The Kandy Hotels Co. (1938) PLC

Annual Report 2019/20

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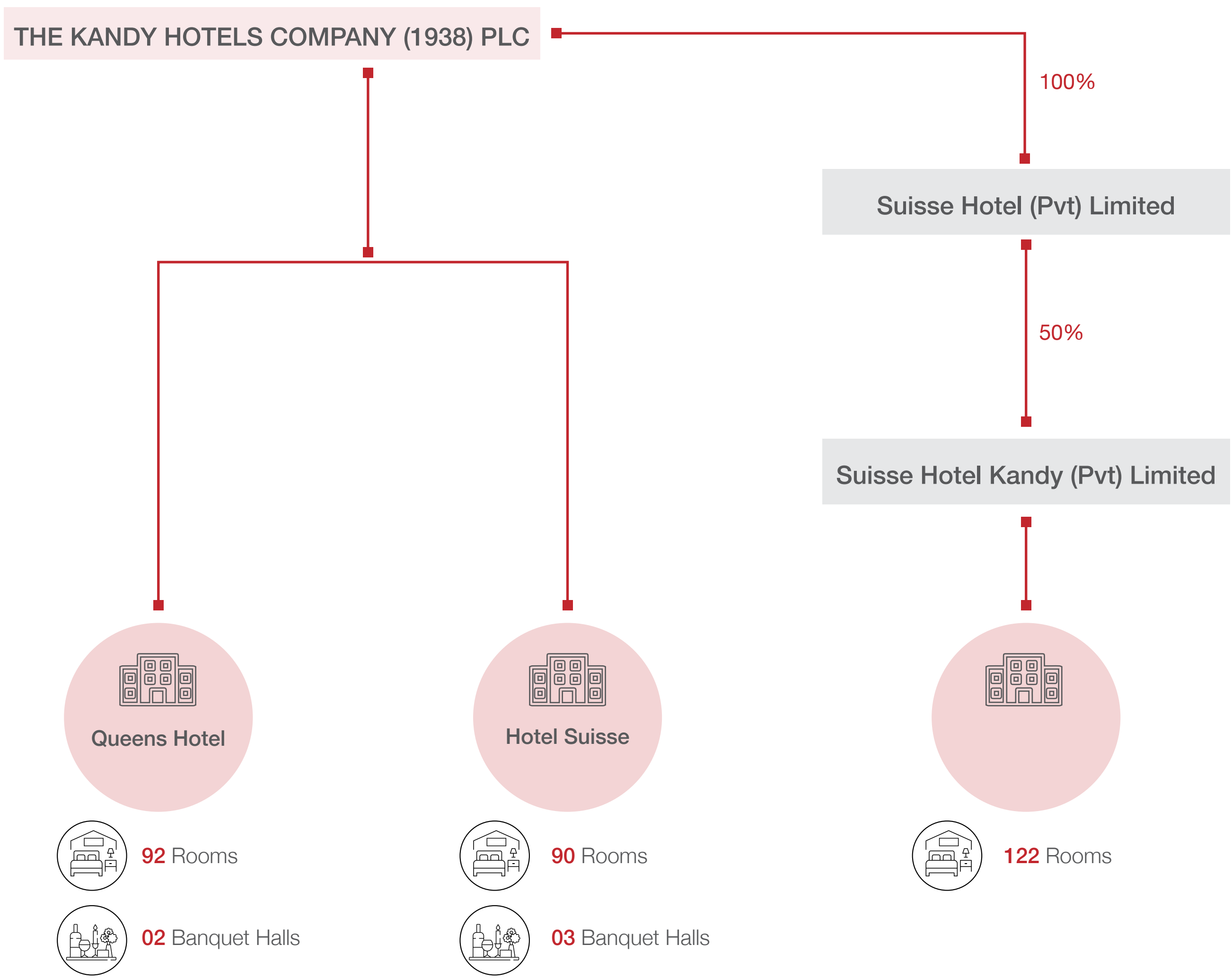
GROUP STRUCTURE



GROUP FINANCIAL AND OPERATIONAL HIGHLIGHTS

Performance for the year ended 31 March	2020 Rs.	2019 Rs.
Revenue	410,663,517	703,479,627
Earnings before Interest, Tax , Depreciation & Amortisation (EBITDA)	100,799,156	290,932,517
Profit/(Loss) before Tax (PBT)	(65,206,318)	156,897,527
Profit/(Loss) after Tax (PAT)	(72,549,520)	125,625,048
Earnings/(Loss) per Share	(0.13)	0.22
Dividend per Share (Company)	-	0.10
Dividend Payout Ratio (Times)	-	0.46
Financial Position as at 31 March		
Total Assets	9,437,625,097	8,313,612,849
Total Debt	643,184,178	645,189,950
Total Equity	7,910,050,001	6,953,982,004
No of Ordinary Shares in Issue	577,500,000	577,500,000
Net Assets per Ordinary Share	13.70	12.04
Gearing Ratio	8.1%	9.3%
Debt/Total Assets	6.8%	7.8%
Current Ratio (Times)	7.40	4.12
Market/Shareholder information as at 31 March		
Closing Market Price Per Share	4.30	4.50
Market Capitalisation	2,483,250,000	2,598,750,000

CHAIRMAN'S REVIEW

I am pleased to present the annual report and the audited financial statements for the year ended 31st March 2020. During the financial year under review your company faced two major unforeseen events occurring in succession resulting in unprecedented challenges for the local as well the global travel and tourism industry.

GLOBAL TOURISM

International tourist arrivals grew 4% in 2019 reaching 1.5 billion arrivals according to the United Nations World Tourism Organization (UNWTO). All regions showed positive growth in tourist arrivals with the strongest growth being recorded in the Middle East (+8%) and Asia Pacific (+5%) regions.

However, with the rapid escalation of the COVID-19 outbreak to a global pandemic, the entire world economy and specially the global travel and tourism industry was disrupted with stringent containment measures such as lockdowns, travel restrictions, airport closures and border closures implemented locally and globally. Given these unprecedented measures taken to contain the COVID-19 pandemic, UNWTO is estimating international tourist arrivals to decline by 60% - 80% in 2020.

SRI LANKA TOURISM

In the aftermath of the 'Easter Attacks', the Sri Lanka Tourism industry went through a sharp downturn due to bookings cancellations, flight cancellations, and the imposition of adverse travel advisories by almost all the major tourist source markets due to security concerns surrounding Sri Lanka. This resulted in Tourist Arrivals to Sri Lanka declining by 420,094 (-18%) arrivals in 2019 reaching only 1,913,702 arrivals compared to 2,333,796 arrivals recorded in 2018.

Despite this setback, the industry was in a recovery mode due to the aggressive promotional strategies and the combined efforts of all its stakeholders. This is evident through the month-on-month improvement in tourist arrival numbers upto December 2019, with the peak month of December 2019 dropping only by 4.5% vis-à-vis December 2018.

Arrivals from all major markets witnessed a decline in 2019, however, tourist arrivals from Russia saw a sharp increase growing by 34.2%, whilst tourist arrivals from China declined steeply by 36.9%. India continues to remain the largest tourist source market for Sri Lanka followed by United Kingdom, China and Germany.

Earnings from tourism declined by 18% in line with the decline in tourist arrivals to US$ 3.6 billion in 2019 compared US$ 4.4 billion recorded in 2018.

GLOBAL COVID-19 PANDEMIC

Starting from the beginning of 2020, tourist arrivals to Sri Lanka witnessed a declining trend with the escalation of the COVID-19 outbreak across the world. In February, tourist arrivals from China saw a sharp drop of more than 90%, which is a significant source market segment for the hotel portfolio of your company. On the 11th of March, the World Health Organization declared COVID-19 a global pandemic resulting in unprecedented border control measures across the world that brought global tourism to a sudden halt, impacting the 4th quarter earnings which otherwise is the best performing quarter in a financial year.

Starting from mid-March 2020, following the identification of COVID-19 patients in Sri Lanka, the Government declared a state of "work from home" for the general public. These measures were further strengthened from 20th March 2020 onwards, where an island-wide curfew was imposed excluding certain services that were categorized as essential. As a further measure, the international airport was also closed for all inward international commercial passenger flights from 19th March 2020.

The COVID-19 pandemic and the containment measures taken (Locally and Globally) to prevent its spread, have impacted the Travel and Tourism Industry the hardest. Zero tourist arrivals have been recorded since April 2020 and there is still no definite timeline in place on the reopening of the airport for tourists. The resultant impact of the pandemic on the business of the Company is unprecedented, as it has affected all streams of income generation.

A resumption in domestic travel and tourism has initially started within local borders albeit in a price competitive market due to the many options available for local travelers, as Sri Lanka was successful in managing the spread of the COVID -19 virus due to the leadership of H.E. President of Sri Lanka and the measures taken by the taskforce on prevention of COVID-19 outbreak. Therefore, your company is currently dependent on local tourism, banquets, events and the restaurant business segments as the hotels in Kandy operate a City Centric business model.

PERFORMANCE REVIEW

The Kandy Hotels Company (1938) PLC (KHC)

The KHC at a Company level recorded a total revenue of Rs 410.7 million for the financial year ended 31st March 2020 compared to Rs 703.5 million recorded last year, a sharp decline of 41.6% due to the challenging external environment witnessed during the financial year.

As a result, Company operating profit for the year under review also declined to Rs.33.7 million, compared Rs 224.6 million recorded last year. Company Net Profit for the year under review was Rs 26.9 Million, compared to Rs 175.4 million in FY 2018/2019. The reduction can be mainly attributed to the drop in gross profit from Rs 495.3 million during the previous financial year to Rs 274.2 million as a result of the sharp decline in Revenue. Stringent cost control measures were implemented during the financial year in order to improve on the cost efficiency of the overall business operation and these measures were further strengthened with the escalation of the COVID-19 pandemic.

The Group performance of KHC recorded a net loss of Rs. 72.5 million for the year under review (which includes the share of loss from the joint venture Suisse Hotel Kandy (Pvt) Limited), compared to a net profit of Rs. 125.6 million recorded during the previous financial year.

Suisse Hotel Kandy (Pvt) Ltd

Suisse Hotel Kandy (Pvt) Limited operates the OZO Hotel in Kandy. The property has recorded a loss of Rs 198.5 million during the FY 2019/2020. This loss is a consequence to the decline in Revenue by 51% that occurred during the financial year due to the above mentioned external environmental challenges faced by the tourism industry.

OUTLOOK

Given the severity of the COVID-19 pandemic, the outlook for the financial year 2020/ 2021 is negative with the financial performance projected to see a sharp decline due to low levels of occupancies as the borders continue to be closed for tourists. Future industry prospects will remain challenging as a resumption of global travel and tourism is dependent on multiple external factors such as the continuous containment of the virus, prevention of any reemergence through second waves, lifting of border restrictions, and removal of requirement for quarantine during a tourist visit and / or after returning to a tourists' home country. All the above factors will drive the decision making process of tourists prior to making any future plans about global travel.

Therefore, until a concrete solution in terms of a vaccine is found and international travel restrictions are eased, your Company will continue to focus on the domestic travel segment. However, the domestic travel segment is also vulnerable to any resurgence in COVID-19 within Sri Lanka, therefore your company continues to operate a lean business model to navigate through these uncertain period. The Company has also positioned itself for a change in hospitality trends, where customers are prioritizing health, safety and hygiene standards as a core part of their expectations. Given our decades long experience in the hospitality industry we are committed to adapting our business model to align with these changing hospitality trends.

APPRECIATION

The Company is thankful to the leadership of H.E. President of Sri Lanka, the taskforce on prevention of COVID-19 outbreak, and is mostly grateful to the healthcare providers, tri-forces, police and all other authorities for their tireless efforts and the sacrifices made to manage this unprecedented crisis.

I also wish to thank my fellow Directors for their guidance and counsel and thank the associates of the Company for their endurance and cooperation during these very challenging times.

The Company is also grateful to the timely financial support provided by the Central Bank of Sri Lanka post Easter Attacks and at the start of the COVID – 19 pandemic through debt moratoriums and working capital support.

I also would like to thank our valued Guests, Travel Agents, Suppliers, Bankers, Auditors, and our Secretaries for the invaluable support at all times.

Finally, a special word of thanks goes to our Shareholders for their continued trust and confidence placed on the Board as we navigate an unprecedented challenging year in the leisure and travel industry.

(Sgd.)
Sanjeev Gardiner
Chairman

11th November 2020

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.

He is the Chairman and Chief Executive Officer of the Gardiner Group of Companies which includes the Galle Face Hotel Co Limited, Galle Face Hotel 1994 (Pvt) Ltd, Ceylon Hotels Holdings (Pvt) Ltd (holding Co of Ceylon Hotels Corporation PLC), The Kandy Hotels Company (1938) PLC and United Hotels Co Limited which owns the The Surf (Bentota), The Safari (Tissa) and The Lake – (Polonnaruwa). He is also the Chairman of Ambeon Capital PLC, Ambeon Holdings PLC, and Millennium I.T. E.S.P. (Pvt) Ltd and is a Director on the Board of Dankotuwa Porcelain PLC, among its other companies. He is also a Director of Cargills (Ceylon) PLC since 1994 and has been a senior Director of Ceylon Hotels Corporation PLC since 1996.

Mr. Gardiner counts over 30 years of management experience in a diverse array of business. He holds a Bachelor's Degree in Business from the Royal Melbourne Institute of Technology, Australia and, a Bachelor's Degree in Business (Banking and Finance) from Monash University, Australia.

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 other charitable institutions.

MR. CHARITHA RATWATTE

Mr. Ratwatte was appointed to the Board of The Kandy Hotels Company (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 as the Secretary to the Ministries of Finance & Treasury, Policy Development & Implementation, Youth Affairs & Employment, Manpower Mobilization 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 is a Director of Sri Lanka Business Development Centre and serves on the Boards of several other organizations.

Mr. Ratwatte had also been the Senior Advisor to the former Prime Minister, Hon. Ranil Wickramasinghe from 2015 to 2019.

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 42 years and a Director of all Group Companies for over 4 decades, Mr. Samarasinghe is the longest serving Director of the Company and counts for over 50 years of Management experience. He possess a wealth of knowledge and has proven to be an invaluable member of the Company.

Mr. Samarasinghe served as an Executive Director of Autodrome PLC for a period of 20 years 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 15 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. Maddumage 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 27 years of Finance Management experience.

He is a Fellow 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. Maddumage serves as a Director in all subsidiary Companies of Ceylon Hotels Corporation PLC.

Currently, Mr. Maddumage is the 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. Gunathilleke was appointed to the Board of The Kandy Hotels Company (1938) PLC in November 2011.

He is a Graduate of the Faculty of Engineering, University of Peradeniya and a former Lecturer in Project Management at the Sri Lanka Institute of Architecture. Mr. Gunathilleke possess 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 UK 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. Gunathilleke presently serves as the CEO of Sanken Group and the Chamber of Construction Industry in Sri Lanka.

MR. NAHIL WIJESURIYA

Mr. Wijesuriya was appointed to the Board of The Kandy Hotels Company (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 Company(1938) PLC in September 2004. He has an extensive background in the hotel industry with over 43 years of management experience and is acknowledged to be one of the most senior and respected professionals in the Sri Lankan hotel industry.

Having had his initial training with Inter-Continental Hotels in Australia Mr. Mohotti began his career at the Hotel Ceylon Inter – Continental; 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 many of Hotel disciplines in several countries.

