# The Kandy Hotels Co. (1938) PLC

Annual Report 2021/22

## Contents

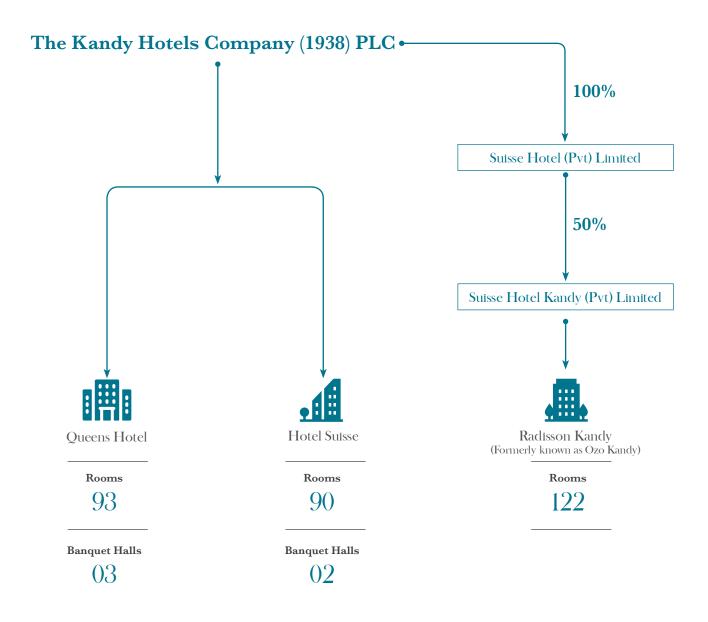
Group Structure	
Group Financial Highlights	2
Chairman's Review	3
Profile of Directors	5
Management Discussion and Analysis	8
Risk Management	11
Annual Report of the Board of Directors on the Affairs of the Company	13
Statement of Director's Responsibilities for Preparing the Financial Statements	19
Corporate Governance	20
Report of the Audit Committee	28
Report of the Related Party Transactions Review Committee	29
Report of the Remuneration Committee	30

### **Financial Reports**

Independent Auditor's Report	33
Statement of Profit or Loss and Other Comprehensive Income	36
Statement of Financial Position	37
Statement of Changes in Equity	38
Statement of Cash Flows	40
Notes to the Financial Statements	41
Investor Information	86
5 Year at A Glance	89
Notice of Annual General Meeting	90
Form of Proxy	91
Corporate Information	Inner Back Cover



## Group Structure



## Group Financial Highlights

Performance for the year ended 31 March	2022 Rs.	2021 Rs.
Revenue	181,218,816	145,045,475
Earnings before Interest, Depreciation & Amortisation (EBITDA)	(3,576,227)	(385,402)
Profit / (Loss) before Tax (PBT)	(155,361,865)	(167,541,616)
Profit / (Loss) after Tax (PAT)	(154,279,937)	(167,695,370)
Earnings / (Loss) per Share	(0.27)	(0.29)
Dividend per Share (Company)	-	-
Dividend Payout Ratio (Times)	-	-
Financial Position as at 31 March	2022 Rs.	2021 Rs.
Total Assets	10,438,123,199	9,306,160,444
Total Debt	790,005,510	719,581,737
Total Equity	8,669,093,522	7,741,798,836
No. of Ordinary Shares in Issue	577,500,000	577,500,000
Net Assets per Ordinary Share	15.01	13.41
Debt / Equity Ratio	9.1%	9.3%
Debt / Total Assets	7.6%	7.7%
Market Shareholder Information as at 31 March	2022 Rs.	2021 Rs.
Closing Market Price per Share	6.90	5.30
Market Capitalisation	3,984,750,000	3,060,750,000

## Chairman's Review

### Dear Shareholder,

I am pleased to welcome you to the 93rd Annual General Meeting of The Kandy Hotels Company (1938) PLC and to present to you, the annual report and financial statements of the Company for the year ended 31st March 2022.

Having entered the financial year under review on the back of the toughest time the hospitality industry has ever known, the year has been one of recovery, hope and new challenges.

We have experienced and learned from the evolving nature of the pandemic and with clarity and flexibility we have stayed focused on the business needs, and aligned our business models to face these realities.

Just as the tourism industry was gaining momentum, with a gradual rebound in international arrivals into the country in tandem with a global rebound in tourism, sadly we are now faced with a new challenge as our nation is enduring the worst economic turmoil since Independence. As I write, the country is faced with a severe foreign exchange crisis, scarcity of essentials, and record high inflation. Travel advisories issued for Sri Lanka by multiple countries on the backdrop of isolated incidences of civil unrest, have exacerbated the challenging outlook for the industry.

As a country, I am certain that we will rise above all these challenges as we Sri Lankans have shown our resilience in overcoming many a challenges in the past since independence. It is also my belief that tourism will rebound as soon as a conducive environment is established for travel and tourism activities within the country, restoring confidence among foreign travellers.

### **RESILIENCE OF TRAVEL**

### **Global Perspective**

There are signs all around world that people are adapting to a "new normal" - and certainly the return of travel is one of the best indicators of this. As vaccination rates have risen throughout much of the world, combined with easing of travel restrictions due to increased cross-border coordination and protocols, we have been encouraged by the growth of travel demand, even in the face of new variants.

United Nations World Tourism Organization (UNWTO) reported that during 2021 global tourism experienced a 4% upturn compared to 2020. Though it was still significantly lower at 30% than pre pandemic 2019 levels, global tourism continues to recover at a strong pace. According to the latest UNWTO World Tourism Barometer, international tourism saw a 182% year-on-year increase in January-March 2022. The pace of recovery though is uneven across world regions. Asia Pacific notably records the slowest We will face these challenges by being adaptive and prudent in our operational strategies and will remain focused on the business models to ensure that we deliver the optimum profitability to our valued shareholders.

recovery as destinations such as China remained closed for nonessential travel, but all indications are that the global travel is in the right direction towards recovery.

### Local Perspective

The resilience of the local traveller albeit a wave of multiple lock downs, helped the local industry remain afloat during the financial year until the country witnessed a steady rebound in the arrival of international travellers during the 3rd and 4th Quarters of the financial year. Local travellers whilst a life line to a battered industry, also intensified the competitive landscape in tandem, as all hotel operators and restaurants competing to capture a share of this market.

The country recorded approximately 195,000 international arrivals during 2021, 80% of which were from October to December 2021. India dominated accounting for almost 30% of the country's visitor traffic, while Europe emerged as the dominant region contributing 48% of the total arrivals. Sadly, our major source market, China, remained closed for travel due to the strict border controls in place there.

The growth momentum of international arrivals continued into the 1st quarter of 2022 with 285,000 arrivals recorded. Unfortunately, this momentum slowed, and eventually has now reached pandemic levels, with widespread global news of the country's political and economic instability, the aftermath of isolated violent incidents and the consequent travel advisories which were issued by multiple countries.

### PERFORMANCE REVIEW - OPERATING THROUGH ADVERSITY

During most part the year under review and up until the 3rd quarter, our Company continued to function within the business plans and model that were put in place the previous year when the business was operating under Covid-19 conditions. Since the beginning of the pandemic, we have been very focused on reducing

### Chairman's Review

costs both at property levels and at corporate offices. The business models of the hotels were re-oriented to adapt and cater to the local centric new market conditions driven by domestic travellers, food delivery and quarantining facilities (albeit a significantly competitive landscape, as all hotel operators, restaurants, competing to capture a share of this market).

Hotel Suisse continued to operate as a quarantining facility during the 1st quarter and then converted into an Intermediate Care Centre (ICC) of Kings Hospital of Colombo for most part of the 2nd quarter of the financial year. This generated a steady stream of revenue, an outcome of our strategy to build an 'anchor' revenue stream into the Company as we navigated through adversity. However, with the increasing supply of such facilities throughout the country over time, and with intermittent secessions of repatriations due to airport closures, generating continued income streaming from this segment of the business became a challenge.

#### Management of Liquidity of the Company was key

From the 3rd quarter onwards, the hotels returned to regular operations with the anticipated rebound in international arrivals, and executed business strategies within the Rooms, F&B and Weddings in a competitive marketplace. The Company's revenue base grew in tandem during the 3rd and the 4th quarters compared to the previous year, as you would have noticed with our quarterly announcements on results, whilst recording improved occupancy levels and Revenue Per Available Rooms.

Overall, Kandy Hotels Company (1938) PLC ("KHC") recorded a total revenue of Rs. 181.2 million for the financial year ended 31st March 2022 compared to Rs. 145.05 million recorded during the previous financial year. Profit from Operations before finance cost and tax amounted to Rs. 61.1 million for the period under review compared to a loss of Rs. 67.8 million recorded last year. Though it is a modest result, (compared to pre-pandemic performance trends) is nevertheless a commendable performance given the impact from the pandemic. The Company recorded a Net Loss of Rs. 154.3 million for the year under review compared to a Net Loss of Rs. 167.7 million in FY 2020/2021.

The Loss for the period of the Group includes Rs.107.8 million (FY 20/21 Rs.114.5) of losses as share of losses from the joint venture undertaking (Suisse Hotel Kandy (Pvt) Limited), primarily due to currency translation losses on the Foreign currency denominated Bank loans of the JV Company. The Losses for the period of the Company also includes a provision for impairment of Rs.176.4 million relating to investments in Suisse Hotel (Pvt) Limited (through which above JV investment is held).

### **OUTLOOK**

Much of the outlook for the local tourism industry hence will depend on how Sri Lanka navigates the present day socio-economic turmoil, and it is reasonable to assume that the road ahead for the industry is an uphill climb. A revived tourism industry would be vital and key to building the Country's foreign exchange reserves. It is for this reason we remain optimistic of the resilience and the revival of the industry once a conducive environment is established for travel and tourism activities within the country in order to restore confidence among foreign travellers.

There are a few more challenges that we will have to face, which will effect profitability; record high inflation and rising cost of hotel consumables, the increased cost of electricity and other utilities, and the migration of skilled workforce out of Sri Lanka. We will face these challenges by being adaptive and prudent in our operational strategies focusing on the business models to ensure that we deliver the optimum profitability to you, our valued shareholders.

### **APPRECIATIONS**

As I sign off, I wish to thank my fellow Board members, the members of the Audit Committee and Remuneration Committee, 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 Government of Sri Lanka, Central Bank of Sri Lanka and the Ministry of Tourism through concessionary funding, loan moratoriums and other concessions on payment of levies. I also would like to thank our valued Guests, Travel Agents, Suppliers, Bankers, Auditors, Secretaries and our Shareholders for their invaluable support at all times.

and the

Sanjeev Gardiner Chairman

 $30 \; \mathrm{August} \; 2022$ 

4

## 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), Ekho Safari (Tissa) and Ekho Lake House – (Polonnaruwa). He is also the Chairman of Ambeon Capital PLC, Ambeon Holdings PLC, and Millennium I.T. E.S.P. (Pvt) Ltd 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, possesses over 24 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 organisations.

#### MR. LAKSHMAN SAMARASINGHE

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

Having joined the Galle Face Hotel Limited and The Autodrome Limited in 1970, he was appointed as Executive Director of The Autodrome PLC in 1973 and Executive Director-Secretaries of the Galle Face Hotel Limited in October 1978.

As a Director of Galle Face Hotel Co. Ltd for over 43 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 51 years of Management experience. He possesses 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 16 consecutive years.

#### 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 28 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. 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 possesses a wide experience in senior management having served as the Chief Engineer of Mitsui Construction between the years of 1979 to 2003.

He is a member of the Institute of Civil Engineers 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 44 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 organisation 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 Non-Executive Director of the Company for 15 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 Gardiner Group of Companies.

Mr. Karunasena has nearly 20 years of senior manager experience in Financial Management, Treasury and Strategy in the fields of Commodities Trading, Overseas Plantations, Refining & Manufacturing and Leisure/Hospitality with over 16 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

### **Gross Domestic Product**

The Sri Lankan economy rebounded in 2021, following the COVID 19 induced contraction in 2020. As per the estimates the Sri Lankan economy recorded a growth of 3.7% in 2021 in real terms compared to the contraction of 3.6% in 2020.

The GDP per capita followed the same trajectory with 2021 recording US\$ 3,815 compared to a GDP per capita of US\$ 3,695 recorded in 2019. The industry sector witnessed the largest growth with year on year increase by 5.3%, followed by the Services sector with an increase of 3% and the Agriculture sector with an increase of 2%. The tourism sector is a key part of the services sector of the economy that was severely affected due to the halt in international tourist arrivals as the Covid-19 pandemic escalated in 2020 and through 2021.

### **Trade Account and Exchange Rate**

The trade balance of the country dropped from US\$ (-6.0) billion in 2020 to US\$ (-8.1) billion in 2021, primarily due to the rise in imports despite a rise in exports from US\$10billion to US\$12,5 billion.

However, the Covid-19 pandemic adversely impacted tourism earnings with the closure of borders resulting in a steep shortfall in foreign exchange inflows. Significant outflows were also seen in the government securities and the equity markets as foreign capital moved out from the country due to the ratings downgrades and the perceived macroeconomic risks. As a result of these external factors, the exchange rate continued to be volatile and the average rate depreciated by 7.5% during 2021 and remained under pressure due to the large outflows required to repay the international sovereign bond maturities. As we write the rates have seen a sharp decline amidst a liquidity shortage and has stabilized around Rs.365 to a US\$.

### **Interest Rates and Inflation**

Market interest rates remained low during most part of the year until the Central Bank begun to tighten monitory policy in 2021. A steep resetting was done in April 2022 by 700 basis points on the back drop of rising inflation and falling currency. The weighted average deposit rates by commercial banks declining from 5.8% in 2020 to 4.9% in 2021. Lending rates followed a opposite trend with the weighted average new lending rate by commercial banks increasing to 9.48% in 2021 compared to 8.38% recorded in 2020. The one-year treasury bill yields were 8.24% by the end of 2021 compared to 5.05% during the end of 2020.

#### **INDUSTRY ENVIRONMENT**

#### **Global Tourism**

Global tourism experienced a 4% upturn in 2021, compared to 2020 (415 million versus 400 million visitors). However, international tourist arrivals in 2021 were 72% below the prepandemic year of 2019, according to estimates by UNWTO. This follows on from 2020, the worst year on record for tourism, when international arrivals decreased by 73%.

The UNWTO World Tourism Barometer indicates that rising rates of vaccination, combined with easing of travel restrictions due to increased cross-border coordination and protocols, have all helped release pent up demand. International tourism rebounded moderately during the second half of 2021, with international arrivals down 62% in both the third and fourth quarters compared to pre-pandemic levels.

The pace of recovery in 2021 was also uneven across world regions due to varying degrees of mobility restrictions, vaccination rates and traveller confidence. Europe and the Americas recorded the strongest results in 2021 compared to 2020 (+19% and +17%respectively), but still both 63% below pre-pandemic levels.

Africa saw a 12% increase in arrivals in 2021 compared to 2020, though this is still 74% below 2019. In the Middle East arrivals declined 24% compared to 2020 and 79% over 2019. In Asia and the Pacific arrivals were still 65% below 2020 levels and 94% when compared to pre-pandemic values as many destinations including China, remained closed to non-essential travel.

