THE KANDY HOTELS CO. (1938) PLC

(A member of Galle Face Group)

Annual Report **2018|19**

Contents

The Kandy Hotels Co. (1938) PLC

Founded in 1927, The Kandy Hotels Co. (1938) PLC operates as a subsidiary of Ceylon Hotels Corporation PLC and owns two of the most historically significant hotels in Kandy the Queen's Hotel and Hotel Suisse. The Company is also a joint-owner of OZO Hotel Kandy.

The Company is committed to preserving and promoting the architectural integrity of our hotels and the authenticity of their rich heritage. From the red carpeted corridors, to the functioning antique elevators to the grand ballrooms with their minstrels galleries of a bygone era, our hotels remain true to their past, offering our guests a nostalgic glimpse into the past.

Queen's Hotel

The Queen's Hotel is an iconic hotel situated in the heart of Kandy. It is flanked on one side by the Temple of the Tooth Relic and on the other side by the stunning Kandy Lake.

This British Colonial style luxury hotel with 92 rooms boasts a history of 160 years and is one of the oldest hotels in Sri Lanka. The Queen's Hotel was originally a grand Kandyan mansion named `Dullewa Walauwa' owned by a Kandyan chieftain. Subsequently it fell into the hands of the British and became a Governor's mansion.

A prominent feature of the hotel is that it is situated opposite the world renowned "Temple of the Tooth Relic of Lord Buddha". The annual "Kandy Esala" proceeds alongside the East and West wings of the Hotel providing an ideal viewing point to the guests who patronise the hotel.

Hotel Suisse

Located by banks of the historic Kandy Lake, Hotel Suisse is a colonial building set within a large landscaped garden.

Built during the 17th Century, the hotel was originally the residence of Chief Minister of the Royal Granary. Subsequently, in 1818 the property was acquired by the British and occupied by an officer, who dubbed it "Harmby House". In 1846 it became the residence of George Wall, the manager of the Ceylon Plantation Company and then in the early 1880s the building was occupied by the Kandy Club.

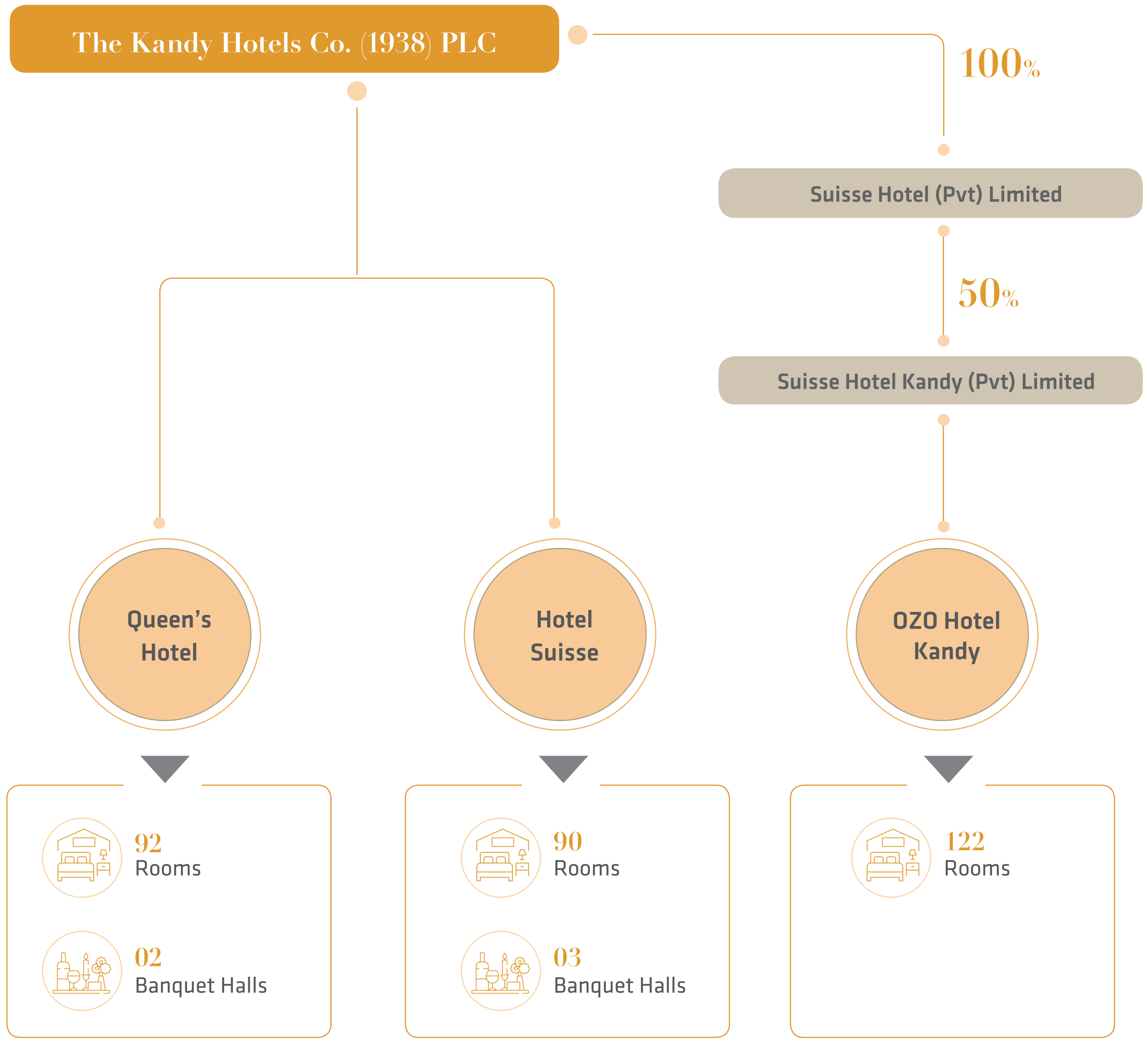
Several years later Harmby House was sold to a Swiss lady, who operated it as a guest house and re-named it "Hotel Suisse".

During the Second World War, it was the Headquarters of the South East Asia Command under the aegis of Lord Mountbatten.

Hotel OZO Kandy

Located in Kandy, the hill capital of the central highlands of Sri Lanka, OZO Kandy is a modern hotel featuring a rooftop pool, bar and lounge, and fitness centre. Ideally located adjacent to the historic and picturesque Kandy Lake, the 122 roomed hotel with luxury amenities offers you the best way to unwind and gaze at the dancing waves of the Kandy Lake.

Group Structure



Group Financial and Operational Highlights

For the year ended 31st March	2019 Rs.	2018 Rs.
Performance for the year ended 31 March		
Revenue	703,479,627	685,379,723
Earnings before interest, tax, depreciation & amortisation (EBITDA)	290,932,517	295,414,461
Profit/(Loss) before tax (PBT)	156,897,527	261,163,081
Profit/(Loss) after tax (PAT)	125,625,048	224,219,521
Earnings per Share	0.22	0.39
Dividend Per Share (Company)	0.10	0.10
Dividend Paid Out ratio (Times)	0.46	0.26
Financial Position as at 31 March		
Total Assets	8,313,612,849	8,317,216,588
Total Debt	645,189,950	709,934,012
Total Equity	6,953,982,004	6,890,929,339
No of Ordinary Shares in Issue	577,500,000	577,500,000
Net Assets per Ordinary Share	12.04	11.93
Gearing Ratio	9.3%	10.3%
Debt/Total Assets	7.8%	8.5%
Current Ratio (Times)	4.12	2.88
Market/Shareholder information as at 31 March		
Closing Market price per share	4.50	5.30
Market Capitalisation	2,598,750,000	3,060,750,000

Chairman's Review

> "Earnings from tourism reached US$ 4.4 Bn in 2018 increasing by 11.6%. showcasing its resiliency to the challenges faced during the year. The importance of tourism to the country continues to increase being the 3rd largest foreign exchange earner accounting for 4.9% of GDP."

It gives me great pleasure to welcome you to the 90th Annual General Meeting of Kandy Hotels Co. (1938) PLC and take the opportunity to present the Annual Report and the Audited Financial Statements for the financial year ended 31 March 2019. Your company faced multiple headwinds during the financial year, nevertheless continued to create value to its shareholders, by leveraging its longstanding brand reputation and improving its service quality across all operations.

GLOBAL TOURISM

International tourist arrivals reached 1,400 Mn (+6%) in 2018 according to the United Nations World Tourism Organization (UNWTO). It was projected by UNWTO in 2010 that international tourist arrivals will reach 1,400 Mn only by 2020. However, reaching the target two years prior to the initial forecast indicates the acceleration of international travel during the recent years as a result of robust economic growth, affordable air travel and new business models supported by technological changes.

REGIONAL PERFORMANCE

The overall global tourist arrivals performance was strongly supported by international tourist arrivals to Europe which increased by 6%, with healthy tourist flows to Southern and Mediterranean Europe (+7%), Central and Eastern Europe (+6%) and Western Europe (+6%). Tourist arrivals to the Asia Pacific also grew by 6% supported by South East Asia (+7%), North East Asia (+6%) and South Asia (+5%). Growth in the America's was below average at 3%, but Africa (+7%) and the Middle East (+10%) contributed with robust tourist arrival growth rates.

SRI LANKA TOURISM

Sri Lanka tourism overcame another challenging year to record a 10.3% growth in tourist arrivals in 2018. However, the growth could have been stronger if not for several unfortunate incidents that took place during 2018. The two major factors that affected the performance were the communal unrest in February / March 2018 and the constitutional crisis in October 2018.

The communal unrest which was highlighted in last year's annual report, resulted in adverse travel advisories from source markets and bookings cancellations. The negative impact from these events were heavily felt in the Kandy District as it was the focal point during these social tensions. Unfortunately, since all the company properties are in Kandy, this incident did have a negative impact on its performance.

The constitutional crisis in October 2018, also created uncertainty surrounding the government, resulting in unfavorable global press coverage and a sovereign credit downgrade, which slowed down tourist arrivals during the peak season and adversely affected the economy.

Nevertheless, tourist arrivals to Sri Lanka reached 2,333,796 in 2018 growing by 217,389 tourists. Strong growth in arrivals was observed from UK (+26%), Germany (+20%), Australia (+36%) and the US (+31%) markets. While the two largest markets recorded mixed results, with Indian tourists continuing to grow steadily (+10%) and reaching 424,887 tourists, whereas arrivals from China declined marginally (-1%) with 265,965 arrivals. Further, the country is witnessing a growth in a new demographic profile, where experiential tourists such as young travelers and couples with varying purchasing power are willing to experience non- traditional accommodation facilities such as homestays and other informal facilities.

Earnings from tourism reached US$ 4.4 Bn in 2018 increasing by 11.6%. showcasing its resiliency to the challenges faced during the year. The importance of tourism to the country continues to increase being the 3rd largest foreign exchange earner accounting for 4.9% of GDP.

COMPETITIVE LANDSCAPE

However, despite the growth in tourist arrivals and tourism earnings, the occupancy rates of graded hotel establishments registered with the Sri Lanka Tourism Development Authority(SLTDA) continued to decline during the past three years from 74.8% in 2016 to 72.8% in 2018 due to the continuously increasing room supply from formal and informal tourist accommodation facilities. This has created intense competition among hotel operators leading to challenges in maintaining occupancy and average daily room rates.

The increasing appeal of Sri Lanka as a tourist destination is one of the key reasons for the continuous rise in its room supply. This is further supported by the growth in young travelers / experiential tourists mostly seeking informal accommodation facilities, which has also boosted investment into the sector. Whilst, this is an encouraging sign, it is vital the industry grows at a sustainable rate where growth in room supply (formal and informal) mirrors the long term increase in tourist arrivals to the country in order to preserve the profitability of all industry participants while ensuring a fair competitive environment among all tourist accommodation providers.

Chairman's Review

#1 IN LONELY PLANET

Sri Lanka was selected as the #1 destination in the world for travelers by world leading travel authority Lonely Planet for 2019. The result created a wave of optimism in the Sri Lanka tourism industry with hoteliers anticipating a strong growth in tourist arrivals. Additionally, UNILAD also named Sri Lanka the #1 destination for 2019 along with BBC ranking Sri Lankan cuisine as the # 1 food trend for 2019. Sri Lanka tourism also embarked on multiple tourism promotion activities to capitalize on the positive ratings.

EASTER SUNDAY ATTACKS

Unfortunately for the tourism industry despite the positive publicity, the biggest blow since the end of the war occurred on Easter Sunday, 21st April 2019 with multiple terrorist attacks targeting hotels and places of worship across Sri Lanka. These events created an uncertain period for the entire country and disturbed the peace enjoyed by the public since the end of the war in 2009.

PERFORMANCE REVIEW

Kandy Hotels Co. (1938) PLC (KHC)

The KHC at a Company level recorded a total revenue of Rs 703.5 Mn for the financial year ended 31st March 2019 compared to Rs 685.4 Mn recorded last year, a growth rate of 2.64% in a challenging macroeconomic environment during the financial year.

The Company operating profit for the year under review was Rs. 224.6 Mn, compared to Rs. 238.1 Mn recorded last year. Net Profit for the year under review was Rs 175.4 Mn, compared to Rs. 194.8 Mn in FY 2017/ 2018. The reduction can be mainly attributable to the mandated provisions having to be made from the adoption of SLFRS 9 and also due to the increase in Finance costs. The rise in finance costs were due to the high interest rates that prevailed during the year. Further, the loan obtained to finance the investment in United Hotels Company Limited was drawn down during end May 2017 with 10 months of interest costs being recorded during the previous financial year compared to interest costs being recorded for a complete 12 months during the period under review, which also increased overall finance expenses. A detailed analysis on the financial performance is provided in the section Management Discussion & Analysis provided in page 12.

Suisse Hotel Kandy (Pvt) Ltd

Suisse Hotel Kandy (Pvt) Limited operates the OZO hotel in Kandy. The company share (50% of equity) of earnings recorded a loss of Rs. 49.7 Mn during the FY 2018/2019, primarily due to a foreign currency translation loss on its US$ denominated borrowings raised for the development of the property. OZO Kandy, which is currently in its 4th year of operations, recorded an EBITDA (100% share) of Rs 208 Mn compared to Rs 233 Mn recorded during the previous financial year (-10.7%) which reflects the similar macroeconomic and industry challenges faced by the other two hotels during the financial year.

OUTLOOK

The Easter attacks dealt a severe blow to the tourism industry with bookings cancellations, flight cancellations, along with adverse travel advisories from tourist source markets. Tourist arrivals in the immediate aftermath dropped by 70% (May 2019) on a year on year basis, which has recovered marginally by June 2019, to a decrease of 57%. While the government has initiated multiple action plans to bring in normalcy to the industry, it is expected that the coming year will be a challenging one.

Key tourist source markets such as India, China, Germany, Japan, etc have softened the initial travel advisories issued in the immediate aftermath of the Easter attacks. Many other countries have also softened their stances as the security situation returned to normalcy.

As per the World Economic Forum, terrorism based activities require 12 - 13 months to recover. We are hopeful that given the initiatives being announced by the government along with a planned global media campaign the industry would be able to recover faster.

We are also encouraged by the reconfirmation from Lonely Planet for continuing to rate Sri Lanka as the Best in Travel for 2019. Further, the readers of the US based Travel and Leisure magazine have also rated Sri Lanka as the best island in the world to be visited.

As owners / operators of established city hotels in Kandy we expect a challenging year ahead. However, we remain optimistic that the tourism industry would be resilient and bounce back in the medium term.

Given the prevailing environment the Board of Directors of the Company do not recommend a dividend for the financial year 2018 / 2019.

APPRECIATION

I wish to thank my fellow Directors 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 I thank the Financial Controller and general staff, who gave their fullest support.

I also wish to place on record my sincere thanks to our loyal guests, our business partners, travel agents, bankers, auditors and 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

09th August 2019

Profile of Directors

MR. SANJEEV GARDINER (CHAIRMAN)

Mr. Sanjeev Gardiner was appointed to the Board of The Kandy Hotels Co. (1938) PLC in September 2005 and boasts over 30 years of management experience in a variety of business fields.

Mr. Gardiner obtained his higher education from the Royal Melbourne Institute of Technology and Monash University, Australia.

He has been the Senior Director of Ceylon Hotels Corporation PLC since 1996 and is a Director in many public quoted and unquoted companies including Cargills (Ceylon) PLC and Dankotuwa Porcelain PLC.

Presently, he is the Group Chairman and Chief Executive Officer of the Galle Face Hotel Group and the Chairman of Ceylon Hotels Holdings (Pvt) Ltd (the holding company of Ceylon Hotels Corporation PLC), Ambeon Capital PLC and United Hotels Co. Ltd. He is also the Co-Chairman of Suisse Hotels Kandy (Pvt) Ltd, joint venture Company of OZO Hotel Kandy.

In addition to his work in the corporate sector, Mr Gardiner is also a Director and Council member of Helpage Sri Lanka and a member of many prestigious associations such as the elite Young Presidents Organisation.

He holds a keen interest in providing relief to patients suffering from Kidney Disease. Upon being appointed as an Ambassador for prevention of Chronic Kidney Disease (CKD) in Sri Lanka by H.E. the President Maithripala Sirisena, Mr. Gardiner has undertaken several initiatives towards achieving the desires of the President in connection to this cause.

MR. CHARITHA RATWATTE

Mr. Ratwatte was appointed to the Board of The Kandy Hotels Co. (1938) PLC in May 2002.

An attorney-at-law by profession, Mr. Ratwatte, possess over 23 years of experience in Government Service and has served the Secretary to the Ministries of Finance & Treasury, Policy Development & Implementation, Youth Affairs & Employment, Manpower Mobilisation and Reconstruction, Rehabilitation & Social Welfare.

He has also served as Vice President of the World Assembly of Youth and Asian Youth Council and as a Consultant to the chief of Mission of the US AID World Bank in Mongolia.