When the Marriott succeeded the Meridian in Colombo, Mr. Mohotti was retained as its Executive Assistant Manager. Mr. Mohotti thereafter held 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 PLC, Chairman of the Sri Lanka Institute of Tourism & Hotel Management, Chairman of the Tourism and Hospitality Industry Skills Council and Chairman of Waters Edge.

Whilst having been the Senior Vice President of the Galle Face Hotel Management Company, Mr. Mohotti assists the Chairman Mr. Sanjeev Gardiner as the Executive Director of “The ISN Gardiner CKDu” Fund, a non-profit organization with a mission to provide relief to patients suffering from Chronic Kidney Disease.

MR. PRADEEP NILANGA DELA

Mr. Nilanga Dela was appointed to the Board of The Kandy Hotels Company (1938) PLC in July 2006 and has served as a as a Non-Executive Director of the Company for 14 years.

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

MR. SHALIKE KARUNASENA

(Alternate Director)

Mr. Shalike Karunasena presently serves as the Group Chief Financial Officer of the Galle Face Group of Companies. Mr. Karunasena has over 20 years of experience in Financial Management, Treasury and Strategy in the fields of , Commodities Trading, Overseas Plantations, Refining & Manufacturing and Leisure/Hospitality with over 15 years of Senior Management experience functioning within the South East Asian Region. He is a Fellow of the Chartered Institute of Management Accountants, UK.

MANAGEMENT DISCUSSION AND ANALYSIS

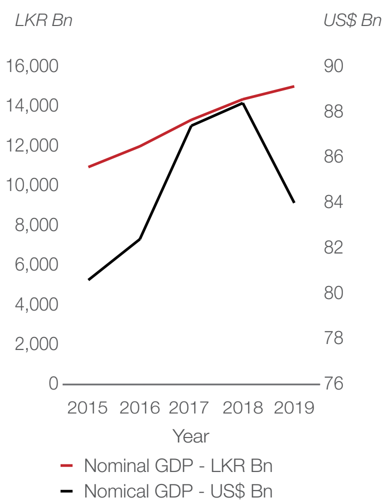
ECONOMIC ENVIRONMENT

Sri Lankan Economy

Gross Domestic Product

Total Gross Domestic Product (nominal) of Sri Lanka crossed the Rs. 15 trillion mark in 2019 albeit the real GDP growth rate slowed down further to 2.3% from 3.3% recorded in 2018. The Agriculture sector witnessed a sharp slowdown with a growth rate of 0.6%, whereas the industry and the services sectors grew at 2.7% and 2.3% respectively. However, the GDP measured in US$ indicated a negative growth rate, with total GDP (nominal) declining from US$ 88.4 billion to US$ 84.0 billion. The per capita GDP has also declined accordingly, dropping to US$ 3,852 from US$ 4,079. This was primarily due to the rapid depreciation in the Sri Lanka Rupee in 2019 where the annual average US$ to LKR rate increased from 162.54 in 2018 to 178.78 in 2019, which was an increase of 10%.

Gross Domestic Product (Nominal)



COVID-19 IMPACT ON GDP

The Sri Lankan economic output, worker remittances, exports and earnings from tourism are expected to be adversely affected due to the impact from the global COVID-19 pandemic. The stringent lock down measures that were imposed as a response to contain the pandemic has resulted in a slowdown in economic activity specially from March 2020 onwards.

Trade Account, Worker Remittances and Tourism Earnings

Total imports to the country decreased by 10.3% from US$ 22.23 billion in 2018 to US$ 19.94 Bn in 2019. However, total exports from Sri Lanka grew marginally by 0.4% from US$ 11.89 billion in 2018 to US$ 11.94 billion in 2019. As a result, the trade deficit reduced by US$ 2.35 billion from US$ 10.34 billion to US$ 7.99 billion.

However, earnings from tourism were adversely affected after the Easter Attacks, with a decline of 17.7% from US$ 4.4 billion in 2018 to US$ 3.60 billion in 2019. Worker Remittances also followed a similar trend with inflows amounting to US$ 6.72 billion in 2019 compared to US$ 7.02 billion in 2018.

Given the COVID-19 pandemic, demand for export products such as textiles and garments from major markets such as the USA and EU witnessed a decline, however overall export earnings have remained resilient specially during the period from July 2020 – Sep 2020, supported by export earnings from rubber based products, coconut-based products, tea and other agri products. Inflows from worker remittances have also remained at a healthy level despite the drop in crude oil prices and job layoffs taking place globally. Tourism is one of the hardest hit industries with a sharp decline in earnings as unprecedented travel restrictions are put in place as a containment measure to slow the spread of the virus.

Interest Rates

The policy interest rates of the Central Bank of Sri Lanka have come down since March 2019 with the slowdown experienced in the beginning of 2020 being a key factor. The standing deposit facility rate dropped from 8% to 4.5% by July 2020. Similarly, the standing lending facility rate declined from 9% to 5.5%. This relaxing of monetary policy was further supported with the Bank rate being reduced to 8.5% (July 2020) from 15% in March 2019 and the statutory reserve requirement was reduced from 5.0% in March 2019 to 2.0% by June 2020.

The average weighted prime lending rate (AWPR) also followed suit with a year on year drop of 299 basis points from March 2019 (12.23%) to March 2020 (9.35%).

INDUSTRY ENVIRONMENT

Sri Lanka Tourism

Total Arrivals from January to December 2019 declined to 1,913,702 tourists from 2,333,796 recorded in 2018, which was a 18% decline. The primary reasons for the decline was the adverse industry impact that resulted from Easter Attacks, which resulted in bookings cancellations, flight cancellations and travel advisories. Despite this setback, the industry was in recovery mode from the second half of 2019, due to the aggressive promotional strategies and the combined efforts of all its stakeholders although in a price discounted environment.

Unfortunately, the recovery got disrupted from the beginning of 2020, with the escalation of the COVID-19 outbreak across the world. In February, tourist arrivals from China saw a sharp drop of more than 90%, which is a significant source market segment for the hotel portfolio of your company. The movement in tourist arrivals during the financial year is depicted in the below table.

	Arrivals	YoY Change
2019 January	244,239	2%
2019 February	252,033	7%
2019 March	244,328	5%
2019 April	166,975	-7%
2019 May	37,802	-71%
2019 June	63,072	-57%
2019 July	115,701	-47%
2019 August	143,587	-28%
2019 September	108,575	-27%
2019 October	118,743	-22%
2019 November	176,984	-10%
2019 December	241,663	-5%
2020 January	228,434	-6%
2020 February	207,507	-18%
2020 March	71,370	-71%

Source: SLTDA

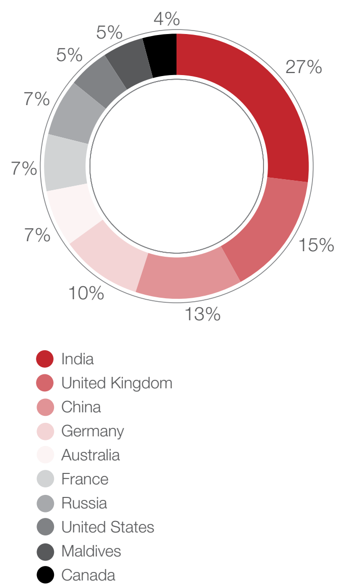
Tourist Arrivals by Country of Residence

India continued to remain as the single largest contributor of tourists to Sri Lanka followed by UK and China. Almost all the top ten tourist source markets showed a decline in arrivals during 2019 with the exception being Russia, which showed a strong performance with a growth of 34% in total tourist arrivals. China dropped from being the second largest source market to the third position as tourist arrivals from China continued to slow down declining by 37% during the year.

The overall decline from the top ten markets was inline with the total decline in tourist arrivals at 18% and the composition of tourist arrivals from the top 10 markets continue to remain at 68% of tourist arrivals which is the same as 2018.

	2018	2019	YOY Change
India	424,887	355,002	-16%
United Kingdom	254,176	198,776	-22%
China	265,965	167,863	-37%
Germany	156,888	134,899	-14%
Australia	110,928	92,674	-16%
France	106,449	87,623	-18%
Russia	64,497	86,549	34%
United States	75,308	68,832	-9%
Maldives	76,108	60,278	-21%
Canada	52,681	48,729	-8%
Top Ten Markets	1,587,887	1,301,225	-18%
Top 10 markets % of Total Arrivals	68%	68%	
Total Arrivals	2,333,796	1,913,702	-18%

Market Share of Top Tourist Source Markets:



Tourism Earnings

Tourism earnings recorded a negative growth rate of 17.7% in 2019 recording US$ 3.6 Bn compared to US$4.4 Bn recorded in 2018. Tourism earnings are expected to decline sharply in 2020 as tourist arrivals have stalled due to the travel restrictions and lockdown measures that are in place to contain the spread of the COVID-19 pandemic. Given that tourism earnings accounted for 4.3% of Gross Domestic Product in 2019 and has a multiplier effect, loss in tourism earnings have negatively impacted the overall economic activity levels in Sri Lanka.

Room Supply

As per the Sri Lanka Tourism Development Authority (SLTDA) there were 2,619 registered establishments providing tourist accommodation with a total room inventory of 40,365. However, as per industry sources, this number could be greater due to the many unregulated establishments that are yet to be brought under SLTDA registration, which presents many challenges for the registered tourist accommodation providers.

MANAGEMENT DISCUSSION AND ANALYSIS

Employment in Tourism

The industry continues to be an integral part of the Sri Lankan economy providing employment to 402,607 people as at 2019 with 173,592 being directly employed and 229,015 being indirectly employed as per the Sri Lanka Tourism Development Authority. Given that Sri Lanka had a labor force of 8.18 million as at the 4th quarter of 2019 (Source: department of census and statistics), the tourism industry accounts for 4.9% of the total labour force.

OVERVIEW OF FINANCIAL AND OPERATIONAL PERFORMANCE

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

Kandy Hotels Company (1938) PLC

Revenue

KHC at a Company level recorded a total revenue of Rs 410.7 million for the financial year ended 31st March 2020 compared to Rs 703.5 million recorded last year, a sharp decline of 41.6%. Company performance was adversely affected due to two major factors, 1) Drop in tourist arrivals after the Easter Attacks and 2) the Global COVID-19 pandemic which impacted the 4th quarter earnings.

Room revenue of the company decreased from Rs 350 million in FY 2019 to Rs. 198.7 million in FY 2020, which is a decline of 43.3%.

The food revenue decreased from Rs 247.0 million to Rs 110.8 million, where as the beverage revenue decreased from Rs 49.4 million to Rs 26.2 million. Banquet operations recorded a revenue of Rs 42.3 million compared to Rs 18.7 million recorded during the previous financial year.

Revenue Composition

	Queens	Hotel Suisse
Room Revenue	47%	50%
Food Revenue	27%	27%
Beverage Revenue	6%	7%
Banquet Revenue	6%	15%
Other Income	14%	1%

Operating Performance

The Gross Profit of the company dropped from Rs 495.3 million to Rs 274.2 million on a year on year basis with the gross profit margin dropping from 70.4 % to 66.8 % in FY 2020.

Administrative expenses declined from Rs 245.5 million to Rs 221.5 million as stringent cost control measures were implemented during the financial year in order to improve the cost efficiency of the overall business operation and these measures were further strengthened with the escalation of the COVID -19 pandemic. Selling and marketing expenses reduced from Rs 25.4 million to Rs 19.6 million.

Accordingly, Company operating profit for the year under review also declined to Rs.33.7 million, compared to Rs 224.6 million recorded last year. Company Net Profit for the year under review was Rs 26.9 Million, compared to Rs 175.4 million in FY 2018/2019. The Group performance of KHC recorded a net loss of Rs. 72.5 million for the year under review (which includes the share of loss from the joint venture Suisse Hotel Kandy (Pvt) Limited), compared to a net profit of Rs. 125.6 million recorded during the previous financial year.

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

Suisse Hotel Kandy (Pvt) Limited amounted to a loss of Rs 198.5 million during FY 19 / 20, with the share of loss to KHC amounting to Rs 99.3 million. This loss is attributable to the decline in Revenue by 51% that occurred during the financial year which reflects similar external challenges faced by the other two hotels during the financial year.

FINANCIAL POSITION

Total Assets

The total assets of the group increased from Rs 8.3 billion to Rs 9.4 billion during the financial year, due to the gains of Rs 1.26 billion that resulted from the revaluation of Kandy properties.

Borrowings

Total interest bearing borrowings of the company as at 31st March 2020 was Rs 636.4 million compared to Rs 645.2 million during the previous financial year. The debt to equity ratio was 7.9 % as at the financial year end vis a vis 9.2 % during FY 2018/2019. The Company availed itself of the Capital and Interest debt moratoriums along with working capital support of Rs 50 million as per the directions of the Central Bank of Sri Lanka post Easter Attacks, from April 2019 to March 2020, which got extended by another year as a part of the concessions granted during the beginning of the COVID-19 pandemic in 2020.

Net Assets of the company increased to Rs 8 billion as at 31st March 2020 compared to Rs 7 billion during the previous financial year as a result of the revaluation gain on Kandy properties.

OUTLOOK

Impact from the COVID-19 global pandemic

The outlook for the financial year 2020/ 2021 is negative with the financial performance projected to see a sharp decline. This situation will continue until borders remain closed for tourists.

Therefore, until a concrete solution in terms of a vaccine or treatment is found international travel restrictions are unlikely to return to normalcy. The Kandy Hotels Company (1938) PLC continues to rely on the domestic travel segment during this uncertain phase which also presents several challenges as the domestic travel segment is also vulnerable to any resurgence in COVID-19 within Sri Lanka.

Given these market conditions, the Company continues to operate a lean business model whilst also prioritizing on health, safety and hygiene standards which is a core part of traveler expectations.

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 2020 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 AND ITS SUBSIDIARIES

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

2. ANNUAL REPORT

The Board of Directors on 11th November 2020, approved the Company's Audited Financial Statements together with the reviews which form part of the Annual Report. The appropriate number of copies of the Report would be submitted to the Colombo Stock Exchange, Sri Lanka Accounting and Auditing Standards Monitoring Board and the Registrar General of Companies within the given time frames.

3. REVIEW OF THE YEAR

Chairman's Review and the Management Discussion and Analysis on pages 03-04 and 08-10 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 Highlights on page 02 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 or loss and other comprehensive income, statement of financial position, statement of changes in equity, statement of cashflows and the notes to the financial statements of the Company & Group for the year ended 31st March 2020 and are prepared in compliance with the requirements of section 151 of the Companies Act No. 7 of 2007 are given on pages 32 - 81 in this annual report.

5. FINANCIAL RESULTS

The net profit before tax of the Company was Rs. 34.2 Mn on a turnover of Rs. 410.6 Mn for the year ended 31st March 2020 compared to net profit before tax Rs. 206.7 Mn on a turnover of Rs. 703.4 Mn in 2018/2019.