There are reasons to be optimistic about tourism recovery globally. UNWTO's latest reports indicate that, global tourism recovery in 2022 is at a strong pace. According to the latest World Tourism Barometer, international tourism saw a 182% year-on-year increase in January-March 2022. The pace of recovery though is uneven across world regions. Asia Pacific notably records the slowest recovery as destinations such as China remained closed for non essential travel, but all indications are that the global travel is in the right direction towards recovery to pre pandemic levels.

### Sri Lanka Tourism

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 country went through a wave of multiple lockdowns and reopenings since and even into 2021.

Tourist arrivals to Sri Lanka were insignificant with only 10,022 arrivals during the financial year 2020 / 2021.

Much of the financial year under review, the industry depended on the local patronage despite on and off lockdowns until a steady stream of international arrivals starting from the 3rd quarter of the financial year. The country recorded approximately 195,000 international arrivals during 2021, 80% of which was during October to December 2021. India dominated accounting for almost 30% of the country's visitor traffic, while Europe emerged as the dominant region contributing 48% of the total arrivals. Sadly, our major source market, China, remained closed for travel due to strict border controls in place. As a result, most hospitality companies were forced to shift focus towards domestic tourism, banquets, events, restaurants and food delivery business segments given the new business landscape.

The growth momentum of international arrivals continued into the 1st quarter of 2022 with 285,000 arrivals recorded. Unfortunately, this momentum slowed, and eventually has now reached pandemic levels, with widespread global news of the country's political and economic instability, the aftermath of isolated violent incidents and the consequent travel advisories which were issued by multiple countries.

Tourism earnings is a key contributor to the overall Sri Lankan economy accounting for approximately 5% of GDP during 2019. In 2021, only US\$ 500 million in tourism earnings were generated, which was substantially below the US\$ 3.6 billion earnings generated in 2019, resulting in a sharp loss of foreign currency inflows to the country.

The Kandy Hotels Company (1938) PLC ("KHC") continued to operate a local centric business model put in place into 2020 to operate under Covid 19 conditions during most part of the financial year, until the 3rd quarter when the country witnessed a steady rebound in international arrivals. Local business was a competitive landscape as other hotels and resorts also had to rely on the same revenue sources. The quarantine business was one of the anchor businesses that generated a constant stream of cash flows to the company during the previous financial year with The Suisse hotel being converted to a quarantine hotel facility and them to a Intermediate Care Centre (ICC) of Kings Hospital of Colombo. However, with the increasing supply of such facilities, intermittent secessions of repatriations due to airport closures this business segment found it difficult to perform at a sustainable level over an extended period.

### OVERVIEW OF FINANCIAL AND OPERATIONAL PERFORMANCE

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

### Revenue

The KHC recorded an increase in revenue by 25% recording a total revenue of Rs. 181.2 million for the financial year ended 31st March 2022 compared to Rs. 145.05 million recorded during the previous financial year in tandem with the increase in occupancy during the year under review compared to previous year.

Room revenue of the company increased from Rs.42.7 million in FY 2021 to Rs.62.7 million in FY 2022, an increase of 47%. The food and beverage revenue increased from Rs. 84.9 million to Rs. 100.7 million for the financial year under review. Other revenue also recorded an increase with a revenue of Rs. 17.8 million compared to Rs. 17.4 million recorded during the previous financial year.

### **Operating Performance**

The Gross Profit of the Group increased from Rs. 67.2 million during the previous financial year to Rs. 102.2 million in the financial year under review with the gross profit margin rising from 46% to 56%.

Despite the stringent cost control measures continuing into the financial year under review as well, owning to the general inflation in the country and the increase in volume/occupancy administrative expenses of the Group increased to Rs.153.3 million from Rs.139.5 million of the prior year.

The administration expenses of the company for the financial year under review include Rs.176.4mn as provision for impairment made on the company's investment in fully own subsidiary, Suisse Hotel (Pvt) Limited as outlined below.

Accordingly, Group recorded an operating loss of Rs. 61.1 million for the year under review compared to an operating loss of Rs. 67.9 million recorded last year. The Group and the Company recorded Net Losses for the year under review of Rs.154.3 million (2021:Rs. 167.7 million) and Rs. 222.5 million (2021: 53 million) respectively.

### Suisse Hotel Kandy (Pvt) Limited

Suisse Hotel Kandy (Pvt) Limited recorded a loss of Rs. 950.4 million during the FY 2021/2022 compared to a loss of Rs. 229.1 million during the previous financial year as the external environment factors continue to weigh in on the performance of the hotel where the steep depreciation of Sri Lankan Rupee

### Management Discussion and Analysis

against the United State Dollar (USD) had a negative impact on the significant USD denominated borrowings of the company resulting in currency loss of Rs. 745 million compared to an operational loss of Rs. 72.4 million.

Owing to the above conditions, Company's investment in Suisse Hotel (Pvt) Limited was tested for impairment, factoring in the forecasted future cash flows of the investee entity (Suisse Hotel Kandy Private Limited). Significant consideration was also given to the USD denominated borrowings of the joint venture undertaking and its potential impact on the value in use assessment. As a result, an amount of Rs.176.4 mn was recognised during the year as a provision for probable deterioration of the value of investment.

### FINANCIAL POSITION

### Borrowings

Total interest-bearing borrowings of the company as at 31st March 2022 was Rs.786.7 million compared to Rs. 711.5 million during the previous financial year. The increase resulting from interest and capital moratoriums were Rs. 67 million whereas no new loans were obtained during the financial year. The debt-to-equity ratio of the Company remains at 9% (2021:9%).

In line with the specified moratorium ending dates, the management has initiated discussions with relevant commercial banks to restructure its existing debt portfolio. Pending the incorporation of restructuring terms into the formal agreements, portion of loans to be settled within next twelve months (Current Borrowings) presented in the statement of financial position were determined based on previously negotiated settlement terms & conditions as per offer letters executed prior to pandemic.

#### Net Assets

Net Assets of the company declined marginally from Rs. 7.99 billion as at 31st March 2021 to Rs. 8.84 billion as a result of the Net Loss recorded during the financial year under review given the challenging external business environment. Freehold land and buildings of KHC were revalued as of the reporting date by a Chartered Valuer and the details pertaining to the valuation are provided in the notes of the financial statements. Investment in a 16.1% stake in unquoted equity shares of United Hotels Company Limited is classified as financial assets at fair value through OCI and the valuation is based on a combination of the discount cash flow approach and adjusted net asset value approach which is also explained in the notes of the financial statements. Cashflows and liquidity of the company was another priority given the difficult operating conditions. However, given the company had a strong balance sheet and cash reserves prior to entering the Covid 19 crisis it was able to avail itself of sufficient assistance from banks to manage its overall liquidity position.

### **OUTLOOK**

The outlook for global travel is positive, with nations easing off travel restrictions due to rising rates of vaccination throughout much of the world, combined with increased cross-border coordination and protocols and, population adopting to a new normal, even in the face of new variants.

Much of the outlook for the local tourism industry hence will depend on how Sri Lanka navigates the present day socio-economic turmoil. And it is reasonable to assume that the road ahead for the industry is an uphill climb. On the positives, a revived tourism industry would be vital and key to building the Country's foreign exchange reserves. It is for this reason we remain optimistic of the resilience and the revival of the industry once a conducive environment is established for travel and tourism activities within the country in order to restore confidence among foreign travellers.

There are a few more challenges that we will have to face, those that will effect profitability, record high inflation and rising cost of hotel consumables, the increased cost of electricity and other utilities, and the migration of skilled workforce out of Sri Lanka. We will face these challenges by being adaptive and prudent in our operational strategies and will remain focused on the business models to ensure that we deliver the optimum profitability to our valued shareholders.

## **Risk Management**

The Company's overall Risk Management objective is to ensure that it creates value to its shareholders, whilst minimising any potential adverse impact to its business plans, brand profile and financial results.

The Company's risk management framework is firmly embedded into its business planning process and is in the hands of the core business teams who ensure early detection, prevention of risk as well as exploitation of opportunities. The Board ensures that the framework is prudent and effective, which enable risk to be assessed and managed, and is supported by the Audit Committee in the overall review process.

Our business is exposed to the following key risks.

### I. Risks Relating to COVID-19

COVID-19 has had a negative impact on our business and financial results, and such impact could continue for an unknown period of time.

COVID-19 has been and continues to be a complex and evolving situation, with governments globally, public institutions and other organisations imposing or recommending, at various times and to varying degrees, restrictions on various activities or other actions to combat its spread. COVID-19 has negatively impacted, and may in the future negatively impact, our business, operations, and financial results.

While we know full recovery will take time, we have shown our ability to operate adeptly through uncertainty and to evolve. Therefore, your Company will continue to operate an agile business model.

#### II. Risks Relating to Our Industry

**Our industry is highly competitive,** which may impact our ability to compete successfully for guests with other hotel properties and home sharing or rental services. We operate in a market that contains many competitors. Our hotels compete with other hotel chains, independent hotels, and home sharing services in the region.

Our ability to remain competitive and attract and retain business and leisure travellers depends on our success in the offering, experience, strategically located properties, guest loyalty, quality, value for money, and efficiency of our products and services.

Our ability to expand on our operating margins is affected due to this competition and would also depend on demand supply dynamics within the overall industry space. Economic downturns and other global, national, and regional conditions mainly in our source markets, and generally globally, will have an impact on the overall international traveller arrivals into the country and our industry's growth momentum. Because we rely on key tourism source markets for our businesses, changes in economic conditions, governmental policies, geopolitical and social conditions, pandemics and health related concerns will impact free travel will in turn impact our activities.

Our business is impacted by heightened travel security measures, travel advisories, disruptions in air travel, and concerns over disease, violence, war, or terrorism.

### Macro external factors within Sri Lanka, that dampens

**international traveller sentiments** such as political and economic disruption, the emerging risk of infectious diseases (local centric such as a dengue outbreak), actual or threatened acts of terrorism or war, violence natural or man-made disasters could have an impact our grow momentum.

### III. Risks Relating to Our Business

Our business depends on the quality and reputation of our Company and our brands, and any deterioration could adversely impact our market share, reputation, business, financial condition, or results of operations. Many factors can affect the reputation of one or more of our properties and the value of our brand, including service, food quality and safety, safety of our guests and employees, our approach to health and cleanliness, our approach to managing environmental and social matters and support for local communities. Reputational value is also based on perceptions, and broad access to social media makes it easy for anyone to provide public feedback that can influence perceptions of us, our brand and our hotels, and it may be difficult to control or effectively manage negative publicity, regardless of whether it is accurate. Any material decline in the reputation or perceived quality of our brand or corporate image could affect our market share, reputation, business, financial condition, or results of operations.

#### Attracting, developing and retaining leadership and talent.

We compete with other companies both within and outside of our industry for talented personnel. If we cannot recruit, train, develop, and retain sufficient numbers of talented employees, we could experience increased employee turnover, decreased guest satisfaction, low morale, inefficiency, or internal control failures. Insufficient numbers of talented employees could also limit our ability to grow and expand our businesses. In addition, the efforts and abilities of our senior executives are important elements of maintaining our competitive position and driving future growth, and the loss of the services of one or more of our senior executives could result in challenges executing our business strategies or other adverse effects on our business.

### Risk Management

**Risks relating to natural or man-made disasters,** adversely affected our revenues. We have seen a decline in travel and reduced demand for lodging due to so called "Acts of God," as well as man-made disasters and the spread of contagious diseases in locations where we own properties and if a terrorist event or other incident of violence were to involve one or more of our branded properties, demand for our properties in particular could suffer disproportionately, which could further hurt our revenues and profits. But the Company has adequate insurance covers in place on both property as well as consequential losses.

### IV. Property / Investment Valuation Risk

The valuations of the properties of the company and investment in the investee company are stated at fair value and are assessed by independent professional valuers. Some of the key assumptions which impact the valuation applicable market discount rate, both of which are beyond the control of the Company. While adequate measures are taken to manage the controllable input of the valuation assumptions, volatility in external environment and industry dynamics can result in fluctuations in the appraised fair value of the investments in the financial statements.

## 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 2022 on the affairs of the Company. Details set out herein provide the pertinent information required by the Companies Act No.07 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. The Company owns and operates the Queen's Hotel and Hotel Suisse in Kandy. The Company also has 100% stake in its subsidiary Suisse Hotel (Pvt) Ltd, which owns a 50% stake in Suisse Hotel Kandy (Pvt) Ltd, which owns Radisson Hotel Kandy (formerly known as Radisson Hotel-Kandy).

### 2. ANNUAL REPORT

The Board of Directors on 30 August 2022, 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

The 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 summarise 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 2022 and are prepared in compliance with the requirements of Section 151 of the Companies Act No. 07 of 2007 are given on pages 36 - 85 in this annual report.

### 5. FINANCIAL RESULTS

The net loss before tax of the Company was Rs.223.6 Mn on a turnover of Rs. 181.2 Mn for the year ended 31st March 2022 compared to net loss before tax Rs.52.9Mn on a turnover of Rs.145.05 Mn in 2020/2021.

An abridgement of the financial performance of the Company and Group is presented below.

	Gr	Group		Company	
For the year ended 31st March	2022 Rs (000)	2021 Rs (000)	2022 Rs (000)	2021 Rs (000)	
Profit (loss) for the year	(154,279)	(167,695)	(222,520)	(53,072)	
Profit brought forward from previous year	909,470	1,013,870	1,282,855	1,272,720	
Other comprehensive income	(964)	(518)	(963)	(606)	
Dividends (preference dividend)	(38)	(38)	(38)	(38)	
Transfer of excess depreciation on revaluation	63,851	63,851	63,851	63,851	
Retained earnings carried forward	818,040	909,470	1,123,185	1,282,855	

### 6. AUDITORS' REPORT

The Auditors' Report on the Financial Statements is given on pages 33-35 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 42-54 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.

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

### 9. STATED CAPITAL AND RESERVES

The Company's stated capital as at 31st March 2022 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. 8,669 Mn as at 31st March 2022. (2021 : Rs.7,742 Mn).

### **10. SHAREHOLDERS' FUND**

Total reserves of the Company as at 31st March 2022 was Rs. 8,829 Mn (2021: Rs.7,970 Mn) comprising of retained earnings of Rs. 1,123 Mn (2021: Rs. 1,283,Mn) and other reserve of Rs. 7,706 Mn (2021: Rs.6,687 Mn). Total reserves combined with Stated Capital as at 31st March 2022 was Rs. 8,846 Mn (2021: Rs.7,987 Mn) The movements are shown in the Statement of Changes in Equity given on pages 38-39.

### 11. DIVIDEND

The Board of Directors have not recommended a final dividend for the year ended 31st March 2022.

### 12. SOLVENCY TEST

Since there is no recommendation for a payment of a dividend for the year ended 31st March 2022, it is not required to prepare a solvency statement in accordance with Section 56 of the Companies Act, No.07 of 2007.