He currently holds the position of Chairman & Managing Director of Sri Lanka Business Development Centre and serves on the Boards of several other organizations.

Mr. Ratwatte has also been the Senior Advisor to the Prime Minister, Hon. Ranil Wickramasinghe since 2015.

MR. LAKSHMAN SAMARASINGHE

Mr. Samarasinghe, was appointed to the Board of The Kandy Hotels Co. (1938) PLC in September 2005.

As a Director of Galle Face Hotel Co. Ltd for over 41 years and a Director of all Group Companies for over four decades, Mr. Samarasinghe is the longest serving Director of the Company and counts for over 49 years of Management experience. He possess a wealth of knowledge and is an invaluable member of the Company.

Mr. Samarasinghe served as an Executive Director of Autodrome PLC for a period of 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 as the Chairman of Ceylon Hotels Corporation PLC in July 2005 and has continued in that capacity for 14 consecutive years.

Profile of Directors

MR. PRIYANTHA MADDUMAGE

Mr. Maddumage was appointed to the Board of The Kandy Hotels Co. (1938) PLC in September 2005.

Mr. Madumage holds a Bachelor of Commerce Special Degree from the University of Sri Jayawardenapura and a Master of Business Management from Edith Cowan University in Australia and counts over 26 years of Finance Management experience.

He is an Associate member of the Institute of Chartered Accountants of Sri Lanka, The National Institute of Accountants of Australia, CPA Australia and Institute of Certified Management Accountants of Sri Lanka and also a Fellow member of Institute of Certified Professional Managers of Sri Lanka.

Mr. Madumage serves as a Director in all subsidiary Companies of Ceylon Hotels Corporation PLC.

Currently, Mr. Maddumage is the of Group Chief Investment Officer of the Galle Face Group of Companies.

MR. LAKSHMAN SIRIMANNE

Mr. Sirimanne was appointed to the Board of The Kandy Hotels Co. (1938) PLC in September 2011.

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.

Having served at Ceylon Tobacco Co Ltd for over 27 years and thereafter on the Main Board at East West Properties PLC and its subsidiaries for over 10 years, Mr. Sirimanne possesses extensive management experience in the corporate sector.

Mr. Sirimanne was nominated to the Board of Autodrome PLC in 2007 and retired after serving 8 years. However he was re-elected again.

MR. RANJITH GUNATHILLEKE

Mr. Gunatilleke was appointed to the Board of the Kandy Hotels Co. (1938) PLC in November 2011.

He is a Graduate of the Faculty of Engineering, University of Peradeniya and possesses a wide experience in Senior Management having served as the Chief Engineer of Mitsui Construction between the years of 1979 to 2003.

He is a member of the Institute of Civil Engineers U.K. since 1979, the Institute of Engineers Sri Lanka since 1984 and the Society of Structural Engineers in Sri Lanka. Also he is in the Director Board of Construction Industry Development Authority (CIDA).

Mr Gunatilleke presently serves as the CEO of Sanken Group and the President of Chamber of Construction Industry in Sri Lanka.

MR. NAHIL WIJESURIYA

Mr. Wijesuriya was appointed to the Board of The Kandy Hotels Co. (1938) PLC in May 2002.

A Marine Engineer by profession, he gained his professional qualifications from The Leicester College of Technology (UK).

Mr. Nahil Wijesuriya is the Founding Chairman of the East West Properties Group of Companies. Through this Parent Company, he founded many successful businesses including the TV broadcasting channels, ETV1 and ETV2, now known as Swarnavahini, and East West Information Systems now known as EWIS.

He has also completed several substantial property developments having successfully ventured into the London and Singapore property markets.

MR. CHANDRA MOHOTTI

Mr. Mohotti was appointed to the Board of The Kandy Hotels Co. (1938) PLC in September 2004. He has an extensive background in the hotel industry with over 42 years of management experience and is acknowledged to be one of the most senior professionals in the Sri Lankan hotel industry.

Having had his initial training at the Southern Cross Inter-Continental Hotel, Australia Mr. Mohotti began his career at the Inter – Continental Hotel, the first 5 star hotel in Colombo and proceeded to hold several Senior Management positions at the Hotel until 1983.

Subsequently he joined the Meridian International chain and received exposure in a variety of Hotel disciplines in several countries. When the Marriott succeeded the Meridian in Colombo, Mr. Mohotti was recruited as its Executive Assistant Manager. Mr. Mohotti thereafter occupied the position of General Manager of Galadari Hotels (Lanka) PLC for a period of 10 years. Subsequently, he also went on to be the General Manager at the Galle Face Hotel.

He has held many prestigious Government related positions among which were Chairman of the Ceylon Hotels Corporation, Chairman of the Sri Lanka Institute of Tourism & Hotel Management & Chairman of the Tourism and Hospitality Industry Skills Council.

Presently Mr. Mohotti is the Executive Director of "The ISN Gardiner CKDu" Fund, a non-profit organisation, its mission being-to provide relief to patients suffering from Chronic Kidney Disease.

MR. NILANGA DELA

Mr. Nilanga Dela was appointed to the Board of The Kandy Hotels Co. (1938) PLC in July 2006 and has served as a non-executive Director of the Company for 13 years.

He is the present Diyawadana Nilame or Chief Custodian of Sri Dalada Maligawa and the 19th Diyawadana Nilame.

The highlights of his career include aiding and supporting numerous temples and Damma schools around the island that are in need.

Mr. Nilanga Dela has been awarded several titles in recognition of his religious and social services, among them are the "Nalanda Keerthi Sri" by Nalanda College, Colombo. "Buddha Sasana Bandu" by the Syamopali Maha Nikaya and the" Sabaragamu Sarasavi Abhiramya" by the Sabaragamu University.

Management Discussion and Analysis

ECONOMIC ENVIRONMENT

Sri Lankan Economy

GDP Growth

The real GDP growth rate of the Sri Lankan economy continued to decelerate from 3.4% in 2017 to 3.2% in 2018. However, the Agriculture sector rebounded in 2018 posting a growth rate of 4.8% (-0.4% in 2017). The Services sector also continued to grow at an encouraging pace of 4.7% (3.6% in 2017). However, the Industry sector almost contracted, with a growth rate of only 0.9% (4.1% in 2017) which affected the overall growth rate. The deceleration in the Industry sector is primarily due to the slowdown in construction, mining and quarrying activities.

External Trade

The trade deficit continued to expand in 2018, with the trade deficit increasing to US$ 10.3 Bn. Total exports reached US$ 11.89 Bn (2018) from US$ 11.36 Bn (2017), however, total imports were US$ 22.23 Bn from US$ 20.98 Bn in 2017.

Growth in import expenditure was led by an increase in imports of vehicles and fuel. The fuel imports increased due to the volatility in oil prices. Improvements in earnings of services exports helped offset the widening current account deficit, supported by worker remittances and tourism earnings. Tourism earnings reached US$ 4.4 Bn (+11.6%), however worker remittances slowed down to US$ 7.0 Bn (-2.1%) during the year.

INDUSTRY ENVIRONMENT

Sri Lanka Tourism

Tourist arrivals to Sri Lanka increased to 2,333,796 in 2018 at a growth rate of 10.3%. The above growth rate was achieved amid several challenges including communal riots in February/March 2018 and constitutional crisis in October 2018.

The monthly historical movement of tourist arrivals are given below:

	2016	YoY	2017	YoY	2018	YoY
January	194,280	24.3%	219,360	12.9%	238,924	8.9%
February	197,697	19.4%	197,517	-0.1%	235,618	19.3%
March	192,841	22.8%	188,076	-2.5%	233,382	24.1%
April	136,367	11.6%	160,249	17.5%	180,429	12.6%
May	125,044	10.1%	121,891	-2.5%	129,466	6.2%
June	118,038	2.2%	123,351	4.5%	146,828	19.0%
July	209,351	19.1%	205,482	-1.8%	217,829	6.0%
August	186,288	11.8%	190,928	2.5%	200,359	4.9%
September	148,499	3.6%	145,077	-2.3%	149,087	2.8%
October	150,419	13.7%	152,429	1.3%	153,123	0.5%
November	167,217	16.0%	167,511	0.2%	195,582	16.8%
December	224,791	9.1%	244,536	8.8%	253,169	3.5%
Total	2,050,832	14.0%	2,116,407	3.2%	2,333,796	10.3%

Tourist Arrivals by Country of Residence

India continues to be the single largest contributor of tourists to Sri Lanka, accounting for 18.2% of all arrivals in 2018. China is the second largest source market closely followed by the United Kingdom that contributes 11.4% and 10.9% of tourist arrivals respectively. In terms of incremental performance, UK as a tourist source market added the most number of tourists in 2018, with 52,297 tourists followed by India with 40,259 tourists. China continued to show marginal declines in tourist arrivals with total arrivals declining by 2,987 tourists. Strong growth in arrivals was also observed from Germany (+20%), Australia (+36%) and the US (+31%) markets.

Incremental year on year change in tourist arrivals from Top Source Markets

	2018
India	40,259
China	(2,987)
United Kingdom	52,297
Germany	26,661
Australia	29,647
France	9,167
Maldives	(3,263)
United States	17,829
Russia	5,306

Tourism Earnings

Tourism earnings recorded a healthy growth rate of 11.6% in 2018 reaching US$ 4.4 Bn compared to US$3.9 Bn recorded in 2017. The growth in earnings continued to be encouraging supported by the increase in tourist arrivals despite many challenges faced by the industry.

Room Supply

According to the Sri Lanka Tourism Development Authority (SLTDA) as at March 2019, there were 2,403 registered establishments providing tourist accommodation with a total room inventory of 38,908. However, the industry perception is that many other establishments that provide tourist rooms are yet to be brought under the registered umbrella as it results in unfair competition towards the regulated players.

In addition to the existing room supply, a total of 366 new tourism accommodation projects with a room capacity of 18,947 rooms have received final approval to commence projects. Whilst this remains an encouraging sign, it is vital the industry grows at a sustainable rate in order to preserve the profitability of industry participants and encourage much needed foreign direct investment.

Further, the country is also witnessing a growth in a new demographic profile, where experiential tourists such as young travelers and couples with varying purchasing power are willing to try non-traditional accommodation facilities such as homestays and other informal accommodation facilities

OVERVIEW OF FINANCIAL AND OPERATIONAL PERFORMANCE

The Kandy Hotels Co. (1938) PLC are the owners of the Queens Hotel and Hotel Suisse. The Group also has a joint venture in OZO hotel, Kandy via its subsidiary Suisse Hotel Kandy (Pvt) Limited.

Kandy Hotels Co. (1938) PLC

Revenue

Room revenue of the company increased from Rs 339.74 million in FY 2018 to Rs 350.05 million in FY 2019, which is an increase of 3.03%. Company performance was adversely affected due to the two major factors mentioned before, 1) communal riots in February / March 2018 and 2) the constitutional crisis in October 2018. The communal riots caused a negative light on the entire industry with travel advisories from key source markets. Thereafter, the company faced another hurdle with a constitutional crisis in October 2018, creating uncertainty and adverse global media coverage, which slowed down tourist arrivals during the peak season.

The food and beverage revenue increased from Rs 305.46 million to Rs 311.18 million an increase of 1.87%. Other revenue, grew by 5.16% from Rs 40.18 Mn (FY 2018) to Rs 42.25 million (FY 2019).

Operating Performance

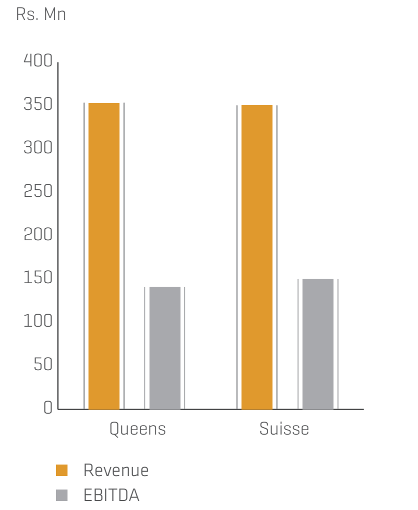
The Gross Profit of the company grew from Rs 489.24 Mn to Rs 495.27 Mn on a year on year basis. However, the gross profit margin dropped from 71.4% to 70.4% in FY 2019.

Administrative expenses grew by 10.6% from Rs 221.7 Mn to Rs 245.30 Mn. In addition to the effect of inflation on administrative expenses, during the financial year the company migrated into an integrated enterprise resource planning system and a property management system for both Queens and Suisse hotels. In this regard, the administrative expenses include the recurring expenses pertaining to the upgrade of IT infrastructure and communication systems of the hotels.

Further, SLFRS 9 was implemented during the financial year where the standard mandates a certain provision to be made on receivables from third parties and related companies. This is a non-cash accounting provisioning, provided as stipulated in the standard.

Accordingly, operating profit recorded for the financial year under review was Rs 224.6 Mn, which is a drop of 5.7% compared to last year. The net profit after tax of the company dropped from Rs 194.82 Mn to Rs 175.44 Mn, a decrease of 9.9%.

Revenue and EBITDA



Net finance costs of the company increased from Rs 6.3 Mn to Rs 17.9 Mn partly due to the continuing rise experienced in interest rates during the year. Further, the loan obtained to finance the investment in United Hotels Company Limited was drawn down during end May 2017 with 10 months of interest costs being recorded during the previous financial year compared to interest costs being recorded for a complete 12 months during the period under review.

Management Discussion and Analysis

Suisse Hotel Kandy (Pvt) Limited (Controlling company of OZO Hotel – Kandy)

Share of profit from the company's joint venture undertaking, Suisse Hotel Kandy (Pvt) Limited amounted to a loss of Rs 49.7 Mn compared to a profit of Rs 29.5 Mn recorded during the previous financial year.

The share of loss recorded during the year under review was primarily due to foreign currency translation losses (on its US$ denominated borrowings) arising from the significant depreciation of the rupee during 3rd quarter of the financial year.

OZO Kandy, which is currently in its 4th year of operations, recorded an EBITDA (100% share) of Rs 208 Mn compared to Rs 233 Mn recorded during the previous financial year which was affected by the macroeconomic and industry challenges faced by the other two hotels during the financial year.

Financial Position

The total assets of the group marginally decreased from Rs 8.32 Bn to Rs 8.31 Bn during the financial year. Current ratio of the Group improved from 2.88x to 4.12x in FY 2018/19.

Total debt of the Group as at 31st March 2019 was Rs 525 Mn compared to Rs 600 Mn during the previous financial year. The gearing ratio was 7.5% as at the current financial year end vis a vis 8.7% during FY 2017/2018.

Net Assets of the Group increased to Rs 6.95 Bn as at 31st March 2019 from Rs 6.89 Bn during the last financial year.

OUTLOOK

Easter Sunday Attacks

Multiple terrorist attacks occurred on Easter Sunday, 21 April 2019 targeting hotels and places of worship across Sri Lanka. Three bombs were detonated directly targeting patrons of three of the largest city hotels in Colombo. Many lives were lost, and many more people were injured. The incident dealt a severe blow to the tourism industry with bookings cancellations, flight cancellations, and adverse travel advisories from tourist source markets. Tourist arrivals in the immediate aftermath dropped by 70% (May 2019) on a year on year basis.

The outlook for the tourism industry post easter attacks in Sri Lanka looked uncertain. Since then there are early signs of recovery with key tourist source markets such as India, China, Germany, Japan, UK etc. relaxing the travel advisories that were initially issued. Many other countries have also softened their stances as the security situation returned to normalcy.

The gradual resumption of cancelled flights and proposals such as offering of reduced airport and fuel charges for airlines and embarkation fees for passengers could help contribute towards an uptick in the peak period. We are also encouraged by the reconfirmation from Lonely Planet, for continuing to rate Sri Lanka as the Best in Travel for 2019. Further, the readers of the US based Travel and Leisure magazine also rated Sri Lanka as the best island in the world to be visited.

As per the World Economic Forum, terrorism based activities require 12 to 13 months to recover. We are hopeful that given the initiatives being announced by the government along with a planned global media campaign the industry would be able to recover faster.

Relief Package by Government

The government offered a relief package to the industry as a part of its recovery initiative. This included a one-year moratorium granted on both capital and interest payments, working capital facilities at concessionary rates and a reduction in value added tax to 7% from 15% for tourism related industries.

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 2019 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.

1. Principal Activity the company

The principal activity of the Company is to engage in the hospitality trade. Company owns and manage Queen's Hotel and Hotel Suisse in Kandy. The Company has a 100% stake in its subsidiary Suisse Hotel (Pvt) Ltd, which owns a 50% stake in Suisse Hotel Kandy (Pvt) Ltd. Suisse Hotel Kandy (Pvt) Ltd owns the OZO Hotel - Kandy.

2. Annual Report

The Board of Directors on 09th August 2019, 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 and Management Discussion and Analysis review on pages 7 and 12 describes the Company's affairs and highlights important events that occurred during the year, and up to the date of this report. The Group Financial and Operational Highlights on page 6 summarize the financial results of the Company. These reports together with the audited financial statements reflect the state of affairs of the Company.

4. Financial performance of the Company

The Financial Statements which include statement of profit and loss and other comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and the notes to the financial statements of the company & Group for the year ended 31st March 2019 and are prepared in compliance with the requirements of Section 151 of the Companies Act No 7 of 2007 are given on pages 35 to 79 in this annual report.

5. Financial Results

The net profit before tax of the Group was Rs. 156.8 Mn and turnover was Rs. 703.4 Mn for the year ended 31st March 2019 compared to net profit before tax of Rs. 261.1 Mn and turnover of Rs. 685.3 Mn in 2017/2018.

	Group		Company	
For the year ended 31st March	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Profit after taxation	125,625	224,220	175,443	194,822
Profit brought forward from previous year	960,444	764,981	1,070,055	903,990
Adjustment on initial application of SLFRS 09	(4,679)	-	(4,679)	-
Other comprehensive income	37	(164)	37	(164)
Dividend Paid	(57,787)	(57,787)	(57,787)	(57,787)
Transfer of excess depreciation on revaluation	30,955	29,194	30,955	29,194
Retained earnings carried forward	1,054,594	960,444	1,214,024	1,070,055

6. Auditors' Report

The Auditors' Report on the Financial Statements is given on page 32 to 34 of this Annual Report.