	Group		Company	
For the year ended 31st March	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Profit (loss) for the year	(72,550)	125,625	26,871	175,443
Profit brought forward from previous year	1,054,595	960,444	1,214,024	1,070,055
Adjustment on initial application of SLFRS 09	-	(4,679)	-	(4,679)
Other comprehensive income	(173)	37	(173)	37
Dividends	-	(57,787)	-	(57,787)
Transfer of excess depreciation on revaluation	31,998	30,955	31,998	30,955
Retained earnings carried forward	1,013,870	1,054,594	1,272,720	1,214,024

6. AUDITORS' REPORT

The Auditors' Report on the Financial Statements is given on pages 29 - 31 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 38 - 51 of the Annual Report. There were no changes in accounting policies adopted by the Company during the year under review other than those disclosed 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.

9. STATED CAPITAL AND RESERVES

The Company's stated capital as at 31st March 2020 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. 7,910 Mn as at 31st March 2020. (2019 : Rs. 6,954 Mn).

10. SHAREHOLDERS' FUND

Total reserves of the Company as at 31st March 2020 was Rs. 8,041 Mn (2019: Rs. 7,005 Mn) comprising of retained earnings of Rs. 1,273 Mn (2019: Rs. 1,214,Mn) and other reserve of Rs. 6,751 Mn (2019: Rs. 5,775 Mn). Total reserves combined with Stated Capital as at 31st March 2020 was Rs. 8,041 Mn (2019: Rs. 7,005 Mn) The movements are shown in the Statement of Changes in Equity given on pages 34-35.

11. EFFECT OF COVID 19 ON THE BUSINESS AND OPERATIONS

The tourist arrivals to Sri Lanka dropped by 70.8% in March 2020 vis a vis March 2019 as almost all countries imposed travel restrictions and the government of Sri Lanka imposed various travel restrictions and guidelines for the tourism sector. Zero to low levels of arrivals are expected until these measures are relaxed. The outlook for the financial year 2020/ 2021 is negative with the financial performance projected to see a sharp decline. Prospects in the medium term also remain challenging as a resumption of global travel and tourism is dependent on multiple external factors such as the successful containment of the virus, reduced risks of a second wave, lifting of border restrictions without the need to get quarantined and an appetite towards global travel. A resumption in travel and tourism has started within local borders prior to the commencement of any international travel. Therefore, the industry would have to depend on the local travel and leisure market until global travel returns to normalcy.

The Group is also gearing itself for a change in hospitality trends, where customers will prioritize health, safety and hygiene standards as a core part of their expectations. Further, we are actively looking at realigning the leisure assets to explore new opportunities that could provide alternative streams of revenue in the short term and is also evaluating options to align its leisure properties to better serve guests in a transformed world.

The Company's businesses have been stress tested under multiple scenarios to determine their ability to sustain with available cash resources and banking facilities.

The board obtained debt service moratoriums for the existing loans of the Company from the bankers in line with concessions announced by the Central Bank of Sri Lanka. The Company also obtained Working Capital Loans under the same scheme.

12. GOING CONCERN

The Board of Directors has made an assessment of the Group's ability to continue as a going concern considering all the current internal and external environmental factors including the business impact on the overall tourism industry due to the impact of Easter Sunday attacks and the Covid-19 pandemic.

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.

13. PROPERTY PLANT AND EQUIPMENT

The Company has spent Rs. 26.1 Mn 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 Statements.

14. MARKET VALUE OF PROPERTIES

Freehold land and Building were revalued by an independent professional valuer in the current financial year. The valuation basis/techniques and the assumptions used there in have been deliberated and agreed by the Management. The carrying value of freehold land and building reflected in the Financial Statements as at 31st March 2020 is Rs. 7,306 Mn.

The details of freehold land and building valuation are given in Note 13.2 and 13.3 on page 60 to the Financial Statements.

15. INVESTMENTS

Details of long-term Investments held by the Company are given in Note 17 to the financial statements on pages 63 - 64.

16. STATUTORY PAYMENTS

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

17. CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

The Contingent liabilities and capital commitment made on account of capital expenditure as at 31st March 2020 are given in Note 33. to the Financial Statements.

18. POST BALANCE SHEET EVENTS

There are no significant events that have occurred after the balance sheet date Other than disclosed in Note 32 to the financial statements which would have any material effect on the Company that require adjustments.

19. DIRECTORS AS AT 31 MARCH 2020

The Board of Directors of The Kandy Hotels Company (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 pages 05 - 07 of the Annual 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 Sussie Hotel (Pvt) Ltd as at 31st March 2020 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 Priyantha Maddumage retires in terms of Article 91 of the Articles of Association.

Mr. Lakshman Samarasinghe, Mr. Lakshman Sirimanne, Mr. Nahil Wijesuriya, Mr. Chandra Mohotti and Mr. 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 Chartitha Ratwatte, Nahil Wijesuriya, Ranjith Gunatilleke and Pradeep Nilanga Dela have completed 09 years as Independent Non-Executive Directors. The Board of Directors at its meeting held on 11th November 2020 assessed the status of the four 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 25 - 27 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. Mr. Ranil Pathirana

The report of the Audit Committee on page 25 set out the manner of compliance by the Company in accordance with the requirements of the Rule 7.10.6 (c) of the Rules of the Colombo Stock Exchange on Corporate Governance.

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 27 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 2019/2020.

The Related party transactions review committee report is given on page 26 on this Annual Report.

20.3.1 Non-Recurrent Related Party Transactions

There were no non recurrent related party transaction occurred during the financial year 2019/2020.

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 2020 are disclosed under Note 31 on pages 77 to 79 to 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 riles of the Colombo Stock Exchange pertaining to Related Party Transactions during the Financial year ended 31st March 2020. The Directors declare that there were no related party transactions required to be disclosed under the listing riles of CSE other than as disclosed under Note 31 to financial statement.

21. DIRECTORS DEALINGS WITH THE SHARES OF THE COMPANY:

Directors shareholding in the company as at 31st March 2020 are as follows:

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

As at 31st March 2020, there were 1,994 registered ordinary shareholders. The number of ordinary shares held by the public as per the Colombo Stock Exchange rules as at 31st March 2020 was 159,528,816 shares equivalent to 27.62%.

22. INTEREST REGISTER

In terms with the Companies Act No.07 of 2007, the company maintained an Interest Register and the entries have been made therein. All related party transactions during the period are recoded 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 31 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 shareholders for both ordinary and preference shares, percentages of their respective holdings as at 1st April 2019 and 31st March 2020, are given in the section on "Investor on Information" on pages 82 - 84.

27. SHARE INFORMATION AND INFORMATION ON EARNINGS, DIVIDEND, NET ASSETS AND MARKET VALUE

Information relating to earnings, dividend, net assets and market value per share is given in "Financial Highlights" on page 02 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 Pages 82 - 84.

28. CONTRIBUTIONS TO CHARITY

The sum of contributions made to charities by the company during the financial year ended 31 March 2020 does not exceed Rs. 241,095 (2019 : Rs. 1,131,511).

29. MATERIAL FORESEEABLE RISKS

Risk Management is embedded in the day to day management of the Company and 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 employees 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 relations with employees and other stakeholder groups within the market place. Accordingly material issues that can substantially affect the company it's sustainability over the short, medium and long terms are determined through a process and actions are taken accordingly.

31. AUDITORS RELATIONSHIP

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

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

32. ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on 11th December 2020 at 10.00 am via audio visual technology.

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.)
Lakshman Sirimanne
Director

(Sgd.)
By Order of the Board,
Accounting Systems Secretarial Services (Private) Limited,
Secretaries to the Company,

11th November 2020

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 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 the 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, 2020, 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 11th November 2020 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 2020, 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,

11th November 2020

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's 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

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 05 - 07.

Board composition and Director's Independence as at 31st March 2020

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 regularly to discuss company's performance and evaluate its strategic direction. There were three 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)	1/3
Mr. Charitha Ratwatte	3/3
Mr. Lakshman Samarasinghe	3/3
Mr. Priyantha Maddumage or his Alternate Director	3/3
Mr. Lakshman Sirimanne	2/3
Mr. Ranjith Gunatilleke	2/3
Mr. Nahil Wijesuriya	0/3
Mr. Chandra Mohotti	3/3
Mr. Nilanga Dela	0/3

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 subcommittee 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 27 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 16 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.

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 25 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 tries to 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 27 of the Annual Report.

Related Party Transactions Review Committee

The composition of Related Party Transactions Review Committee and the committee report is detailed out in page 26 of the Annual Report.

Related Party Transactions are reviewed by the Related Party Transaction Review Committee on a quarterly basis.

Committee updates 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 13
(ii)	Principal activities of the entity and its subsidiaries during the year, and any changes therein	Page 11
(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 84
(iv)	The public holding percentage	Page 83
(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 14
(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 2019/20	Note No.29 - 30 of Annual Report of the BOD and Management Discussion And Analysis on pages 8 - 10
(vii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties	Page 60
(viii)	Number of shares representing the Entity's stated capital	Page 67
(ix)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Page 82
(x)	Financial ratios and market price information	Pages 83 and Page 2
(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 58 - 61
(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	Pages 17 - 24
(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	Pages 76 - 77

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.

Section	Requirement	Compliance Status	Reference
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, Ranjith Gunatilleke, 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. 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 pages 05 - 07 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 profile.
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 27 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.
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 27 of this report. Directors were not remunerated during the year.

Section	Requirement	Compliance Status	Reference
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 04 members. Independent Non-Executive Directors and one Non Independent Non-Executive Director. Report of the Audit Committee is given on page 25 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 25 of the Annual Report describes the scope performed by the committee during the year under review.
7.10.6(c)	The names of the directors (or persons in the parent company's committee in the case of a group company) comprising the audit committee should be disclosed in the annual report. The committee shall make a determination of the independence of the auditors and shall disclose the basis for such determination in the annual report. The annual report shall contain a report by the audit committee, setting out the manner of compliance by the Entity in relation to the above, during the period to which the annual report relates.	Complied	Name of the directors on the Audit committee is given on page 25 of the Annual Report. Audit Committee report is given on page 25 of the report. Statement of Auditors independence is disclosed in page 25 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 26 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 transactions 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.	Note	Attendance of the Related Party Transactions Review Committee is given on page 26 of the Annual Report under Related Party 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	Required disclosures have been made to CSE wherever necessary. Details of Related party transactions are disclosed on note 31 to the Financial Statements.
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	Please refer note 31 to the financial statements on pages 75 - 77.

Section	Requirement	Compliance Status	Reference
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 31 to the financial statements on pages 75 - 77.
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 26 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 on page 13 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 2019/20 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	1/3

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 2020 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 2021, 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

11th November 2020

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 2019/2020 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	1/3

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.

RELATED PARTY TRANSACTIONS DURING THE YEAR

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 2020 are disclosed under Note 31 on pages 75 - 77 to the Financial Statements as required in section 9.3.2 of the listing rules.

During the year, there were no non-recurrent or recurrent related party transactions that exceeded the respective thresholds mentioned in the Listing Rules requiring disclosure in the Annual Report. Details of other related party transactions entered into by the Company during the year is disclosed in Note 31 to the Financial Statements.

The activities and observations of the Committee are communicated to the Board.

DECLARATION

Declarations are obtained from each Key Management Personal (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

11th November 2020

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

11th November 2020

FINANCIAL REPORTS

INDEPENDENT AUDITOR'S REPORT

Building a better working world

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TO THE SHAREHOLDERS OF THE KANDY HOTELS COMPANY (1938) PLC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of The Kandy Hotels Company (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 31 March 2020, 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 31 March 2020, 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
Revaluation of land and buildings As at 31 March 2020, freehold land and buildings carried at fair value, amounting to Rs. 7,306,533,250/- which represents approximately 77% of the total assets of the Group. The fair value of such land and buildings was determined by external valuer engaged by the Group. The valuation of freehold land and buildings was considered as a Key Audit Matter due to the use of significant estimates such as per perch price and price per square feet as disclosed in note 13.3 to the financial statements.	Our audit procedures focused on the valuations performed by the external valuer engaged by the Group, and included the following: • Performed procedures to obtaining an understanding on the valuation process. • Assessed the competency, capability and objectivity of the external valuer engaged by the Group. • Read the external valuer's report and understood the key estimates made and approach taken by the valuer in determining the fair value. • Engaged our internal specialized resources to assist us in assessing the appropriateness of the valuation technique and reasonableness of per perch price and value per square feet; and • We have assessed the adequacy of the disclosures made in Note 13.3 to the financial statements relating to the valuation technique and estimates used by the external valuer.

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Key audit matter	How our audit addressed the key audit matter
Amounts due from related parties Amounts due from related parties include an interest-bearing loan receivable from Ceylon Hotels Corporation PLC which is the Parent company of the Group, amounting to Rs. 852,782,495/- (2019 – Rs. 865,751,033/-). The Group has earned Rs. 78,991,424/- (2019 – Rs. 73,318,465/-) of interest income on such receivables for the year ended 31 March 2020 as disclosed in note 7. Prevailing Covid-19 pandemic has significantly affected to the overall operations and financial status of the Group and the Parent company. Considering the magnitude of and the inherent risk associated with related party transactions and balances together with probable effects of the current pandemic on liquidity needs of the Group and Parent company, we considered this as a key audit matter.	Our procedures in relation to the completeness, Measurement, and disclosure of related party transactions included the following: • Evaluated the appropriateness of management's process for identifying and recording related party transactions. • Read loan agreement with related party to understand the nature, terms and conditions of the transactions. • Evaluated the consolidated financial status of the Parent company and compliance to the loan agreement by tracing those to financial statements and confirmation received from the Parent Company. • We corroborated the Group management's plan for settlements of related party balances by tracing those to cash flow forecasts of the Group. We assessed the adequacy of the related disclosures given in note 31 to the financial statements.
Management's assessment of implications of Covid-19 to the tourism industry and the Group Management has assessed the impacts of events which affected the tourism industry in Sri Lanka including the COVID-19 pandemic on its business and financial statements as disclosed in Note 2.6. Such events presented a unique set of circumstances, which preparers and those charged with governance must ensure are sufficiently disclosed in the financial statements. We considered such assessment, especially considering the continuing impact of the COVID-19 pandemic as a key audit matter, since the leisure sector in which the entity operates was directly impacted and such represented a significant consideration for users of the financial statements.	Our audit procedures included the following; • We assessed the appropriateness of disclosures made in Note 2.6 in the financial statements in the context of the Group's operations during the year. • We gained an understanding of Management's assessment of the continued impact of the COVID-19 pandemic on the operations of the Company and procedures adopted by the management to manage and mitigate the business interruptions. • We evaluated the Company's capability to meet its current operational obligations, via existing resources and access to funding.

Other Information included in the 2020 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:

- 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 1864.