### 13. 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 the Covid-19 pandemic and also present day socio economic crisis in the country.

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

### 14. PROPERTY PLANT AND EQUIPMENT

The Company has spent Rs. 1.1 Mn on capital expenditure during the year under review. The movements in property, plant and equipment during the year are set out in Note 12 to the Financial Statements.

### **15. MARKET VALUE OF PROPERTIES**

Freehold land and Building were revalued by an independent professional valuer as of 31 March 2022. 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 2022 is Rs. 8,405 Mn.

The details of freehold land and building valuation are given in Note 12 on page 60-62 to the Financial Statements.

### **16. INVESTMENTS**

Details of long-term Investments held by the Company are given in Note 16 to the financial statements on page 67.

### a. Investment in Financial Instruments

Investments in financial instruments of the Company represents investments in fair value through OCI, categorised into, fair value hierarchy Level 03 – unlisted entity

The details of financial instruments categorized into levels in the fair value hierarchy are given in note 11 to the financial statements.

### **17. IMPAIRMENT TESTING**

All assets classes have been tested for impairment and Group/ company has made the provisioning where necessary. Details of which are given in this financial statements enclosed.

### **18. 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.

### 19. CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

The contingent liabilities as at 31st March 2022 are given in Note 31 to the Financial Statements. There were no capital commitments made on account of capital expenditure as at 31 March 2022.

### 20. OUTSTANDING LITIGATION

There were no outstanding litigations as at the reporting date other than those disclosed in Note 31.

### 21. POST BALANCE SHEET EVENTS

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

### 22. DIRECTORS AS AT 31 MARCH 2022

The Board of Directors of The Kandy Hotels Company (1938) PLC comprise 08 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. Ranjith Gunatilleke	Independent /Non-Executive
Mr. Nahil Wijesuriya	Independent /Non-Executive
Mr. Chandra Mohotti	Non-Independent/Non-
	Executive
Mr. Pradeep Nilanga Dela	Independent / Non-Executive
Mr. Shalike Karunasena	Non-Independent / Executive
(Alternate Director to Mr. Priyantha	
Maddumage)	

The names of the Directors of the fully owned Subsidiary Suisse Hotel (Pvt) Ltd as at 31st March 2022 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 retire by rotation) have been longest in office, since their last re-election or appointment. Accordingly, Mr. Pradeep Nilanga Dela retires in terms of Article 91 of the Articles of Association.

Mr. Lakshman Samarasinghe, 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 since their first appointment to the Board. Under Rule 7.10.3(b)of the CSE regulations, if a Director serves more than 09 years on the Board, he or she does not qualify to be an Independent Director. The Board of Directors at its meeting held on 30 August 2022 assessed the status of these four Directors, and was of the view that these Directors have fulfilled all the other criteria for independence and their independence has not been impaired. Accordingly, Board decided that the said 04 Directors are suitable to continue serving as Independent Directors.

### 23. DIRECTORS' MEETINGS

Details of the attendance at meetings of the Board of Directors are given below.

Name of the Director	Board Meetings
Mr. Sanjeev Gardiner (Chairman)	1/1
Mr. Charitha Ratwatte	1/1
Mr. Lakshman Samarasinghe	1/1
Mr. Priyantha Maddumage	0/1
Mr. Lakshman Sirimanne	
(Deceased on 20/05/2021)	0/1
Mr. Ranjith Gunatilleke	0/1
Mr. Nahil Wijesuriya	1/1
Mr. Chandra Mohotti	1/1
Mr. Nilanga Dela	0/1
Mr. Shalike Karunasena (Alternate Director to Mr. Priyantha Maddumage)	1/1

### 24. 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 subcommittee are given on pages 28 - 30 of the corporate governance section of this Annual Report.

### 24.1 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 28 set out the manner of compliance by the Company in accordance with the requirements of the Rule 7.10.6 (c) of the Rules of the Colombo Stock Exchange on Corporate Governance.

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

### 24.2 Remuneration Committee

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

- 1. Mr. Kuvera de Zoysa (Chairman)
- 2. Mr. Mangala Boyagoda
- 3. Mr. Ranil Pathirana

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

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

### 24.3 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 04 (four) times during the financial year 2021/2022.

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

### 24.3.1 Non-Recurrent Related Party Transactions

There were no non-recurrent related party transactions which aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Group as per 31st March 2021 audited financial statements, which required additional disclosures in the 2021/22 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13(c) of the Security Exchange Commission Act.

### 24.3.2 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 2021 are disclosed under Note 29 on pages 78-81 to the Financial Statements, as required by Colombo Stock Exchange listing Rule 9.3.2.

### 24.3.3 Directors' Declaration on Related Party Transactions

The Directors declare that they are in compliance with section 9 of the listing rules of the CSE pertaining to Related Party Transactions during the financial year ended 31st March 2022. The Directors of the Company declare that there were no related party transactions required to be disclosed under the listing rules of the CSE other than disclosed in the financial statements. The report of the Related Party Transactions Review Committee is given on page 29 in the Annual Report.

### 25. DIRECTORS DEALINGS WITH THE SHARES OF THE COMPANY

Directors shareholding in the company as at 31st March 2022 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. Lakshman Samarasinghe	5,500	Nil
Mr. Nahil Wijesuriya	Nil	Nil
Mr. Chandra Mohotti	Nil	Nil
Mr. Priyantha Maddumage	Nil	Nil
Mr. Ranjith Gunatilleke	43,611	Nil
Mr. Nilanga Dela	Nil	Nil
Mr. Shalike Karunasena (Alternate Director to Mr. Priyantha Maddumage)	Nil	Nil

As at 31st March 2022, there were 1957 registered ordinary shareholders. The number of ordinary shares held by the public as per the Colombo Stock Exchange rules as at 31st March 2022 was 120,290,003 shares equivalent to 20.83%.

### 26. 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 recorded in the Interest Register.

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

### 27. REMUNERATION OF DIRECTORS

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

### 28. DIRECTORS INTEREST IN CONTRACTS

The Directors' interest in contracts and proposed contracts, if any with the company are disclosed in Note 29 to the Financial Statements.

### 29. DIRECTORS DECLARATION

The Board of Directors declare as follows:

- The Company has not engaged in any activity which contravenes laws and regulations
- 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;
- iii. The Company has made all endeavours to ensure the equitable treatment of shareholders;
- iv. 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

### **30. CORPORATE GOVERNANCE**

The Board has ensured that the Company has complied with the Corporate Governance Rules as per the Listing Rules of the Colombo Stock Exchange (CSE).

### 31. SUBSTANTIAL SHAREHOLDING

Names of the twenty largest shareholders and the percentages of their respective holdings as at 31st March 2021 and 31st March 2022, are given in the section on "Investor on Information" on page 88.

### 32. 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 2. Information on the shares traded and movement in the number of shares represented by the stated capital of the company is given in the section on "Investor Information" on page 86.

### 33. CONTRIBUTIONS TO CHARITY

The sum of contributions made to charities by the company during the financial year ended 31 March 2022 does not exceed Rs.9,000 (2021: Rs.7,500).

### 34. RISK MANAGEMENT

Risk Management is embedded in the day-to-day management of the Company and also part of the Corporate Governance processes and is explained in the section 'Risk Management'.

### 35. MATERIAL ISSUES PERTAINING TO EMPLOYEES AND INDUSTRIAL RELATIONS OF THE COMPANY

The Company assesses the importance and impact of each employee 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 and its sustainability over the short, medium and long terms are determined through a process and actions are taken accordingly.

### **36. AUDITORS RELATIONSHIP**

Messrs Ernst & Young Chartered Accountants who are willing to continue in office are recommended for re-appointment, at a remuneration to be decided by the Board of Directors.

The fees paid to auditors are disclosed in Note 8 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.

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

### **37. ANNUAL GENERAL MEETING**

The Annual General Meeting of the Company will be held on 23rd September 2022 at 9.30 am via audio visual technology.

### 38. 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.) Sanjeev Gardiner Chairman

(Sgd.) Lakshman Samarasinghe Director

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

## 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, 2022, 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 30 August 2022 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 2022, 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

## 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.

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

Statement of Compliance with Companies Act No. 07 of 2007.

### **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 08 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 pages 05-07.

<b>Board composition and Director's</b>	Independence as at 31st March 2022
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Name of the Director	Туре	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 (Deceased)	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	Non Independent Executive	No
(Alternate Director to Mr. Priyantha Maddumage)		

The Board meets regularly to discuss company's performance and evaluate its strategic direction. Attendance of the board members for the single board meetings held for the year is as given below.

Name of the Director	Board Meetings
Mr. Sanjeev Gardiner (Chairman)	1/1
Mr. Charitha Ratwatte	1/1
Mr. Lakshman Samarasinghe	1/1
Mr. Priyantha Maddumage or his	-
Alternate Director	1/1
Mr. Ranjith Gunatilleke	0/1
Mr. Nahil Wijesuriya	1/1
Mr. Chandra Mohotti	1/1
Mr. Nilanga Dela Bandara	0/1

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.

The 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. The Chairman ensures that there is a proper balance between Non-Executive Directors and Executive Directors. The management/operations of the hotel is carried out by Galle Face Group (Pvt) Limited with effect from 01 January 2022. Galle Face Group (Pvt)Limited is an affiliate of the Company.

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

### **DIRECTORS' REMUNERATION – PRINCIPLE B**

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

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

### SHAREHOLDER RELATIONS- PRINCIPLE C

The Annual General Meeting (AGM) is the main platform for the Shareholders to raise queries from the Board. AGM notices and the Annual Report are uploaded to CSE website and the Corporate website of the Company and shareholders are encouraged to use the virtual AGM constructively to discuss the matters. There were no major or material transactions entered into or proposed to be entered into by the Company during the period under review. 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 17 of this report.

### Corporate Governance

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 up to 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 statements showing extent to which the company is compliant with the rules and regulations are circulated among the Directors for information of the Board. All the Board members have access to the advice of the Company Secretary, Accounting Systems Secretarial Services (Private) Limited who acts as the registered company secretaries to the company.

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

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

### **BOARD SUB COMMITTEES**

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

### Audit Committee

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

Audit Committee Review the Financial Reporting process, Internal Controls and external audit function to ensure the integrity and quality of the financial statements. Audit Committee ensure the Independence of External Auditors, timely delivery of the Audited financial statements and review the effectiveness of internal audit procedures. The 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 30 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 29 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

The 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 5-7
(ii)	Principal activities of the entity and its subsidiaries during the year, and any changes therein	Page 13
(iii)	The names and the number of shares held by the 20 largest holders of voting shares and the percentage of such shares held	Page 88
(iv)	The public holding percentage	Page 87
(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 87
(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 2021/22	Note No. 34- 35 of Annual Report of the BOD and Management Discussion And Analysis on pages 8-9
(vii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties	Pages 61-62
(viii)	Number of shares representing the Entity's stated capital	Page 69
(ix)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Page 86
(x)	Financial ratios and market price information	Pages 02 and Page 87
(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	Pages 61-62
(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 20-27
(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 79-81

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 08 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.

### Corporate Governance

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 9 years as Independent Non- Executive Directors of the company. However Board have declared that the independent of these directors has not been impaired.
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 30 of the Annual Report under Remuneration Committee Report.
7.10.5(b)	The Remuneration Committee shall recommend the remuneration payable to the Executive Directors and Chief Executive Officer of the Listed Entity and/ or equivalent position thereof, to the board of the Listed Entity which will make the final decision upon consideration of such recommendations.	Complied	Directors of the company were not remunerated for the service rendered during the year.
7.10.5(c)	The annual report should set out the names of directors (or persons if the parent company's committee in the case of a group company) comprising the remuneration committee, contain a statement of the remuneration policy and set out the aggregate remuneration paid to executive and non-executive directors.	Complied	The names of the Directors of the Remuneration Committee and a statement of remuneration policy are set out on page 30 of this report. Directors were not remunerated during the
	executive and non-executive uncertors,	-	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 recognised professional accounting	Complied	<ul> <li>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.</li> <li>Three (03) Independent Non-Executive Directors and one Non Independent Non- Executive Director. Report of the Audit Committee is given on page 28 to the Annual Report.</li> <li>The Chief Financial Officer attends the audit committee meetings by invitation.</li> <li>Out of the 04 members, 02 of them are members of the recognised professional</li> </ul>
	body.		accounting body.
7.10.6(b)	<ul><li>Function of the Audit committee shall include,</li><li>(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.</li></ul>	Complied	nplied Report of the Audit Committee set out on page 28 of the Annual Report describes the scope performed by the committee during the year under review.
	<ul> <li>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.</li> </ul>		
	<ul><li>(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.</li></ul>		
	(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.		

### Corporate Governance

Section	Requirement	Compliance Status	Reference
7.10.6(c)	The names of the directors (or persons in the parent company's committee in the case of a group company) comprising the audit committee should be disclosed in the annual report. The committee shall make a determination of the independence of the auditors and shall disclose	Complied	Name of the directors on the Audit Committee is given on page 28 of the Annual Report. Audit Committee report is given on page 28 of the report.
	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.		Statement of Auditors independence is disclosed in page 28 of the Audit Committee report.

Section	Requirement	Compliance Status	Reference
9.2.1 & 9.2.2	All Related Party Transactions should be reviewed by the "Related Party Transactions Review Committee. The Committee should comprise a combination of non-executive directors and independent non-executive directors. The composition of the Committee may also include executive directors, at the option of the Listed Entity. One independent non-executive director shall be appointed as Chairman of the Committee.	Complied	Composition of related party transaction review committee is given on page 29 of the related party review committee report. Chairman of the committee is an Independent Non-Executive Director.
9.2.3	In a situation where both the parent company and the subsidiary are Listed Entities, the Related Party Transactions Review Committee of the parent company may be permitted to function as the Related Party Transactions Review Committee of the subsidiary.	Complied	Related Party Transactions Review Committee of the parent Company Ceylon Hotels Corporation PLC functions and oversees the related party 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 29 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 29 to the Financial Statements.

Section	Requirement	Compliance Status	Reference
9.3.2 (a)	In the case of Non-Recurrent Related Party Transactions, if aggregate value of the non-recurrent Related Party Transactions exceeds 10% of the Equity or 5% of the Total Assets, whichever is lower, of the Listed Entity as per the latest Audited Financial Statements the related information must be presented in the Annual Report.	Complied	Please refer note 29 to the financial statements on pages 78-80.
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 29 to the financial statements on pages 78-80.
9.3.2 (c)	The Annual Report shall contain a report by the Related Party Transactions Review Committee, setting out the following:	Complied	Report of the Related Party Transaction Review Committee on page 29 of the Annual Report complies with the requirement.
	<ul> <li>Names of the Directors comprising the Committee;</li> </ul>		
	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.		
	<ul> <li>The policies and procedures adopted by the Committee for reviewing the Related Party Transactions.</li> </ul>		
	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.		
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 29 of the Annual Report

## Report of the Audit Committee

### AUDIT COMMITTEE

The Parent Company of The Kandy Hotels Co. (1938) PLC is Ceylon Hotels Corporation PLC. As provided by the Listing Rules of Colombo Stock Exchange Listing Rules, the Audit Committee of Ceylon Hotels Corporation PLC, functions as the Audit Committee of the Company.