7. Significant Accounting Policies

The details of the accounting policies adopted by the Company in preparation of the financial statements and the impact thereon, of changes in the Sri Lanka Accounting standard made during the year are disclosed on pages 40 to 53 of the Annual Report. There were no changes in Accounting policies adopted by the Company during the year under review other than those diclosed in the financial statements.

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.

Annual Report of the Board of Directors on the Affairs of the Company

9. Dividends

The Board of Directors do not recommend a divided for the financial year ended 31st March 2019.

10. Stated Capital and Reserves

The Company's stated capital as at 31st March 2019 was Rs.16,750,000/= represented by 577,500,000 ordinary shares and 50,000 preference shares @15%.

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

The total capital and reserves for the group stood at Rs. 6,954 Mn as at 31st March 2019 (2018 Rs. 6,891 Mn).

11. Shareholders' Fund

Total reserves of the Group as at 31st March 2019 was Rs. 6,954 Mn (2018: Rs. 6,890 Mn) comprising of retained earnings of Rs. 1,054 Mn (2018: Rs. 960.4 Mn) and other reserve of Rs. 5,882 Mn (2018: Rs. 5,913 Mn). Total reserves combined with Stated Capital as at 31st March 2019 was Rs. 6,954 Mn (2018: Rs. 6,891 Mn) The movements are shown in the Statement of Changes in Equity given on page 37.

12. Property Plant & Equipment

The Company has spent Rs. 13.5 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 to the Financial Statement.

13. Market Value of properties

Freehold land and Building was revalued by an independent professional valuer in the financial year 2017. The valuation basis/ techniques and the assumptions used there in have been deliberated and agreed by the Board. The carrying value of freehold land and building reflected in the Financial Statements as at 31st March 2019 is Rs. 6,106.03 Mn.

The details of freehold land and building valuation are given in Note 13.3 and 13.4 on pages 61 to 62 in the Financial Statements.

The Board has obtained a confirmation from the valuer that the value is not materially different from the carrying value as at 31st March 2019.

14. Investments

Details of long-term Investments held by the Company are given in Note 15 - 17 to the financial statements on page 63 to 65.

15. 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.

16. Contingent Liabilities and Capital Commitment

The Contingent Liabilities and Capital commitment made on account of capital expenditure as at 31st March 2019 are given in Note 30. to the Financial Statements.

17. Post Balance Sheet Events

Significant events that have occurred after the balance sheet date which would have any material effect on the Company that require adjustments are disclosed in note No. 31 of the financial statements.

18. 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.

19. Directors as at 31 March 2019

The Board of Directors of The Kandy Hotels Co. (1938) PLC comprise 09 Directors and 04 of them serves as Independent Non-Executive Directors. The qualification and experience of the Directors are given on page 09 to 11 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)	Non Independent Executive
Mr. Charitha Ratwatte	Independent Non Executive
Mr. Lakshman Samarasinghe	Non Independent Executive
Mr. Priyantha Maddumage	Non Independent Executive
Mr. Lakshman Sirimanne	Non Independent Executive
Mr. Ranjith Gunatilleke	Independent Non Executive
Mr. Nahil Wijesuriya	Independent Non Executive
Mr. Chandra Mohotti	Non Independent Non Executive
Mr. Nilanga Dela	Independent Non Executive
Mr. Shalike Karunasena (Alternate Director to Mr. Priyantha Maddumage)	Non Independent Executive

The names of the Directors of the fully owned subsidiary Suisse Hotel (Pvt) Ltd as at 31st March 2019 are given below :

1. Mr. Sanjeev Gardiner
2. Mr. Lakshman Samarasinghe
3. Mr. Priyantha Maddumage
4. Mr. Lalith Rodrigo

In terms of Article 90 of the Articles of Association, one Director is required to retire by rotation at each Annual General Meeting (AGM). Article 91 provides that the Director to retire by rotation at an AGM shall be the Director who (being subject to retirement by rotation) have been longest in office, since their last re-election or appointment. Accordingly Mr Pradeep Nilanga Dela Bandara retires by rotation in terms of Article 91 of the Articles of Association and is eligible for re-election at the Annual General Meeting.

Mr Lakshman Samarasinghe, Mr Lakshman Sirimanne, Mr Nahil Wijesuriya, Mr Chandra Mohotti and Mr Jayampathy Charitha Ratwatte retire in terms of section 210 of the Companies Act No.07 of 2007 (Act). Resolutions have been moved by the company to re-elect said Directors and are set out in the notice of Annual General Meeting.

Messrs. Charitha Ratwatte, Nilanga Dela Bandara and Nahil Wijesuriya have completed 09 years as Independent Non Executive Directors. The Board of Directors at its meeting held on 09th August 2019 assessed the status of the said three Directors, and was of the view 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.

20. Board Sub Committees

In line with the Corporate Governance Code of Colombo Stock Exchange following three board sub committees of the parent company, Ceylon Hotels Corporation PLC (listed entity) oversee the function of the company. Composition and function of each sub committee are given on pages 28 to 30 of the corporate governance section of this Annual Report.

20.1 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 28 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.

20.2 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. Ranil Pathirana

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.

The Report of the Remuneration Committee is given on page 30 on this annual report.

20.3 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. Kamantha Amarasekara
4. Mr. Ranil Pathirana

The committee met three times during the financial year 2018/2019.

The Related party transactions review committee report is given on page 29 on this Annual Report.

20.3.1 Non-recurrent related party transactions

There were no non recurrent related party transactions occurred during the financial year 2018/2019.

20.3.2 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 2019 are disclosed under Note 32 on page 73 to 74 on the Financial Statements, as required by Colombo Stock Exchange listing Rule 9.3.2.

20.3.3 Directors' declaration on related party transactions

The Directors declare that the Company is in compliance with Section 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the financial year ended 31st March 2019. The Directors declare that there were no related party transactions required to be disclosed under the listing rules of the CSE other than as disclosed under Note 32 to the financial statement.

21. Directors Dealings with the Shares of the Company:

Directors shareholding in the company as at 31st March 2019 are as follows:

	Shareholding	
Names of Directors	Ordinary shares	Preference Shares
Mr. Sanjeev Gardiner (Chairman)	87,500	9,500
Mr. Charitha Ratwatte	175,000	Nil
Mr. Lakshman Samarasinghe	5,500	Nil
Mr. Priyantha Maddumage	Nil	Nil
Mr. Lakshman Sirimanne	3,500	Nil
Mr. Ranjith Gunatilleke	43,611	Nil
Mr. Nahil Wijesuriya	Nil	Nil
Mr. Chandra Mohotti	Nil	Nil
Mr. Nilanga Dela	Nil	Nil
Mr. Shalike Karunasena (Alternate Director to Mr. Priyantha Maddumage)	Nil	Nil

Annual Report of the Board of Directors on the Affairs of the Company

22. Interest Register
In terms with the Companies Act No.07 of 2007, the company maintained an Interest Register. All related party transactions during the period are recorded in the Interest Register.

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

23. Remuneration of Directors
Directors of the Company were not remunerated for the service rendered during the financial year.

24. Directors Interest in Contracts
The Directors' interest in contracts and proposed contracts, if any with the company are disclosed in Note 32 to the Financial Statements.

25. The Board of Directors declare as follows:

(1) The Company has not engaged in any activity which contravenes laws and regulations

(2) All material interests in contracts involving the Company were disclosed and any interested party refrained from voting on matters in which they were materially interested;

(3) The Company has made all endeavours to ensure the equitable treatment of shareholders;

(4) The business is a going concern, with supporting assumptions or qualifications as necessary; and they have conducted a review of the internal controls, covering financial, operational and compliance controls and risk management, and have obtained reasonable assurance of their effectiveness and successful adherence therewith.

26. Substantial Shareholding
Names of the twenty largest ordinary shareholders and percentages of their respective holdings as at 01st April 2018 and 31st March 2019, are given in the section on "Investor Information" on pages 80 to 82 on this annual report.

27. Share information and information on earnings, dividend, and net assets and market value
Information relating to earnings, dividend, net assets and market value per share is given in "Group Financial and Operational Highlights" on page 06 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 80 on this annual report.

As at 31st March 2019, there were 1,953 registered ordinary shareholders. The number of ordinary shares held by the public as per the Colombo Stock Exchange rules as at 31st March 2019 was 159,952,739 shares equivalent to 27.70%.

28. Contributions to Charity
The sum of contributions made to charities by the company during the financial year ended 31 March 2019 does not exceed Rs. 1,131,511 (2018 : Rs. 672,596)

29. Material Foreseeable Risks
Risk Management is embedded in the day to day management of the Company and is also part of the corporate governance processes.

30. Material issues pertaining to employees and industrial relations of the company
The Company assesses the importance and impact of each stakeholders and accordingly relevant managerial actions are implemented. Being in the leisure sector, the company has wider stakeholder groups who can be significantly affected by its business activities. The Company gives important considerations to its relationship with employees and other stakeholder groups within the market place. Accordingly material issues that can substantially affect the company and its sustainability over the short, medium and long terms are determined through a process and actions are taken accordingly.

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

The remuneration 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.

32. Annual General Meeting
The Annual General Meeting of the Company will be held on 05th September 2019 at 1.00 pm at the Queen's Hotel, Kandy.

33. Acknowledgement of the content of the report
As required by the section 168(1)(k) of the Companies Act No. 07 of 2007, the Board of Directors do hereby acknowledge the content of this Annual Report.

Signed in accordance with the resolution of the Board of Directors.

For and on behalf of the Board

(Sgd.)
Lakshman Samarasinghe
Director

(Sgd.)
Priyantha Maddumage
Director

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

09th August 2019

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 The Kandy Hotels Co. (1938) PLC (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 March 31, 2019, 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 Financial Controller, 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 09th August 2019 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 are correctly recorded and explains the KHC's transactions 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 accounts 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 Audit Committee.

The Directors confirm that these Financial Statements for the year ended 31st March 2019, 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, the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka (ICASL) and the Securities and Exchange Commission of Sri Lanka (SEC).

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 where 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 they 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,

09th August 2019

Corporate Governance

At The Kandy Hotels Co. (1938) PLC, we are committed to sound Corporate Governance practices relying on a comprehensive system of internal controls and best practices to achieve this objective.

The Company is in compliance with the continuing listing rules of the CSE, Companies Act No. 07 of 2007 and the code of best practice of Corporate Governance jointly issued by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (ICASL) is described below. The Company is also a subsidiary of The Ceylon Hotels Corporation PLC (CHC) and therefore the structure and policies of the Company are in conformity with those of CHC ensuring a consistent compliance practice across the group.

Statement of Compliance with Companies Act No. 07 of 2007

Section Reference	Requirement	Annual Report Reference
168 (1) (a)	The nature of the business of the Group and the Company together with any change thereof during the accounting period	Annual Report of the Board of Directors
168 (1) (b)	Signed Financial Statements of the Group and the Company for the accounting period completed	Financial Statements
168 (1) (c)	Auditors' Report on Financial Statements of the Group and the Company	Independent Auditors' Report
168 (1) (d)	Accounting Policies and any changes made during the accounting period	Notes to the Financial Statements
168 (1) (e)	Particulars of the entries made in the Interests Register during the accounting period	Annual Report of the Board of Directors
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period	Notes to the Financial Statements
168 (1) (g)	Corporate donations made by the Company during the accounting period	Notes to the Financial Statements
168 (1) (h)	Information on the Directorate of the Company and its Subsidiaries during and at the end of the accounting period	Annual Report of the Board of Directors
168 (1) (i)	Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered during the accounting period	Notes to the Financial Statements
168 (1) (j)	Auditors' relationship or any interest with the Company and its Subsidiaries	Annual Report of the Board of Directors
168 (1) (k)	Acknowledgement of the contents of this Report and Signatures on behalf of the Board	Annual Report of the Board of Directors

DIRECTORS- PRINCIPLE A OF THE CODE

The Board of Directors of The Kandy Hotels Co. (1938) PLC takes responsibility for good corporate Governance of the Company. The Board sets out the Company's strategic direction, and oversees business and connected affairs of the Company and it also formulates the policy framework for the Company.

The Board of Directors comprises of 09 Directors of which 05 are Non Executive Directors. 04 of them are Independent Non Executive Directors. The Board represents extensive industry expertise. Profiles of the Directors are given on page 09 to 11.

Board composition and Director's Independence as at 31st March 2019

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

The Board meets at least once in every quarter to discuss company's performance and evaluate its strategic direction. There were six board meetings held during the year under review and the attendance of the board members are given below.

Directors Name	Board Meetings
Mr. Sanjeev Gardiner (Chairman)	5/6
Mr. Charitha Ratwatte	6/6
Mr. Lakshman Samarasinghe	5/6
Mr. Priyantha Maddumage or his Alternate Director	6/6
Mr. Lakshman Sirimanne	5/6
Mr. Ranjith Gunatilleke	3/6
Mr. Nahil Wijesuriya	0/6
Mr. Chandra Mohotti	5/6
Mr. Nilanga Dela	0/6

The Board of Directors demonstrate independent judgement on aspects related to company's corporate strategy, performance and financial evaluation. All the Directors are given fair treatment at board meetings and encourage them to express their views at Board meetings.

Annual Board meeting and sub committee meeting calendar is circulated to the Board well in advance. Board papers are circulated to the Board in advance, enabling board members to dedicate adequate time and effort in studying the papers. Board members are free to request any additional information on matters that are being discussed at board level.

Currently the company does not have a Chief Executive Officer (CEO) and the Chairman plays an Executive role. Chairman ensures that there is a proper balance between Non Executive Directors and Executive Directors.

The Senior Management of the company provides all information required for decision making by the Board of Directors. Where necessary Directors obtain independent opinion from legal and accounting professionals in order to bring in wider perspectives on matters of importance.

DIRECTORS' REMUNERATION – PRINCIPLE B

In terms of CSE regulations, remuneration committee of the Ceylon Hotels Corporation PLC functions as the remuneration committee of the company. Names of the remuneration committee and the report is given on page 30 of the report.

Directors of the Company were not remunerated for the service rendered during the financial year.

SHAREHOLDER RELATIONS- PRINCIPLE C

The Annual General Meeting(AGM) is the main platform for the Shareholders to raise queries from the Board. AGM notices and the Annual Report in CD form are sent to all the shareholders giving required statutory notice, and shareholders are encouraged to use the AGM constructively to discuss matters. There were no major or material transactions entered into or proposed to be entered into by the company during the period under review.

ACCOUNTABILITY AND AUDIT- PRINCIPLE D

The Board has the task to present balanced and understandable assessment of the company's performance, financial position and outlook. Directors declaration on the preparation of financial statements are given on page 19 of this report.

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 confirms 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.

Corporate Governance

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

They further confirm that all known statutory payments have been paid upto date and all retirement gratuities have been provided for in the financial statements. At the same time, all payments made to related parties have been reflected in the financial statements.

At all Audit Committee meetings and Board meetings, statutory compliance statement showing extent to which the company is compliant with the rules and regulations are circulated amongst the Directors for information of the Board. All the Board members have access to the advice of the Company Secretary, Accounting Systems Secretarial Services (Private) Limited who acts as the registered company secretaries to the company.

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

Board Sub Committees

The Audit, Remuneration and the Related Party Transaction Review Committees of Ceylon Hotels Corporation PLC, The parent entity of the company functions as the respective sub committees of the company.

Audit Committee

The composition of the Audit Committee and the committees report is detailed out in page 28 of the Annual Report.

Audit Committee Review the Financial Reporting process, Internal Controls and external audit function to ensure the integrity and quality of the financial statements. Audit Committee ensure the Independence of External Auditors, timely delivery of the Audited financial statements and review the effectiveness of internal audit procedures. Audit Committee meets at least once in every quarter with the management to review quarterly financial statements prior to release to shareholders and meet with the Internal Auditors to review the internal audit reports and findings. The Audit Committee also meets external auditors to discuss the external audit programme, plan prior to commencement of the external audit and meet with the Auditors post completion of the Audit to discuss the financial statements and key Audit Findings.

Audit Committee has access to both external auditors as well as Internal Auditors.

Remuneration Committee

The composition of the Remuneration Committee and the committees report is detailed out in page 30 of the Annual Report.

Relater Party Transactions Review Committee

The composition of Relater Party Transactions Review Committee and the committee report is detailed out in page 29 of the Annual Report.

Related Party Transactions are reviewed by the Related Party Transaction Review Committee on a quarterly basis. Committee update the board on the related party transactions of the Group on quarterly basis.

INSTITUTIONAL AND INVESTING / DIVESTING DECISION – PRINCIPLE E TO F

Board encourages shareholders to participate at Annual General Meetings (AGM) and make effective dialogue with the Board, and use their voting rights. Shareholders are free to raise any queries on agenda items listed in the notice of AGM.

In addition the Board is also 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.

Statement of Compliance under Section 7.6 of the Listing Rules of the Colombo Stock Exchange (CSE) on Annual Report Disclosure

Requirement		Reference
(i)	Names of persons who were Directors of the Entity	Page 16
(ii)	Principal activities of the entity and its subsidiaries during the year, and any changes therein	Page 15
(iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	Page 82
(iv)	The public holding percentage	Page 81
(v)	A statement of each Director’s holding and Chief Executive Officer’s holding in shares of the Entity at the beginning and end of each financial year	Page 17
(vi)	Information pertaining to material foreseeable risk factors of the Entity and details of material issues pertaining to employees and industrial relations of the Entity During the year 2018/19	Note No.29-30 of Annual Report of the BOD
(vii)	Extents, locations, valuations and the number of buildings of the Entity’s land holdings and investment properties	Page 62 to 63
(viii)	Number of shares representing the Entity’s stated capital	Page 66
(ix)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Page 80
(x)	Financial ratios and market price information	Page 81 & 83
(xi)	Significant changes in the Company’s or its subsidiaries’ fixed assets, and the market value of land, if the value differs substantially from the book value as at the end of the year	Page 60 to 63
(xii)	Details of funds raised through a public issue, rights issue and a private placement during the year	N/A
(xiii)	Information in respect of Employee Share Ownership or Stock Option Schemes	N/A
(xiv)	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Listing Rules	Page 24 to 26
(xv)	Related Party transactions exceeding 10 per cent of the equity or 5 per cent of the total assets of the Entity as per audited financial statements, whichever is lower	N/A

Corporate Governance

Statement of Compliance under Section 7.10 of the Listing Rules of the CSE.

