a Director of the Company, please insert the relevant details at the space provided (above the names of the Board of Directors) on the Proxy Form.
4. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should accompany the Form of Proxy for registration if such Power of Attorney has not already been registered with the Company.
5. If the appointor is a company/ Incorporated body this Form must be executed in accordance with the Articles of Association/ Statute.

Corporate Information

NAME OF THE COMPANY	-	The Kandy Hotels Co. (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	-	Mr. Sanjeev Gardiner (Chairman) Mr. Charitha Ratwatte Mr. Lakshman Samarasinghe Mr. Priyantha Maddumage Mr. Lakshman Sirimanne Mr. Ranjith Gunathilleke Mr. Nahil Wijesuriya Mr. Chandra Mohotti Mr. Nilanga Dela
CORPORATE MANAGEMENT	-	Mr. Ranjan Pieris (Vice President - Kandy Hotels) Mr. P. Sivatheesh (Financial Controller - Ceylon Hotels Corporation) Mr. A. M. P. Adhikari (Resident Manager - Queen's Hotel) Mr. S. Jansz (Assistant Financial Controller - Kandy Hotels)
REGISTERED OFFICE	-	The Kandy Hotels Co. (1938) PLC Hotels Suisse, No. 30, Sangaraja Mawatha, Kandy.
SECRETARIES	-	Accounting Systems Secretarial Services (Private) Limited, Level 03, No. 11, Castle Lane, Colombo 04.
AUDITORS	-	M/s Ernst & Young Charted Accountants No. 839/2, Peradeniya Road, Kandy.
BANKERS	-	Commercial Bank of Ceylon Ltd. Nations Trust Bank Ltd. Hatton National Bank PLC.
E-MAIL	-	Queen's Hotel : gm.queens@kandyhotels.lk Suisse Hotel : gm.suisse@kandyhotels.lk

The Kandy Hotels Co. (1938) PLC

Hotel Suisse, No. 30, Sangaraja Mawatha, Kandy