- 1. Mr. Kuvera de Zoysa (Chairman) -Independent / Non-Executive Director
- Mr. Mangala Boyagoda -Independent /Non-Executive Director
- 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 five (05) meetings during the financial year to review the interim financial statements and the yearend 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 5)
Mr. Kuvera de Zoysa	2/5
Mr. Mangala Boyagoda	5/5
Mr. Kamantha Amarasekara	0/5
Mr. Ranil Pathirana	5/5

The Audit Committee invites the Group Chief Financial Officer, representatives of Operations, Vice President of The Kandy Hotels Co. (1938) PLC, 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 organisation 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 2022 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. 07 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. However, during the financial year 2021/22 with the drop in Business volumes as a result of effects of Covid-19 and other macro-economic conditions, the Audit Committee with the consultation of Internal Auditors have made modification to the recommended cycles.

### 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 2023, 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

## 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.

### **COMPOSITION OF THE COMMITTEE**

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

- Mr. Kuvera de Zoysa (Chairman) -Independent / Non - Executive Director
- Mr. Mangala Boyagoda -Independent / Non - Executive Director
- Mr. Kamantha Amarasekara -Independent / Non - Executive Director
- Mr. Ranil Pathirana -Non - Independent / Non - Executive Director

### MEETINGS OF THE RELATED PARTY TRANSACTION REVIEW COMMITTEE

The committee met in each quarter during the financial year 2021/2022 and review the related party transaction entered into by the company. The committee further communicated its recommendations to the Board.

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

	Meetings attended (out of 4)
Mr. Kuvera de Zoysa	3/4
Mr. Mangala Boyagoda	4/4
Mr. Kamantha Amarasekara	0/4
Mr. Ranil Pathirana	4/4

### POLICIES AND PROCEDURES

- 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

### **Related party transactions**

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 2021 are disclosed under Note 29 on pages 78-80 to the Financial Statements as required in section 9.3.2 of the listing rules.

### Non-recurrent related party transactions

There were no any non-recurrent related party transactions which aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Group as per 31st March 2021 audited financial statements, which required additional disclosures in the 2021/22 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13(c) of the Security Exchange Commission Act.

The activities and observations of the Committee are communicated to the Board. The Committee has reviewed the related party transactions during the financial year and has communicated the comments/ observations to the Board of Directors.

### 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

## Report of the Remuneration Committee

The Parent Company of The Kandy Hotels Co, (1938) PLC is Ceylon Hotels Corporation PLC. As provided by Rule 7.10.5 (a) of the Listing Rules of the Colombo Stock Exchange, the Remuneration Committee of Ceylon Hotels Corporation PLC functions as the remuneration committee of the company and comprise of the following members:

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

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

# Financial Reports

Independent Auditor's Report	33
Statement of Profit or Loss and Other Comprehensive Income	36
Statement of Financial Position	37
Statement of Changes in Equity	38
Statement of Cash Flows	40
Notes to the Financial Statements	41

## Independent Auditor's Report



Ernst & Young Chartered Accountants 839/2, Peradeniya Road Kandy Sri Lanka Tel: +94 81 223 2056 +94 81 220 5669 +94 81 220 5668 Fax: +94 81 223 2056 ev.com

### 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 2022, 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 2022, 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.

Partners: H M A Jayesinghe FCA FCMA, R N de Saram ACA FCMA, Ms. Y A De Silva FCA, A P A Gunasekera FCA FCMA, A Herath FCA, D K Hulangamuwa FCA FCMA LLB (London), Ms. G G S Manatunga FCA Partner In-Charge: U G D I Gunasekara FCA

A member firm of Ernst & Young Global Limited

### Independent Auditor's Report



#### Key audit matters common to both Group and Company

Key audit matter	How our audit addressed the key audit matter	
Assessment of fair value of land and buildings As disclosed in note 12 to the financial statements, Property, plant and equipment include land and buildings carried at fair value.	<ul><li>Our audit included the following:</li><li>Assessed the competency, capability and objectivity of the external valuer engaged by the Group.</li></ul>	
<ul> <li>This was a key audit matter due to:</li> <li>Materiality of the reported land and buildings balances which amounted to Rs. 8,572,370,586/- and represent 80% of the total assets</li> </ul>	<ul> <li>Read the external valuer's report and understood the key estimates made by the valuer in determining the valuation of land and buildings.</li> </ul>	
The degree of assumptions, judgements and estimates associated with fair valuation of land and buildings such as reliance on comparable market transactions, and current	Assessed the reasonableness of the significant judgements made by the valuer and valuation techniques, per perch value, value per square foot used by the valuer in the valuation of land and buildings.	
market conditions. Key areas of significant judgments, estimates and assumptions used in the valuation of the land and buildings included the following:	We have also assessed the adequacy of the disclosures made in note 12 to the financial statements.	

- Estimate of per perch value of the land
- **Constitution** Estimate of the per square foot value of the buildings

#### Other Information included in the 2022 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 4106.

Erret Lyound

30 August 2022 Kandy

# Statement of Profit or Loss and Other Comprehensive Income

		Gro	oup	Company		
Year ended 31 March		2022	2021	2022	2021	
	Note	Rs.	Rs.	Rs.	Rs.	
Revenue	4	181,218,816	145,045,475	181,218,816	145,045,475	
Cost of sales	-	(78,969,410)	(77,796,970)	(78,969,410)	(77,796,970)	
Gross profit		102,249,406	67,248,505	102,249,406	67,248,505	
Other operating income	5	123,999	12,763,566	123,999	12,751,087	
Administrative expenses	8	(153,348,722)	(139,537,501)	(329,573,212)	(139,427,152)	
Selling and marketing expenses		(10,112,631)	(8,327,471)	(10,112,631)	(8,327,471)	
Operating loss		(61,087,948)	(67,852,901)	(237,312,438)	(67,755,031)	
Finance expenses	6	(61,954,221)	(72,346,120)	(61,954,221)	(72,346,120)	
Finance income	7	75,664,431	87,182,498	75,664,431	87,182,498	
Share of loss of joint venture	15	(107,984,127)	(114,525,093)	-	-	
Loss before tax	8	(155,361,865)	(167,541,616)	(223,602,228)	(52,918,653)	
Tax reversals/(expense)	9	1,081,928	(153,754)	1,081,928	(153,754)	
Loss for the year		(154,279,937)	(167,695,370)	(222,520,300)	(53,072,407)	
Revaluation of land & buildings Deferred tax on Revaluation of land and buildings	12.2	1,171,599,395 (164,023,915)	-	1,171,599,395 (164,023,915)	-	
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:						
			_		_	
0		1,007,575,480	-	1,007,575,480	_	
Actuarial loss on defined benefit plans	25	(1,120,183)	(705,133)	(1,120,183)	(705,133)	
Deferred tax effect on actuarial loss	24	156,826	98,719	156,826	98,719	
		(963,357)	(606,414)	(963,357)	(606,414)	
Gain on equity instruments designated at fair value through OC	CI 16.1	75,000,000	-	75,000,000	-	
Share of other comprehensive income of joint venture	15	-	88,120	-	-	
Other comprehensive income/(loss) for the year, net of tax	-	1,081,612,123	(518,294)	1,081,612,123	(606,414)	
Total comprehensive income/(loss) for the year, net of tax		927,332,185	(168, 213, 665)	859,091,822	$(53,\!678,\!822)$	
Total comprehensive income/(loss) attributable to:						
Equity holders of the parent		927,332,185	(168,213,665)	-	-	
Non-controlling interests	-	-	-	_	-	
0		927,332,185	(168,213,665)	-	-	
			,			
Basic/Diluted loss per share	10	(0.27)	(0.29)	(0.39)	(0.09)	

# Statement of Financial Position

		Gro	oup	Company		
As at 31 March		2022	2021	2022	2021	
	Note	Rs.	Rs.	Rs.	Rs.	
Non-current assets						
Property, plant and equipment	12	8,572,370,586	7,461,020,648	8,572,370,586	7,461,020,648	
Intangible assets	13	12,085,570	16,777,238	12,085,570	16,777,238	
Investment in subsidiary	14	-	-	176,421,177	352,843,177	
Investment in joint venture	15	-	107,984,127	-	-	
Investment in equity shares	16	600,000,000	525,000,000	600,000,000	525,000,000	
		9,184,456,156	8,110,782,013	9,360,877,333	8,355,641,063	
Current assets						
Inventories	17	33,684,683	33,588,948	33,684,683	33,588,948	
Trade and other receivables	18	19,960,370	25,953,465	19,960,370	25,953,465	
Advances and prepayments	19	10,855,855	10,179,386	10,855,855	10,179,386	
Amounts due from related companies	29.1	1,167,915,851	1,073,575,774	1,167,915,851	1,073,575,774	
Cash and bank balances	20	21,250,284	52,080,858	21,250,284	52,051,561	
		1,253,667,043	1,195,378,431	1,253,667,043	1,195,349,134	
Total assets		10,438,123,199	9,306,160,444	10,614,544,376	9,550,990,197	
EQUITY AND LIABILITIES						
Equity						
Stated capital	21	16,750,000	16,750,000	16,750,000	16,750,000	
Retained earnings		818,040,049	909,469,928	1,123,184,872	1,282,855,113	
Other components of equity	22.2	7,834,303,473	6,815,578,908	7,706,236,929	6,687,512,365	
Total equity		8,669,093,522	7,741,798,836	8,846,171,801	7,987,117,479	
Non-current liabilities						
Interest bearing loans and borrowings	23	527,786,602	547,616,226	527,786,602	547,616,226	
Deferred tax liability	24	860,393,691	715,767,993	860,393,691	715,767,993	
Retirement benefit obligations	25	3,802,041	4,553,721	3,802,041	4,553,721	
Government grants	28	-	3,414,429	-	3,414,429	
		1,391,982,334	1,271,352,369	1,391,982,334	1,271,352,369	
Current liabilities						
Interest bearing loans and borrowings	23	258,929,487	163,893,690	258,738,906	163,893,690	
Trade and other payables	26	82,315,051	90,326,921	82,206,051	90,085,553	
Amounts due to related companies	29.2	15,487,310	15,397,234	15,129,789	15,149,713	
Contract liabilities	27	8,401,123	4,725,485	8,401,123	4,725,485	
Other current liabilities		632,201	546,053	632,201	546,053	
Income tax liabilities		7,992,750	13,462,464	7,992,750	13,462,464	
Government grants	28	3,289,421	4,657,392	3,289,421	4,657,392	
<u> </u>		377,047,343	293,009,239	376,390,241	292,520,350	
Total equity and liabilities		10,438,123,199	9,306,160,444	10,614,544,376	9,550,990,197	

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

Indester

Nilani De Silva Financial Controller

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

and . Sanjeev Gardiner

Lakshman Samarasinghe Director

The accounting policies and notes as set out in pages 41 to 85 form an integral part of these financial statements.

30 August 2022 Colombo

Chairman

# Statement of Changes in Equity

			Other Compos	nent of Equity		
Year ended 31 March		Stated capital	Fair Value Reserve of Financial Assets at FVOCI	Revaluation reserves	Retained earnings	Total equity
Group	Note	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01 April 2020		16,750,000	(75,000,000)	6,954,429,824	1,013,870,177	7,910,050,001
Net loss for the year		-	-		(167,695,370)	(167,695,370)
Actuarial loss on defined benefit plans (net of tax)	-	-	-	-	(606,414)	(606,414)
Share of other comprehensive income attributable to joint venture	-				88,120	88,120
Transfer of excess depreciation on revaluation of buildings		-		(63,850,916)	63,850,916	
Dividends-(15% Cumulative preference shares)		-		-	(37,500)	(37,500)
Balance as at 31 March 2021		16,750,000	(75,000,000)	6,890,578,908	909,469,928	7,741,798,836
Net loss for the year	-	-	-	-	(154,279,937)	(154,279,937)
Actuarial loss on defined benefit plans (net of tax)	25		_		(963,357)	(963,357)
Revaluation of property , plant and equipment (net of tax)	12.2	-		1,007,575,480		1,007,575,480
Gain on equity instruments designated at fair value through OCI	16.1	-	75,000,000			75,000,000
Transfer of excess depreciation on revaluation of buildings			-	(63,850,916)	63,850,916	
Dividends-(15% Cumulative preference shares)	-	-	-		(37,500)	(37,500)
Balance as at 31 March 2022		16,750,000	-	7,834,303,472	818,040,049	8,669,093,521

Year ended 31 March		Stated capital	Other Compo Fair Value Reserve of Financial Assets at FVOCI	nent of Equity Revaluation reserves	Retained earnings	Total equity
Company	Note	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01 April 2020		16,750,000	(75,000,000)	6,826,363,281	1,272,720,519	8,040,833,800
Net loss for the year		-	-	-	(53,072,407)	(53,072,407)
Actuarial loss on defined benefit plans (net of tax)		-			(606,414)	(606,414)
Dividends-(15% Cumulative preference shares)		-	-	-	(37,500)	(37,500)
Transfer of excess depreciation on revaluation of buildings		-		(63,850,916)	63,850,916	
Balance as at 31 March 2021		16,750,000	(75,000,000)	6,762,512,365	1,282,855,113	7,987,117,479
Net loss for the year		-	-	-	(222,520,300)	(222,520,300)
Actuarial loss on defined benefit plans (net of tax)	25	-	-	_	(963,357)	(963,357)
Revaluation of property , plant and equipment (net of tax)	12.2	-	-	1,007,575,480		1,007,575,480
Gain on equity instruments designated at fair			-			
value through OCI	16.1		75,000,000			75,000,000
value through OCI Dividends-(15% Cumulative preference shares)	16.1	-	75,000,000	-	(37,500)	
	16.1			(63,850,916)	(37,500) 63,850,916	75,000,000