Section	Requirement	Compliance Status	Reference
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 05 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 05 Non Executive 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 non Independence against the specified criteria	Complied	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 determine 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	The Board has made such determination and the basis for determination of "Independence" is in line with the definition of the CSE Regulations in force.
7.10.3(b)	In the event a director does not qualify as 'independent' against any of the criteria set out in the regulation 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.	Complied	Messrs Charitha Ratwatte and Nilanga Dela Bandara, Nahil Wijesuriya have completed over 09 years as Independent Non Executive Directors of the company. However Board have declared that the independent of these directors has not been impaired hence nevertheless they are Independent.
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 9 to 11 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 brief resume.
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	Remuneration Committee of the parent Company, Ceylon Hotels Corporation PLC acts as, the Remuneration Committee and oversee the functions of the group. Composition of the Remuneration Committee is given on page 30 of the Annual Report under Remuneration Committee Report.
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 decision upon consideration of such recommendations	Complied	Directors of the company were not remunerated for the service rendered during the year.

Section	Requirement	Compliance Status	Reference
7.10.5(c)	The annual report should set out the names of directors (or persons if 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	The names of the Directors of the Remuneration Committee and a statement of remuneration policy are set out on page 30 of this report. Directors were not remunerated during the year.
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. The Chief Executive Officer and the Chief Financial Officer of the Listed Entity shall attend audit committee meetings. The Chairman or one member of the committee should be a Member of a recognized professional accounting body.	Complied	Audit Committee of the parent Company, Ceylon Hotels Corporation PLC acts as, the Audit Committee and oversees the function of the company. The Audit Committee consists of 03 Independent Non Executive Directors and one Non Independent Non Executive Director. Report of the Audit Committee is given on page 28 to the Annual Report The Chief Financial Officer attends the audit committee meetings by invitation. Out of the 04 members, 02 of them are members of the recognized professional accounting body.
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 set out on page 28 of the Annual Report describes the scope performed by the committee during the year under review.

Corporate Governance

Section	Requirement	Compliance Status	Reference
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	Name of the directors on the Audit committee is given on page 28 of the Annual Report. Audit Committee report is given on page 28 of the report. Statement of Auditors independence is disclosed in page 28 of the Audit Committee report.

Statement of Compliance under Section 9 of the Listing Rules of the CSE.

Section	Requirement	Compliance Status	Reference
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 related party transaction review committee is given on page 29 of the related party review committee report. Chairman of the committee is an Independent Non Executive Director.
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	Related Party Transactions Review Committee of the parent Company Ceylon Hotels Corporation PLC functions and oversees the related party transaction 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	Attendance of the Related Party Transactions Review Committee is given on page 29 of the Annual Report under Related Patry Review Committee Report.
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. 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	Related Party Transactions are disclosed on note 32 to the Annual Report. There were no non recurrent related party transactions that require immediate announcement to Colombo Stock Exchange.

Section	Requirement	Compliance Status	Reference
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 related information must be presented in the Annual Report:	Complied	There were no non recurrent related party transactions occurred during the financial year 2018/2019.
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 Statement of profit or loss 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.	Complied	Please refer note 32 to the financial statements on page 73.
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.	Complied	Report of the Related Party Transaction Review Committee on page 29 of the Annual Report complies with the requirement.
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	Affirmative statement is included in the page 17 of the Annual Report

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) PLC, functions as the Audit Committee of the Company.

1. Mr. Kuvera de Zoysa (Chairman).
   - Independent Non Executive Director
2. Mr. Mangala Boyagoda.
   - Independent Non Executive Director
3. Mr. Kamantha Amarasekara.
   - Independent Non Executive Director
4. Mr. Ranil Pathirana
   - Non Independent Non Executive Director

MEETINGS OF THE AUDIT COMMITTEE

The Audit Committee held three (03) Meetings during the financial year to discuss matters relating to the Company.

During the financial year 2018/19 the Committee met on three 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 attendance of the committee during the year was as follows.

	Meetings Attended (out of 3)
Mr. Kuvera de Zoysa	1/3
Mr. Mangala Boyagoda	3/3
Mr. Kamantha Amarasekara	0/3
Mr. Ranil Pathirana	3/3

The Audit Committee invites the Vice President of The Kandy Hotels Co. (1938) PLC, 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. Draft Financial Statements of The Kandy Hotels Co. (1938) PLC for the year ended 31st March 2019 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 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 internal 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 2020, 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

09th August 2019

Report of the Related party Transactions Review Committee

In accordance with the Colombo Stock Exchange Listing Rules, the Report of the Related party Transactions Review Committee of Ceylon Hotels Corporation PLC, the Parent Company of The Kandy Hotels Co. (1938) PLC, functions as the Related party Transactions Review Committee of the Company.

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
4. Mr. Ranil Pathirana

The committee met three times during the financial year 2018/2019 to review the related party transaction entered into by the company and has made recommendations to the Board.

The attendants of the related party transaction review committee is as follows:

	Meetings Attended (out of 3)
Mr. Kuvera de Zoysa	1/3
Mr. Mangala Boyagoda	3/3
Mr. Kamantha Amarasekara	0/3
Mr. Ranil Pathirana	3/3

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 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 2019 are disclosed under Note 32.3 on page 73 and 74 to the Financial Statements as required in section 9.3.2 of the listing rules.

DECLARATION

Declarations are obtained from each KMP of the Company and its subsidiaries for the purpose of identifying related parties on a quarterly and annual basis to determine Related Party Transactions and to comply with the disclosure requirements, if any.

(Sgd.)
Kuvera de Zoysa
Chairman – Related party transactions review Committee

09th August 2019

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. Ranil Pathirana

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

09th August 2019

Financial Reports

Independent Auditor's Report

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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 2019, 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 2019, 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 (code of ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in 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 Amounts due from related party transactions of the Company includes of interest bearing loan receivable from its parent company amounting to Rs. 912,950,019/- which represent 84% of current assets and 11% of the total assets of the Group. The Group has earned Rs. 73,318,465/- of interest income on the said loans and which represent 35% of total profit before tax for the year ended 31st March 2019. Due to the magnitude and the higher inherent risk attached to related party transactions, we considered this to be key audit matter.	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 agreement with related party 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. • We assessed the reasonableness of interest rates used for the year ended 31st March 2019. • We assessed the adequacy of the related disclosures given in note 32 to the financial statements.

Key audit matter	How our audit addressed the key audit matter
Adoption of SLFRS 15- Revenue from Contracts with Customers The Group has adopted SLFRS 15 from 01st April 2018 as explained in note 3 to the financial statements. Due to the significance of the activities which the Group performed in determining the impact of SLFRS 15, specially the application of principal versus agent consideration in the contracts related to revenue, resulted in us considering such, as a key audit matter	Among other audit procedures in adoption of new revenue accounting standard, we performed following specific procedures: • We reviewed the Group's implementation process of SLFRS 15, changes to accounting policies, disclosures and changes to systems to support the revenue recognition. • We obtained copy of management's impact assessment and examined a sample of customer contracts to assess whether method for recognition of revenue was relevant. In addition, we evaluated the overall appropriateness of the related financial statement disclosures in notes 3.7.1 and 3.15.

OTHER INFORMATION INCLUDED IN THE 2019 ANNUAL REPORT

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

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

Independent Auditor's Report

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- 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.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2440.

Ernst & Young

09th August 2019
Colombo

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

Principal G B Goudian ACMA A A J R Perera ACA ACMA T P M Ruberu FCMA FCCA

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Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st March	Note	Group 2019 Rs.	Group 2018 Rs.	Company 2019 Rs.	Company 2018 Rs.
Revenue	4	703,479,627	685,379,723	703,479,627	685,379,723
Cost of sales		(208,213,750)	(196,137,671)	(208,213,750)	(196,137,671)
Gross profit		495,265,877	489,242,052	495,265,877	489,242,052
Other operating income	5	52,580	-	52,580	-
Administrative expenses		(245,452,039)	(221,780,241)	(245,306,026)	(221,678,753)
Selling and marketing expenses		(25,411,419)	(29,443,454)	(25,411,419)	(29,443,454)
Results from operating activities		224,454,999	238,018,358	224,601,012	238,119,846
Finance expenses	6	(91,283,639)	(75,560,354)	(91,283,639)	(75,560,354)
Finance income	7	73,398,439	69,206,071	73,398,439	69,206,071
Net finance cost		(17,885,200)	(6,354,284)	(17,885,200)	(6,354,284)
Share of profit/(loss) of joint venture	16	(49,672,271)	29,499,006	-	-
Profit before tax	8	156,897,527	261,163,081	206,715,812	231,765,562
Tax expense	9	(31,272,479)	(36,943,560)	(31,272,479)	(36,943,560)
Profit for the year		125,625,048	224,219,521	175,443,333	194,822,002
Other comprehensive income/(loss) Other comprehensive income not to be reclassified to profit or loss in subsequent periods:					
Actuarial gains/(losses) on defined benefit plans	25.2	43,451	(191,276)	43,451	(191,276)
Deferred tax effect on acturial gain or loss		(6,083)	26,779	(6,083)	26,779
Deferred tax on revaluation of land	24.2	-	(373,280,950)	-	(373,280,950)
Share of other comprehensive income of joint venture	16	(142,984)	17,699,209	-	-
Other comprehensive income/(loss) for the year, net of tax		(105,616)	(355,746,239)	37,368	(373,445,447)
Total comprehensive income/(loss) for the year, net of tax		125,519,432	(131,526,718)	175,480,701	(178,623,445)
Earnings per share	10	0.22	0.39	0.30	0.34
Dividend per share	11	-	-	0.10	0.10

The accounting policies and notes as set out in pages 40 to 79 form an integral part of these financial statements.

Statement of Financial Position

As at 31st March	Note	Group 2019 Rs.	Group 2018 Rs.	Company 2019 Rs.	Company 2018 Rs.
Non-current assets					
Property, plant and equipment	13	6,300,284,951	6,348,836,223	6,300,284,951	6,348,836,223
Intangible assets	14	26,198,190	29,344,272	26,198,190	29,344,272
Investment in subsidiary	15	-	-	352,843,177	352,843,177
Investment in joint venture	16	301,540,029	351,355,284	-	-
Investment in equity securities	17	600,000,000	600,000,000	600,000,000	600,000,000
		7,228,023,170	7,329,535,779	7,279,326,318	7,331,023,672
Current assets					
Inventories	18	39,537,937	35,480,789	39,537,937	35,480,789
Trade and other receivables	19	111,238,048	104,358,913	111,238,048	104,358,913
Advances and prepayments	20	21,356,735	9,623,784	21,356,735	9,623,784
Amounts due from related companies	32.1	901,662,009	830,525,711	901,662,009	830,525,711
Cash and bank balances		11,794,950	7,691,612	11,753,928	7,655,990
		1,085,589,679	987,680,809	1,085,548,657	987,645,187
Total assets		8,313,612,849	8,317,216,588	8,364,874,975	8,318,668,859
EQUITY AND LIABILITIES					
Equity					
Stated capital	21	16,750,000	16,750,000	16,750,000	16,750,000
Retained earnings		1,054,594,410	960,443,639	1,214,024,543	1,070,055,487
Revaluation reserve	22	5,882,637,594	5,913,735,699	5,774,707,954	5,805,663,075
Total equity		6,953,982,004	6,890,929,339	7,005,482,497	6,892,468,563
Non-current liabilities					
Interest bearing loans & borrowings	23	525,299,999	508,700,000	525,299,999	508,700,000
Deferred tax liability	24	565,751,016	569,664,902	565,751,016	569,664,902
Employee benefit liabilities	25	4,920,264	5,157,838	4,920,264	5,157,838
		1,095,971,279	1,083,522,740	1,095,971,279	1,083,522,740
Current liabilities					
Interest bearing loans & borrowings	23	-	91,300,000	-	91,300,000
Trade and other payables	26	101,455,641	111,603,375	101,317,273	111,516,422
Amounts due to related companies	32.2	10,947,458	11,607,901	10,847,458	11,607,901
Contract liabilities	27	15,870,030	-	15,870,030	-
Other current liabilities	28	6,853,336	4,984,720	6,853,336	4,984,720
Income tax liabilities	29	8,643,150	13,334,501	8,643,151	13,334,501
Bank overdrafts		119,889,951	109,934,012	119,889,951	109,934,012
		263,659,566	342,764,509	263,421,199	342,677,556
Total equity and liabilities		8,313,612,849	8,317,216,588	8,364,874,975	8,318,668,859

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

Priyantha Maddumage
Director

The accounting policies and notes as set out in pages 40 to 79 form an integral part of these financial statements.

09th August 2019
Colombo.

Statement of Changes in Equity

For the year ended 31st March Group	Note	Stated capital Rs.	Revaluation reserves Rs.	Retained earnings Rs.	Total equity Rs.
Balance as at 01 April 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					
Acturial losses on defined benefit plans		-	-	(191,276)	(191,276)
Deferred tax effect on acturial loss		-	-	26,779	26,779
Share of other comprehensive income attributable to joint venture		-	17,699,282	(74)	17,699,208
Income tax effect on revaluation of land	24.2	-	(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	22	-	(29,194,722)	29,194,722	-
Balance as at 31 March 2018		16,750,000	5,913,735,699	960,443,639	6,890,929,339
Adjustment on initial application of SLFRS 09	12.3	-	-	(4,679,267)	(4,679,267)
Adjusted Balance as at 01 April 2018		16,750,000	5,913,735,699	955,764,372	6,886,250,072
Net profit for the year		-	-	125,625,048	125,625,048
Other comprehensive income					
Acturial gains on defined benefit plans		-	-	43,451	43,451
Deferred tax on acturial gain		-	-	(6,083)	(6,083)
Share of other comprehensive income attributable to joint venture		-	(142,984)	-	(142,984)
Total other comprehensive income for the year, net of tax		-	(142,984)	37,368	(105,616)
Total comprehensive income for the year, net of tax		-	(142,984)	125,662,416	125,519,432
Dividends-(15% Cumulative preference shares)		-	-	(37,500)	(37,500)
Dividends to equity holders - First and final 2017/2018	11	-	-	(57,750,000)	(57,750,000)
Transfer of excess depreciation on revaluation	22	-	(30,955,121)	30,955,121	-
Balance as at 31 March 2019		16,750,000	5,882,637,594	1,054,594,410	6,953,982,004

The accounting policies and notes as set out in pages 40 to 79 form an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 31st March Company	Note	Stated capital Rs.	Revaluation reserves Rs.	Retained earnings Rs.	Total equity Rs.
Balance as at 01 April 2017		16,750,000	6,208,138,748	903,990,760	7,128,879,508
Net profit for the year		-	-	194,822,002	194,822,002
Other comprehensive income					
Acturial gains and losses on defined benefit plans		-	-	(191,276)	(191,276)
Deferred tax effect on acturial loss		-	-	26,779	26,779
Deferred tax on revaluation of land	24.2	-	(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	22	-	(29,194,722)	29,194,722	-
Balance as at 31 March 2018		16,750,000	5,805,663,075	1,070,055,487	6,892,468,563
Adjustment on initial application of SLFRS 09	12.3	-	-	(4,679,267)	(4,679,267)
Adjusted Balance as at 01 April 2018		16,750,000	5,805,663,075	1,065,376,220	6,887,789,296
Net profit for the year		-	-	175,443,333	175,443,333
Other comprehensive income					
Acturial gains on defined benefit plans		-	-	43,451	43,451
Deferred tax effect on actuarial gain		-	-	(6,083)	(6,083)
Total other comprehensive income for the year, net of tax		-	-	37,368	37,368
Total comprehensive income for the year, net of tax		-	-	175,480,701	175,480,701
Dividends-(15% Cumulative preference shares)		-	-	(37,500)	(37,500)
Dividends to equity holders - First and final 2017/2018	11	-	-	(57,750,000)	(57,750,000)
Transfer of excess depreciation on revaluation	22	-	(30,955,121)	30,955,121	-
Balance as at 31 March 2019		16,750,000	5,774,707,954	1,214,024,543	7,005,482,497

The accounting policies and notes as set out in pages 40 to 79 form an integral part of these financial statements.