Ernst & Young

11th November 2020
Colombo

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Group		Company	
Year Ended 31 March		2020	2019	2020	2019
	Note	Rs.	Rs.	Rs.	Rs.
Revenue	4	410,663,517	703,479,627	410,663,517	703,479,627
Cost of sales		(136,500,909)	(208,213,750)	(136,500,909)	(208,213,750)
Gross profit		274,162,608	495,265,877	274,162,608	495,265,877
Other operating income	5	482,003	52,580	482,003	52,580
Administrative expenses		(221,526,259)	(245,452,039)	(221,361,883)	(245,306,026)
Selling and marketing expenses		(19,596,558)	(25,411,419)	(19,596,558)	(25,411,419)
Operating profit		33,521,794	224,454,999	33,686,170	224,601,012
Finance expenses	6	(78,539,573)	(91,283,639)	(78,539,573)	(91,283,639)
Finance income	7	79,067,295	73,398,439	79,067,295	73,398,439
Net finance cost		527,722	(17,885,200)	527,722	(17,885,200)
Share of profit/(loss) of joint venture	16.2	(99,255,834)	(49,672,271)	-	-
Profit/(Loss) before tax	8	(65,206,318)	156,897,527	34,213,892	206,715,812
Tax expense	9	(7,343,202)	(31,272,479)	(7,343,202)	(31,272,479)
Profit/(Loss) for the year		(72,549,520)	125,625,048	26,870,690	175,443,333
Other comprehensive income/(loss)					
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:					
Revaluation of Freehold Land & Building	13.2	1,260,062,061	-	1,260,062,061	-
Actuarial gains / (losses) on defined benefit plans	26	(157,278)	43,451	(157,278)	43,451
Deferred tax effect on acturial gain or loss	25	22,019	(6,083)	22,019	(6,083)
Deferred tax on Revaluation of property, plant and equipment	25	(176,408,689)	-	(176,408,689)	-
Net change on equity instruments designated at fair value through other comprehensive income	17.1	(75,000,000)	-	(75,000,000)	-
Share of other comprehensive income of joint venture	16.2	20,136,904	(142,984)	-	-
Other comprehensive income/(loss) for the year, net of tax		1,028,655,018	(105,616)	1,008,518,113	37,368
Total comprehensive income for the year, net of tax		956,105,498	125,519,432	1,035,388,803	175,480,701
Profit and total comprehensive income attributable to:					
Entire profit and total comprehensive income is attributable to the equity holders of the parent.					
Basic/Diluted Earnings (Loss) per share	10	(0.13)	0.22	(0.05)	0.30
Dividend per share	11	-	-	-	0.1

The accounting policies and notes as set out in pages 38 to 81 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March	Note	Group 2020 Rs.	Group 2019 Rs.	Company 2020 Rs.	Company 2019 Rs.
Non-current assets					
Property, plant and equipment	13	7,523,969,574	6,300,284,951	7,523,969,574	6,300,284,951
Intangible assets	14	21,512,306	26,198,190	21,512,306	26,198,190
Investment in subsidiary	15	-	-	352,843,177	352,843,177
Investment in joint venture	16	222,421,100	301,540,029	-	-
Investment in equity securities	17	525,000,000	600,000,000	525,000,000	600,000,000
		8,292,902,980	7,228,023,170	8,423,325,057	7,279,326,318
Current assets					
Inventories	18	37,709,110	39,537,937	37,709,110	39,537,937
Trade and other receivables	19	61,956,809	111,238,048	61,956,809	111,238,048
Advances and prepayments	20	10,593,450	21,356,735	10,593,450	21,356,735
Amounts due from related companies	31.1	903,769,869	901,662,009	903,769,869	901,662,009
Cash and cash equivalents	21	130,692,879	11,794,950	130,587,233	11,753,928
		1,144,722,117	1,085,589,679	1,144,616,471	1,085,548,657
Total assets		9,437,625,097	8,313,612,849	9,567,941,528	8,364,874,975
EQUITY AND LIABILITIES					
Equity					
Stated capital	22	16,750,000	16,750,000	16,750,000	16,750,000
Retained earnings		1,013,870,177	1,054,594,410	1,272,720,519	1,214,024,543
Other component of equity	23	6,879,429,824	5,882,637,594	6,751,363,281	5,774,707,954
Total equity		7,910,050,001	6,953,982,004	8,040,833,800	7,005,482,497
Non-current liabilities					
Interest bearing loans & borrowings	24	629,844,118	525,299,999	629,844,118	525,299,999
Deferred tax liability	25	736,754,802	565,751,016	736,754,802	565,751,016
Retirement benefit obligations	26	4,280,891	4,920,264	4,280,891	4,920,264
Government grants	30	2,055,866	-	2,055,866	-
		1,372,935,677	1,095,971,279	1,372,935,677	1,095,971,279
Current liabilities					
Trade and other payables	27	98,849,662	101,455,641	98,642,296	101,317,273
Amounts due to related companies	31.2	21,183,433	10,947,458	20,923,433	10,847,458
Contract liabilities	28	9,507,732	15,870,030	9,507,732	15,870,030
Other current liabilities		4,066,811	6,853,336	4,066,811	6,853,336
Income tax liabilities	29	9,747,586	8,643,150	9,747,586	8,643,151
Government grants	30	4,112,604	-	4,112,604	-
Bank overdraft	21	7,171,590	119,889,951	7,171,590	119,889,951
		154,639,418	263,659,566	154,172,052	263,421,199
Total equity and liabilities		9,437,625,097	8,313,612,849	9,567,941,528	8,364,874,975

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

Janaka Ganegoda
Financial Controller

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

Lakshman Samarasinghe
Director

Lakshman Sirimanne
Director

The accounting policies and notes as set out in pages 38 to 81 form an integral part of these financial statements.

11th November 2020
Colombo

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March			Other Component of Equity			
Group		Stated capital	Fair Value Reserve of Financial Assets FVOCI	Revaluation reserves	Retained earnings	Total equity
	Note	Rs.	Rs.	Rs.	Rs.	Rs.
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						
Actuarial losses on defined benefit plans	26	-	-	-	43,451	43,451
Deferred tax effect on actuarial loss	26	-	-	-	(6,083)	(6,083)
Share of other comprehensive income attributable to joint venture	16	-	-	(142,984)	-	(142,984)
Total other comprehensive income for the year, net of tax		-	-	(142,984)	37,368	37,368
Total comprehensive income for the year, net of tax		-	-	(142,984)	125,662,416	125,662,416
Dividends - (15% Cumulative preference shares)		-	-	-	(37,500)	(37,500)
Dividends to equity holders - First and final 2016/2017		-	-	-	(57,750,000)	(57,750,000)
Transfer of excess depreciation on revaluation		-	-	(30,955,121)	30,955,121	-
Balance as at 31st March 2019		16,750,000		5,882,637,594	1,054,594,410	6,953,982,004
Net loss for the year		-	-	-	(72,549,520)	(72,549,520)
Other comprehensive income						
Acturial gains on defined benefit plans	26	-	-	-	(157,278)	(157,278)
Deferred tax on acturial gain	26	-	-	-	22,019	22,019
Revaluation of property , plant and equipment	23	-	-	1,260,062,061	-	1,260,062,061
Deferred tax effect on revaluation of property , plant and equipments	25	-	-	(176,408,689)	-	(176,408,689)
Net change on equity instruments designated at fair value through other comprehensive income	17	-	(75,000,000)	-	-	(75,000,000)
Dividends - (15% Cumulative preference shares)			-		(37,500)	(37,500)
Share of other comprehensive income attributable to joint venture		-	-	20,136,904	-	20,136,904
Total other comprehensive income for the year, net of tax		-	(75,000,000)	1,103,790,276	(172,759)	1,028,617,518
Total comprehensive income for the year, net of tax		-	(75,000,000)	1,103,790,276	(72,722,279)	956,067,999
Transfer of excess depreciation on revaluation		-	-	(31,998,046)	31,998,046	-
Balance as at 31 March 2020		16,750,000	(75,000,000)	6,954,429,824	1,013,870,177	7,910,050,001

Company	Note	Stated capital	Other Component of Equity Fair Value Reserve of Financial Assets FVOCI	Revaluation reserves	Retained earnings	Total equity
		Rs.	Rs.	Rs.	Rs.	Rs.
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						
Actuarial gains and losses on defined benefit plans	26	-	-	-	43,451	43,451
Deferred tax effect on actuarial loss	26	-	-	-	(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 2016/2017		-	-	-	(57,750,000)	(57,750,000)
Transfer of excess depreciation on revaluation		-	-	(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
Net profit for the year		-	-	-	26,870,690	26,870,690
Other comprehensive income						
Actuarial gains on defined benefit plans	26	-	-	-	(157,278)	(157,278)
Deferred tax effect on actuarial gain	26	-	-	-	22,019	22,019
Revaluation of property , plant and equipment	23	-	-	1,260,062,061	-	1,260,062,061
Deferred tax effect on revaluation of property , plant and equipments	25	-	-	(176,408,689)	-	(176,408,689)
Net change on equity instruments designated at fair value through other comprehensive income	17	-	(75,000,000)	-		(75,000,000)
Dividends - (15% Cumulative preference shares)		-	-	-	(37,500)	(37,500)
Total other comprehensive income for the year net of tax		-	(75,000,000)	1,083,653,372	(172,759)	1,008,480,613
Total comprehensive income for the year net of tax		-	(75,000,000)	1,083,653,372	26,697,930	1,035,351,303
Transfer of excess depreciation on revaluation		-	-	(31,998,046)	31,998,046	-
Balance as at 31 March 2020		16,750,000	(75,000,000)	6,826,363,281	1,272,720,519	8,040,833,800

The accounting policies and notes as set out in pages 38 to 81 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

Year ended 31 March	Note	Group 2020 Rs.	Group 2019 Rs.	Company 2020 Rs.	Company 2019 Rs.
Profit/(Loss) before tax		(65,206,318)	156,897,527	34,213,892	206,715,812
Adjustments for:					
Interest income		(79,067,295)	(73,398,439)	(79,067,295)	(73,398,439)
Depreciation of property, plant and equipment	13	62,489,478	61,976,856	62,489,478	61,976,856
Interest costs		78,539,573	91,283,639	78,539,573	91,283,639
Provision for impairment		1,533,581	7,328,742	1,533,581	7,328,742
Amortisation of intangible assets	14.2	4,787,884	4,500,662	4,787,884	4,500,662
Profit on disposal of property, plant and equipment		-	76,623	-	76,623
Share of results of equity accounted investee		99,255,834	49,672,272	-	-
Provision for retirement benefit plans	26	1,079,990	1,262,748	1,079,990	1,262,748
Operating profit before working capital changes		103,412,727	299,600,631	103,577,102	299,746,643
(Increase)/decrease in inventories		1,828,827	(4,057,148)	1,828,827	(4,057,148)
(Increase)/decrease in trade and other receivables		49,804,249	(7,585,433)	49,804,249	(7,585,433)
(Increase)/decrease in advances and prepayments		10,763,285	(11,732,951)	10,763,285	(11,732,951)
(Increase)/decrease in amount due from related parties		(17,132,989)	(3,708,455)	(17,132,989)	(3,708,455)
Increase/(decrease) in trade and other payable and contract liabilities		(9,005,773)	5,722,295	(9,074,774)	5,670,884
Increase/(decrease) in other current liabilities		(2,786,525)	1,868,616	(2,786,525)	1,868,616
(Increase)/decrease in amount due to related parties		10,235,975	(660,443)	10,075,975	(760,443)
Cash generated from/ (used in) operations		147,119,774	279,447,111	147,055,150	279,441,712
Finance cost paid		(78,539,573)	(91,283,639)	(78,539,573)	(91,283,639)
Income tax paid		(11,621,651)	(39,883,800)	(11,621,651)	(39,883,800)
Gratuity paid	26	(1,876,641)	(1,456,871)	(1,876,641)	(1,456,871)
Net cash flow from/(used in) operating activities		55,081,909	146,822,801	55,017,285	146,817,402
Cash flows from/ (used in) investing activities					
Interest received		79,067,295	73,398,439	79,067,295	73,398,439
Purchase and construction of property, plant and equipment	13.1.4	(26,112,041)	(13,564,037)	(26,112,041)	(13,564,037)
Acquisition of intangible assets	14	(102,000)	(1,354,581)	(102,000)	(1,354,581)
Proceeds from disposal of property, plant and equipment		-	61,830	-	61,830
(Increase)/decrease in interest bearing loans due from related parties		12,968,538	(78,729,553)	12,968,538	(78,729,553)
Net cash flow from/(used in) investing activities		65,821,792	(20,187,902)	65,821,792	(20,187,902)

		Group		Company	
Year ended 31 March		2020	2019	2020	2019
	Note	Rs.	Rs.	Rs.	Rs.
Cash flows from/ (used in) financing activities					
Dividend paid		-	(57,787,500)	-	(57,787,500)
Long term loan paid during the year	24.3	(10,300,000)	(74,700,001)	(10,300,000)	(74,700,001)
Long term loan obtained during the year	24.3	121,012,589	-	121,012,589	-
Net cash flow from /(used in) financing activities		110,712,589	(132,487,501)	110,712,589	(132,487,501)
Net Increase/(decrease) in cash and cash equivalents		231,616,290	(5,852,601)	231,551,666	(5,858,001)
Cash and cash equivalents at the beginning of the year		(108,095,001)	(102,242,400)	(108,136,023)	(102,278,022)
Cash and cash equivalents at the end of the year		123,521,289	(108,095,001)	123,415,643	(108,136,023)
Analysis of cash and cash equivalents					
Cash in hand and at bank		130,692,879	11,794,950	130,587,233	11,753,928
Bank overdrafts		(7,171,590)	(119,889,951)	(7,171,590)	(119,889,951)
Total cash and cash equivalents at the end of the year		123,521,289	(108,095,001)	123,415,643	(108,136,023)

The accounting policies and notes as set out in pages 38 to 81 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 General

The Kandy Hotels Company (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 31 March 2020 comprise the Company and its subsidiary (together referred to as "the Group").

The consolidated financial statements of the Group for the year ended 31 March 2020 were authorized for issue in accordance with a resolution of the Board of Directors on 11 November 2020.

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 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 31 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 and the investments in unquoted shares that are recognised at fair value through OCI.

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

The Group has applied SLFRS 16; Leases using modified retrospective approach during the year.

However, there were no material re-measurements were identified that would require restating the comparative information as there was no lease commitment for the Group.

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.

2.6 Effect of COVID 19 on the Business and Operations of the Group and Going Concern

A. Going Concern

The Board of Directors has made an assessment of the Group's ability to continue as a going concern considering all the current internal and external environmental factors including the business impact of the overall tourism industry decline due to the impact of Easter Sunday attack and Covid-19 pandemic and they as the company has financial strength and facilities do not intend either to liquidate or to cease trading.

B. Effect of COVID 19 on the Business and Operations

The tourist arrivals to Sri Lanka dropped by 70.8% in March 2020 vis a vis March 2019 as almost all countries imposed travel restrictions and the government of Sri Lanka also imposed various travel restrictions and guidelines for the tourism sector. Zero to low levels of arrivals are expected to remain until these measures are relaxed. The outlook for the financial year 2020/ 2021 is negative with the financial performance projected to see a sharp decline. Prospects in the medium term also remain challenging as a resumption of global travel and tourism is dependent on multiple external factors such as the successful containment of the virus, reduced risks of a second wave, lifting of border restrictions without the need to get quarantined and an appetite towards global travel. Further, it is expected that a resumption in travel and tourism to initially start within local borders prior to the commencement of any international travel. Therefore, the industry would have to depend on the local travel and leisure market until global travel returns to normalcy.

The Group is also gearing itself for a change in hospitality trends, where customers will prioritize health, safety and hygiene standards as a core part of their expectations. Further, we are actively looking at realigning the leisure assets to explore new opportunities that could provide alternative streams of revenue in the short term and is also evaluating options to align its leisure properties to better serve guests in a transformed world.

The COVID-19 pandemic and the containment measures taken (Globally) to prevent its spread, have impacted the Travel and Tourism Industry the hardest, with Global and Local travel coming to a grinding halt. The resultant impact of the pandemic on the business of the Company and its leisure assets is unprecedented, as it has affected all streams of income generation.