# Statement of Cash Flows

		Gro	up	Company		
Year ended 31 March		2022	2021	2022	2021	
	Note	Rs.	Rs.	Rs.	Rs.	
Cash flows from/(used in) operating activities						
Loss before tax		(155, 361, 865)	(167, 541, 616)	(223,602,228)	(52,918,653)	
Adjustments for:						
Interest income		(75,664,431)	(87,182,498)	(75,664,431)	(87,182,498)	
Depreciation of property, plant and equipment	12.1.2	61,380,771	63,503,235	61,380,771	63,503,235	
Interest cost	6	61,954,221	72,346,120	61,954,221	72,346,120	
Provision/(reversal) of provision for impairment		(9,728,277)	212,389	(9,728,277)	212,389	
Amortization of intangible assets	13.2	4,691,669	4,735,068	4,691,669	4,735,068	
Profit on disposal of property, plant and equipment		-	(12,122,038)	-	(12,122,038)	
Share of results of equity accounted investee	15	107,984,127	114,525,093	-	-	
Provision for impairment of subsidiary		-	-	176,422,000	-	
Provision for retirement benefit plans	25	674,594	1,056,751	674,594	1,056,751	
Operating loss before working capital changes		(4,069,191)	(10,467,496)	(3,871,681)	(10,369,626)	
(Increase)/decrease in inventories		(95,735)	4,120,162	(95,735)	4,120,162	
(Increase)/decrease in trade and other receivables		2,205,965	35,948,061	2,205,965	35,948,061	
(Increase)/decrease in advances and prepayments		(676,469)	414,064	(676,469)	414,064	
(Increase)/decrease in amount due from related parties		7,532,161	(69,281)	7,532,161	(69,281)	
Increase/(decrease) in trade and other payable and						
contract liabilities		(4, 373, 732)	(1, 182, 950)	(4, 241, 364)	(1,216,952)	
Increase/(decrease) in other current liabilities		86,148	(3, 520, 758)	86,148	(3,520,758)	
(Increase)/decrease in amount due to related parties		90,076	(5,786,199)	(19,924)	(5,773,720)	
Cash generated from/ (used in) operations		699,223	19,455,604	919,101	19,531,950	
Income tax paid	_	(23,629,177)	(17, 326, 966)	(23,629,177)	(17,326,966)	
Gratuity paid	25	(2,546,457)	$(1,\!489,\!054)$	(2,546,457)	(1,489,054)	
Net cash flow from/(used in) operating activities		(25, 476, 411)	639,584	(25, 256, 533)	715,931	
Cash flows from/ (used in) investing activities						
Purchase of property, plant and equipment	12	(1,131,314)	(554, 309)	(1,131,314)	(554,309)	
(Increase)/decrease in interest bearing loans due from						
related parties		(12,417,831)	(82,711,232)	(12,417,831)	(82,711,232)	
Net cash flow from/(used in) investing activities		(13,549,145)	(83, 265, 540)	(13,549,145)	(83,265,540)	
Cash flows from/ (used in) financing activities						
Loans obtained during the year	23.3	-	11,185,528	-	11,185,528	
Net cash flow from /(used in) financing activities		-	11,185,528	-	11,185,528	
Net Increase/(decrease) in cash and cash equivalents		(39,025,557)	(71,440,428)	(38,805,679)	(71,364,081)	
Cash and cash equivalents at the beginning of the year		52,080,858	123,521,289	52,051,561	123,415,643	
Cash and cash equivalents at the end of the year	20	13,055,301	52,080,858	13,245,882	52,051,561	

## 1. CORPORATE INFORMATION

## 1.1 General

The Kandy Hotels Company (1938) PLC ("the Company") 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 2022 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 2022 were authorized for issue in accordance with a resolution of the Board of Directors on 30 August 2022.

#### 1.3 Principal Activities and nature of operations

During the year, the principal activities of the Company & 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 subsidiary 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 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 financial statements have been prepared on the historical cost basis; except for the Property, Plant and Equipment that 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 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.

### 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 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 and they do not intend either to liquidate or to cease trading.

#### Current market and economic conditions

As at the reporting date, several market, and economic changes such as shortages of oil and gas, limitation of imported food items, regular power cuts present, and the said facts directly affected on the tourism industry.

Further, changes in political environment, travel advisory and warnings issued for Sri Lanka, shortage of foreign currencies, changes in market interest rates and global macroeconomic factors also affected the tourism industry in Sri Lanka.

The Board of Directors has carefully evaluated the implications of these conditions on the operations of the Group. In addressing these issues, the Government of Sri Lanka has taken several policy decisions to overcome form obstacles. Even the conditions are beyond management control, the Management has taken measures to mitigate the potential impact on the operations and to continue the business smoothly.

## 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
- S 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, noncontrolling 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	2022	2021	Nature of the Operations
Suisse Hotel			Operation of Small
(Private) Limited	100%	100%	Luxury Hotel

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	2022	2021	Nature of the Operations
Suisse Hotels			Operation of Small
Kandy (Pvt) Ltd	50%	50%	Luxury Hotel

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

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 noncurrent assets and liabilities

#### 3.7 Statement of Profit or Loss

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

#### 3.7.1 Revenue recognition

#### Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods and services are transferred to the customer at an amount that reflects the consideration to

which the Group expects to be entitled in exchange for those goods and services.

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

#### a) Room Revenue

Room revenue is recognized when the rooms are occupied on daily basis. The performance obligation is to provide the right to use accommodation for a given number of nights, and the transaction price is the room rate for each night determined at the time of booking. The performance obligation is met when the customer is given the right to use the accommodation, and so revenue is recognised for each night as it takes place, at the room rate for that night.

#### b) Food and beverage revenue

The contract is established when the customer orders the food or beverage item and the performance obligation is the provision of food and beverage by the Group & company. The performance obligation is satisfied when the food and beverage is delivered to the customer (at a point of time), and revenue is recognised at this point at the price for the items purchased.

#### c) Interest income

For all financial instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of profit or loss.

#### d) Rental income, other income and gains

Rental income, other income and gains are recognised in the statement of profit or loss as it accrues.

#### **Contract balances**

#### Contract 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/Company have been disclosed in other current liabilities Note 27.

#### Contract Assets

A contract asset is initially recognised for revenue earned from room sales because the consideration is receiving at the departure of the guests. Upon departure of guests, the amount recognised as contract assets is reclassified to trade receivables.

#### 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

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income. Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

The profits and income of the Company arising on provision of tourism related services is liable for taxation at the rate of 14% and Interest income is taxed at 24% under the Inland Revenue Act No. 24 of 2017 and amendments thereto.

#### 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.

#### Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- Receivables and payables that are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

## 3.8 Fair value measurement

The Group measures Land and Buildings 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:

- Land and Buildings under revaluation model Note 12
- Investments in unquoted equity shares Note 16

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 and Investments in unquoted equity shares.

#### 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 (other than land and buildings) is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised at the date of revaluation. Revaluation of land is done with sufficient frequency to ensure that the carrying amount of the land does not differ materially from its fair value, and is undertaken by professionally qualified valuers.

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus. An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset 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 surplus relating to the particular asset being sold is transferred to retained earnings.

Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized.

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

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

## 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	-
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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.

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 slowmoving 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:

Food and Beverages	
House Keeping and	Weighted Average Basis
Maintenance and Other	

At actual cost on Weighted Average Methods.

### 3.9.4 Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and shortterm deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and shortterm deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

#### 3.9.5 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

#### 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:

- **c** 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)
- **c** 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 advances and prepayments.

## 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, other current liabilities and 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 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 & 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.

#### Defined benefit plans

**b**)

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

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

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

#### Recognition of actuarial gains or losses

Actuarial gains or losses in full are recognized in the Statement of 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.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

#### 3.13 Capital commitments and contingencies

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

### 3.14 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 New and Amended Standards and Interpretations

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. Adoption of these amendments and interpretations will not have significant impact on the consolidated financial statements of the Group.

## **SLFRS 17 Insurance Contracts**

In 8 January 2020, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued SLFRS 17 Insurance Contracts (SLFRS 17). SLFRS 17 was amended by Amendments to SLFRS 17 - Insurance Contracts, in 28 June 2021. SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts (SLFRS 4) that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of SLFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurance contracts to the requirements in SLFRS 4, which are largely based on grandfathering previous local accounting policies, SLFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of SLFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17.

## Amendments to LKAS 37 Provisions, Contingent Liabilities and Contingent Assets : Onerous Contracts – Costs of Fulfilling a Contract

In 25 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to LKAS 37 Provisions, Contingent Liabilities and Contingent Assets (LKAS 37) to specify which costs an entity needs to include when assessing whether a contract is onerous or lossmaking.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.

## Amendments to LKAS 16 Property, Plant &

Equipment : Proceeds before Intended Use In 25 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued LKAS 16 Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

#### Amendments to SLFRS 3 Business Combinations :

**Updating a reference to conceptual framework** In 23 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to SLFRS 3 Business Combinations - Updating a Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

At the same time, it was decided to clarify existing guidance in SLFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

#### 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.

#### **Revaluation of Land & Buildings**

a)

b)

c)

The Group carries its land and buildings at fair value, with changes in fair value being recognized in the statement of OCI. The valuer has used valuation techniques such as market values and depreciated replacement cost methods where there was lack of comparable market data available based on the nature of the property.

The land were valued by reference to transactions involving properties of a similar nature, location and condition. The Group engaged an independent valuation specialist to determine the fair values of land and buildings as at 31 March 2022 and the valuer has confirmed that the fair value is not materially deviated from the carrying value land and buildings as at the reporting date.

The key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in Note 12.

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

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 market conditions in determining the provisioning under ECL.

### I. Taxes

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

The Group has tax losses carried forward as at 31 March 2022 amounting to Rs. 200,567,821/- (2021-111,634,712/-). These losses relate to the Kandy Hotels Company (1938) PLC; parent entity. A deferred tax asset of Rs. 28,078,143/- (2021 – 15,630,607/-) has been recognized in respect of this tax loss considering the future taxable profit forecast of the Company.

## 4 **REVENUE**

	Gro	oup	Company		
Year ended 31 March 2022	2022	2021	2022	2021	
	Rs.	Rs.	Rs.	Rs.	
Revenue from contracts with customers (Note 4.1)	181,218,816	145,045,475	181,218,816	145,045,475	
	181,218,816	145,045,475	181,218,816	145,045,475	

## 4.1 Disaggregation of revenue from contracts 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.

	Gre	oup	Company		
Year ended 31 March 2022	2022	2021	2022	2021	
	Rs.	Rs.	Rs.	Rs.	
Over a period or period of stay					
Room revenue	62,738,603	42,726,209	62,738,603	42,726,209	
Food and Beverage revenue	100,676,796	84,874,355	100,676,796	84,874,355	
Other revenue	17,803,417	17,444,911	17,803,417	17,444,911	
Total Revenue	181,218,816	145,045,475	181,218,816	145,045,475	
Timing of revenue recognition					
Products and services transferred over time	62,738,603	42,726,209	62,738,603	42,726,209	
Products and services transferred at a point in time	118,480,213	102,319,266	118,480,213	102,319,266	
Total Revenue	181,218,816	145,045,475	181,218,816	145,045,475	

## 5 OTHER OPERATING INCOME

	Group		Com	Company	
Year ended 31 March 2022	2022	2021	2022	2021	
	Rs.	Rs.	Rs.	Rs.	
Sundry income	123,999	641,528	123,999	629,049	
Writeback of unclaimed dividend	-	12,122,038	-	12,122,038	
	123,999	12,763,566	123,999	12,751,087	

## 6 FINANCE EXPENSES

	Group		Company	
Year ended 31 March 2022	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
Interest expense on bank overdrafts	8,780,878	8,872,372	8,780,878	8,872,372
Interest expense on bank loans	53,173,343	63,473,749	53,173,343	63,473,749
	61,954,221	72,346,121	61,954,221	72,346,121

## 7 FINANCE INCOME

	Group		Company	
Year ended 31 March	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
Interest income on saving accounts	934	971	934	971
Interest income on intercompany loans	75,663,497	87,181,527	75,663,497	87,181,527
	75,664,431	87,182,498	75,664,431	87,182,498

## 8 PROFIT/(LOSS) BEFORE TAX

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

	Gre	oup	Company	
Year ended 31 March 2022	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Auditors' remuneration				
- External audit services	1,001,000	1,001,000	931,000	931,000
- Other audit services	-	91,999	-	-
Staff costs				
- Salaries	42,747,928	37,969,613	42,747,928	37,969,613
- Defined benefit plan cost	674,594	1,056,751	674,594	1,056,751
- Defined contribution plan cost - EPF and ETF	3,436,255	3,603,432	1,088,767	3,603,432
- Other staff expenses	103,069	441,243	103,069	441,243
Depreciation of property, plant and equipment	61,380,771	63,503,235	61,380,771	63,503,235
Legal expenses	565,900	793,196	565,900	793,196
Professional charges	803,950	989,090	803,950	989,090
Provision for impairment	(9,728,277)	212,389	(9,728,277)	212,389
Amortization of intangible assets	4,691,669	4,735,068	4,691,669	4,735,068
Donations	23,375	7,500	23,375	7,500
Impairment of Investment in subsidiary (Note 14)	-	-	176,422,000	-

## 9 TAX EXPENSE

9.2

The major components of income tax expenses for the year ended 31 March are as follows;

	Group		Company	
Year ended 31 March	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Current income tax				
Current income tax charge (Note 9.1)	18,159,463	20,923,800	18,159,463	20,923,800
Under provision of current taxes in respect of prior years	-	118,044	-	118,044
	18,159,463	21,041,844	18,159,463	21,041,844
Deferred income tax				
Deferred tax reversals (Note 9.3)	(19,241,392)	$(20,\!888,\!090)$	(19, 241, 392)	$(20,\!888,\!090)$
Income tax expense reported in the statement of profit or loss	(1,081,928)	153,754	(1,081,928)	153,754

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	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
Accounting profit/(loss) before tax	(155, 361, 865)	(167,541,616)	(223,602,228)	(52,918,653)
Add: Share of loss of joint venture	107,984,127	114,525,093	-	-
	(47, 377, 738)	(53,016,523)	(223,602,228)	(52, 918, 653)
Less: Non business income	(75, 664, 431)	(87, 182, 498)	(75,664,431)	(87,182,498)
Add: Aggregate disallowed items	67,416,068	70,559,412	243,838,068	70,559,412
Less: Aggregate allowable items	(33, 482, 380)	$(40,\!881,\!893)$	(33, 482, 380)	(40, 881, 893)
Tax loss of subsidiary	175,372	110,349	-	-
Loss from business	(88,933,109)	(110,411,153)	(88,910,971)	(110,423,632)
Other sources of income				
Interest income	75,664,431	87,182,498	75,664,431	87,182,498
Taxable other income	75,664,431	87,182,498	75,664,431	87,182,498
Income tax provision for the year is made up of the following:				
- Income tax on interest income @ 24%	18,159,463	20,923,800	18,159,463	20,923,800
Current income tax expense	18,159,463	20,923,800	18,159,463	20,923,800
Tax Losses				
Tax Losses Brought Forward	111,634,711	1,223,558	111,647,190	1,223,558
Losses incurred during the year	88,933,109	110,411,153	88,910,971	110,423,632
Tax Losses Carried Forward	200,567,821	111,634,711	200,558,162	111,647,190

		Gro	up	Company	
	Year ended 31 March	2022	2021	2022	2021
		Rs.	Rs.	Rs.	Rs.
9.3	Deferred tax charge				
	Statement of profit or loss				
	Deferred tax arising from				
	- Accelerated depreciation for tax purposes	(6,898,639)	(5,489,303)	(6,898,639)	(5, 489, 303)
	- Carried forward tax loss	(12,447,536)	(15, 459, 309)	(12,447,536)	(15, 459, 309)
	- Retirement benefit obligation	104,783	60,522	104,783	60,522
	Total deferred tax charge/(reversal)	(19, 241, 392)	$(20,\!888,\!090)$	(19,241,392)	$(20,\!888,\!090)$

## 10 BASIC/DILUTED LOSS PER SHARE

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

	Gro	Group		Company	
As at 31 March	2022	2021	2022	2021	
	Rs.	Rs.	Rs.	Rs.	
Amount used as the numerator					
Loss attributable to ordinary equity holders of the parent	(154,279,937)	$(167,\!695,\!370)$	(222, 520, 300)	(53,072,407)	
Less : Preference dividend	(37,500)	(37,500)	(37,500)	(37,500)	
Loss Attributable to ordinary shareholders	(154,317,437)	(167,732,870)	(222,557,800)	(53, 109, 907)	
Amounts used as the denominator :					
Weighted average number of ordinary shares at the beginning of the year					
Number of shares issues due to sub division of shares during the year					
Weighted average number of ordinary shares	577,500,000	577,500,000	577,500,000	577,500,000	
Basic earnings loss per share (Rs.)	(0.27)	(0.29)	(0.39)	(0.09)	

## 11 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 financial and non-financial assets as at 31 March 2022 and 2021:

			Fair value measurement using		
	Date of	Total	Quoted	Significant	Significant
	valuation		prices in	observable	unobservable
			active markets	inputs	inputs
			(Level 1)	(Level 2)	(Level 3)
Assets measured at fair value:					
As at 31 March 2022					
Non financial assets					
Land and Buildings (Note 12)	31 March 2022	8,405,100,000	-	-	8,405,100,000
Non financial assets as at 31 March 2022		8,405,100,000	-	-	8,405,100,000
Financial assets					
Financial assets at fair value through OCI (Note 16)					
Unquoted equity shares	31 March 2022	600,000,000	-	-	600,000,000
Financial assets as at 31 March 2022		600,000,000	-	-	600,000,000
As at 31 March 2021					
Non financial assets					
Land and Buildings (Note 12)	31 March 2020	7,270,016,927	-	-	7,270,016,927
Non financial assets as at 31 March 2021		7,270,016,927	-	-	7,270,016,927
Financial assets					
Financial assets at fair value through OCI					
(Note 16)					
Un-quoted equity shares	31 March 2021	525,000,000	-	-	525,000,000
Financial assets as at 31 March 2021		525,000,000	-	-	525,000,000

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 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.