Statement of Cash Flows

		Group		Company	
For the year ended 31st March	Note	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Profit before tax		156,897,527	261,163,081	206,715,812	231,765,562
Adjustments for:					
Finance income		(73,398,439)	(68,690,931)	(73,398,439)	(68,690,931)
Depreciation of property, plant and equipment	13.2	61,976,856	57,287,378	61,976,856	57,287,378
Finance costs		91,283,639	75,560,354	91,283,639	75,560,354
Provision/(reversal) for bad and doubtful debts		99,869	(13,700)	99,868	(13,700)
Provision/(reversal) for related party balances		7,228,873	-	7,228,873	-
Amortisation of intangible assets	14.2	4,500,662	108,737	4,500,662	108,737
Loss/(profit) on disposal of property, plant and equipment		76,623	42,379	76,623	42,379
Share of profit/(loss) of joint venture		49,672,271	(29,499,006)	-	-
Provision for retirement benefit plans - gratuity	25.1	1,262,748	1,294,953	1,262,748	1,294,953
Operating profit before working capital changes		299,600,631	297,253,245	299,746,643	297,354,733
(Increase)/decrease in inventories		(4,057,148)	(1,366,402)	(4,057,148)	(1,366,402)
(Increase)/decrease in trade and other receivables		(7,585,433)	(20,367,676)	(7,585,433)	(20,367,676)
(Increase)/decrease in advances and prepayments		(11,732,951)	(2,169,741)	(11,732,951)	(2,169,741)
(Increase)/decrease in amount due from related parties		(3,708,455)	(3,500,402)	(3,708,455)	(3,500,402)
Increase/(decrease) in trade and other creditors		5,722,295	28,821,627	5,670,884	28,818,392
Increase/(decrease) in other current liabilities		1,868,616	(483,922)	1,868,616	(483,922)
(Increase)/decrease in amount due to related parties		(660,443)	11,434,020	(760,443)	11,434,020
Cash generated from/(used in) operations		279,447,111	309,620,748	279,441,712	309,719,001
Finance cost paid		(91,283,639)	(75,560,354)	(91,283,639)	(75,560,354)
Income tax paid		(39,883,800)	(49,037,118)	(39,883,800)	(49,037,118)
Gratuity paid	25	(1,456,871)	(777,050)	(1,456,871)	(777,050)
Net cash flow from/(used in) operating activities		146,822,801	184,246,226	146,817,402	184,344,479
Cash flows from/(used in) investing activities					
Interest received		73,398,439	68,690,931	73,398,439	68,690,931
Purchase and construction of property, plant and equipment	13.1	(13,564,037)	(16,569,286)	(13,564,037)	(16,569,286)
Acquisition of intangible assets		(1,354,581)	(29,407,179)	(1,354,581)	(29,407,179)
Proceeds from disposal of property, plant and equipment		61,830	12,998	61,830	12,998
(Increase)/decrease in interest bearing loans due from related parties		(78,729,553)	(277,133,424)	(78,729,553)	(277,133,424)
Investment in equity securities		-	(600,000,000)	-	(600,000,000)
Net cash flow from/(used in) investing activities		(20,187,902)	(854,405,959)	(20,187,902)	(854,405,959)
Cash flows from/(used in) financing activities					
Dividend paid		(57,787,500)	(57,787,500)	(57,787,500)	(57,787,500)
Long term loan paid during the year		(74,700,001)	-	(74,700,001)	-
Long term loan obtained during the year	23.1	-	600,000,000	-	600,000,000
Net cash flow from/(used in) financing activities		(132,487,501)	542,212,500	(132,487,501)	542,212,500
Net Increase/(decrease) in cash and cash equivalents		(5,852,601)	(127,947,234)	(5,858,001)	(127,848,981)
Cash and cash equivalents at the beginning of the year		(102,242,400)	25,704,835	(102,278,022)	25,570,959
Cash and cash equivalents at the end of the year		(108,095,001)	(102,242,400)	(108,136,023)	(102,278,022)
Analysis of cash and cash equivalents					
Cash in hand and at bank		11,794,950	7,691,612	11,753,928	7,655,990
Bank overdrafts		(119,889,951)	(109,934,012)	(119,889,951)	(109,934,012)
Total cash and cash equivalents at the end of the year		(108,095,001)	(102,242,400)	(108,136,023)	(102,278,022)

The accounting policies and notes as set out in pages 40 to 79 form an integral part of these financial statements.

Notes to the Financial Statements

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 327, Union Place, Colombo 02. and the principal places of business are situated at Hotel Suisse No: 30, Sangaraja Mawatha, Kandy and Queens Hotel, No. 04, Dalada Veediya, Kandy.

1.2 Consolidated financial statements

The consolidated financial statements of the Group for the year ended 31st March 2019 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 2019 were authorized for issue in accordance with a resolution of the Board of Directors on 09th August 2019.

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 Company'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 under revaluation model.

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 consolidated financial statements provide comparative information in respect of the previous year. The accounting policies have been consistently applied by the Company and, are consistent with those used in the previous year. Previous year's figures and phrases have been re-arranged whenever necessary to conform to current presentation.

The Company/Group has applied SLFRS 09 and SLFRS 15 retrospectively during the year. However, there were no material re-measurements were identified that would require material restatement of comparative information. The classification changes are describing in Note 12.4 in these financial statements.

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

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	2019	2018
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.

Investment subsidiaries are carried at cost less impairments (if any) in the separate financial statements.

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 statement of profit or loss 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	2019	2018
Suisse Hotel Kandy (Pvt) Ltd	50%	50%

Upon loss of joint control, the Group measures and recognises its

Notes to the Financial Statements

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 statement of profit or loss. 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
- It does not have a right at the reporting date to defer statement of the liability by the transfer of cash or other assets 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 from Contract with Customers

In SLFRS 15 revenue from contacts with customers is recognized when the customer obtain the control of goods or services at amount that shows the consideration to which the group expects to be entitled in exchange for goods and services. The group has initially adopted SLFRS 15 from 2018 April onwards.

a) Revenue recognition over time

According to the SLFRS 15, Group recognizes, in the contract interception, whether it has full fill its performance obligation over time or at a point in time. In an occasion where the performance obligation full fills overtime then the company recognize the revenue overtime based on the progress towards satisfaction of that performance obligation.

b) Disaggregation of revenue

The disaggregated revenue is presented with reportable segments based on the revenue recognition timing of revenue recognition and geographical region in the operating segment information section which comes under Note 4.1.

c) Contract Balances

Contract liabilities

Contract liabilities are considered to be the hotel's obligation to transfer goods and services to a customer for which the company has received consideration from the customer. Short-term advances includes in the contract liabilities which is received to render certain services. Contract liabilities of the group have been disclosed in other current liabilities Note 27.

d) Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognizes revenue when it transfers control over a good or services to a customer.

The Group considers services in the each contract as one performance obligation for packages offered to customers. Revenue in relation to package services are usually recognizes during the period of stay of the customer. The transaction price is determined in the context of the contracts. Further, the Group recognize individual identified services offered to customers as separate performance obligation and the revenue is recognized at the point of satisfying the performance obligations.

Following nature of revenues are involved in the Group operations;

- Room revenue
- Food and beverages revenue
- Other revenue (Dividend income, Interest income and Other hotel related revenue)

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 based on Effective Interest Rate (EIR).

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.

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 and joint venture 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 and joint venture deferred tax

Notes to the Financial Statements

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 and investment in equity shares 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.

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 statement of profit or loss, in which case, the increase is recognised in the statement of profit or loss. A revaluation deficit is recognised in the statement of profit or loss, 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 the carrying amount of the asset) is included in the statement of profit or loss 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

3.9.2.1 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.

3.9.2.2 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;

Intangible asset	Years
Computer Software	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 statement of profit or loss

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in the expense category consistent with the function/nature of the intangible asset. Amortisation was commenced when the assets were available for use.

3.9.2.3 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 statement of profit or loss 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: -

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 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. 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

SLFRS 09 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces LKAS 39 Financial Instruments: Recognition and Measurement.

The nature and effects of the key changes to the Company's accounting policies resulting from its adoption of SLFRS 9 – "Financial Instruments" are summarised below:

3.10.1 Classification and Measurement of Financial Assets and Financial Liabilities

SLFRS 09 contains three principal classification categories for financial assets: measured at amortised cost, Fair Value Through to Other Comprehensive Income (FVOCI) and Fair Value Through Profit or Loss (FVTPL). The classification of financial assets under SLFRS 09 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SLFRS 09 eliminates the previous LKAS 39 categories of held to maturity, loans and receivables and available for sale.

SLFRS 09 – "Financial Instruments" existing requirement in LKAS 39 – "Financial Instruments: Recognition and Measurement" for the classification of financial liabilities. Accordingly there is no significant effect on the Company's accounting policies for classification of financial liabilities.

The original measurement categories under LKAS 39 and the new measurement categories under SLFRS 09 for each class of the Company's financial assets and financial liabilities as at 01st April 2018 are disclosed in the Note 12.2 to the financial statements.

Impairment of Financial Assets

SLFRS 09 – "Financial Instruments" replaces the "Incurred Loss" model in LKAS 39 – "Financial Instruments Recognition and Measurement" with a forward looking "Expected Credit Loss" (ECL) model. The new model applies to financial assets that are not measured at FVTPL. ECL does not apply to equity investments and need to be measured at fair value.

For assets in the scope of the SLFRS 09 impairment model, impairment losses are generally expected to increase and become more volatile. The Company has determined that the application of SLFRS 09's impairment requirements at 01 April 2018 results in an additional allowance for impairment as disclosed in Note 12.6 to the financial statements.

Transition to SLFRS 09 – "Financial Instruments"

Changes in accounting policies resulting from the adoption of SLFRS 09 – "Financial Instruments" have been applied retrospectively, except as described below:

Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SLFRS 9 – "Financial Instruments" are recognised in retained earnings and reserves as at 01 April 2018. Accordingly, the information presented for 2017/18 does not reflect the requirements of SLFRS 9 –"Financial Instruments" and therefore is not comparable to the information presented for 2018/19 under SLFRS 09 –"Financial Instruments".

Accordingly, the Company has disclosed the accounting policies under SLFRS 9 – "Financial Instruments" along with disclosures prescribed in SLFRS 7 – "Financial Instruments: Disclosures" that would apply from the date of initial application which is 01 April 2018.

Accounting policies as per LKAS 39 – "Financial Instruments:

Recognition and Measurement" and related disclosures as per SLFRS 7 – "Financial Instruments Disclosures" for the comparative period is also presented after the SLFRS 9 – "Financial Instruments" accounting policies.

Impact on adoption of SLFRS 9 "Financial Instruments to the Financial Statements:

The details of impact on adoption of SLFRS 09 – Financial Instruments to the Financial Statements is disclosed in Note 12 separately.

Classification of Financial Assets and Financial Liabilities on the Date of Initial Application of SLFRS 9- "Financial Instruments".

The details of Classification of Financial Assets and Financial Liabilities on the Date of Initial Application of SLFRS 9- "Financial Instruments" is disclosed in Note 12.4 separately.

3.10.2 Financial Instruments - Recognition and Initial Measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

3.10.3 Classification and Subsequent Measurement

Financial Assets – Policy Applicable from 01st April 2018

On initial recognition, a financial asset is classified and measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- it is contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

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All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial Assets – Business Model Assessment: Policy Applicable from 01st April 2018

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management; the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Financial Assets – Assessment whether Contractual Cash Flows are Solely Payments of Principal and Interest: Policy Applicable from 01st April 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

3.10.4 Financial Assets – Subsequent Measurement and Gains and Losses: Policy Applicable from 01st April 2018

Financial Assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in statement of profit or loss.

Financial Assets at Amortised Cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in statement of profit or loss. Any gain or loss on derecognition is recognised in statement of statement of profit or loss.

Debt Investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in statement of profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to statement of profit or loss.

Equity Investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to statement of profit or loss.

Financial Assets – Policy Applicable before 01st April 2018

The Company classified its financial assets into the following categories:

- Loans and Receivables
- Available for Sale

Financial Assets – Subsequent Measurement and Gains and Losses: Policy Applicable Before 01st April 2018

Loans and Receivables

Measured at amortised cost using the effective interest method.

Available-for-sale Financial Assets

Measured at fair value and changes therein, other than impairment losses were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to statement of profit or loss.

Financial liabilities - Classification, Subsequent Measurement and Gains, and Losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in statement of profit or loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in statement of profit or loss. Any gain or loss on de-recognition is also recognised in statement of profit or loss.

Financial liabilities comprise loans and borrowings, refundable rental and other deposits, bank overdrafts, and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the statement of cash flows.

3.10.5 Reclassification

Policy applicable before 01st April 2018

Non-derivative financial assets (other than those designated at fair value through profit or loss upon initial recognition) may be reclassified out of the fair value through profit or loss category, in the following circumstances:

- Financial assets that would have met the definition of loans and receivables at initial recognition (if the financial asset had not been required to be classified as held for trading) may be reclassified out of the fair value through profit or loss category if there is the intention and ability to hold the financial asset for the foreseeable future or until maturity; and
- Financial assets except financial assets that would have met the definition of loans and receivables at initial recognition may be reclassified out of the fair value through profit or loss category and into another category in rare circumstances.

Policy applicable after 01st April 2018

Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the Company's changes its objective of the business model for managing such financial assets.

Financial Liabilities are not reclassified as such reclassifications are not permitted by SLFRS 9.

3.10.6 De-recognition

Financial Assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases,

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the transferred assets are not derecognised.

Financial Liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On de-recognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3.10.7 Impairment

3.10.7.1 Non-Derivative Financial Assets - Policy Applicable from 01st April 2018 Measurement of ECLs

The Company recognises loss allowances for ECLs on financial assets measured at amortised cost and the Company measures loss allowances at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

Presentation of Allowance for ECL in the Statement of Financial Position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Policy Applicable before 01st April 2018

A financial asset not carried at fair value through statement of profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes;

- default or delinquency by a debtor;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of the debtor
- the disappearance of an active market for a security because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost.

Financial Assets Measured at Amortized Cost

The Company considers evidence of impairment for financial assets measured at amortized cost (loans and receivables) on specific assets, accordingly all individually significant assets are assessed for specific impairment.

The Company considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment.

In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss.

Available-for-Sale Financial Assets

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss recognized previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

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

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

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

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

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the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement.

3.13 Capital commitments and contingencies

Capital commitments and contingent liabilities of the Group are disclosed in the respective Note 30 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.

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 25. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

c) Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

3.15 Changes in Accounting Policies and Disclosures

The Group applied SLFRS 15 and SLFRS 9 retrospectively during the year using following approaches. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

SLFRS 15 – Revenue from contracts with customers

Except for the changes below, the Company has consistently applied the accounting policies to all periods presented in these financial statements.

The Company has applied SLFRS 15 "Revenue from contracts with customers" with a date of initial application of 01st April 2018.

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced LKAS 18 Revenue, LKAS 11 Construction Contracts and related interpretations. Under SLFRS 15 revenue from contracts with customers, an entity should recognize as revenue the amount that reflects the consideration to which the entity expects to be entitled in exchange for services excluding amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control over goods or service to a customer. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Company has applied SLFRS 15 using the cumulative transition effect method – i.e. by recognizing the cumulative effect of initially applying SLFRS 15 as an adjustment to the opening balance of equity at 01st April 2018 and therefore the comparative information has not been restated and continues to be reported under LKAS 18. The Company do not have a material impact on SLFRS 15 as the current accounting practice does not differ significantly from SLFRS 15. Therefore there was no adjustment to Retained earnings on the transition as at 01st April 2018.

Contract liabilities - Classification changes – Group/ Company

Advances received for future bookings amounted to Rs. 9,580,517/- in 2018, have been reclassified from the trade payables and presented as 'Contract liabilities" in the statement of financial position.

SLFRS 9 Financial Instruments

SLFRS 9 Financial Instruments replaces LKAS 39 Financial Instruments: Recognition and Measurement, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. With the exception of hedge accounting, which the Group applied prospectively, the Group has applied SLFRS 9 retrospectively, with the initial application date of 1 April 2018. The Group has taken an exception not to restate comparative information for prior periods with respect to classification and measurement requirements.

3.16 Standards Issued but Not Yet Effective

The Institute of Chartered Accountants of Sri Lanka has issued the following standards which become effective for the financial periods beginning on or after 01st January 2019. Accordingly these standards have not been applied in preparing theses financial statements and the Group plans to apply these standards on the respective effective dates. The Group is currently in the process of evaluating the potential effect of adoption of these standards and amendments on its financial statements. Such impact has not been quantified as at the balance sheet date. The Group will be adopting these standards as and when they become effective.

(i) SLFRS 16 - Leases

SLFRS 16 – Leases – effective for annual periods beginning on or after 01st of January 2019.

SLFRS 16 replaces LKAS 17 Leases and related interpretations (IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease).

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 (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize 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 re-measure 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 re-measurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under SLFRS 16 is substantially unchanged from the current requirements under LKAS 17. Lessors will continue to classify all leases using the same classification principle as in LKAS 17 and distinguish between two types of leases: operating and finance leases.

SLFRS 16 also requires lessees and lessors to make more extensive disclosures than under LKAS 17. SLFRS 16 is effective for annual periods beginning on or after 01st January 2019. Early application is permitted, but not before an entity applies SLFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. The Group has not quantified the impact on the implementation of the above standard yet.

Notes to the Financial Statements

For the year ended 31st March	Group 2019 Rs.	Group 2018 Rs.	Company 2019 Rs.	Company 2018 Rs.
4 REVENUE				
4.1 Disaggregation of revenue from contract with customers				
Major products/Service lines				
Room revenue	350,053,066	339,745,996	350,053,066	339,745,996
Food and beverage revenue	311,177,099	305,456,325	311,177,099	305,456,325
Other revenue	42,249,462	40,177,401	42,249,462	40,177,401
Total Revenue	703,479,627	685,379,723	703,479,627	685,379,723
Timing of revenue recognition				
Products and services transferred over time	350,053,066	339,745,996	350,053,066	339,745,996
Product and services transferred at a point in time	353,426,561	345,633,727	353,426,561	345,633,727
Total Revenue	703,479,627	685,379,723	703,479,627	685,379,723

4.2 SLFRS 15 - Revenue from contracts with customers

The Company do not have a material impact on SLFRS 15 as the current accounting practice does not differ significantly from SLFRS 15. Therefore, there was no adjustment to Retained Earnings on the transition as at 01st April 2018.