In response to current pandemic, the board having considered the lower occupancy levels and with any resumption of business depending on multiple external factors, the operations of the hotels have been hibernated to minimise the expense base and to conserve the cash position. Multiple cost saving initiatives have been undertaken at each of the hotels. The hotels have frozen all non-essential expenditure and have introduced stringent expense control measures. In addition, the Company has implemented payroll reductions starting at 10% and in some cases as high as 50% with individual employee consent. Further measures may and will have to be taken, depending on how the current crisis evolves.

The Company's businesses have been stress tested under multiple scenarios to determine their ability to sustain with available cash resources and banking facilities.

The board obtained debt service moratoriums for the existing loans of the Company from the bankers in line with concessions announced by the Central Bank of Sri Lanka. The Company also obtained for Working Capital Loans under the same scheme.

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	2020	2019
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 income statement reflects the share of the results of operations of the joint venture. Where there has been a change recognized directly in the equity of the joint venture, the Group recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity. Profits and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

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

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

Joint venture	2020	2019
Suisse Hotels Kandy (Pvt) Ltd	50%	50%

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

3.4 Transactions eliminated on consolidation

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

3.5 Foreign currency translations

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

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

All differences are taken to the statement of Profit or Loss.

3.6 Current versus non-current classification

The Group presents assets and liabilities in Statement of Financial Position based on current/non-current classification.

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when it is:

- Expected to be settled in normal operating cycle
- Held primarily for the purpose of trading
- Due to be settled within twelve months after the reporting period, or
- 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

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.

a) Revenue recognition over time

The 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 Group recognizes the revenue overtime based on the progress towards satisfaction of that performance obligation.

b) Contact Liabilities

Contact liabilities are considered to be the hotel's obligation to transfer goods and services to a customer for which the Group has received consideration from the customer. Short-term advances include in the contact liabilities which is received to render certain services. Contract liabilities of the group have been disclosed in other current liabilities Note 28.

c) Performance obligations and revenue recognition policies

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

The Group considers services in 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 recognizes 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 fixed deposits, saving accounts and intercompany loan. Interest income is recognised as it accrues in statement of Profit or Loss based on 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.

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.

The profits and income of the Group arising on provision of tourism related services is liable for taxation at the rate of 14% (2019-14%) under the Inland Revenue Act No. 24 of 2017 and amendments thereto. Up to the 31 December 2019, the interest income was taxed at 14% and with effect from 01 January 2020 interest income is taxed at 24%.

Dividends are subject to 14% withholding tax (WHT) under the Inland Revenue Act.

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 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 asset 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

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 income statement, in which case, the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

The Group has elected to transfer the revaluation surplus to retained earnings as the asset is being used. An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation with subject to net of tax based on the revalued carrying amount of the assets and depreciation based on the asset's original cost.

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

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

Assets	Years
Building	50
Sewerage plant	10
Equipment	12.5
Furniture and fittings	12.5
Motor vehicles	05
Computer equipment	03
Air conditioners	05
Generator	10
Solar power hot water system	10

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

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;

Computer Software	Over 5 Years

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss under administrative 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 income statement when the asset is derecognised.

3.9.3 Inventories

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

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

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

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

3.10.1 Financial Assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the group commits to purchase or sell the asset.

Subsequent measurement

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

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

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The group financial assets at amortised cost includes cash and bank balances, trade receivables and investment in subsidiary.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The group elected to classify irrevocably its non-listed equity investments under this category.

Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group's debt instruments at fair value through OCI includes investments in quoted debt instruments included under other non-current financial assets.

The Group does not have any financial instrument under this category as at the reporting date.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the group consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired

Or

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

When the group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

3.10.2 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group financial liabilities include trade and other payables, Bank loans included in Interest bearing loans and borrowings and bank overdrafts.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the group that are not designated as hedging instruments in hedge relationships as defined by SLFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in SLFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (loans and borrowings)

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

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

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

Derecognition

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

3.10.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

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

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

Recognition of actuarial gains or losses

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

c) Short term benefits

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

3.12 Provisions

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

3.13 Capital commitments and contingencies

Capital commitments and contingent liabilities of the Group are disclosed in the respective note 34 to the financial statements

3.14 Government Grants

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with.

The Group has received a loan with an interest subsidy of 3.46% on the Working capital loan obtained under the 'Working capital loan scheme proposed by the Government to strengthen the tourism industry'. Under this scheme the Group has obtained 50 Mn loan from Commercial Bank of Ceylon PLC and interest will be reimbursed to the bank by the Ministry of Finance of Sri Lanka.

Resulting Grant is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

3.15 Changes in Accounting Policies and Disclosures

The Group applied SLFRS 16; Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

SLFRS 16 Leases

SLFRS 16 supersedes LKAS 17 Leases, 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. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position

However, there were no material re-measurements were identified that would require restating the comparative information as there was no lease commitment for the Group.

3.15 New and Amended Standards and Interpretations

Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

SLFRS 17 Insurance Contracts

SLFRS 17; Insurance Contracts, is issued by the CA Sri Lanka and up to the date of issuance of the Group financial statements that standard is not effective. SLFRS 17 is effective from 01 January 2021. However, the adoption of SLFRS 17 does not expecting to have an impact on the Group financial statements.

Amendments to SLFRS 3: Definition of a Business

The Institute of Chartered Accountants of Sri Lanka issued amendments to the definition of a business in SLFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to LKAS 1 and LKAS 8: Definition of Material

The Institute of Chartered Accountants of Sri Lanka issued amendments to LKAS 1 Presentation of Financial Statements and LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

3.16 Use of estimates, judgements and assumptions

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 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 26. 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. Management considered 100% ECL for debtors aged more than 180 days in determining the provision matrix for ECL.

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. The Group has considered the current decline in the tourism industry due to the impact of Covid19 Pandemic in determining the provisioning under ECL. The Management has monitored the effect of the global economic downturn to its travel agents through frequent discussion with them and based on the financial strength and negotiated the payment terms and future arrangements accordingly. More than 70% of above receivables are due from well-established foreign travel agents and the dues are still within the credit period. Travel agents have agreed to release the payments on due dates. More than 25% of the receivables are due from local travel agreements and most of the dues have been settled subsequently.

4 REVENUE

	Group		Company	
Year ended 31 March	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Revenue from contracts with customers (Note 4.1)	410,663,517	703,479,627	410,663,517	703,479,627
	410,663,517	703,479,627	410,663,517	703,479,627

4.1 Disaggregation of revenue from contract with customers

The Group derives revenue from the transfer of goods and services over time/the period of stay and at a point in time in the following major categories.

Major products/Service lines				
Room revenue	198,724,169	350,053,066	198,724,169	350,053,066
Food and Beverage revenue	137,038,874	311,177,099	137,038,874	311,177,099
Other revenue	74,900,474	42,249,462	74,900,474	42,249,462
Total Revenue	410,663,517	703,479,627	410,663,517	703,479,627

Timing of revenue recognition				
Products and services transferred over time	198,724,169	350,053,066	198,724,169	350,053,066
Product and services transferred at a point in time	211,939,348	353,426,561	211,939,348	353,426,561
Total Revenue	410,663,517	703,479,627	410,663,517	703,479,627

5 OTHER OPERATING INCOME

Profit on sale of property, plant and equipment	-	52,580	-	52,580
Sundry income	482,003	-	482,003	-
	482,003	52,580	482,003	52,580

6 FINANCE EXPENSES

Interest expense on bank overdrafts	10,592,121	12,058,062	10,592,121	12,058,062
Interest expense on bank loans	67,947,452	79,225,577	67,947,452	79,225,577
	78,539,573	91,283,639	78,539,573	91,283,639

7 FINANCE INCOME

Interest income on saving accounts	20,680	23,983	20,680	23,983
Interest income on intercompany loan	78,991,424	73,318,465	78,991,424	73,318,465
Net foreign exchange gain	55,191	55,991	55,191	55,991
	79,067,295	73,398,439	79,067,295	73,398,439

8 PROFIT/(LOSS) BEFORE TAX

Profit/(Loss) before tax is stated after charging all expenses including the following;

	Group		Company	
Year ended 31 March	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Auditors' remuneration				
- External audit services	1,001,000	1,001,000	931,000	931,000
- Other audit services	239,861	459,900	209,862	328,165
Staff costs				
- Salaries	51,598,680	96,521,496	51,598,680	96,521,496
- Defined benefit plan cost	1,079,990	1,262,748	1,079,990	1,262,748
- Defined contribution plan cost - EPF and ETF	5,888,845	7,016,922	5,888,845	7,016,922
- Other staff expenses	2,159,431	2,902,190	2,159,431	2,902,190
Depreciation of property, plant and equipment	62,489,478	61,976,856	62,489,478	61,976,856
Legal expenses	532,738	413,020	532,738	413,020
Professional charges	888,584	1,094,691	888,584	1,094,691
Provision for impairment	1,533,581	7,328,742	1,533,581	7,328,742
Amortisation of intangible assets	4,787,884	4,500,662	4,787,884	4,500,662
Donations	241,095	1,131,511	241,095	1,131,511

9 TAX EXPENSE

	Group		Company	
Year ended 31 March	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
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)	12,196,986	35,192,448	12,196,986	35,192,448
Under provision of current taxes in respect of prior years	529,099	-	529,099	-
	12,726,085	35,192,448	12,726,085	35,192,448
Deferred income tax				
Deferred tax charge (Note 9.2)	(5,382,883)	(3,919,969)	(5,382,883)	(3,919,969)
Income tax expense reported in the statement of profit or loss	7,343,202	31,272,479	7,343,202	31,272,479

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

	Group		Company	
Year ended 31 March	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Accounting profit / (loss) before tax	(65,206,318)	156,897,527	34,213,892	206,715,812
Share of loss of joint venture	99,255,834	49,672,271	-	-
	34,049,516	206,569,799	34,213,892	206,715,812
Less: Non business income	(79,012,104)	(73,451,018)	(79,012,104)	(73,451,018)
Add: Aggregate disallowed items	71,181,781	79,303,983	71,181,781	79,303,983
Add: Taxable profit on disposal	-	61,080	-	61,080
Less: Aggregate allowable items	(32,288,256)	(34,653,668)	(32,288,256)	(34,653,668)
Tax loss of subsidiary	164,376	146,013	-	-
Taxable business income	(5,904,687)	177,976,189	(5,904,687)	177,976,189
Other sources of income				
Interest income	74,330,975	73,398,438	74,330,975	73,398,438
Taxable other income	74,330,975	73,398,438	74,330,975	73,398,438
Total taxable income	68,426,287	251,374,627	68,426,288	251,374,627
Income tax provision for the year is made up of the following:				
- Income tax on business profit @ 14%	-	24,916,666	-	24,916,666
- Income tax on interest income @ 14%	7,899,428	10,275,782	7,899,428	10,275,782
- Income tax on interest income @ 24%	4,297,558	-	4,297,558	-
Current income tax expense	12,196,986	35,192,448	12,196,986	35,192,448

9.2

Losses incurred during the year	5,904,687	-	5,904,687	-
Losses utilized during the year	(4,681,129)	-	(4,681,129)	-
Tax Losses Carried Forward	1,223,558	-	1,223,558	-

9.3 Deferred tax charge

Statement of profit or loss				
Deferred tax arising from				
- Accelerated depreciation for tax purposes	(5,419,975)	(3,959,313)	(5,419,975)	(3,959,313)
- Carried forward tax loss	(171,298)	-	(171,298)	-
- Retirement benefit obligation	208,390	39,343	208,390	39,343
Total deferred tax charge/(reversal)	(5,382,883)	(3,919,969)	(5,382,883)	(3,919,969)

10 BASIC/DILUTED EARNINGS/(LOSS) PER SHARE

Basic earnings per share has been calculated based on the profit after taxation attributable to ordinary shareholders divided by the weighted average number of ordinary shares outstanding during the year.

As at 31 March	Group 2020 Rs.	Group 2019 Rs.	Company 2020 Rs.	Company 2019 Rs.
Amount used as the numerator				
Profit/(Loss) attributable to ordinary equity holders of the parent	(72,549,520)	125,625,048	26,870,690	175,443,333
Less : Preference dividend	(37,500)	(37,500)	(37,500)	(37,500)
Profit/(Loss) Attributable to ordinary shareholders	(72,587,020)	125,587,548	26,833,190	175,405,833
Amounts used as the denominator :				
Weighted average number of ordinary shares	577,500,000	577,500,000	577,500,000	577,500,000
Basic earning/(loss) per share (Rs.)	(0.13)	0.22	0.05	0.30

11 DIVIDEND PER SHARE

As at 31 March	Company 2020 Rs.	Company 2019 Rs.
Dividend declared and paid during the year	-	57,750,000
Average number of ordinary shares	577,500,000	577,500,000
Dividend per share	-	0.10

12 FAIR VALUE MEASUREMENT - GROUP/COMPANY

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

Fair value measurement hierarchy for assets as at 31 March 2020 and 2019:

	Date of valuation	Total	Fair value measurement using Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value:					
As at 31 March 2020					
Non financial assets					
Property plant and equipment (Note 13)	31 March 2020	7,523,969,574	-	-	7,523,969,574
Non financial assets as at 31 March 2020		7,523,969,574	-	-	7,523,969,574
Financial assets					
Financial assets at fair value through OCI (Note 17)					
Unquoted equity shares	31 March 2020	525,000,000	-		525,000,000
Financial assets as at 31 March 2020		525,000,000	-	-	525,000,000
As at 31 March 2019					
Non financial assets					
Property, plant and equipment (Note 13)	31 March 2019	6,300,114,551	-	-	6,300,114,551
Non financial assets as at 31 March 2019		6,300,114,551	-	-	6,300,114,551
Financial assets					
Financial assets at fair value through OCI (Note 17)					
Un-quoted equity shares	31 March 2019	600,000,000	-	-	600,000,000
Financial assets as at 31 March 2019		600,000,000	-	-	600,000,000

12.1 Fair value of financial assets and liabilities by class

Group/Company

Set out below is a comparison, by class, of the carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values.

As at 31st March	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
	Rs.	Rs.	Rs.	Rs.
Financial assets				
Financial assets at fair value through OCI	525,000,000	525,000,000	600,000,000	600,000,000
Total	525,000,000	525,000,000	600,000,000	600,000,000

Financial assets of which carrying values are reasonable approximates its fair value

The management assessed that the fair values of cash and short-term deposits, trade and other receivables approximate their carrying amounts largely due to the short-term maturities of these instruments.