## 12 PROPERTY, PLANT AND EQUIPMENT

## 12.1 Group/Company

## 12.1.1 Gross carrying amounts

	Balance as at	Additions	Revaluations	Disposals/ transfers	Balance as at
	01.04.2021				31.03.2022
	Rs.	Rs.		Rs.	Rs.
At cost or valuation					
Freehold land	5,590,080,000	-	644,920,000	-	6,235,000,000
Freehold buildings	1,716,453,250	-	526,679,395	(73,032,645)	2,170,100,000
Furniture and fittings	109,111,976	-	-	-	109,111,976
Equipment	92,123,487	-	-	-	92,123,487
Air conditioners	12,877,429	1,029,514	-	-	13,906,943
Generator	32,626,000	-	-	-	32,626,000
Computer equipment	28,420,287	101,800	-	-	28,522,087
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	7,615,349,660	1,131,314	1,171,599,395	(73,032,645)	8,715,047,723

## 12.1.2 Depreciation

	Balance as at 01.04.2021 Rs.	Charge for the Year Rs.	Revaluations Rs.	Disposals/ transfers Rs.	Balance as at 31.03.2022 Rs.
At cost or valuation					
Freehold buildings	36,516,323	36,516,322	-	(73, 032, 645)	-
Furniture and fittings	33,716,857	8,313,304	-	-	42,030,161
Equipment	22,319,742	5,478,155	-	-	27,797,897
Air conditioners	9,228,554	2,585,739	-	-	11,814,293
Generator	13,054,729	3,262,600	-	-	16,317,329
Computer equipment	26,054,053	1,812,583	-	-	27,866,636
Solar power hot water	4,248,714	1,106,898	-	-	5,355,612
Sewerage plant	8,849,700	2,212,425	-	-	11,062,125
Motor vehicles	340,340	92,745	-	-	433,085
Total depreciation	154,329,011	61,380,771	-	$(73,\!032,\!645)$	142,677,138

#### 12.1.3 Net book value

	2022	2021
	Rs.	Rs.
At cost or valuation		
Freehold land	6,235,000,000	5,590,080,000
Freehold buildings	2,170,100,000	1,679,936,927
Furniture and fittings	67,081,815	75,395,119
Equipment	64,325,590	69,803,745
Air conditioners	2,092,650	3,648,875
Generator	16,308,671	19,571,271
Computer equipment	655,451	2,366,234
Solar power hot water	5,713,368	6,820,266
Sewerage plant	11,062,125	13,274,550
Motor vehicles	30,915	123,661
Total Carrying Amount of Property, Plant and Equipment	8,572,370,586	7,461,020,648

- 12.1.4 During the financial year, the Group/Company acquired Property, Plant and Equipment to the aggregate value of Rs. 1,131,314/-(2021 - Rs.554,309/-). Cash payments amounted to 1,131,314/- (2021 - Rs.554,309/-) were made during the year for purchase of Property, Plant and Equipment.
- **12.1.5** There were no restrictions in the titles of the property plant and equipment and no assets were pledged as security as at 31 March 2022.

## 12.2 Revaluation of property, plant and equipment

Freehold land and Building of the Group were revalued by an independent chartered valuer considering the existing use as the highest and best use of the properties and considering the nature, location and condition of the properties. Effective date of the valuations of the Group were 31 March 2022. Note 3.8 to the financial statements describes the valuation process of the Group.

Revaluation surplus	Land	Building	Total
	Rs.	Rs.	Rs.
Carrying Amount Prior to Revaluation	5,590,080,000	1,643,420,605	7,233,500,605
Add: Gain on Revaluation recognize in equity	644,920,000	526,679,395	1,171,599,395
Carrying Amount After the Revaluation	6,235,000,000	2,170,100,000	8,405,100,000

#### 12.3 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.

#### Valuation technique:

Land - Open market value method

Buildings- Depreciated replacement cost

Effective date of valuation 31-03-2022

Significant unobservable valuation input:	Range
Location - Kandy.	
Price per perch	Rs. 7,000,000/ 15,000,000/-
Price per sq. Ft	Rs. 9,000/ Rs.21,000/-
Extent (Land)	3A 3R 39.2P
Extent (Building)	172,894 Sq. Ft
No. of buildings	2
Economic depreciation	40% - 48%

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

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

As at 31 March		2022		2021
	Cost	Accumulated depreciation	Carrying value	Carrying value
	Rs.	Rs.	Rs.	Rs.
Group/ Company				
Freehold land	1,956,262,500	-	1,956,262,500	1,956,262,500
Buildings	639,725,022	(361,137,191)	278,587,831	291,379,331
Total	2,595,987,522	(361,137,191)	2,234,850,331	2,247,641,831

## 13 INTANGIBLE ASSETS

			Group/Company		
	As at 31 March	2022	2021		
		Rs.	Rs.		
13.1	Computer software				
	At the beginning of the year	34,718,759	34,718,759		
	At the end of the year	34,718,759	34,718,759		
13.2	Accumulated amortization				
	At the beginning of the year	(17, 941, 521)	(13, 206, 452)		
	Amortization for the year	(4,691,669)	(4,735,068)		
	At the end of the year	(22, 633, 189)	(17, 941, 521)		
	Carrying value	12,085,570	16,777,238		

## 14 INVESTMENT IN SUBSIDIARIES

		Company	
	As at 31 March	2022	2021
		Rs.	Rs.
	Suisse Hotel (Private) Limited	352,843,177	352,843,177
	Provision for impairment (Note 14.2)	(176,422,000)	-
		176,421,177	352,843,177
14.1	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

#### 14.2 Provision for Impairment

The Group has carried out an impairment assessment of its investment in subsidiary as at 31 March 2022. Impairment test was based on the value in use calculation (VIU) of Suisse Hotel (Pvt) Ltd using discounted cash flow model. For the impairment assessment, Suisse Hotel (Pvt) Ltd considered as a single cash generating unit (CGU).

The cash flows are derived from the most recent forecast, factoring in the present economic/market out look and its potential impact on the tourism industry. Consideration was also given to the significant depreciation of Sri Lanka Rupee against USD and the consequent impact on the significant USD denominated borrowings held by Suisse Hotel Kandy/pvt) Limited, the joint venture undertaking which owns Radisson Kandy. This does not include the restructuring activities that the group is yet commit (including debt restructuring) or any significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model, revenue growth rate and the growth rate used for extrapolation purposes.

#### The key assumptions used in the VIU computation

#### **Gross Margins**

The basis used to determine the value assigned to the forecasted gross margins is the gross margins achieved in the preceding year duly adjusted for projected market conditions.

#### **Discount Rates**

The discount rate used is the weighted average cost of capital of the CGU, and is at 14.4%

#### Volume Growth

Volume growth has been budgeted on a reasonable and realistic basis by taking into account the growth rates of one to five years immediately subsequent to the budgeted year based on expected industry growth rates. Cash flows beyond the fifth year period are extrapolated using 3.5% growth rate.

#### Occupancy and Average room rates $\left( ARR\right)$

Occupancy and ARR has been projected based on the historical trends and considering the current market conditions.

## 15 INVESTMENT IN JOINT VENTURE

#### Group

The Group holds 50% interest in Suisse Hotel Kandy (Private) Limited, a joint venture owning the Radisson Hotel Kandy. The Group's interest in Suisse Hotel Kandy (Private) Limited is accounted for using the equity method in the consolidated financial statements. Summarized 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	2022	2021
	Rs.	Rs.
Suisse Hotel Kandy (Pvt) Limited	107,984,127	222,421,100
Share of loss of joint venture (Note 15.2)	(107,984,127)	(114,525,093)
Share of other comprehensive income attributable to joint venture	-	88,120
Group's carrying amount of the investment	-	107,984,127

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

	Com	pany
As at 31 March	2022	2021
Number of shares	161,961,962	161,961,962
Holding %	50	50

#### 15.2 Summarized Financial information of joint venture - Group

As at 31 March	2022	2021
	Rs.	Rs.
Assets and liabilities		
Current assets, including cash and cash equivalents	126,995,403	89,596,504
Non current asset, including property, plant and equipment	1,638,451,206	1,696,609,973
Current liabilities, including trade and other payables	(236,253,755)	(303,177,961)
Non-current liabilities, including long-term borrowing	(2,317,889,148)	(1,309,244,022)
Equity	(788,696,294)	173,784,494
Group's carrying amount of the investment	-	107,984,127

For the year ended 31 March	2022	2021
	Rs.	Rs.
Summarized statement of profit or loss and other comprehensive income		
Revenue	186,663,675	112,540,678
Cost of sales	(42,059,899)	(24,138,893)
Administrative expenses, including depreciation	(195,004,610)	(176,767,101)
Marketing and promotional expenses	(6,581,840)	(2,594,790)
Net finance costs	(148,208,692)	(66,194,882)
Foreign exchange loss	(745,031,177)	(72,439,318)
Loss before income tax	(950,222,543)	(229,594,306)
Income tax	(251,833)	544,120
Loss for the year	(950,474,376)	(229,050,185)
Group's share of loss for the year*	(475,237,188)	(114,525,093)
Group's share of loss for the year	(475,237,188)	(114,525,093)
Loss recognized during the year	107,984,127	114,525,093
Unrecognized losses	(367,253,061)	-

## Group

\*The Group has recognized share of loss to the extent of Group's interest is reduced to Nil and remaining losses have not been recognized as there is no legal or constructive liability to make any payments on behalf of the Suisse Hotel Kandy (Pvt) Ltd.

	2022	2021
	Rs.	Rs.
Other comprehensive income		
Actuarial gains and losses on defined benefit plans	252,552	204,930
Deferred tax Charge on Defined Benefit plan	(35,357)	(28,690)
Other comprehensive income for the year	217,195	176,240
Group's share of other comprehensive income for the year	108,597	88,120
Summarized cash flow information		
Cash flows from operating activities	(36,788,231)	5,052,799
Cash flows from investing activities	(3,386,564)	(932,393)
Cash flows from finance activities	2,196,614	15,663,009
Net increase in cash and cash equivalents	(37,978,180)	19,783,416

15.3 The joint venture had no other contingent liabilities or capital commitments as at 31 March 2022 and 2021.

#### 15.4 Assets pledged

Primary and Secondary Mortgage over freehold right of properties belong to Joint Venture has been pledged as security for the facility for USD 10,904,542. Carry value of the property is Rs. 1,637,339,651 as of the reporting date.

## 16 INVESTMENT IN EQUITY SHARES - GROUP/COMPANY

	Group/C	Group/Company	
As at 31 March	2022	2021	
	Rs.	Rs.	
Investments in unquoted shares (Note 16.1)	600,000,000	525,000,000	
	600,000,000	525,000,000	

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.

### 16.1 Investments in unquoted shares

As at 31 March	2021/2	2021/2022		2021
	No. of shares	Holding %	Rs.	Rs.
Group/Company				
United Hotels Company Limited	48,000,000	16.1%	525,000,000	525,000,000
Changes in Fair Value			75,000,000	-
			600,000,000	525,000,000

Investment in United Hotels Co. Ltd (UHCL) was made during the financial year ended 31 March 2018. UHCL Group owns four resorts in Sri Lanka. Group also holds 50% investments in Hadaaru Ocean Holdings (Pvt) Ltd (HOH), which reflects the majority of the value of investments in UHCL. The said investment is currently classified as held for sale and its contracted sale price is considered in arriving at fair value of investments in UHCL.

The discounted cash flow method is used in deriving the fair value of investments in resorts. The cash flows are derived from the most recent budget and do not include the restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generated unit being tested. In addition, the overall decline in the tourism industry due to the current market conditions was also considered in developing the budget as the tourism industry may take reasonable time to recover. The recoverable amount is most sensitive to the discount rates and the growth rates used for extrapolation purposes.

Key assumptions used in ascertaining fair value of investments in local resorts which reflects approximately 30% of the value of the investments in UHCL

Effective date of valuation	31-03-2022
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 14% - 19% using WACC
	ii. Terminal growth rate of 3.5%

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

Drop in fair value of Rs 75,000,000 was recognized in prior year mainly due to lower fair value assigned to adjusted net assets value of CHML. The said drop in value has now been reversed giving due consideration to contracted sale price of its 50% stake in HOH.

## **17 INVENTORIES**

	Group		Company	
As at 31 March	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Food and beverage	4,348,841	4,329,082	4,348,841	4,329,082
Linen	20,362,285	20,406,613	20,362,285	20,406,613
Housekeeping and maintenance	8,973,557	8,918,226	8,973,557	8,918,226
	33,684,683	33,653,921	33,684,683	33,653,921
Less: Provision for obsolete and slow moving items	-	(64,973)	-	(64,973)
	33,684,683	33,588,948	33,684,683	33,588,948

## 18 TRADE AND OTHER RECEIVABLES

	Group/C	Group/Company	
As at 31 March	2022 Rs.	2021 Rs.	
Trade receivables	12,724,256	8,455,844	
Other receivables	15,133,241	21,607,618	
Allowance for expected credit losses	(7,897,127)	(4,109,997)	
	19,960,370	25,953,465	
Allowance for expected credit losses			
Balance as at the beginning of the year	4,109,997	4,054,714	
Changes in Impairment for the year	3,787,130	55,283	
Balance as at end of the year	7,897,127	4,109,997	

## 18.2 Impairment of debtors

18.1

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.