For the year ended 31st March	Group 2019 Rs.	Group 2018 Rs.	Company 2019 Rs.	Company 2018 Rs.
5 OTHER OPERATING INCOME				
Profit on sale of property, plant and equipment	52,580	-	52,580	-
	52,580	-	52,580	-
6 FINANCE EXPENSES				
Interest expense on bank overdrafts	12,058,062	7,543,204	12,058,062	7,543,204
Interest expense on bank loans	79,225,577	68,017,151	79,225,577	68,017,151
	91,283,639	75,560,354	91,283,639	75,560,354
7 FINANCE INCOME				
Interest income on fixed deposits	-	55,944	-	55,944
Interest income on saving accounts	23,983	59,472	23,983	59,472
Interest income on intercompany loan	73,318,465	68,575,515	73,318,465	68,575,515
Net foreign exchange gain	55,991	515,139	55,991	515,139
	73,398,439	69,206,071	73,398,439	69,206,071
8 PROFIT BEFORE TAX				
Profit before tax is stated after charging all expenses including the following;				
Directors' remuneration	-	-	-	-
Auditors' remuneration				
- External audit services	942,348	892,000	867,348	812,000
- Other audit services	459,900	328,165	459,900	328,165
- Non audit services	-	-	-	-
Staff costs			-	
- Salaries	96,521,496	95,139,783	96,521,496	95,139,783
- Defined benefit plan cost	1,262,748	1,249,743	1,262,748	1,249,743
- Defined contribution plan cost - EPF and ETF	7,016,922	7,038,587	7,016,922	7,038,587
- Other staff expenses	2,902,190	3,070,808	2,902,190	3,070,808
Depreciation of property, plant and equipment	61,976,856	57,287,378	61,976,856	57,287,378
Legal expenses	413,020	98,600	413,020	98,600
Professional charges	1,094,691	874,688	1,094,691	874,688
Sales promotions and advertising	345,376	718,382	345,376	718,382
Impairment provision under SLFRS 09	7,328,742	-	7,328,742	-
Amortisation of intangible assets	4,500,662	108,725	4,500,662	108,725
Donations	1,131,511	672,596	1,131,511	672,596

For the year ended 31st March		Group 2019 Rs.	Group 2018 Rs.	Company 2019 Rs.	Company 2018 Rs.
9 TAX EXPENSE					
The major components of income tax expenses for the year ended 31 March are as follows :-					
Current income tax					
Current income tax charge	(Note 9.1)	35,192,448	42,278,381	35,192,448	42,278,381
Deferred income tax					
Deferred tax charge/(reversal)	(Note 9.2)	(3,919,969)	(5,334,822)	(3,919,969)	(5,334,822)
Income tax expense reported in the statement of profit or loss		31,272,479	36,943,560	31,272,479	36,943,560

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

For the year ended 31st March	Group 2019 Rs.	Group 2018 Rs.	Company 2019 Rs.	Company 2018 Rs.
Accounting profit before tax	156,897,527	261,163,081	206,715,812	231,765,562
Share of Profit/(loss) of joint venture	49,672,271	(29,499,006)	-	-
	206,569,799	231,664,074	206,715,812	231,765,562
Less: Non business income	(73,451,018)	(68,690,931)	(73,451,018)	(68,690,931)
Add: Aggregate disallowed items	79,303,983	59,636,805	79,303,983	59,636,805
Add: Taxable profit on disposal	61,080	31,500	61,080	31,500
Less: Aggregate allowable items	(34,653,668)	(30,611,406)	(34,653,668)	(30,611,406)
Tax loss of subsidiary	146,013	101,488	-	-
Taxable business income	177,976,189	192,131,530	177,976,189	192,131,530
Other sources of income				
Interest income	73,398,439	68,652,127	73,398,439	68,652,127
Taxable other income	73,398,439	68,652,127	73,398,439	68,652,127
Total taxable income	251,374,627	260,783,657	251,374,628	260,783,657
Income tax provision for the year is made up of the following:				
- Income tax on business profit @ 14%	24,916,666	23,055,786	24,916,666	23,055,786
- Income tax on interest income @ 14%	10,275,782	19,222,596	10,275,782	19,222,596
Current income tax expense	35,192,448	42,278,381	35,192,448	42,278,381
9.2 Deferred tax expense/(reversal)				
Statement of profit or loss				
Deferred tax arising from				
- Accelerated depreciation for tax purposes	(3,959,313)	(5,173,342)	(3,959,313)	(5,173,342)
- Retirement benefit obligation	39,343	(161,480)	39,343	(161,480)
Total deferred tax charge/(reversal)	(3,919,969)	(5,334,822)	(3,919,969)	(5,334,822)

Notes to the Financial Statements

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	
For the year ended 31st March	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.
Amounts used as the numerator :				
Profit for the year	125,625,048	224,219,521	175,443,333	194,822,002
Dividends on preference shares	(37,500)	(37,500)	(37,500)	(37,500)
Net profit for the year attributable to the owners of the parent	125,587,548	224,182,021	175,405,833	194,784,502
Number of Ordinary Shares 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.)	0.22	0.39	0.30	0.34

	Company	
	2019	2018
	Rs.	Rs.
11 DIVIDEND PER SHARE		
Equity dividend on ordinary shares		
Declared and paid during the year		
Total dividends to equity holders	57,750,000	57,750,000
Dividend per share	0.10	0.10

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 SLFRS 09.

Financial assets by categories	Financial Asset (Fair value through OCI)			
	Group		Company	
As at 31st March	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.
Financial instruments in non-current assets				
Investment in equity securities	600,000,000	600,000,000	600,000,000	600,000,000
	600,000,000	600,000,000	600,000,000	600,000,000

Financial assets by categories	Financial Assets measured at amortized cost			
	Group		Company	
As at 31st March	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.
Financial instruments in current assets				
Trade and other receivables	111,238,048	104,358,913	111,238,048	104,358,913
Amount due from related parties	901,662,009	830,525,711	901,662,009	830,525,711
Cash and bank balances	11,794,950	7,691,612	11,753,928	7,655,990
Total	1,024,695,007	942,576,236	1,024,653,985	942,540,614

Financial liabilities by categories	Financial liabilities measured at amortized cost			
	Group		Company	
As at 31st March	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.
Financial instruments in non-current liabilities				
Interest bearing loans & borrowings	525,299,999	508,700,000	525,299,999	508,700,000
	525,299,999	508,700,000	525,299,999	508,700,000
Financial instruments in current liabilities				
Interest bearing loans & borrowings	-	91,300,000	-	91,300,000
Trade and other payables	86,757,800	73,220,340	86,619,433	73,133,387
Amounts due to related companies	10,947,458	11,607,901	10,847,458	11,607,901
Bank overdrafts	119,889,951	109,934,012	119,889,951	109,934,012
Total	217,595,209	286,062,253	217,356,842	285,975,300

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.

12.2 Transition to SLFRS 09

SLFRS 09 - Financial Instruments

The changes arising out of transition to SLFRS 09 explained below:

12.3 Impact of Adopting SLFRS 09 on Opening Balance

The following table summarises the impact, net of tax, of transition to SLFRS 9 on the opening balance of reserves and retained earnings.

	Impact to Opening Balance
	Rs.
Retained Earnings	
Recognition of Expected Credit Losses under SLFRS 9	(4,679,267)
	(4,679,267)

Notes to the Financial Statements

12.4 Classification and Measurement of Financial Assets and Financial Liabilities

The following table and the accompanying notes below explain the original measurement categories under LKAS 39 and the new measurement categories under SLFRS 9 for each class of the Group's Financial assets and Financial liabilities as at 01st April 2018.

The effect of adopting SLFRS 09 on the carrying amounts of financial assets at 01 April 2018 relates solely to the new impairment requirements.

Group	Original Classification Under LKAS 39	New Classification Under SLFRS 09	Original Carrying Amount Under LKAS 39 RS.	New Carrying Amount Under SLFRS 09 Rs.
Financial Assets				
Equity Securities	Available-for-sale	FVTOCI	600,000,000	600,000,000
Trade and Other Receivables	Loans and Receivables	Amortised Cost	104,358,913	103,752,483
Amounts due from Related Companies	Loans and Receivables	Amortised Cost	830,525,711	826,452,874
Cash & Cash Equivalents	Loans and Receivables	Amortised Cost	7,691,612	7,691,612
Total Financial Assets			1,542,576,236	1,537,896,969
Financial Liabilities				
Trade & Other Payables	Other Financial Liabilities	Other Financial Liabilities	111,603,375	111,603,375
Amounts due to Related Party	Other Financial Liabilities	Other Financial Liabilities	11,607,901	11,607,901
Bank Overdrafts	Other Financial Liabilities	Other Financial Liabilities	109,934,012	109,934,012
Total Financial Liabilities			233,145,288	233,145,288

12.4.1 Unquoted Equity Investment in the Financial Assets, classified under Available for sale (AFS) were classified as Fair Value Through Other Comprehensive Income (FVTOCI) under SLFRS 09.

Trade and other receivables that were classified as loans and receivables under LKAS 39 are presently it's classified as amortised cost. And additional allowance for impairment over these Trade receivables was amounting to Rs.606,430 recognised in opening retained earnings at 01st April 2018 on transition to SLFRS 09.

12.5 Reconciliation of Carrying Amounts of Financial Assets under LKAS 39 to SLFRS 09

The following table reconciles the carrying amounts of financial assets under SLAS 39 to the carrying amounts under SLFRS 09 on transition to SLFRS 09 on 01st April 2018.

Group	LKAS 39 Carrying amount at 31st March 2018 Rs.	Remeasurement Rs.	SLFRS 09 Carrying amount at 01st April 2018 Rs.
Financial Assets			
Amortised Cost			
Trade and Other Receivables	104,358,913	(606,430)	103,752,483
Amounts due from Related Companies	830,525,711	(4,072,837)	826,452,874
Cash & Cash Equivalents	7,691,612	-	7,691,612
Total Amortised Cost	942,576,236	(4,679,267)	937,896,969

12.6 Impairment of Financial Assets

SLFRS 9 replaces the 'incurred loss' model in LKAS 39 with an 'Expected Credit Loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost but not to investments in equity instruments. Under SLFRS 09, credit losses are recognised earlier than under LKAS 39.

For assets in the scope of the SLFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Company has determined that the application of SLFRS 9's impairment requirements at 01st April 2018 results in an additional allowance for impairment as follows;

	Impact to Opening Balance Rs.
Trade Debtors	
Loss Allowance at 31st March 2018 under LKAS 39	
Additional Impairment Recognised at 01st April 2018 on:	-
- Trade receivables as at 31st March 2018	606,430
Loss Allowance at 01st April 2018 under SLFRS 9	606,430
Related Party Receivables	
Loss Allowance at 31st March 2018 under LKAS 39	
Additional Impairment Recognised at 01st April 2018 on:	-
- Related party Receivables as at 31st March 2018	4,072,837
Loss Allowance at 01st April 2018 under SLFRS 9	4,072,837

Notes to the Financial Statements

	As at 31st March	Balance as at 01.04.2018 Rs.	Additions/ transfers Rs.	Disposal Rs.	Balance as at 31.03.2019 Rs.
13	**PROPERTY, PLANT AND EQUIPMENT - GROUP/COMPANY**				
13.1	**Gross carrying amounts**				
	At cost or re-valuation				
	Freehold land	4,622,555,000	-	-	4,622,555,000
	Freehold buildings	1,514,080,937	-	-	1,514,080,937
	Furniture and fittings	104,470,142	4,697,434	(129,250)	109,038,326
	Equipment	66,210,424	2,765,937	(44,275)	68,932,085
	Air conditioners	10,981,914	1,333,592	-	12,315,507
	Generator	32,626,000	-	-	32,626,000
	Computer equipment	21,712,462	3,534,194	-	25,246,656
	Solar power hot water	9,961,500	1,107,480	-	11,068,980
	Sewerage plant	22,124,250	-	-	22,124,250
	Satellite receiver	889,750	-	-	889,750
	Motor vehicles	464,000	-	-	464,000
		6,406,076,378	13,438,637	(173,525)	6,419,341,490

As at 31st March	Balance as at 01.04.2018 Rs.	Incurred during the year Rs.	Transfers/ Retirements Rs.	Balance as at 31.03.2019 Rs.
Capital work in progress				
Buildings	45,000	125,400	-	170,400
	45,000	125,400	-	170,400
Total gross carrying amount	6,406,121,378	13,564,037	(173,525)	6,419,511,890

	As at 31st March	Balance as at 01.04.2018 Rs.	Charge for the year Rs.	Disposals transfers Rs.	Balance as at 31.03.2019 Rs.
13.2	**Depreciation**				
	At cost or re-valuation				
	Freehold buildings	30,327,403	30,281,619	-	60,609,022
	Furniture and fittings	7,923,936	9,206,946	(10,749)	17,120,133
	Equipment	4,994,721	5,603,213	(24,323)	10,573,611
	Air conditioners	1,982,419	2,276,828	-	4,259,247
	Generator	3,266,928	3,262,600	-	6,529,529
	Computer equipment	5,229,130	7,698,136	-	12,927,267
	Solar power hot water	989,213	1,045,705	-	2,034,918
	Severage plant	2,212,425	2,212,425	-	4,424,850
	Satellite receiver	297,041	296,582	-	593,623
	Motor vehicles	61,939	92,800	-	154,740
	Total depreciation	57,285,155	61,976,856	(35,072)	119,226,939

	As at 31st March	Group/Company 2019 Rs.	2018 Rs.
13.3	**Net book value**		
	Freehold land	4,622,555,000	4,622,555,000
	Freehold buildings	1,453,471,915	1,483,753,534
	Furniture and fittings	91,918,192	96,546,205
	Equipment	58,358,474	61,215,703
	Air conditioners	8,056,260	8,999,496
	Generator	26,096,471	29,359,072
	Computer equipment	12,319,389	16,483,331
	Solar power hot water	9,034,062	8,972,287
	Severage plant	17,699,400	19,911,825
	Satellite receiver	296,127	592,709
	Motor vehicles	309,260	402,061
		6,300,114,551	6,348,791,223
	In the course of construction		
	Capital work in progress	170,400	45,000
		170,400	45,000
	Total carrying amount of property , plant and equipment	6,300,284,951	6,348,836,223

Notes to the Financial Statements

13.4 Revaluation of property, plant and equipment

The Company uses the revaluation model of measurement of property, plant and equipment. The Company engaged 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. Management has determined that the carrying value of the assets approximate the fair value as at 31st March 2019.

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
Lands	Open market value method	31st March 2017	Price per perch of land	Estimated fair value would increase/ (decrease) if ;- Price per perch increases/ (decreases)
	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.		Rs. 5,000,000 - Rs. 11,500,000	
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:

	Group/Company			
	2019			2018
As at 31st March	Cost	Cumulative depreciation if assets are carried at cost	Net carrying amount	Net carrying amount
	Rs.	Rs.	Rs.	Rs.
At cost or revaluation				
Freehold land	1,956,262,500	-	1,956,262,500	1,956,262,500
Freehold buildings	639,725,022	322,242,720	317,482,301	330,276,802
Other assets	162,167,495	107,654,487	54,513,008	53,749,534
	2,758,155,016	429,897,207	2,328,257,810	2,340,288,836

13.6 Value of land and ownership

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

Location	Property	No of Buildings	Ownership	Extent	Carrying value Rs.
Hotel Suisse - No 30, Sangaraja Mawathe, Kandy.	Land	-	Freehold	2A 2R 24.13P	2,149,250,000
	Building	01	Freehold	80,861.5 Sq.ft	650,969,884
Hotel Queen's - No 04, Dalada Vidiya, Kandy.	Land	-	Freehold	1A 1R 15.07P	2,473,305,000
	Building	01	Freehold	114,885.5 Sq.ft	832,783,650

During the financial year, the Group/Company acquired property, plant and equipment for cash to the aggregate value of Rs. 13,564,037/- (2018 - Rs. 16,524,286/-)

	Group		Company	
As at 31st March	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
14 INTANGIBLE ASSETS				
14.1 Computer software				
At the beginning of the year	33,262,179	3,855,000	33,262,179	3,855,000
Acquired/incurred during the year	1,354,581	29,407,179	1,354,581	29,407,179
At the end of the year	34,616,759	33,262,179	34,616,759	33,262,179
14.2 Amortization				
At the beginning of the year	(3,917,907)	(3,809,170)	(3,917,907)	(3,809,170)
Amortization for the year	(4,500,662)	(108,737)	(4,500,662)	(108,737)
At the end of the year	(8,418,569)	(3,917,907)	(8,418,569)	(3,917,907)
Net book value as at 31 March	26,198,190	29,344,272	26,198,190	29,344,272

As at 31st March	Cost 2019 Rs.	Holding 2019 %	Cost 2018 Rs.	Holding 2018 %
15 INVESTMENTS IN SUBSIDIARY - COMPANY				
Non-Quoted				
Suisse Hotel (Pvt) Ltd	352,843,177	100	352,843,177	100

Notes to the Financial Statements

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 Company	Total 2019 Rs.	Total 2018 Rs.
Suisse Hotel Kandy (Pvt) Limited	351,355,284	304,157,069
Share of profit/(loss) of joint venture	(49,672,271)	29,499,006
Share of other comprehensive income attributable to joint venture	(142,984)	17,699,209
Group's carrying amount of the investment	301,540,029	351,355,284

As at 31st March	Total 2019 Rs.	Total 2018 Rs.
16.1 Summarised Financial information of joint venture - Group		
Current assets, including cash and cash equivalents	126,113,806	134,767,102
Non current asset, including property, plant and equipment	1,777,281,324	1,882,968,274
Current liabilities, including trade and other payables	(272,106,576)	(330,702,870)
Non-current liabilities, including long-term borrowing	(1,069,796,606)	(984,321,938)
Equity	561,491,948	661,122,459
Group's carrying amount of the investment	301,540,029	351,355,284
Summarised statement of profit or loss and other comprehensive income		
Revenue	561,456,332	579,503,286
Cost of sales	(73,928,244)	(77,913,162)
Administrative expenses, including depreciation	(323,367,719)	(312,629,128)
Marketing and promotional expenses	(28,542,000)	(29,463,698)
Net finance costs, including foreign exchange loss	(234,962,912)	(100,499,285)
Profit/(loss) before income tax	(99,344,543)	58,998,013
Income tax	-	-
Profit/(loss) for the year	(99,344,543)	58,998,013
Group's share of profit/(loss) for the year	(49,672,271)	29,499,006
Other comprehensive income		
Revluation of Land	-	70,585,000
Deferred tax effect on revaluation of lands	-	(35,186,436)
Actuarial gains and losses on defined benefit plans	(285,968)	(147)
Other comprehensive income for the year	(285,968)	35,398,417
Group's share of other comprehensive income for the year	(142,984)	17,699,209

16.2 The joint venture had no other contingent liabilities or capital commitments as at 31 March 2019 and 2018

16.3 Assets pledged

Primary and Secondary Mortgage over freehold right of properties situated at No.30 & 32, 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 GROUP/COMPANY

Non-quoted	2019 No of shares	Holding %	2019 Rs.	2018 Rs.
United Hotels Co. Ltd	48,000,000	16.1%	600,000,000	600,000,000
			600,000,000	600,000,000

Investment in United Hotels Co. Ltd (UHCL) was made by company during the financial year ended 31st March 2018. UHCL Group owns four resorts in Sri Lanka and is in the process of developing 85- 100 room resort in the Republic of Maldives (Maldive Operations).