Financial liabilities

Financial liabilities of which carrying values are reasonable approximates its fair value

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

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

13 PROPERTY, PLANT AND EQUIPMENT

13.1 Group/Company

13.1.1 Gross carrying amounts

	Balance as at 01.04.2019	Additions / transfers	Revaluations	Transfers/ disposals	Balance as at 31.03.2020
	Rs.	Rs.	Rs.	Rs.	Rs.
At cost or valuation					
Freehold land	4,622,555,000	-	967,525,000	-	5,590,080,000
Freehold buildings	1,514,080,937	725,893	201,646,420	-	1,716,453,250
Furniture and fittings	109,038,326	59,160	-	-	109,097,486
Equipment	69,821,835	22,237,386	-	-	92,059,221
Air conditioners	12,315,507	561,923	-	-	12,877,429
Generator	32,626,000	-	-	-	32,626,000
Computer equipment	25,246,656	2,698,079	-	-	27,944,734
Solar power hot water	11,068,980	-	-	-	11,068,980
Sewerage plant	22,124,250	-	-	-	22,124,250
Motor vehicles	464,000	-	-	-	464,000
Total value of depreciable assets	6,419,341,490	26,282,441	1,169,171,420	-	7,614,795,351
In the course of construction					
Capital work-in-progress	170,400	555,493	-	(725,893)	-
	170,400	555,493	-	(725,893)	-
Total gross carrying amount	6,419,511,890	26,837,934	1,169,171,420	(725,893)	7,614,795,351

13.1.2 Depreciation

	Balance as at 01.04.2019 Rs.	Charge for the Year Rs.	Adjustment on Revaluation Rs.	Transfers/ Disposals Rs.	Balance as at 31.03.2020 Rs.
At cost or valuation					
Freehold buildings	60,609,022	30,281,619	(90,890,641)	-	-
Furniture and fittings	17,120,133	8,297,304	-	-	25,417,438
Equipment	11,167,234	5,673,729	-	-	16,840,963
Air conditioners	4,259,247	2,482,729	-	-	6,741,976
Generator	6,529,529	3,262,600	-	-	9,792,129
Computer equipment	12,927,267	9,079,374	-	-	22,006,640
Solar power hot water	2,034,918	1,106,898	-	-	3,141,816
Sewerage plant	4,424,850	2,212,425	-	-	6,637,275
Motor vehicles	154,740	92,800	-	-	247,540
Total depreciation	119,226,940	62,489,478	(90,890,641)	-	90,825,777

13.1.3 Net book value

At cost or valuation	2020 Rs.	2019 Rs.
Freehold land	5,590,080,000	4,622,555,000
Freehold buildings	1,716,453,250	1,453,471,915
Furniture and fittings	83,680,048	91,918,192
Equipment	75,218,258	58,654,601
Air conditioners	6,135,453	8,056,260
Generator	22,833,871	26,096,471
Computer equipment	5,938,094	12,319,389
Solar power hot water	7,927,164	9,034,062
Sewerage plant	15,486,975	17,699,400
Motor vehicles	216,460	309,260
Total value of depreciable assets	7,523,969,573	6,300,114,551
In the course of construction		
Capital work-in-progress	-	170,400
Carrying value	7,523,969,573	6,300,284,951

13.1.4 During the financial year, the Group acquired Property, plant and equipment to the aggregate value of Rs. 26,837,934/- (2019 - Rs.13,438,637/-). Cash payments amounted to Rs.26,112,041/- (2019 - Rs.13,564,037/-) were made during the year for purchase of Property, plant and equipment.

13.2 Revaluation of freehold land and buildings

Freehold land and buildings of the Group were revalued by Mr. S. Sivaskantha, a Chartered Valuer considering the existing use as the highest and best use of the properties. Effective date of the valuations of the Group were 31 March 2020. Note 3.8 to the financial statements describes the valuation process of the Group.

Revaluation surplus	Land Rs.	Building Rs.	Total Rs.
Carrying Amount Prior to Revaluation	4,622,555,000	1,423,916,189	6,046,471,189
Add: Gain on Revaluation recognize in equity	967,525,000	292,537,061	1,260,062,061
Carrying Amount After the Revaluation	5,590,080,000	1,716,453,250	7,306,533,250

13.3 Valuation technique, inputs and relationship with fair value

The fair value measurement for the freehold land and buildings of the Group has been categorized as a Level 3 fair value measurement based on the inputs to the valuation technique used.

Market comparison technique:

Land - Open market value method

Buildings- Depreciated replacement cost

Effective date of valuation 31-03-2020

Significant unobservable valuation input:	Range
Location - Kandy.	
Price per perch	Rs. 6,000,000/- - 14,000,000/-
Price per sq.ft	Rs. 7,000/- - Rs.16,500/-
Extent (Land)	3A 3R 39.2P
Extent (Building)	172,894 Sq.ft
No. of Buildings	2

Significant increases/ (decreases) in estimated price per square meter and price per perch in isolation would result in a significantly higher/ (lower) fair value on a linear basis.

13.4 The carrying amount of revalued assets that would have been included in the Financial Statements, had the assets been carried at cost historical less accumulated depreciation is as follows:

As at 31 March	2020			2019
	Cost Rs.	Accumulated depreciation Rs.	Carrying value Rs.	Carrying value Rs.
Group/ Company				
Freehold land	1,956,262,500	-	1,956,262,500	1,956,262,500
Buildings	639,725,022	335,294,206	304,430,816	317,482,301
Other property,plant and equipment	162,167,495	108,362,975	53,804,520	54,513,008
Total	2,758,155,017	443,657,181	2,314,497,836	2,328,257,809

14 INTANGIBLE ASSETS

14.1 Computer software

	Group/Company	
As at 31 March	2020 Rs.	2019 Rs.
At the beginning of the year	34,616,759	33,262,179
Acquired during the year	102,000	1,354,581
At the end of the year	34,718,759	34,616,759

14.2 Accumulated Amortization

At the beginning of the year	(8,418,569)	(3,917,907)
Amortization for the year	(4,787,884)	(4,500,662)
At the end of the year	(13,206,452)	(8,418,569)
Carrying value at the end of the year	21,512,306	26,198,190

15 INVESTMENT IN SUBSIDIARY

	Company	
As at 31 March	2020 Rs.	2019 Rs.
Suisse Hotel (Private) Limited	352,843,177	352,843,177
	352,843,177	352,843,177

15.1 Investment in subsidiary- Suisse Hotel (Private) Limited

Number of shares	35,284,318	35,284,318
Holding %	100%	100%
Cost of the investment Rs.	352,843,177	352,843,177

15.2 Based on the Group's assessment which considered the consolidated operational cashflows of the Suisse Hotel (Pvt.) Limited net assets and other indications, the above investment in subsidiary is not impaired as at the reporting date.

16 INVESTMENT 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	2020 Rs.	2019 Rs.
Opening amount of the investment	301,540,029	351,355,284
Share of profit/(loss) of joint venture	(99,255,834)	(49,672,271)
Share of other comprehensive income attributable to joint venture	20,136,904	(142,984)
Group's carrying amount of the investment	222,421,100	301,540,029

16.1 Investment in Joint Venture-Suisse Hotel Kandy (Pvt) Limited

	Company	
As at 31 March	2020 Rs.	2019 Rs.
Number of shares	161,961,962	161,961,962
Holding %	50	50

16.2 Summarised Financial information of joint venture - Group

As at 31 March	2020 Rs.	2019 Rs.
Current assets, including cash and cash equivalents	105,593,324	126,113,806
Non current asset, including property, plant and equipment	1,757,377,759	1,777,281,324
Current liabilities, including trade and other payables	(220,720,956)	(272,106,576)
Non-current liabilities, including long-term borrowing	(1,239,765,318)	(1,069,796,606)
Equity	402,484,809	561,491,948
Group's carrying amount of the investment	222,421,100	301,540,029

For the year ended 31 March	2020 Rs.	2019 Rs.
Summarised statement of profit or loss and other comprehensive income		
Revenue	275,354,971	561,456,332
Cost of sales	(42,047,313)	(73,928,244)
Administrative expenses, including depreciation	(247,641,600)	(323,367,719)
Other Income	703,914	-
Marketing and promotional expenses	(15,978,829)	(28,542,000)
Net finance costs	(84,576,695)	(96,140,164)
Foreign exchange loss	(84,326,116)	(138,822,748)
Profit/(loss) before income tax	(198,511,668)	(99,344,543)
Income tax	-	-
Profit/(loss) for the year	(198,511,668)	(99,344,543)
Group's share of profit/(loss) for the year	(99,255,834)	(49,672,271)
Other comprehensive income		
Actuarial gains and losses on defined benefit plans	(317,591)	(285,968)
Revaluation Surplus of Freehold Land	47,415,000	-
Deferred tax Charge on Revaluation Gain	(6,823,600)	-
Other comprehensive income for the year	40,273,808	(285,968)
Group's share of other comprehensive income for the year	20,136,904	(142,984)

16.3 The joint venture had no other contingent liabilities or capital commitments as at 31 March 2020 and 2019.

16.4 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 6,958,612/-.

17 INVESTMENT IN EQUITY SECURITIES

	Group		Company	
As at 31 March	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Investments in unquoted shares (Note 17.1)	525,000,000	600,000,000	525,000,000	600,000,000
	525,000,000	600,000,000	525,000,000	600,000,000

Investments in unquoted equity shares are classified as financial assets at fair value through OCI, are recognized in other comprehensive income and accumulated in a separate reserve within equity.

17.1 Investments in unquoted shares

As at 31 March	2020/2019 No. of shares	2020/2019 Holding %	2020 Rs.	2019 Rs.
Group/Company				
United Hotels Co. Limited	48,000,000	16.1%	600,000,000	600,000,000
Less: Changes in fair value			(75,000,000)	-
			525,000,000	600,000,000

Investment in United Hotels Co. Ltd (UHCL) was made during the financial year ended 31 March 2018. United Hotels Co UHCL Group owns four hotels in Sri Lanka and an interest in joint venture investment in Maldives.

The valuation is based on a combination of discounted cash flow model & adjusted net asset basis and the projected cash flows. The valuation exercise has taken in to the consideration, the overall decline in the tourism industry due to the current pandemic also considered in developing the budget as the tourism industry, due to current pandemic.

Unquoted equity shares of the UCHL has been valued based on the following data, method and assumptions;

Effective date of valuation	31-03-2020
Method	Combined approach of Discounted Cash flow basis and Adjusted net assets basis
Level of Fair value measurement	Level 03 (using significant unobservable inputs)
Significant unobservable inputs	i. Discount rate of 10% - 13% using WACC
	ii. Terminal growth rate of 3%
	iii. Average room rates forecasted to decline by 6% - 10% in the year 2021 and it has been increased 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.

18 INVENTORIES

As at 31 March	Group 2020 Rs.	Group 2019 Rs.	Company 2020 Rs.	Company 2019 Rs.
Food and beverage	6,487,904	7,555,720	6,487,904	7,555,720
Linen	21,209,423	22,198,141	21,209,423	22,198,141
Housekeeping and maintenance	10,076,756	9,852,134	10,076,756	9,852,134
	37,774,084	39,605,996	37,774,084	39,605,996
Less: Provision for obsolete and slow moving items	(64,973)	(68,059)	(64,973)	(68,059)
	37,709,110	39,537,937	37,709,110	39,537,937

Even though the Group has temporary closed the Hotel in the last week of the March due to the Covid-19 pandemic, no provision is recognized on above inventory items as the majority is not perishable and subsequently utilized for the operations.

19 TRADE AND OTHER RECEIVABLES

As at 31 March	Group/Company 2020 Rs.	Group/Company 2019 Rs.
Trade receivables	49,224,457	103,337,894
Other receivables	16,787,066	12,477,878
Allowance for expected credit losses	(4,054,714)	(4,577,724)
	61,956,809	111,238,048

19.1 Allowance for expected credit losses

Balance as at the beginning of period	4,577,724	3,721,425
Changes in impairment for the period	(523,010)	856,299
Balance as at end of the period	4,054,714	4,577,724

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. 4,054,714/- has been accounted for trade and other receivables as the ECL. (2019 - Rs. 4,577,724/-)

Management has carried out an impairment provision based on the simplified approach of ECL method. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Management considered 100% ECL for debtors aged more than 180 days in determining the provision matrix for ECL.

The Group has considered the current decline in the tourism industry due to the impact of Covid19 pandemic as a specific factor to the economic environment. The Management has monitored the effect of the global economic downturn to its travel agents through frequent discussions with them and based on the financial strength and negotiated the payment terms and future arrangements accordingly. All above receivables are due from well established travel agents and most of the dues are still within the credit period. The Management has considered the subsequent settlements of receivables and results of negotiations with travel agents on arriving the default rates.

Trade and other receivables are non-interest bearing and generally on terms of 30 to 60 days.

19.3 As at 31 March, the ageing analysis of trade receivables is, as follows

	Group/Company	
	2020	2019
	Rs.	Rs.
Neither past due nor impaired	9,249,865	41,358,403
Past due but not impaired		
31-60 days	13,461,890	34,599,248
61-90 days	14,774,256	14,295,569
91-120 days	4,864,540	6,627,389
121-365 days	6,873,906	6,457,286
Gross carrying value	49,224,457	103,337,894
Total	49,224,457	103,337,894

20 ADVANCES AND PREPAYMENTS

	Group/Company	
As at 31 March	2020	2019
	Rs.	Rs.
Advances and deposits	3,698,152	14,629,510
Prepayments	6,895,299	6,727,225
	10,593,450	21,356,735

21 CASH AND CASH EQUIVALENTS

	Group		Company	
As at 31 March	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Favourable cash and bank balances				
Cash in hand	1,284,146	3,210,532	1,284,146	3,169,511
Cash at bank	129,408,732	8,584,417	129,303,086	8,584,417
	130,692,879	11,794,949	130,587,233	11,753,928
Unfavourable cash and bank balances				
Bank overdraft	(7,171,590)	(119,889,951)	(7,171,590)	(119,889,951)
	(7,171,590)	(119,889,951)	(7,171,590)	(119,889,951)
Total cash and cash equivalents for the purpose of cash flow statement	123,521,289	(108,095,001)	123,415,643	(108,136,023)

22 STATED CAPITAL

As at 31 March	Group/Company Number of shares		Group/Company Value of shares	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Fully paid ordinary shares (Note 22.1)	577,500,000	577,500,000	16,500,000	16,500,000
Fully paid preference shares - 15% cumulative (Note 22.2)	50,000	50,000	250,000	250,000
	577,550,000	577,550,000	16,750,000	16,750,000

22.1 Shares held by the parent company

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

As at 31 March	Company			
	Holding	2020	Holding	2019
	%	Rs.	%	Rs.
Ceylon Hotels Corporation PLC	69.54	401,567,250	69.54	401,567,250

22.2 Cumulative participating preference shares

The cumulative participating preference shares are entitled to a cumulative dividend of 15% per annum on the amount of each such preference share prior to the payment of any dividend to ordinary share holders.

23 OTHER COMPONENT OF EQUITY

23.1 Revaluation reserve

Nature and purpose of the reserve

Revaluation reserve is used to record increments and decrements on the revaluation of lands and buildings 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, refer accounting policy note 3.9.1.1

As at 31 March	Group		Company	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Opening balance	5,882,637,594	5,913,735,699	5,774,707,954	5,805,663,075
Transferred to retained earnings (additional depreciation)	(31,998,046)	(31,098,105)	(31,998,046)	(30,955,121)
Surplus on Revaluation	1,260,062,061	-	1,260,062,061	-
Income tax effect on revaluation of land and buildings (Note 25)	(176,408,689)	-	(176,408,689)	-
Share of other comprehensive income attributable to joint venture	20,136,904	-	-	-
Closing balance	6,954,429,824	5,882,637,594	6,826,363,281	5,774,707,954

23.2 Fair Value Reserve Of Financial Assets At FVOCI

Nature and purpose of the reserve

Changes in the fair value arising on translation of unquoted equity investments that are classified as financial assets at fair value through OCI, are recognized in other comprehensive income and accumulated in a separate reserve within equity. This amount cannot be reclassified to profit or loss when the associated assets are sold. Refer note 17 for more details.