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

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

	Group/0	Company
	2022 Rs.	2021 Rs.
Neither past due nor impaired	5,007,589	-
Past due but not impaired		
31-60 days	1,159,581	-
61-90 days	279,619	-
91-120 days	70,666	-
> 121 days	6,206,801	8,455,844
Total	12,724,256	8,455,844

## 19 ADVANCES AND PREPAYMENTS

	Group/	Group/Company		
As at 31 March	2022	2021		
	Rs.	Rs.		
Advances and deposits	4,121,570	1,911,990		
Prepayments	6,734,285	8,267,396		
	10,855,855	10,179,386		

## 20 CASH AND BANK BALANCES

	Group		Company	
As at 31 March	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
Favourable cash and bank balances				
Cash in hand	4,103,010	500,000	4,103,010	500,000
Cash at bank	17,147,274	51,580,858	17,147,274	51,551,561
Total cash and bank balances	21,250,284	52,080,858	21,250,284	52,051,561
Unfavourable cash and bank balances				
Bank overdraft	(8, 194, 983)	-	(8,004,402)	-
	(8,194,983)	-	(8,004,402)	-
Total cash and cash equivalents for the purpose of statement				
of cash flows	13,055,301	52,080,858	13,245,882	52,051,561

## 21 STATED CAPITAL

	Group/Company		Group/Company		
	Number of shares		Value o	Value of shares	
As at 31 March	2022	2021	2022 Rs.	2021 Rs.	
Fully paid ordinary shares	577,500,000	577,500,000	16,500,000	16,500,000	
Fully paid preference shares - 15% cumulative (Note 21.1)	50,000	50,000	250,000	250,000	
	577,550,000	577,550,000	16,750,000	16,750,000	

## 21.1 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.

## 22 OTHER COMPONENTS OF EQUITY

#### 22.1 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.

	Group		Company	
As at 31 March	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
Opening balance	6,890,578,908	6,954,429,824	6,762,512,365	6,826,363,281
Transfer of excess depreciation on revaluation of buildings	(63,850,916)	(63,850,916)	(63,850,916)	(63,850,916)
Surplus on Revaluation	1,171,599,395	-	1,171,599,395	-
Income tax effect on revaluation of land and buildings				
(Note 24)	(164, 023, 915)	-	(164, 023, 915)	-
Share of other comprehensive income attributable to				
joint venture	-	-	-	-
Closing balance	7,834,303,473	6,890,578,908	7,706,236,929	6,762,512,365

#### 22.2 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.

	Group		Company	
As at 31 March	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Opening balance	(75,000,000)	(75,000,000)	(75,000,000)	(75,000,000)
Change in fair value	75,000,000	-	75,000,000	-
Closing balance	-	(75,000,000)	-	(75,000,000)
Total other component of equity				
Revaluation reserve	7,834,303,473	6,890,578,908	7,706,236,929	6,762,512,365
Fair value reserve of financial assets at FVOCI	-	(75,000,000)	-	(75,000,000)
	7,834,303,473	6,815,578,908	7,706,236,929	6,687,512,365

#### 23 INTEREST BEARING LOANS AND BORROWINGS

#### 23.1 Interest Bearing Loans and Borrowings - Company

		2022			2021	
	Amount	Amount	Total	Amount	Amount	Total
	Repayable	Repayable		Repayable	Repayable	
	Within 1 Year	After 1 Year		Within 1 Year	After 1 Year	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Bank Loans (Note 23.3)	250,734,504	527,786,602	778,521,106	163,893,690	547,616,226	711,509,916
Bank overdrafts (Note 20)	8,004,402	-	8,004,402	-	-	-
	258,738,906	527,786,602	786,525,508	163,893,690	547,616,226	711,509,916

#### 23.2 Interest Bearing Loans and Borrowings - Group

		2022			2021	
	Amount Repayable Within 1 Year	Amount Repayable After 1 Year	Total	Amount Repayable Within 1 Year	Amount Repayable After 1 Year	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Bank Loans (Note 23.3)	250,734,504	527,786,602	778,521,106	163,893,690	547,616,226	711,509,916
Bank overdrafts (Note 20)	8,194,983	-	8,194,983	-	-	-
	258,929,487	527,786,602	786,716,089	163,893,690	547,616,226	711,509,916

#### 23.3 Bank Loans

	Gre	oup	Company	
As at 31 March	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
Opening Balance	711,509,916	629,844,118	711,509,916	629,844,118
New loans obtained during the year	-	11,185,528	-	11,185,528
Effect of debt moratorium and Interest accrued				
during the year	67,011,190	77,166,021	67,011,190	77,166,021
Recognition of government grant	-	(6, 685, 751)	-	(6, 685, 751)
Closing Balance	778,521,106	711,509,916	778,521,106	711,509,916
Current	250,734,504	163,893,690	250,734,504	163,893,690
Non-Current (Note 23.5)	527,786,602	547,616,226	527,786,602	547,616,226
	778,521,106	711,509,916	778,521,106	711,509,916

#### 23.4 Security & repayment Terms

Lending institution	Nature of facility	Interest rate	Security	Repayment terms	Carrying 2022 Rs.	amount 2021 Rs.
Sampath Bank PLC	Long Term Loan for Investments (Investment Ioan) Loan value : Rs. 517,000,000/	AWPLR + 2% p.a	Mortgage over Shares of United Hotels Co. (Pvt) Ltd (48,000,000 no. shares) for Rs 600 Mn and a 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 until 30-06-2022 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 instalment of Rs. 10.7 Mn from July 2022. Rs. 157.7Mn absorbed in to a Capital Moratorium Loan.	359,300,000	517,000,000
Sampath Bank PLC	Debt moratorium facility on above investment loan - Loan value Rs. 65,130,959/	10% p.a (fixed)		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 instalment of Rs. 1.8 Mn together with interest, Rs.24.7Mn has been absorbed to a separate loan.	40,430,959	65,130,959
Sampath Bank PLC	Debt moratorium loan facility on above investment loan value : Rs. 23,525,053/	Interest Free		Loan Outstanding amount of 23.5Mn absorbed in to a Interest Moratorium Loan effective from 01st October 2021.	-	23,525,053
Sampath Bank PLC	Debt moratorium loan facility on above investment loan value : Rs. 5,647,335/	Interest Free		Loan Outstanding amount of 5.6Mn absorbed in to a Interest Moratorium Loan effective from 01st October 2021.	-	5,647,335
Sampath Bank PLC	Saubagya Covid 19 Phase II facility Loan value : Rs. 9,800,000/	4% p.a (fixed)	Mortgage over Shares of United Hotels Co. (Pvt) Ltd (48,000,000 no. shares) for Rs 600 Mn and a negative pledge over immovable properties of the Company and a Corporate guarantee issued by Ceylon Hotels Corporation PLC for Rs 595.5 Mn.	06 Months Capital grace period from July 2020 to January 2021 and the Capital grace period was extended till June 2022 under Covid-19 Relief Package offered by Central Bank of Sri Lanka. Capital to be repaid in 17 monthly installments of Rs. 0.653 Mn and a final instalment of Rs. 0.658 Mn together with interest.	9,800,000	9,800,000

					Carrying	amount
Lending institution	Nature of facility	Interest rate	Security	Repayment terms	2022 Rs.	2021 Rs.
Sampath Bank PLC	Covid 2nd Wave Capital & Interest Loan of 517Mn Term Loan (157.7Mn Term Loan Capital & 88.2Mn Interest)	364 Days Treasury Bill Rate + 1%		24 equal monthly installments of 11.99Mn each together with interest payable on 26th day of each month commencing from July 2022.	245,988,268	-
Sampath Bank PLC	Interest Capitalized loan for 517Mn Term Loan's Post easter loan	364 Days Treasury Bill Rate + 1%		24 equal monthly installments of 1.85Mn each together with interest payable on 26th day of each month commencing from July 2022.	39,673,333	-
Sampath Bank PLC	Interest Capitalized Ioan for 245Mn Term Loan from 01-10-2021 to 31-03-2022			Repayment terms & interest rates will be decided on after end of moratorium period.	5,205,875	-
Sampath Bank PLC	Interest Capitalized loan for 39.6Mn Term Loan from 01-10-2021 to 31-03-2022			Repayment terms & interest rates will be decided on after end of moratorium period.	775,921	-
Commercial bank of Ceylon PLC	Long Term Loan for Working capital purpose Loan value : Rs. 10,592,121/-	11.5% p.a (fixed)	Corporate Guarantee of Rs. 14 Mn from Ceylon Hotels Corporation PLC	12 Months grace period from April 2020 to March 2021 and the grace period was extended till 30-06-2022 under Covid-19 Relief Package offered by Central Bank of Sri Lanka. Capital & interest to be repaid in 24 monthly installments from July 2022.	10,592,121	10,592,121
Commercial bank of Ceylon PLC	Facility Under "Enterprise Sri Lanka" Loan value : Rs. 50,000,000/	3.46% p.a (fixed)	Corporate Guarantee of Rs. 50 Mn from Ceylon Hotels Corporation PLC	Capital grace period received from April 2020 to June 2022 under Covid-19 Relief Package offered by Central Bank of Sri Lanka. Capital to be repaid from 01-07-2022.	49,000,000	49,000,000

					Carrying	amount
Lending institution	Nature of facility	Interest rate	Security	Repayment terms	2022 Rs.	2021 Rs.
Commercial bank of Ceylon PLC	Covid IM Loan for POD Interest (01-04-2020 to 31-03-2021)			24 equal monthly installments each together with interest payable on 26th day of each month commencing from July 2022. Interest rate will be decided after end of the moratorium period.	8,872,372	-
Commercial bank of Ceylon PLC	Covid IM Loan for POD Interest (01-04-2021 to 31-03-2022)			24 equal monthly installments each together with interest payable on 26th day of each month commencing from July 2022. Interest rate will be decided after end of the moratorium period.	8,780,878	-
bank of	Covid IM Loan for 49Mn Term Loan (01-04- 2021 to 31-03- 2022			24 equal monthly installments each together with interest payable on 26th day of each month commencing from July 2022. Interest rate will be decided after end of the moratorium period.	3,390,800	-

#### 23.5 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 Group has received a grace period for both capital and interest (debt moratorium) until 30-06-2022 as the Group operated in the tourism industry. With the morotorium period coming to an end from 30 June 2022, The Group is currently carrying out discussions with Sampath Bank and Commercial Bank for a complete restructure of these facilities inline with the estimated income forecast of the business over the medium term. Accordingly, the current and non-current distribution of loans may vary with the final outcome of the discussion.

The Government of Sri Lanka has proposed Saubagya Covid 19 phase II facility as a relief to industries affected by Covid 19 pandemic. Under that proposal the Group has agreed with the respective banks for capital grace period (Saubagya) until 30-06-2022 as the Group operated in the tourism industry.

#### 24 DEFERRED TAX LIABILITY

	Group/Company		
As at 31 March	2022	2021	
	Rs.	Rs.	
Opening balance	715,767,993	736,754,802	
Charge/(Reversal) through statement of profit or loss	(19,241,392)	(20,888,090)	
Charge / (reversal) on actuarial gain/(loss)	(156,826)	(98,719)	
Income tax effect on revaluation of land and buildings (Recognized through OCI)	164,023,915	-	
Closing balance	860,393,691	715,767,993	

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

#### 24.1.1 Deferred tax - Group/Company

		Statement ofStatement offinancial positionprofit or los		
As at 31 March	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Deferred tax liability				
Capital allowances for tax purpose	216,245,754	223,144,393	(6,898,639)	(5,489,303)
Deferred tax effect on revaluation of land and buildings	672,758,365	508,734,450	-	-
	889,004,119	731,878,843	(6,898,639)	(5, 489, 303)
Deferred tax assets				
Retirement benefit obligation - Through statement of profit or loss	(434,019)	(538,802)	104,783	60,522
Retirement benefit obligation - Through other comprehensive Income	(98,267)	58,559	-	-
Carried forward tax loss	(28,078,143)	(15,630,607)	(12,447,536)	(15,459,309)
	(28,610,428)	(16,110,850)	(12,342,753)	(15,398,786)
Deferred tax reversal			(19,241,392)	(20,888,090)
Net deferred tax liability	860,393,692	715,767,993		

#### 25 RETIREMENT BENEFIT OBLIGATIONS

	Group/C	Company
As at 31 March	2022 Rs.	2021 Rs.
Opening balance	4,553,721	4,280,891
Interest cost	277,777	449,493
Current service cost	396,817	607,258
Actuarial loss	1,120,183	705,133
Payments during the year	(2,546,457)	(1,489,054)
Closing balance	3,802,041	4,553,721

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

	Group/G	Group/Company		
As at 31 March	2022 Rs.	2021 Rs.		
Amount recognized in profit or loss				
Interest cost	277,777	449,493		
Current service cost	396,817	607,258		
	674,594	1,056,751		
Amount recognized in other comprehensive income				
Actuarial loss / (gain) for the year	1,120,183	705,133		
	1,120,183	705,133		

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;

	2022	2021
(1) Rate of discount	15.0%	6.1%
(2) Salary increment	12.0%	6.0%
(3) Staff retirement age	55 Years	55 Years

#### 25.2 A quantitative sensitivity analysis for significant assumptions as at 31 March 2022 and 2021 are shown below:

	Expected fur	Expected future salaries		nt rate
Group/Company	1% increase	1% decrease	1% increase	1% decrease
2022				
Change in present value of defined benefit obligation	49,793	(48,473)	(59,680)	62,242
2021				
Change in present value of defined benefit obligation	72,406	(69,941)	(91,707)	96,551

#### **25.3** The following payments are expected on employee benefit liabilities in future years;

	Group/C	Company
As at 31 March	2022 Rs.	2021 Rs.
Less than or equal 1 year	1,743,069	2,043,480
Over 1 year and less than or equal 2 years	856,757	704,307
Over 2 years and less than or equal 5 years	947,117	1,276,352
Over 5 years and less than or equal 10 years	229,045	492,540
Over 10 years	26,053	37,042
Total expected payments	3,802,041	4,553,721
The average duration of the defined benefit plan obligation at the end of the year	2 Years	5 Years

#### 26 TRADE AND OTHER PAYABLES

	Gro	oup	Company		
As at 31 March	2022	2021	2022	2021	
	Rs.	Rs.	Rs.	Rs.	
Trade payables	19,931,420	29,623,025	19,931,420	29,623,025	
Advances and deposits	7,073,681	7,073,681	7,073,681	7,073,681	
Accrued expenses	13,922,564	11,075,559	13,813,564	10,834,191	
Sundry creditors	41,387,386	42,554,656	41,387,386	42,554,656	
	82,315,051	90,326,921	82,206,051	90,085,553	

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 31.2.2.