This investment is stated at cost as it represents the best estimate of fair value as at the reporting date. In order to establish the fair value, the company obtained the services of KPMG -Sri Lanka, to carry out an independent indicative fair market valuation of the equity interest in the unquoted investment as at 31 March 2019. Unquoted equity shares of the United Hotels Co. Ltd has been valued based on the following data, method and assumptions.

Effective date of valuation	31st March 2019
Method	Combined approach of Discounted Cash flow basis, Adjusted net assets basis and some of the parts basis.
Level of Fair value measurement	Level 03 (using significant unobservable inputs)
Significant unobservable inputs	i. Discount rate of 15% using WACC ii. Terminal growth rate of 3% iii. Average room rates forecasted to decline by 10% in the year 2020 and to increase by 3% to 5% thereafter iv. Increase in occupancy rates lies between the range of 1% to 5%.

Significant increases (decreases) in these assumptions in isolation would result in a significantly higher (lower) fair value on a linear basis.

As at 31st March	Group/Company 2019 Rs.	2018 Rs.
18 INVENTORIES		
Food and beverage	7,555,720	5,823,472
Linen	22,198,141	21,141,423
Housekeeping and maintenance	9,852,134	8,580,866
	39,605,996	35,545,762
Less: Provision for obsolete and slow moving items	(68,059)	(64,973)
	39,537,937	35,480,789

As at 31st March		Group 2019 Rs.	Group 2018 Rs.	Company 2019 Rs.	Company 2018 Rs.
19 TRADE AND OTHER RECEIVABLES					
Trade debtors	(Note 19.1)	103,337,894	92,260,973	103,337,894	92,260,973
Less: Impairment for trade debtors		(706,299)	-	(706,299)	-
		102,631,595	92,260,973	102,631,595	92,260,973
Other receivables		12,477,878	15,819,365	12,477,878	15,819,365
Less: Impairment for other receivables		(3,871,425)	(3,721,425)	(3,871,425)	(3,721,425)
		8,606,453	12,097,940	8,606,453	12,097,940
		111,238,048	104,358,913	111,238,048	104,358,913

Notes to the Financial Statements

As at 31st March	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.
19.1 The aging analysis of trade debtors is as follows: - Group/Company							
31st March 2019	103,337,894	41,358,403	34,599,248	14,295,569	6,627,389	6,457,285	-
31st March 2018	92,260,973	42,281,459	31,739,689	15,496,752	1,078,026	1,665,048	-

19.2 Impairment of debtors

Management has carried out an impairment provision based on the simplified approach of ECL method and impairment provision of Rs. 706,298/- has been accounted for trade debtors as the ECL.

20 ADVANCES AND PREPAYMENTS

	Group 2019	Group 2018	Company 2019	Company 2018
	Rs.	Rs.	Rs.	Rs.
Advances and deposits	14,629,510	3,754,599	14,629,510	3,754,599
Prepayments	6,727,225	5,869,185	6,727,225	5,869,185
	21,356,735	9,623,784	21,356,735	9,623,784

21 STATED CAPITAL - COMPANY

As at 31st March	2019 Number of shares	2019 Value of shares Rs.	2018 Number of shares	2018 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

21.1 Shares held by the parent company

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

As at 31st March	2019 Holding %	2019 Holding Rs.	2018 Holding %	2018 Holding Rs.
Held by parent company	69.54	401,567,250	69.54	401,567,250
(Ceylon Hotels Corporation PLC)				

22 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.

As at 31st March	Group 2019	Group 2018	Company 2019	Company 2018
	Rs.	Rs.	Rs.	Rs.
Revaluation reserve at the beginning of the year	5,913,735,699	6,298,512,089	5,805,663,075	6,208,138,748
Transfer of excess depreciation on revaluation	(30,955,121)	(29,194,722)	(30,955,121)	(29,194,722)
Income tax effect on revaluation of land	-	(373,280,950)	-	(373,280,950)
Income tax effect on revaluation of land in joint venture	(142,984)	17,699,282	-	-
Revaluation reserve at the end of the year	5,882,637,594	5,913,735,699	5,774,707,954	5,805,663,075

23 INTEREST BEARING LOANS & BORROWINGS - GROUP/COMPANY

As at 31st March		2019 Amounts repayable within 1 year	2019 Amounts repayable after 1 year	2019 Total	2018 Amounts repayable within 1 year	2018 Amounts repayable after 1 year	2018 Total
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Bank loans	(Note 23.1)	-	525,299,999	525,299,999	91,300,000	508,700,000	600,000,000
		-	525,299,999	525,299,999	91,300,000	508,700,000	600,000,000

Company received a capital and interest moratorium (from April 2019 to March 2020) on the existing term loan and overdrafts in accordance with the financial relief package announced by the Government to the Tourism industry.

Accordingly there will be no capital repayment due within the next 12 months period from April 2019 to March 2020.

23.1 Bank loans

As at 31st March	2019	2018
	Rs.	Rs.
Movement		
At the beginning of the year	600,000,000	-
New loan obtained during the year	-	600,000,000
Loan repaid during the year	(74,700,001)	-
At the end of the year	525,299,999	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	398,400,000
Repayable after five year	126,899,999	110,300,000
	525,299,999	508,700,000

Notes to the Financial Statements

23.2 SECURITY AND REPAYMENT TERMS

Lending institution	Nature of facility	Interest rate	Security	Repayment terms	2019 Rs.	2018 Rs.
Sampath Bank PLC	Long Term Loan	AWPLR + 2% p.a	Share Certificates of United Hotels Co. Ltd (48,000,000 no. shares)	12 months Grace period from April 2019 to March 2020 has been granted under the Relief package offered by Government to the Tourism Industry. Capital Repayment of 61 equal monthly installments of Rs 8,300,000 and final installment of Rs. 10,700,000 to be commenced from April 2020.	600,000,000	600,000,000

	Group/Company Carrying amount pledged	
As at 31st March	2019 Rs.	2018 Rs.
24 DEFERRED TAX LIABILITY		
At the beginning of the year	569,664,902	201,745,552
Amount origination/(reversal) of temporary differences		
Recognised in profit or loss		
Accelerated depreciation for tax purposes	(3,959,313)	(5,173,342)
Retirement benefit obligation	39,343	(161,480)
Recognised in other comprehensive income		
Actuarial gains and losses on defined benefit plans	6,083	(26,779)
Deferred tax effect on revaluation of lands (Note 24.2)	-	373,280,950
At the end of the year	565,751,016	569,664,902

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

	2019 Rs.	2018 Rs.
Accelerated depreciation for tax purposes	193,255,762	197,106,050
Deferred tax effect on revaluation of lands	373,280,950	373,280,950
Employee benefit liability	(785,696)	(722,097)
	565,751,016	569,664,902

24.2 Deferred tax impact on revaluation

As per the new Inland Revenue Act No 24 of 2017 which is effective from 01 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/- was recognized through other comprehensive income (OCI) and charged to revaluation reserve.

	Group/Company Carrying amount pledged	
As at 31st March	2019 Rs.	2018 Rs.
25 EMPLOYEE BENEFIT LIABILITIES		
At the beginning of the year	5,157,838	4,448,659
Current service cost	695,386	738,871
Interest cost on benefit obligation	567,362	556,082
Payments made during the year	(1,456,871)	(777,050)
Actuarial (gains)/losses	(43,451)	191,276
At the end of the year	4,920,264	5,157,838
25.1 Expense recognized in profit or loss		
Current service cost	695,386	738,871
Interest cost	567,362	556,082
	1,262,748	1,294,953
25.2 Actuarial (gains)/losses recognized directly in OCI		
Recognized during the period	(43,451)	191,276
	(43,451)	191,276

Messrs. Actuarial and Management Consultants (Pvt) Ltd Actuaries, carried out an actuarial valuation of the defined benefit plan gratuity on 31st March 2019. 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.

	2019	2018
25.3 Actuarial assumptions		
Principal actuarial assumptions at the reporting date (expressed as weighted averages):		
Discount rate	11%	11%
Future salary increases	8%	10%

Notes to the Financial Statements

25.4 Sensitivity of assumptions used

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

	Group/Company 2019		Group/Company 2019	
As at 31st March	Discount rate		Salary increment rate	
	+1% Rs.	-1% Rs.	+1% Rs.	-1% Rs.
A one percentage point change				
Effect on defined benefit obligation liability	(85,898)	90,147	84,954	(82,248)

	Group/Company	
As at 31st March	2019 Rs.	2018 Rs.
25.5 Maturity analysis of the payments		
The following payments are expected on employee benefit liabilities in future years;		
Less than or equal 1 year	2,383,427	2,338,941
Over 1 year and less than or equal 2 years	786,135	992,471
Over 2 years and less than or equal 5 years	1,316,182	1,382,883
Over 5 years and less than or equal 10 years	391,463	408,597
Over 10 years	43,057	34,946
Total expected payments	4,920,264	5,157,838

The average duration of the defined benefit plan obligation at the end of the reporting period is 2.38 years (2018: 2.14 years).

	Group		Company	
As at 31st March	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
26 TRADE AND OTHER PAYABLES				
Trade payables	40,042,974	31,103,933	40,042,974	31,103,933
Advances and deposits	5,806,262	19,089,578	5,806,262	19,089,578
Accrued expenses	8,891,578	19,293,456	8,891,578	19,293,456
Sundry creditors	46,714,827	42,116,408	46,576,459	42,029,454
	101,455,641	111,603,375	101,317,273	111,516,422
27 CONTRACT LIABILITIES				
Opening Balance	9,580,517	-	9,580,517	-
Received during the year	23,331,424	-	23,331,424	-
Transfers during the year	(17,041,911)	-	(17,041,911)	-
Closing Balance	15,870,030	-	15,870,030	-
28 OTHER CURRENT LIABILITIES				
Value added tax payable	3,112,288	1,664,370	3,112,288	1,664,370
Tourism development levy payable	2,193,466	1,925,370	2,193,466	1,925,370
Nation building tax payable	1,543,257	1,381,620	1,543,257	1,381,620
Other taxes payable	4,326	13,361	4,326	13,361
	6,853,336	4,984,720	6,853,336	4,984,720
29 INCOME TAX LIABILITIES				
At the beginning of the year	13,334,501	20,093,238	13,334,501	20,093,238
Charge for the year	35,192,448	42,278,381	35,192,449	42,278,381
Under provision in respect of prior year-income tax	(275)	-	(275)	
Payments and set off against refunds	(39,883,524)	(49,037,118)	(39,883,524)	(49,037,118)
At the end of the year	8,643,150	13,334,501	8,643,150	13,334,501

Notes to the Financial Statements

30 COMMITMENTS AND CONTINGENCIES

30.1 Capital Commitments

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

30.2 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 2019.

Name/Institution	Type of Cases	Case No.
Tourist Shopping Centre	Tenant	DSP/00014/19
H. M Dingiri Menike	Tenant	RE 2645

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 to 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 2019.

31 EVENT OCCURRING AFTER THE REPORTING DATE

There have been no any material events occurring after the reporting date that require adjustment to or disclosure other than Note no. 23 in the financial statements.

		Group		Company	
As at 31st March	Relationship	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.

32 RELATED PARTY TRANSACTIONS

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

32.1 Amount due from related companies

	Relationship	Group 2019 Rs.	Group 2018 Rs.	Company 2019 Rs.	Company 2018 Rs.
Ceylon Hotels Corporation PLC	Parent company	865,751,033	787,021,480	865,751,033	787,021,480
Current account balance					
Ceylon Hotels Corporation PLC	Parent company	47,198,987	43,504,231	47,198,987	43,504,231
Tissa Resort (Pvt) Ltd	Affiliate	13,700	-	13,700	-
		912,963,719	830,525,711	912,963,719	830,525,711
Less: impairment provision Provision for expected credit losses		(11,301,710)	-	(11,301,710)	-
		901,662,009	830,525,711	901,662,009	830,525,711

32.2 Amount due to related companies

	Relationship	Group 2019 Rs.	Group 2018 Rs.	Company 2019 Rs.	Company 2018 Rs.
Suisse Hotel Kandy (Pvt) Ltd	Joint venture	9,113,954	11,000,000	-	-
Suisse Hotel (Pvt) Ltd	Subsidiary	-	-	9,013,954	11,000,000
United Hotels Co. Ltd	Equity investment company	1,801,315	607,901	1,801,315	607,901
CHC Rest Houses (Pvt) Ltd	Affiliate	32,189	-	32,189	-
		10,947,458	11,607,901	10,847,458	11,607,901
Net Balance		902,016,261	818,917,810	902,116,261	818,917,810

32.3 Related Party Disclosures

32.3.1 Related Party Transactions

Transaction with parent and related companies / Nature of transaction	Parent company * Rs. 2019	Rs. 2018	Other related companies *** Rs. 2019	Rs. 2018	Total Rs. 2019	Rs. 2018	Aggregate value of RPT as % of Net Revenue 2019
Group							
As at 01 April	830,525,712	549,891,885	(11,607,900)	(173,881)	818,917,812	549,718,004	
Reimbursement of expenses	1,125,318	771,501	2,832,665	4,132,521	3,957,983	4,904,022	0.6%
Expenses paid by Intercompany on behalf of KHCL	(1,248,645)	(863,194)	(4,058,268)	(4,566,540)	(5,306,913)	(5,429,734)	0.8%
Expenses paid by KHCL on behalf of Intercompany	-	-	13,700	-	13,700	-	
Fund transfers from	(34,534,784)	-	1,886,046	(11,000,000)	(32,648,738)	(11,000,000)	1.6%
Fund transfers to	43,763,954	212,150,000	-	-	43,763,954	212,150,000	
Interest earned on intercompany loan	72,830,846	68,575,520	487,617	-	73,318,463	68,575,520	10.7%
As at 31 March	912,462,401	830,525,712	(10,446,140)	(11,607,900)	902,016,261	818,917,812	

Notes to the Financial Statements

32.3.2 Related Party Transactions

Transaction with parent and related companies Nature of transaction	Parent company * 2019 Rs.	Parent company * 2018 Rs.	Subsidiary Company** 2019 Rs.	Subsidiary Company** 2018 Rs.	Other related companies *** 2019 Rs.	Other related companies *** 2018 Rs.	Total 2019 Rs.	Total 2018 Rs.	Aggregate value of RPT as % of Net Revenue 2019
Company									
As at 1 April	830,525,712	549,891,885	(11,000,000)	-	(607,900)	(173,881)	818,917,812	549,718,004	
Reimbursement of expenses	1,125,318	771,501	-	-	2,832,665	4,132,521	3,957,983	4,904,022	0.6%
Expenses paid by Intercompany on behalf of KHCL	(1,248,645)	(863,194)	-	-	(4,058,268)	(4,566,540)	(5,306,913)	(5,429,734)	0.8%
Expenses paid by KHCL on behalf of Intercompany	-	-	-	-	13,700	-	13,700	-	
Fund transfers from	(34,534,784)	-	1,986,046	(11,000,000)	-	-	(32,548,738)	(11,000,000)	1.6%
Fund transfers to	43,763,954	212,150,000	-	-	-	-	43,763,954	212,150,000	
Interest earned on intercompany loan	72,830,846	68,575,520	-	-	487,617	-	73,318,463	68,575,520	10.7%
As at 31 March	912,462,401	830,525,712	(9,013,954)	(11,000,000)	(1,332,186)	(607,900)	902,116,261	818,917,812	

*Parent company - Ceylon Hotels Corporation PLC.

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

***Other related companies include United Hotels Co. Ltd, CHC Rest House (Pvt) Ltd, Tissa Resort (Pvt) Ltd.

As at 31st March	Group 2019 Rs.	Group 2018 Rs.	Company 2019 Rs.	Company 2018 Rs.
Parent:	912,462,401	830,525,712	912,462,401	830,525,712
Subsidiary Companies:	-	-	(9,013,954)	(11,000,000)
Other Companies:	(10,446,140)	(11,607,900)	(1,332,186)	(607,900)
	902,016,261	818,917,812	902,116,261	818,917,812

32.4 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

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

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

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

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.