	Group		Company	
As at 31 March	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Opening balance	-	-	-	-
Change in fair value	(75,000,000)	-	(75,000,000)	-
Closing balance	(75,000,000)	-	(75,000,000)	-
Total other component of equity	6,879,429,824	5,882,637,594	6,751,363,281	5,774,707,954

24 OTHER FINANCIAL LIABILITIES

24.1 Interest Bearing Loans and Borrowings - Group / Company

	2020 Amount Repayable Within 1 Year	2020 Amount Repayable After 1 Year	2020 Total	2019 Amount Repayable Within 1 Year	2019 Amount Repayable After 1 Year	2019 Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Bank Loans (Note 24.2)	-	629,844,118	629,844,118	-	525,299,999	525,299,999
	-	629,844,118	629,844,118	-	525,299,999	525,299,999

24.2 Bank Loans

	Group		Company	
As at 31 March	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Opening Balance	525,299,999	600,000,000	525,299,999	600,000,000
New loans obtained during the year	50,000,000	-	50,000,000	-
New debt moratorium facilities obtained during the year	71,012,589	-	71,012,589	-
Loan repaid during the year	(10,300,000)	(74,700,001)	(10,300,000)	(74,700,001)
Closing Balance	636,012,588	525,299,999	636,012,588	525,299,999
Recognition of Government grant	(6,168,470)	-	(6,168,470)	-
Net balance	629,844,118	525,299,999	629,844,118	525,299,999
Non-Current	629,844,118	525,299,999	629,844,118	525,299,999
	629,844,118	525,299,999	629,844,118	525,299,999

24.3 Interest Subsidy Loan

On 14 November 2019, the Group has obtained a term loan facility from Commercial Bank of Ceylon under "Enterprise Sri Lanka" special interests subsidy loan scheme proposed by the government to strengthen the tourism industry. The interest subsidy will be paid by the Ministry of Finance.

Terms and Conditions
Purpose - Working Capital Requirements
Repayment Period - 24 Months (Including 01 months grace period)
Rate of Interest- 3.46% p.a
Security- Corporate Guarantee of Rs. 50,000,000/- from by Ceylon Hotels Corporation PLC.

Interest expense
The net interest expense for the period set out below,

As at 31 March	2020 Rs.	2019 Rs.
Interest on working capital loan	1,335,921	-
Interest subsidy	(986,277)	-
Net interest cost recognized in the statement of profit or loss	349,643	-

24.4 Security & repayment Terms

Lending institution	Nature of facility	Interest rate	Security	Repayment terms	Carrying amount pledged 2020 Rs.	Carrying amount pledged 2019 Rs.
Sampath Bank PLC	Long Term Loan	AWPLR + 2% p.a	Mortgage over Shares of United Hotels Co. (Pvt) Ltd (48,000,000 no. shares) for Rs 600 Mn, negative pledge over immovable properties of the Company and a Corporate guarantee issued by Ceylon Hotels Corporation PLC for Rs 595.5 Mn.	Capital and interest grace period received from April 2020 to March 2021 under Covid-19 Relief Package offered by Central Bank of Sri Lanka. Loan to be repaid in 61 equal monthly installments of Rs 8.3 Mn and a final installment f Rs 10.7 Mn from April 2021.	517,000,000	527,300,000
Sampath Bank PLC	Debt moratorium facility	10% p.a (fixed)	Loan Agreement	Capital and interest grace period received from April 2020 to March 2021 under Covid-19 Relief Package offered by Central Bank of Sri Lanka. Capital to be repaid in 59 monthly installments of Rs 1.3 Mn and a final installment of Rs 1.8 Mn together with interest	60,420,467	-

Lending institution	Nature of facility	Interest rate	Security	Repayment terms	Carrying amount pledged 2020 Rs.	2019 Rs.
Commercial Bank of Ceylon PLC	Debt moratorium facility	11.5% p.a (fixed)	Corporate Guarantee of Rs 14 Mn from Ceylon Hotels Corporation PLC	12 Months grace period from April 2019 to March 2020 and the grace period was extended till March 2021under Covid-19 Relief Package offered by Central Bank of Sri Lanka. Loan period is one year and Repayment terms to be decided at the renewal of the facilities in January 2021.	10,592,121	-
Commercial Bank of Ceylon PLC	Facility Under "Enterprise Sri Lanka"	3.46% p.a (fixed)	Corporate Guarantee of Rs 50 Mn from Ceylon Hotels Corporationp PLC	Capital grace period received from April 2020 to March 2021 under Covid-19 Relief Package offered by Central Bank of Sri Lanka. Capital to be repaid in 22 Monthly installments from April 2021.	48,000,000	-

24.5 Debt moratorium for Covid-19 relief for tourism industry

The Government of Sri Lanka has proposed debt moratorium as a relief to industries affected by Covid 19 pandemic. Under that proposal the respective banks have agreed with company to offer 12 months grace period for both capital and interest (debt moratorium) effective from 01 April 2020 as the Company operated in the tourism industry.

25 DEFERRED TAX LIABILITY

As at 31 March	Group / Company 2020 Rs.	2019 Rs.
Opening balance	565,751,016	569,664,902
Reversal through statement of profit or loss	(5,382,883)	(3,919,969)
Charge / (reversal) on actuarial gain/(loss)	(22,019)	6,083
Income tax effect on revaluation of land and buildings (Recognized through OCI)	176,408,689	-
Closing balance	736,754,802	565,751,016

25.1 The deferred tax asset/liability on each temporary difference which were recognized in the financial statements are disclosed below.

25.1.1 Deferred tax - Group/Company

As at 31 March	Statement of financial position		Statement of profit or loss	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Deferred tax liability				
Capital allowances for tax purpose	228,633,696	193,255,762	(5,419,975)	(3,959,313)
Deferred tax effect on revaluation of land and buildings	508,734,450	373,280,950	-	-
	737,368,146	566,493,261	(5,419,975)	(3,959,313)
Deferred tax assets				
Retirement benefit obligation - Through statement of profit or loss	(599,325)	(742,245)	208,390	39,343
Retirement benefit obligation - Through other comprehensive Income	157,278	(43,451)	-	-
Carried forward tax loss	(171,298)	-	(171,298)	-
	(613,345)	(785,696)	37,092	39,343
Deferred taxation charge/(reversal)			(5,382,883)	(3,919,969)
Net deferred tax liability	736,754,802	565,751,016		

26 RETIREMENT BENEFIT OBLIGATIONS

As at 31 March	Group/Company	
	2020	2019
	Rs.	Rs.
Opening balance	4,920,264	5,157,838
Interest cost	541,231	567,362
Current service cost	538,759	695,386
Actuarial loss / (Gain)	157,278	(43,451)
Payments during the year	(1,876,641)	(1,456,871)
Closing balance	4,280,891	4,920,264

26.1 Following amount are recognized in profit or loss and other comprehensive income during the year in respect of the retirement benefit obligation.

	Group/Company	
As at 31 March	2020	2019
	Rs.	Rs.
Amount recognized in profit or loss		
Interest cost	541,231	567,362
Current service cost	538,759	695,386
	1,079,990	1,262,748
Amount recognized in other comprehensive income		
Actuarial loss / (gain) for the year	157,278	(43,451)
	157,278	(43,451)

The retirement benefit obligation of the Group is based on the actuarial valuation carried out by Messrs. Actuarial and Management Consultants (Private) Limited; a professional Actuarial Valuer. The projected unit credit method is used to determine the present value of the defined benefit obligation and the current service cost. The key assumption used in determining above were as follows;

	2020	2019
(1) Rate of discount	11.0%	11.0%
(2) Salary increment	10.0%	8.0%
(3) Staff retirement age	55 Years	55 Years

26.2 A quantitative sensitivity analysis for significant assumptions as at 31 March 2020 and 2019 are shown below:

	Expected future salaries		Discount rate	
Group/Company	1% increase	1% decrease	1% increase	1% decrease
2020				
Change in present value of defined benefit obligation	53,955	(52,389)	(69,100)	72,206
2019				
Change in present value of defined benefit obligation	84,954	(82,248)	(85,898)	90,147

26.3 The following payments are expected on employee benefit liabilities in future years;

As at 31 March	Group/Company 2020 Rs.	2019 Rs.
Less than or equal 1 year	2,158,240	2,383,427
Over 1 year and less than or equal 2 years	705,939	786,135
Over 2 years and less than or equal 5 years	1,142,140	1,316,182
Over 5 years and less than or equal 10 years	260,809	391,463
Over 10 years	13,763	43,057
Total expected payments	4,280,891	4,920,264
The average duration of the defined benefit plan obligation at the end of the year	5 Years	5 Years

27 TRADE AND OTHER PAYABLES

	Group		Company	
As at 31 March	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Trade payables	30,852,152	40,042,974	30,852,152	40,042,974
Advances and deposits	7,751,887	5,806,262	7,751,887	5,806,262
Accrued Expenses	11,423,696	8,891,578	11,216,331	8,891,578
Sundry creditors	48,821,927	46,714,826	48,821,927	46,576,459
	98,849,662	101,455,641	98,642,296	101,317,273

Terms and conditions of the above financial liabilities:

• Trade payables and accrued expenses are non-interest bearing and are normally settled on 30-60 days terms

For explanations on the Group's liquidity risk management processes, refer to Note 34.2

28 CONTRACT LIABILITIES

As at 31 March	Group/Company 2020 Rs.	2019 Rs.
Opening Balance	15,870,030	9,580,517
Advance received during the year	24,781,917	23,331,424
Transfers during the year	(31,144,215)	(17,041,911)
Closing Balance	9,507,732	15,870,030

The Group has lost several bookings in the month of March 2020 due to the worldwide outbreak of Covid-19; Pandemic and in April 2019 due to the Easter Sunday terrorist attacks.

29 INCOME TAX LIABILITIES

As at 31 March	Group/Company 2020 Rs.	2019 Rs.
At the beginning of the year	8,643,150	13,334,501
Charge for the year	12,196,986	35,192,448
Under provision in respect of prior year-income tax	529,100	(275)
Payments and set off against refunds	(11,621,650)	(39,883,524)
At the end of the year	9,747,586	8,643,150

30 GOVERNMENT GRANTS

As at 31 March	Group/Company 2020 Rs.	2019 Rs.
Recognized during the year	7,154,747	-
Set off against interest expenses during the year	(986,277)	-
Closing balance	6,168,470	-
Current	4,112,604	-
Non-Current	2,055,866	-

On 14 November 2019, the Group has obtained a term loan facility from Commercial Bank of Ceylon under “Enterprise Sri Lanka” special interests subsidy loan scheme proposed by the government to strengthen the tourism industry. The interest subsidy will be paid by the Ministry of Finance.

Refer note 24.3 for the details, terms and condition of the loan.

31 RELATED PARTY TRANSACTIONS

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

31.1 Amount due from related companies

		Group		Company	
As at 31 March		2020	2019	2020	2019
	Relationship	Rs.	Rs.	Rs.	Rs.
Loan receivable					
Ceylon Hotels Corporation PLC	Parent company	852,782,495	865,751,033	852,782,495	865,751,033
Current account balance					
Ceylon Hotels Corporation PLC	Parent company	63,923,652	47,198,987	63,923,652	47,198,987
Galle Face Hotel 1994 (Pvt) Ltd	Affiliate	422,023	-	422,023	-
Tissa Resort (Pvt) Ltd	Affiliate	-	13,700	-	13,700
		917,128,170	912,963,719	917,128,170	912,963,719
Less: Provision for expected credit losses		(13,358,301)	(11,301,710)	(13,358,301)	(11,301,710)
		903,769,869	901,662,009	903,769,869	901,662,009

31.2 Amount due to related companies

Suisse Hotel Kandy (Pvt) Ltd	Joint venture	9,113,954	9,113,954	-	-
Suisse Hotel (Pvt) Ltd	Subsidiary	-	-	8,853,954	9,013,954
United Hotels Co. Ltd	Equity investment company	5,109,960	1,801,315	5,109,960	1,801,315
CHC Rest House (Pvt) Ltd	Affiliate	102,927	32,189	102,927	32,189
Tissa Resort (Pvt) Ltd	Affiliate	5,618	-	5,618	-
GFH Management Co. Ltd.	Affiliate	6,850,973	-	6,850,973	-
		21,183,433	10,947,458	20,923,433	10,847,458

31.3 Transactions with related parties

	Name of the related party	Relationship	Nature of transactions	Terms of transactions	Amount 2020 Rs.	Amount 2019 Rs.	Balance as at 31 March 2020 Rs.	Balance as at 31 March 2019 Rs.
a.	Transactions with the parent - Recurring transactions							
	Ceylon Hotels Corporation PLC	Parent	Expenses paid by CHC on behalf of the Company	Note A	(1,165,074)	(1,248,645)	916,706,147	912,950,019
			Reimbursement of expenses paid by CHC	Note A	3,511,202	43,763,954		
			Loan Settlements	Note B	(77,581,428)	(33,409,466)		
			Interest expenses on loan given from the Company	Note B	78,991,424	73,318,465		
b.	Transactions with Subsidiaries - Recurring transactions							
	Suisse Hotel (Pvt) Ltd	Subsidiary	Reimbursement of expenses	Note A	160,000	-	-	-
			Settlement by Suisse Hotel (Pvt) Ltd	Note A	-	1,986,046		
c.	Transactions with other related companies - Recurring transactions							
	United Hotels Co. Ltd	Other related	Reimbursement of expenses paid by UHCL	Note A	1,397,493	(3,957,704)	(5,109,960)	(1,801,315)
	(UHCL)	company	Expenses paid by UHCL on behalf of company	Note A	(4,706,139)	2,764,291		
	GFH Management Co. (Pvt) Ltd. (GFHM)	Other related	Reimbursement of expenses	Note A	(19,320,119)	-	6,850,973	-
		company	Expenses paid by GFH M on behalf the Company	Note A	12,469,146	-		
	Tissa Resort (Pvt) Ltd	Other related	Expenses paid by Tissa Resort on behalf of the Company	Note A	(88,676)	-	(5,618)	13,700
		company	Reimbursement of expenses paid by Tissa Resort	Note A	69,358	13,700		
	CHC Rest House (Pvt) Ltd	Other related	Expenses paid by CHC Rest Houses on behalf of the Company	Note A	(234,829)	(32,189)	(102,927)	(32,189)
		company	Reimbursement of expenses paid by CHC Rest Houses (Pvt.) Ltd.	Note A	164,091	-		
	Galle Face Hotel 1994 (Pvt) Ltd	Other related	Expenses paid by GFG on behalf of the Company	Note A	(3,756,182)			
		company	Reimbursement of expenses paid by GFH	Note A	4,178,206	-	422,023	-

Note A - Transactions carried out in the ordinary course of business and charge at the face value of the expenses.
Note B - These relates to the interest income on account of the loan payable detailed in Note 31.1. Transactions are carried out in the ordinary course of business and are at arm's length price.

* Total aggregate interest income and settlements made Ceylon Hotels Corporation PLC is 20% and 21% of revenue respectively from the total revenue of the Company. (2019 - 10% and 5%)
* Figures in brackets indicates payables
* There were no non-recurring related party transactions during the year and all related party transactions have been conducted on an agreed commercial terms with respective parties.

31.4 Terms and conditions related to intercompany borrowings/lending

Borrower	Repayment	Terms of lending
Ceylon Hotels Corporation PLC	On Demand	AWDR% 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.