Notes to the Financial Statements

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	2019					2018				
	Cash in hand and at bank	Trade and other receivables	Amounts due from related parties	Total	% of allocation	Cash in hand and at bank	Trade and other receivables	Amounts due from related parties	Total	% of allocation
	Rs.	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.	Rs.	
Trade and other receivables	-	111,238,048	-	111,238,048	11%	-	104,358,913	-	104,358,913	11%
Amount due from related parties	-	-	901,662,009	901,662,009	88%	-	-	830,525,711	830,525,711	88%
Cash and bank balances	11,794,949	-	-	11,794,949	1%	7,655,990	-	-	7,655,990	1%
Total credit risk exposure	11,794,949	111,238,048	901,662,009	1,024,695,006	100%	7,655,990	104,358,913	830,525,711	942,540,614	100%

Company	2019					2018				
	Cash in hand and at bank	Trade and other receivables	Amounts due from related parties	Total	% of allocation	Cash in hand and at bank	Trade and other receivables	Amounts due from related parties	Total	% of allocation
	Rs.	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.	Rs.	
Trade and other receivables	-	111,238,048	-	111,238,048	11%	-	104,358,913	-	104,358,913	11%
Amount due from related parties	-	-	901,662,009	901,662,009	88%	-	-	830,525,711	830,525,711	88%
Cash and bank balances	11,753,928	-	-	11,753,928	1%	7,691,612	-	-	7,691,612	1%
Total credit risk exposure	11,753,928	111,238,048	901,662,009	1,024,653,985	100%	7,691,612	104,358,913	830,525,711	942,576,236	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. 11.7 Million at 31 st March 2019 (2018 - Rs. 7.7 Million).

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	
	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.
Cash in hand and at bank	11,794,949	7,691,612	11,753,928	7,655,990
Total liquid assets	11,794,949	7,691,612	11,753,928	7,655,990
Bank overdrafts	(119,889,951)	(109,934,012)	(119,889,951)	(109,934,012)
Total liabilities	(119,889,951)	(109,934,012)	(119,889,951)	(109,934,012)
Net (debt)/cash	(108,095,002)	(102,242,400)	(108,136,023)	(102,278,022)

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 2019 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	86,757,800	-	-	-	-	-	86,757,800
Amounts due to related companies	10,947,458	-	-	-	-	-	10,947,458
Interest bearing loans & borrowings	-	-	199,200,000	99,600,000	99,600,000	126,899,999	525,299,999

Company	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Trade and other payables	86,619,433	-	-	-	-	-	86,619,433
Amounts due to related companies	10,947,458	-	-	-	-	-	10,947,458
Interest bearing loans & borrowings	-	-	199,200,000	99,600,000	99,600,000	126,899,999	525,299,999

Notes to the Financial Statements

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	
	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.
Interest bearing loans & borrowings - Non Current	525,299,999	508,700,000	525,299,999	508,700,000
Interest bearing loans & borrowings - Current	-	91,300,000	-	91,300,000
Bank overdraft	119,889,951	109,934,012	119,889,951	109,934,012
Total debt	645,189,950	709,934,012	645,189,950	709,934,012
Equity	6,953,982,004	6,890,929,339	7,005,482,497	6,892,468,563
Total capital	6,953,982,004	6,890,929,339	7,005,482,497	6,892,468,563
Capital and Total debt	7,599,171,954	7,600,863,351	7,650,672,447	7,602,402,574
Gearing ratio	9.3%	10.3%	9.2%	10.3%

34 FAIR VALUE MEASUREMENT

The following table provides the fair value measurement hierarchy of the Company's assets which are stated at Fair value.

Fair value measurement hierarchy for assets as at 31st March 2019 and 2018:

			Fair value measurement using		
		Total	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs
	Date of valuation	Total	(Level 1)	(Level 2)	(Level 3)
		Rs.	Rs.	Rs.	Rs.
Assets measured at fair value:					
As at 31st March 2019					
Non Financial Assets					
Property Plant and Equipment (Note.13.3)	31st March 2019	6,300,114,551	-	-	6,300,114,551
Non Financial Assets as at 31st March 2019		6,300,114,551	-	-	6,300,114,551
Investment in Equity Securities (Note.17)					
Unquoted equity shares					
United Hotels Co. Ltd	31st March 2019	600,000,000	-	-	600,000,000
AFS financial assets as at 31st March 2019		600,000,000	-	-	600,000,000
As at 31st March 2018					
Non Financial Assets					
Property Plant and Equipment (Note.13.3)	31st March 2018	6,348,791,223	-	-	6,348,791,223
Non Financial Assets as at 31st March 2018		6,348,791,223	-	-	6,348,791,223
Investment in Equity Securities (Note.17)					
Unquoted equity shares					
United Hotels Co. Ltd	31st March 2018	600,000,000	-	-	600,000,000
AFS financial assets as at 31st March 2018		600,000,000	-	-	600,000,000

Key assumptions, methods of valuations and significant unobservable inputs for assets categorised under level 3 of the fair value measurement hierarchy are disclosed under Notes 13.4 and 17 to the Financial Statements.

Investor Information

ANALYSIS OF ORDINARY SHAREHOLDERS AS AT 31ST MARCH 2019

Share Range	Resident			Non Resident			Total		
	No of shareholders	No of shares	Holding %	No of shareholders	No of shares	Holding %	No of shareholders	No of shares	Total Holding%
1 - 1000	1,176	266,535	0.05	2	1,100	0	1,178	267,635	0.05
1001 - 10,000	500	1,992,204	0.35	4	10,300	0	504	2,002,504	0.35
10001 - 100,000	194	6,773,316	1.17	7	236,600	0.04	201	7,009,916	1.21
100,001 - 1,000,000	43	13,738,298	2.94	7	2,752,720	0.47	50	16,491,018	3.41
over 1,000,000	7	422,778,397	72.65	13	128,950,530	22.34	20	551,728,927	94.99
Totals	1,920	445,548,750	77.16	33	131,951,250	22.85	1,953	577,500,000	100

Class of Member	No. of shareholders	No. of shares	Holding %
Company	73	527,557,814	91.35
Individual	1880	49,942,186	8.65
Totals	1953	577,500,000	100

ANALYSIS OF PREFERENCE SHAREHOLDERS AS 31ST MARCH 2019

Share Range	No. of Shareholders			Total Holdings			Percentage		
	Foreign	Local	Total	Foreign	Local	Total	Foreign	Local	Total
Less than 1,000	15	42	57	1,443	6,430	7,873	2.89	12.86	15.75
1.001 To 10,000	0	4	4	0	26,336	26,336	0.00	52.67	52.67
10.001 To 100,000	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

ANALYSIS OF PREFERENCE SHAREHOLDERS - BASED ON NO. OF SHARES AS 31ST MARCH 2019

Share Range	No. of Shareholders	Total Holdings	%
Less than 1,000	57	7,873	15.75
1.001 To 10,000	4	26,336	52.67
10.001 To 100,000	1	15,791	31.58
Total	62	50,000	100

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

a) Directors Shareholding in the Company

	Name of The Director	31st March 2019		31st March 2018	
		Ordinary	Preference	Ordinary	Preference
1	Mr. Sanjeev Gardiner	87,500	9,500	87,500	9,500
2	Mr. Charitha Ratwatte	175,000	Nil	175,000	Nil
3	Mr. Lakshman Samarasinghe	5,500	Nil	5,500	Nil
4	Mr. Priyantha Maddumage	Nil	Nil	Nil	Nil
5	Mr. Lakshman Sirimanne	3,500	Nil	3,500	Nil
6	Mr. Ranjith Gunathilleke	43,611	Nil	8,990	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
10	Mr. Shalike Karunasena (Alternate Director to Mr. Priyantha Maddumage)	Nil	Nil	Nil	Nil

PUBLIC SHAREHOLDING AS AT 31.03.2019

a) Public Shareholding - 159,952,739 (2018 - 159,952,739)

b) Percentage of the ordinary shares held by public - 27.70% (2018 - 27.70%)

c) No. of Public shareholders - 1,940 (2018 - 1888)

d) Highest, lowest and Market value per share from 1st April 2018 to 31st March 2019

Period	Year ended 31st March 2019
Date High	28/05/2018
High Rs.	5.70
Date Low	28/03/2019
Low Rs.	4.40
Close Rs	4.50
Trade Vol	1,544
Share Vol	1,803,634
Turnover Rs,	9,186,096
Last Traded date	29/03/2019
Days Traded	214

MARKET PRICE PER SHARE FOR THE PERIOD FROM 01/04/2018 TO 31/03/2019.

	2018/19		2017/18	
	Date	Share Price Rs.	Date	Share Price Rs.
Highest Market Price	28.05.2018	5.70	13.03.2018	6.60
Lowest Market Price	28.03.2019	4.40	03.04.2017	4.80
Closing Market Price	29.03.2019	4.50	31.03.2018	5.30

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. 2,598.75 Mn as at 31st March 2019 (2017/18 - Rs. 3,060.75 Mn).

The float adjusted market capitalisation as at 31st March 2019 was Rs. 719,8 Mn (2017/18 - Rs. 847.8 Mn) with reference to the rule no. 7.6 (iv) of the listing rules of the Colombo Stock Exchange. As the float adjusted market capitalisation is less than Rs. 2.5 Bn, The Kandy Hotels Co. (1938) PLC complies under option 5 of the Listing Rules 7.13.1 (a) with the minimum public holding requirements.

Investor Information

TOP 20 SHAREHOLDERS (ORDINARY VOTING) AS AT 31ST MARCH 2019

	Name	No. of Shares	Holding %
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 (Pvt) Ltd	13,282,696	2.30
5	Mr. N.V.S. Saackville	4,368,000	0.76
6	Mr. P.R.F Collas	1,965,250	0.34
7	Mrs. L. Ratwatte	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. J.F.C. Badcock	1,034,250	0.18
20	Mr. F.D.M. Badcock	1,034,250	0.18
	Sub total	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 (ORDINARY VOTING) AS AT 31ST MARCH 2018

	Name	No. of Shares	Holding %
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 (Pvt) Ltd	13,282,696	2.30
5	Mr. N.V.S. Saackville	4,368,000	0.76
6	Mr. P.R.F Collas	1,965,250	0.34
7	Mrs. L. Ratwatte	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
	Sub total	551,728,897	95.54
	Balance held by others	25,771,103	4.46
	Total number of shares	577,500,000	100.00

5 Years at a Glance

YEAR ENDED	31st March 2019		31st March 2018		31st March 2017		31st March 2016		31st March 2015	
	Group	Company	Group	Company	Group	Company	Group	Company	Group	Company
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
TRADING RESULTS										
Turnover	703,479,627	703,479,627	685,379,723	685,379,723	681,174,372	681,174,372	639,791,102	639,791,102	598,443,491	598,443,491
Profit Before Tax	156,897,527	206,715,812	261,163,081	231,765,562	289,451,374	291,111,003	152,019,289	245,196,037	187,139,670	211,393,148
Taxation	(31,272,479)	(31,272,479)	(36,943,560)	(36,943,560)	(43,274,073)	(43,274,073)	(28,106,525)	(28,106,525)	(33,690,400)	(33,690,400)
NET PROFIT FOR THE YEAR	125,625,048	175,443,333	224,219,521	194,822,002	246,177,301	247,836,930	123,912,764	217,089,512	153,449,270	177,702,748
Property Plant & Equipment	6,300,284,951	6,300,284,951	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
Intangible Assets	26,198,190	26,198,190	29,344,272	29,344,272	45,830	45,830	759,996	759,996	1,520,000	1,520,000
Investment in Subsidiary	-	352,843,177		352,843,177	-	352,843,177	-	345,217,600	-	345,217,600
Investment in Joint Venture	301,540,029	-	351,355,284	-	304,157,069	-	305,732,679	-	308,393,925	-
Investment in Equity Securities	600,000,000	600,000,000	600,000,000	600,000,000	-	-	-	-	-	-
NON CURRENT ASSETS	7,228,023,170	7,279,326,318	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
Current Assets	1,085,589,678	1,085,548,657	987,680,809	987,645,187	710,266,619	710,132,743	539,932,835	554,707,247	382,445,020	389,657,768
Current Liabilities	263,659,566	263,421,199	342,764,509	342,677,556	117,641,441	117,557,724	98,964,523	106,262,206	91,433,470	91,311,648
Net Current Assets	821,930,112	822,127,458	644,916,301	644,967,632	592,625,178	592,575,019	440,968,311	448,445,041	291,011,550	298,346,120
CAPITAL EMPLOYED	8,049,953,282	8,101,453,776	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
LESS : NON CURRENT LIABILITIES										
Interest bearing Loans & Borrowings	525,299,999	525,299,999	508,700,000	508,700,000	-	-	-	-	-	-
Deferred Tax Liabilities	565,751,016	565,751,016	569,664,902	569,664,902	201,745,552	201,745,552	239,655,544	239,655,544	249,560,464	249,560,464
Retirement Benefit Obligations	4,920,264	4,920,264	5,157,838	5,157,838	4,448,659	4,448,659	4,401,920	4,401,920	4,153,125	4,153,125
NET ASSETS	6,953,982,004	7,005,482,497	6,890,929,339	6,892,468,563	7,080,243,558	7,128,879,508	6,246,740,808	6,293,702,458	6,148,111,213	6,192,269,457
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
Reserves	6,937,232,004	6,988,732,497	6,874,179,339	6,875,718,563	7,063,493,558	7,112,129,508	6,229,990,808	6,276,952,458	6,131,361,213	6,175,519,458
SHARE HOLDERS FUNDS	6,953,982,004	7,005,482,497	6,890,929,339	6,892,468,563	7,080,243,558	7,128,879,508	6,246,740,808	6,293,702,458	6,148,111,213	6,192,269,458
RATIOS AND STATISTICS										
Current Ratio	4.12	4.12	2.88	2.88	6.04	6.04	5.46	5.22	4.18	4.27
Earnings per Ordinary Share (Rs.)	0.22	0.30	0.39	0.34	0.43	0.43	0.21	0.38	0.27	0.31
Net Assets per Ordinary Share (Rs.)	12.04	12.13	11.93	11.94	12.26	12.34	10.82	10.90	10.65	10.72
MARKET SHAREHOLDER INFORMATION										
No of Shares in Issue	-	577,500,000	-	577,500,000	-	577,500,000	-	577,500,000	-	577,500,000
Highest	-	5.70	-	6.60	-	8.10	-	8.10	-	9.50
Lowest	-	4.40	-	4.80	-	5.00	-	5.00	-	7.50
Market Capitalization	-	2,598,750,000	-	3,060,750,000	-	3,465,000,000	-	3,465,000,000	-	4,331,250,000

Notice of Annual General Meeting

THE KANDY HOTELS CO. (1938) PLC - PQ201
No.327, Union Place, Colombo 02

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 90th Annual General Meeting of The Kandy Hotels Co. (1938) PLC will be held at "Queen's Hotel" No.04, Dalada Veediya, Kandy on 05th September 2019 at 1.00 pm for the following business:

1. To receive, consider and adopt the Annual Report of the Directors on the affairs of the company, the Audited Accounts for the year ended 31st March 2019 and the Report of the Auditors thereon.
2. To re-elect Mr Nilanga Dela 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 77 years 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 76 years 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 74 years 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 re-elect Mr Chandra Mohotti 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 Chandra Mohotti who has reached the age of 73 years 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."
7. To re-elect Mr Charitha Ratwatte 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 Charitha Ratwatte who has reached the age of 71 years 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."
8. To re-appoint Messrs Ernst & Young, Chartered Accountants, the retiring Auditors and authorize the Directors to fix their remuneration.
9. To authorize the Directors to determine donations for the year 2019/2020 and up to the date of the next Annual General Meeting.
10. To transact any other business that may properly be brought before the meeting.

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

Accounting Systems Secretarial Services (Private) Limited
Company Secretaries
Colombo, this 9th August 2019

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.

Form of Proxy

THE KANDY HOTELS CO. (1938) PLC- PQ201
No. 327, Union Place, Colombo 02

FORM OF PROXY

I/We...

(NIC No.)... of..

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

appoint:..of...

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 S Chandra Mohotti	of Colombo	(or failing him)
Mr C L Sirimanne	of Colombo	(or failing him)
Mr M D R Gunatilleke	of Colombo	(or failing him)
Mr Nahil Wijesuriya	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 05th September 2019 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 Annual Report of the Directors, the Audited Accounts for the year ended 31st March 2019 and Report of the Auditors thereon.		
2. To re-elect Mr Nilanga Dela 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		
4. To re-elect Mr Lakshman Sirimanne who retires in terms of section 210 of the Companies Act No.07 of 2007.		
5. To re-elect Mr Nahil Wijesuriya who retires in terms of section 210 of the Companies Act No.07 of 2007.		
6. To re-elect Mr Chandra Mohotti who retires in terms of section 210 of the Companies Act No.07 of 2007		
7. To re-elect Mr Charitha Ratwatte who retires in terms of section 210 of the Companies Act No.07 of 2007		
8. To re-appoint Messrs Ernst & Young Chartered Accountants, the retiring Auditors and authorize the Directors to fix their remuneration.		
9. To authorize the Directors to determine donations for the year 2019/2020 and up to the date of the next Annual General Meeting.		

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

....
Signature

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

Form of Proxy

INSTRUCTIONS FOR 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 Company Secretaries and Registrars, Messrs Accounting Systems Secretarial Services (Private) Limited, Level 03, No.11, Castle Lane, Colombo 4 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.

Notes

Notes

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 Wjesuriya Mr. Chandra Mohotti Mr. Nilanga Dela Mr. Shalike Karunasena (Alternate Director to Mr. Priyantha Maddumage)
CORPORATE MANAGEMENT	–	Mr. Ranjan Pieris (Vice President – Kandy Hotels) Mr. P. Sivatheesh (Finance Controller – Ceylon Hotels Corporation PLC) Mr. A.M. P. Adhikari (Resident Manager – Queens Hotel)
REGISTERED OFFICE	–	The Kandy Hotels Co. (1938) PLC No. 327, Union Place, Colombo 02.
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 PLC. Nations Trust Bank PLC. Hatton National Bank PLC. Sampath Bank PLC
E-MAIL	–	Queen's Hotel : gm.queens@kandyhotels.lk Hotel Suisse: gm.suisse@kandyhotels.lk
Contact No.	–	Queen's Hotel : 081 2 233 026 Hotel Suisse : 081 2 233 024

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www.queenshotel.lk
www.hotelsuisse.lk

THE KANDY HOTELS CO. (1938) PLC

No.327, Union Place, Colombo 02.