31.5 Transactions with key management personnel

Key management personnel include members of the board of directors of the company. No compensation was paid to the Directors during the financial year.

32 EVENTS OCCURRING AFTER THE REPORTING DATE

The board of directors have decided to close the hotel for the business with effect from 20 March to mid June due to the industry decline in the Covid-19 Pandemic and reopen for the business again from mid June onwards. Further, as discussed in Note 24.5, the group has received debt moratorium effective from 01 April 2020.

Except above, there have been no other material events occurring after the reporting date that require adjustment to or disclosure in the Financial Statements.

33 COMMITMENTS AND CONTINGENCIES

33.1 Contingent Liabilities

Lawsuits

The Group is pursuing or is being pursued with legal action on the following legal cases. As per the representation given by the management these cases are still outstanding as at 31 March 2020.

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 have a material adverse affect on the results of operations, financial position or liquidity of the company. Accordingly no provision for any liability has been made in the financial statements, nor has any liability been determined by the ongoing legal cases, as at 31 March 2020.

34 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.

34.1 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.

34.1.1 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.

	2020					2019				
Group	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	-	61,956,809	-	61,956,809	6%	-	111,238,048	-	111,238,048	11%
Amount due from related parties	-	-	903,769,869	903,769,869	82%	-	-	901,662,009	901,662,009	88%
Cash and bank balances	130,692,879	-	-	130,692,879	12%	11,794,949	-	-	11,794,949	1%
Total credit risk exposure	130,692,879	61,956,809	903,769,869	1,096,419,557	100%	11,794,949	111,238,048	901,662,009	1,024,695,006	100%

	2020					2019				
Company	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	-	61,956,809	-	61,956,809	6%	-	111,238,048	-	111,238,048	11%
Amount due from related parties	-	-	903,769,869	903,769,869	82%	-	-	901,662,009	901,662,009	88%
Cash and bank balances	130,587,233	-	-	130,587,233	12%	11,753,928	-	-	11,753,928	1%
Total credit risk exposure	130,587,233	61,956,809	903,769,869	1,096,313,911	100%	11,753,928	111,238,048	901,662,009	1,024,653,985	100%

The Group/ Company balance consists of the balance from parent company.

34.1.2 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. 130.7 Million at 31 March 2020 (2019 - Rs. 11.8 Million).

34.2 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.

34.2.1 Net (debt)/cash

	Group		Company	
As at 31 March	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Cash in hand and at bank	130,692,879	11,794,949	130,587,233	11,753,928
Total liquid assets	130,692,879	11,794,949	130,587,233	11,753,928
Bank overdrafts	7,171,590	119,889,951	7,171,590	119,889,951
Total liabilities	7,171,590	119,889,951	7,171,590	119,889,951
Net (debt)/cash	123,521,289	(108,095,002)	123,415,643	(108,136,023)

34.2.2 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 31 March 2020 based on contractual undiscounted payments.

Group/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	98,849,662	-	-	-	-	-	98,849,662
Amounts due to related companies	21,183,433	-	-	-	-	-	21,183,433
Interest bearing loans & borrowings	-	137,879,583	120,283,857	111,485,994	125,658,974	140,704,181	636,012,588
Bank overdraft	7,171,590	-	-	-	-	-	7,171,590

34.3 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.

34.4 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	
As at 31 March	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Trade and other payables	98,849,662	101,455,641	98,642,296	101,317,273
Amounts due to related companies	21,183,433	10,947,458	20,923,433	10,847,458
Due to banks	637,015,708	645,189,950	637,015,708	645,189,950
Less: cash and short-term deposits	(130,692,879)	(11,794,949)	(130,587,233)	(11,753,928)
Net debt	626,355,924	745,798,100	625,994,204	745,600,753
Equity	7,910,050,001	6,953,982,004	8,040,833,800	7,005,482,497
Total capital	7,910,050,001	6,953,982,004	8,040,833,800	7,005,482,497
Capital and net debt	8,536,405,925	7,699,780,104	8,666,828,004	7,751,083,250
Gearing ratio	8%	11%	8%	11%

INVESTOR INFORMATION

ANALYSIS OF ORDINARY SHAREHOLDERS AS AT 31ST MARCH 2020

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	Holding %
1 - 1000	1,221	278,921	0.05	2	994	-	1,223	279,915	0.05
1,001 10,000	501	1,968,061	0.34	5	17,300	-	506	1,985,361	0.34
10,001 100,000	191	6,559,093	1.14	7	236,600	0.04	198	6,795,693	1.18
100,000 & Above	47	436,583,065	75.60	20	131,855,966	22.83	67	568,439,031	98.43
Totals	1,960	445,389,140	77.13	34	132,110,860	22.87	1,994	577,500,000	100

Class of Member	No. of shareholders	No. of shares	Holding %
Company	70	528,107,898	91.45
Individual	1,924	49,392,102	8.55
Totals	1,994	577,500,000	100.00

ANALYSIS OF PREFERENCE SHAREHOLDERS AS 31ST MARCH 2020

Shareholdings		No.of Shareholders			Total Holdings			Percentage		
		Foreign	Local	Total	Foreign	Local	Total	Foreign	Local	Total
0 to 1,000	Shares	15	42	57	1,443	6,430	7,873	2.89	12.86	15.75
1.001 to 10,000	Shares	0	4	4	0	26,336	26,336	0.00	52.67	52.67
10.001 to 100,000	Shares	0	1	1	0	15,791	15,791	0.00	31.58	31.58
	Total	15	47	62	1,443	48,557	50,000	2.89	97.11	100.00

ANALYSIS OF PREFERENCE SHAREHOLDERS - BASED ON NO. OF SHARES AS 31ST MARCH 2020

Shareholdings		No.of Holders	Total Holdings	%
0 to 1,000	Shares	57	7,873	15.75
1.001 to 10,000	Shares	4	26,336	52.67
10.001 to 100,000	Shares	1	15,791	31.58
	Total	62	50,000	100

DISTRIBUTION OF PREFERENCE SHARES

Class of member	No.of Holders	No.of Shares	%
Individuals	55	17,802	35.60
Company	7	32,198	64.40
Total	62	50,000	100%

DIRECTORS SHAREHOLDING IN THE COMPANY

		31st March 2020		31st March 2019	
	Name of The Director	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	43,611	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 31.03.2020

a) Public Shareholding - 159,528,816 (2019 - 159,952,739)

b) Percentage of the ordinary shares held by public - 27.62% (2019 - 27.70%)

c) No. of Public shareholders - 1,981 (2019 - 1,940)

d) Highest, Lowest and Market value per share from 1st April 2019 to 31st March 2020

Period	Year ended 31st March 2020
Date High	07/11/2019
High Rs.	6.50
Date Low	24/05/2019
Low Rs.	4.00
Close Rs	4.30
Trade Vol	1,884
Share Vol	3,430,178
Turnover Rs,	17,724,857
Last Traded date	20/03/2020
Days Traded	213

MARKET PRICE PER SHARE FOR THE PERIOD FROM 01/04/2019 TO 31/03/2020

	2019/20		2018/19	
Name of The Director	Date	Share Price Rs.	Date	Share Price Rs.
Highest Market Price	07.11.2019	6.50	28.05.2018	5.70
Lowest Market Price	24.05.2019	4.00	28.03.2019	4.40
Closing Market Price	20.03.2020	4.30	29.03.2019	4.50

MARKET CAPITALIZATION

Market capitalization of the company, which is the number of Ordinary shares in issue multiplied by the closing market value of a share was Rs. 2,483.25 Mn as at 31st March 2020 (2018/19 - Rs. 2,598.75 Mn).

The float adjusted market capitalisation as at 31st March 2020 was Rs. 685.8 Mn (2018/19 - Rs. 719.8 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.

TOP 20 SHAREHOLDERS (ORDINARY VOTING) AS AT 31ST MARCH 2020

	Name	No. of Shares	Holding %
1	Ceylon Hotels Corporation PLC	401,567,250	69.54
2	Progruss Investments Limited	69,445,619	12.03
3	Adiuvat Investment Fund	40,782,097	7.06
4	Hotel International (Private) Limited	13,706,619	2.37
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	Mr. PV Gunasekera	1,750,000	0.30
9	Mrs. M.F. Gunasekera	1,750,000	0.30
10	Mr. G.C. Goonetilleke	1,687,435	0.29
11	Mrs. A.U.R. Pethiyagoda	1,500,000	0.26
12	Ms. H. Sauties	1,496,250	0.26
13	Mr. J.P. Sauties	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. M. Chevallaz	1,496,250	0.26
17	Mr. P. Chevallaz	1,496,250	0.26
18	Mr. A. Chevallaz	1,496,250	0.26
19	Mr. J.F.C. Badcock	1,034,250	0.18
20	Mr. F.D.M. Badcock	1,034,250	0.18
	Sub total	552,917,520	95.74
	Balance held by others	24,582,480	4.26
	Total number of shares	577,500,000	100.00

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 (Private) Limited	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. PV 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

5 YEAR AT A GLANCE

Year Ended	31st March 2020 Rs		31st March 2019 Rs		31st March 2018 Rs		31st March 2017 Rs		31st March 2016 Rs	
	Group	Company	Group	Company	Group	Company	Group	Company	Group	Company
Trading Results										
Turnover	410,663,517	410,663,517	703,479,627	703,479,627	685,379,723	685,379,723	681,174,372	681,174,372	639,791,102	639,791,102
Profit / (Loss) Before Tax	(65,206,318)	34,213,892	156,897,527	206,715,812	261,163,081	231,765,562	289,451,374	291,111,003	152,019,289	245,196,037
Taxation	(7,343,202)	(7,343,202)	(31,272,479)	(31,272,479)	(36,943,560)	(36,943,560)	(43,274,073)	(43,274,073)	(28,106,525)	(28,106,525)
Net Profit/(Loss) for the Year	(72,549,520)	26,870,690	125,625,048	175,443,333	224,219,521	194,822,002	246,177,301	247,836,930	123,912,764	217,089,512
Property Plant & Equipment	7,523,969,574	7,523,969,574	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
Intangible Assets	21,512,306	21,512,306	26,198,190	26,198,190	29,344,272	29,344,272	45,830	45,830	759,996	759,996
Investment in Subsidiary	-	352,843,177	-	352,843,177		352,843,177	-	352,843,177	-	345,217,600
Investment in Joint Venture	222,421,100	-	301,540,029	-	351,355,284	-	304,157,069	-	305,732,679	-
Investment in Equity Securities	525,000,000	525,000,000	600,000,000	600,000,000	600,000,000	600,000,000	-	-	-	-
Non Current Assets	8,292,902,980	8,423,325,057	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
Current Assets	1,144,722,117	1,144,616,471	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
Current Liabilities	154,639,418	154,172,052	263,659,566	263,421,199	342,764,508	342,677,555	117,641,441	117,557,724	98,964,523	106,262,206
Net Current Assets	990,082,699	990,444,419	821,930,112	822,127,458	644,916,300	644,967,631	592,625,178	592,575,019	440,968,311	448,445,041
Capital Employed	9,282,985,679	9,413,769,476	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
Less : Non Current Liabilities										
Interest Bearing Loans & Borrowings	629,844,118	629,844,118	525,299,999	525,299,999	508,700,000	508,700,000	-	-	-	-
Deferred Tax Liabilities	736,754,802	736,754,802	565,751,016	565,751,016	569,664,902	569,664,902	201,745,552	201,745,552	239,655,544	239,655,544
Retirement Benefit Obligations	4,280,891	4,280,891	4,920,264	4,920,264	5,157,838	5,157,838	4,448,659	4,448,659	4,401,920	4,401,920
Net Assets	7,912,105,868	8,042,889,665	6,953,982,004	7,005,482,497	6,890,929,339	6,892,468,563	7,080,243,558	7,128,879,507	6,246,740,808	6,293,702,458
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	7,893,300,001	8,024,083,800	6,937,232,004	6,988,732,497	6,874,179,339	6,875,718,563	7,063,493,557	7,112,129,508	6,229,990,808	6,276,952,458
Share Holders Funds	7,910,050,001	8,040,833,800	6,953,982,004	7,005,482,497	6,890,929,339	6,892,468,563	7,080,243,557	7,128,879,508	6,246,740,808	6,293,702,458
Ratios And Statistics										
Current Ratio	7.40	7.42	4.12	4.12	2.88	2.88	6.04	6.04	5.46	5.22
Earnings/(Losses) per Ordinary Share (Rs.)	(0.13)	0.05	0.22	0.30	0.39	0.34	0.43	0.43	0.21	0.38
Net Assets per Ordinary Share (Rs.)	13.70	13.93	12.04	12.13	11.93	11.94	12.26	12.34	10.82	10.90
Market Shareholder Information										
No of Shares in Issue	-	577,500,000	-	577,500,000	-	577,500,000	-	577,500,000	-	577,500,000
Highest	-	6.50	-	5.70	-	6.50	-	8.10	-	8.10
Lowest	-	4.00	-	4.40	-	5.20	-	5.00	-	5.00
Market Capitalization	-	2,483,250,000	-	2,598,750,000	-	3,060,750,000	-	3,465,000,000	-	3,465,000,000

NOTICE OF ANNUAL GENERAL MEETING

THE KANDY HOTELS COMPANY (1938) PLC - PQ201
No.327, Union Place, Colombo 2

NOTICE IS HEREBY GIVEN that the 91st Annual General Meeting of The Kandy Hotels Company (1938) PLC will be held at the Corporate Office No.327, Union Place, Colombo 2 on 11th December 2020 at 10.00 am via Audio/Video Technology for the purpose of conducting the following business.

1. To receive, consider and adopt the Annual Report of the Board of Directors on the affairs of the company, the Audited Accounts for the year ended 31st March 2020 and the Report of the Auditors thereon.
2. To re-elect Mr Priyantha Maddumage who retires by rotation in terms of Article 94 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 78 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 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.
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 75 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 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.
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 72 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 for the ensuing Financial Year and authorize the Directors to fix their remuneration.
9. To authorize the Directors to determine donations for the year 2020/2021 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 COMPANY (1938) PLC

Accounting Systems Secretarial Services (Private) Limited
Company Secretaries
Colombo, this 11th November 2020

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 COMPANY (1938) PLC- PQ201
No. 327, Union Place, Colombo 2

I/We ………

(NIC No.) ……………………………………… Of………………………………………………………………………………………………

being a member/members of The Kandy Hotels Company (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. Chandra Mohotti	of Colombo	(or failing him)
Mr. Lakshman Sirimanne	of Colombo	(or failing him)
Mr. Ranjith Gunatilleke	of Colombo	(or failing him)
Mr. Nahil Wijesuriya	of Colombo	(or failing him)
Mr. Nilanga Dela	of Dela	

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 11th December 2020 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 Board of Directors the Audited Accounts for the year ended 31st March 2020 and Report of the Auditors thereon.		
2.	To re-elect Mr. Priyantha Maddumage 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 2020 /2021 and up to the date of the next Annual General Meeting.		

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

…………………………………………
Signature

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

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.

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
(Financial Controller – Ceylon Hotels Corporation PLC)
Mr. A.M. P. Adhikari (Resident Manager – Queen's 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

Designed & produced by
emagewise

The Kandy Hotels Co. (1938) PLC
No.327, Union Place, Colombo 02.

www.queenshotel.lk
www.hotelsuisse.lk