#### 27 CONTRACT LIABILITIES

	Group/C	Company
As at 31 March	2022	2021
	Rs.	Rs.
Opening Balance	4,725,485	9,507,732
Advance received during the year	53,577,972	23,868,779
Refunds due to cancellation of bookings	-	-
Transfers during the year	(49,902,334)	(28, 651, 026)
Closing Balance	8,401,123	4,725,485

#### 28 GOVERNMENT GRANTS

	Group/Co	ompany
As at 31 March	2022	2021
	Rs.	Rs.
Opening balance	8,071,821	6,168,470
Setoff against interest expenses during the year	(4,782,400)	(4,782,400)
Modification of Government Grant	-	6,685,751
Closing balance	3,289,421	8,071,821
Current	3,289,421	4,657,392
Non-Current	-	3,414,429

On 14 November 2020, the Group has obtained a term loan facility under "Enterprise Sri Lanka" special interest 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 23 for the details, terms and condition of the loan.

#### 29 RELATED PARTY TRANSACTIONS

The Group/Company carried out transactions in the ordinary course of business with the following related entities at an arms length transaction.

#### 29.1 Amount due from related companies

		Gr	oup	Company		
As at 31 March		2022	2021	2022	2021	
	Relationship	Rs.	Rs.	Rs.	Rs.	
Loan receivable						
Ceylon Hotels Corporation PLC	Parent company	1,111,033,056	1,022,676,225	1,111,033,056	1,022,676,225	
Current account balance						
Ceylon Hotels Corporation PLC	Parent company	53,802,493	63,964,756	53,802,493	63,964,756	
Galle Face Hotel Co (Pvt) Ltd	Affiliate	473,521	450,200	473,521	450,200	
Tissa Resort (Pvt) Ltd	Affiliate	14,000	-	14,000	-	
GFH Management Co. Ltd.	Affiliate	2,586,450	-	2,586,450	-	
Suisse Hotel Kandy (Pvt) Ltd		6,330	-	6,330	-	
		1,167,915,851	1,087,091,181	1,167,915,851	1,087,091,181	
Less: Provision for expected credit loss	es	-	(13,515,407)	-	(13,515,407)	
		1,167,915,851	1,073,575,774	1,167,915,851	1,073,575,774	

#### 29.1.1 Provision for expected credit losses

	Gro	oup	Company		
As at 31 March	2022	2021	2022	2021	
	Rs.	Rs.	Rs.	Rs.	
Opening balance	(13,515,407)	(13,358,301)	(13,515,407)	(13,358,301)	
Reversal/(Provision) for the year	13,515,407	(157,106)	13,515,407	(157,106)	
Closing balance	-	(13, 515, 407)	-	(13, 515, 407)	

#### 29.2 Amount due to related companies

		Gre	oup	Company		
As at 31 March		2022	2021	2022	2021	
	Relationship	Rs.	Rs.	Rs.	Rs.	
Suisse Hotel Kandy (Pvt) Ltd	Joint venture	9,101,475	9,101,475	-	-	
Suisse Hotel (Pvt) Ltd	Subsidiary	-	-	8,743,954	8,853,954	
United Hotels Co. Ltd	Equity investment					
	company	5,113,410	4,970,795	5,113,410	4,970,795	
Galle Face Group (Pvt) Ltd	Affiliate/Operator	1,272,425	1,324,963	1,272,425	1,324,963	
		15,487,310	15,397,233	15,129,789	15,149,713	

(8, 853, 954)(4, 970, 795)337,482) 1,164,835,549 1,086,640,981 (1, 324, 963)Balance as at 31 March i. i ÷ (8, 743, 954)(5, 113, 410)ï 1 i. i 2022 14,000(1, 272, 425)Rs. 2,586,450(1,955,455)5,618314,625(1, 402, 272)2021 Rs. 352,649 (146, 587, 797)229.300.000 87,181,527 1,554,307 (1, 415, 067)8,806,428 211,697) (14,801,513) 14,456,799 Amount 2022 (130,689,463)25,236(26, 862, 176)ï (11, 236)143.382.797 (7, 154, 960)2,771,768 (2, 549, 170)Rs. (12,003,411)1,841,148 75,663,497 110,000 (1, 362, 438)7,154,96029,463,884 1,219,824 ransactions Terms of Note B Note B Note A Note B Note A Expenses paid by Tissa Resort on behalf of the Company Reimbursement of expenses paid by CHC Rest Houses Expenses paid by CHC Rest Houses on behalf of the Interest expenses on loan given from the Company Expenses paid by GFG on behalf of the Company Expenses paid by GFH M on behalf the Company Reimbursement of expenses paid by Tissa Resort Expenses paid by CHC on behalf of the Company Expenses paid by UHCL on behalf of company Other related Reimbursement of expenses paid by UHCL Reimbursement of expenses paid by CHC Reimbursement of expenses paid Settlement made during the year Service obtained during the year Loans Granted during the year Reimbursement of expenses Relationship Nature of transactions Transactions with other related companies - Recurring transactions Management fees Loan Settlements Funds Transfers Fund transfers Fund transfers Company Transactions with Subsidiaries - Recurring transactions Transactions with the parent - Recurring transactions Other related Transactions with related parties Other related Other related Management Subsidiary company/ company company company company company Affiliate Ceylon Hotels Corporation PLC Parent Name of the related party GFH Management Co. Ltd. Galle Face Group (Pvt) Ltd CHC Rest House (Pvt) Ltd United Hotels Co. Ltd Suisse Hotel (Pvt) Ltd **Fissa Resort** (Pvt) Ltd 29.3 a. ġ ن ن

Fund transfers Galle Face Hotel Co (Pvt) Ltd Affiliate

450,200

473,521

450,200

ï

Note A

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 29.1. 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% respectively from the total revenue of the Company. (2021 - 20% and 21%).

\* 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.

## Notes to the Financial Statements

Rs.

2021

#### 29.4 Terms and conditions related to intercompany borrowings/lending

Borrower	Repayment	Interest rate
Ceylon Hotels Corporation PLC	On Demand	AWPLR + 2% for the balance up to Rs. 100 Mn and
		AWDR + $1\%$ for the remaining

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

#### 30 EVENTS OCCURRING AFTER THE REPORTING DATE

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

#### 31 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 2022.

Name/Institution	Type of Cases	Case No.
Tourist Shopping Centre	Tenant	DSP/02743/19
H. M Dingiri Menike	Tenant	RE 2645
M.D.M.Waheed	Tenant	DSP/00014/19
Unpaid Budgetary Relief allowance	Labour Department	Labour 29057/20 Kandy
Unpaid Budgetary Relief allowance	Labour Department	Labour 24717/ Kandy

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 2022.

#### 32 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. 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.

#### 32.1 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.

#### 32.1.1 Credit risk exposure

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

Group			2022					2021		
	Cash in hand and at bank Rs.	Trade and other receivables Rs.	Amounts due from related parties Rs.	Total Rs.	% of allocation Rs.	% of Cash in hand ation and at bank Rs. Rs.	Trade and other receivables Rs.	Trade andAmounts dueotherfrom relatedreceivablespartiesRs.Rs.	Total Rs.	% of allocation Rs.
Trade and other receivables		19,960,370		19,960,370	2%	1	25,953,465	1	25,953,465	2%
Amount due from related parties	1	1	1,167,915,851	1,167,915,851	<sup>0</sup> / <sub>0</sub> /6	I	1	1,073,575,774	1,073,575,774	93%
Cash and bank balances	21,250,284		1	$21,\!250,\!284$	2%	52,080,858	-	-	52,080,858	2%0
Total credit risk exposure	21,250,284	19,960,370	19,960,370 1,167,915,851	1,209,126,504	100%	52,080,858	25,953,465	1,073,575,774	1,151,610,097	$100^{0/0}$
Company			2022					2021		
	Cash in hand and at bank	Trade and other	Amounts due from related	Total	% of allocation	% of Cash in hand ation and at bank	Trade and other	Amounts due from related	Total	% of allocation
	Rs.	receivables Rs.	parties Rs.	Rs.	Rs.	Rs.	receivables Rs.	parties Rs.	Rs.	Rs.
Trade and other receivables		19,960,370		19,960,370	2%		25,953,465	·	25,953,465	$2^{0/0}$
Amount due from related parties	1		1,167,915,851	1,167,915,851	97%	I	-	1,073,575,774	1,073,575,774	93%
Cash and bank balances	21,250,284		1	$21,\!250,\!284$	2%	52,051,561	I	1	52,051,561	2%
Total credit risk exposure	21,250,284	19,960,370	19,960,370 1,167,915,851	1,209,126,504	$100^{0/0}$	52,051,561	25,953,465	1,073,575,774	1,151,580,800	$100^{0/0}$

# 31.1.2 Credit risk relating to cash and bank balances

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 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 account analysis of fundamentals and market indicators. The Group held cash and bank balances of Rs. 21 Million at 31 March 2022 (2021 - Rs. 52 Million).

#### 32.2 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 have 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.

#### 32.2.1 Net (debt)/cash

	Gro	oup	Company		
As at 31 March	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.	
Cash in hand and at bank	21,250,284	52,080,858	21,250,284	52,051,561	
Total liquid assets	21,250,284	52,080,858	21,250,284	52,051,561	
Bank overdrafts	(8,194,983)	-	(8,004,402)	-	
Total liabilities	(8,194,983)	-	(8,004,402)	-	
Net (debt)/cash	13,055,301	52,080,858	13,245,882	52,051,561	

#### 32.2.2 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 2022 based on contractual discounted payments.

Tear chucu 51 March 2022							
Group	Within 1	Between	Between	Between	Between	More than	Total
	year	1-2 years	2-3 years	3-4 years	4-5 years	5 years	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Trade and other payables	82,315,051	-			-	-	82,315,051
Amounts due to related							,,
companies	15,487,310	-	-	-	-	-	15,487,310
Interest bearing loans &							
borrowings	229,739,354	329,585,230	153,928,058	60,500,000	-	-	778,521,106
Bank overdraft	8,194,983		-	-	-	-	8,194,983

#### Year ended 31 March 2022

#### Year ended 31 March 2021

Group	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Trade and other payables	90,296,921	-	-	-	-	-	90,296,921
Amounts due to related companies	15,397,234	-	-	-	-	-	15,397,234
Interest bearing loans & borrowings	183,380,491	163,163,447	135,122,319	110,806,192	110,806,192	8,231,275	711,509,916
Bank overdraft	-	-	-	-	-	-	-

#### 32.3 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.

#### 32.4 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.

	Gr	oup	Com	pany
As at 31 March	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
Trade and other payables	82,315,051	90,326,921	82,206,051	90,085,553
Amounts due to related companies	15,487,310	15,397,234	15,129,789	15,149,713
Due to banks	786,716,089	711,509,916	786,525,508	711,509,916
Less: cash and short-term deposits	(21,250,284)	(52,080,858)	(21,250,284)	(52,051,561)
Net debt	863,268,166	765,153,212	862,611,064	764,693,620
Equity	8,669,093,522	7,741,798,836	8,846,171,801	7,987,117,479
Total capital	8,669,093,522	7,741,798,836	8,846,171,801	7,987,117,479
Capital and net debt	9,532,361,688	8,506,952,048	9,708,782,865	8,751,811,099
Gearing ratio	10%	10%	10%	10%

# Investor Information

#### ANALYSIS OF ORDINARY SHAREHOLDERS AS AT 31ST MARCH 2022

Share Range	No. of Shareholders	Total Holdings	Percentage
1 - 1000	1237	268,001	0.05
1001 - 10000	446	1,742,992	0.30
10001 - 100000	202	7,311,307	1.27
100001 - 1000000	51	14,693,019	2.55
1000001 - & Above	21	533,484,681	95.84
Totals	1957	577,500,000	100.00

#### ANALYSIS OF PREFERENCE SHAREHOLDERS AS 31ST MARCH 2022

Shareholdings		No. of	Shareholder	rs	Tot	al Holdings		Pe	ercentage	
		Foreign	Local	Total	Foreign	Local	Total	Foreign	Local	Total
1 to 1000	Shares	15	42	57	1,443	6,430	7,873	2.89	12.86	15.75
1001 to 10000	Shares	0	4	4	0	26,336	26,336	0.00	52.67	52.67
10001 to 100000	Shares	0	1	1	0	15,791	15,791	0.00	31.58	31.58
Totals		15	47	62	1,443	48,557	50,000	2.89	97.11	100.00

Shareholdings		No. of Holders	Total Holdings	Percentage
1 to 1000	Shares	57	7,873	15.75
1001 to 10000	Shares	4	26,336	52.67
10001 to 100000	Shares	1	15,791	31.58
Totals		62	50,000	100.00

Class of member	No. of Holders	Total Holdings	Percentage
Individuals	55	17,802	35.60
Company	7	32,198	64.40
Total	62	50,000	100.00

#### a) Directors Shareholding in the Company

	31st Ma	rch 2022	31st Ma	rch 2021
Name of the Director	Ordinary shares	Preference Shares	Ordinary shares	Preference Shares
Mr. Sanjeev Gardiner	87,500	9,500	87,500	9,500
Mr. J C Ratwatte	175,000	Nil	175,000	Nil
Mr. L Samarasinghe	5,500	Nil	5,500	Nil
Mr. M W A D J N Wijesuriya	Nil	Nil	Nil	Nil
Mr. S C Mohotti	Nil	Nil	Nil	Nil
Mr. P P Maddumage	Nil	Nil	Nil	Nil
Mr. M D R Gunathilleke	43,611	Nil	43,611	Nil
Mr. P N D Bandara	Nil	Nil	Nil	Nil
Mr. Shalike Karunasena – (Alternative Director to Mr.				-
Priyantha Maddumage)	Nil	Nil	Nil	Nil

b) Public Shareholding - 120,290,003 (2021 - 155,324,441)

c) Percentage of ordinary shares held by public 20.83% (2021-26.90%)

d) No. of Public shareholders – 1,944 (2021 - 1920)

e) Highest, lowest and Market value per share from 1st April 2021 to 31st March 2022

Period	Year ended
	31st March 2022
Date High	7/19/21
High Rs.	10.20
Date Low	5/21/21
Low Rs.	4.50
Close Rs.	6.90
Trade Vol	6,616
Share Vol	48,778,539
Turnover Rs.	311,003,692
Last Traded date	3/31/22
Days Traded	228

#### MARKET PRICE PER SHARE FOR THE PERIOD FROM 01/04/2021 TO 31/03/2022

	202	1/22	2020	/21
Name of the Director	Date	Share Price Rs.	Date	Share Price Rs.
Highest Market Price	7/19/21	10.20	15-12-2020	6.00
Lowest Market Price	5/21/21	4.50	13-05-2020	3.10
Closing Market Price	3/31/22	6.90	31-03-2021	5.30

#### 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. 3,984.75 Mn as at 31st March 2022(2020/21 - Rs. 3,060.75 Mn).

The float adjusted market capitalisation as at 31st March 2022 was Rs. 830 Mn (2020/21 - Rs. 823.3 Mn) with reference to the rule no. 7.6 (iv) of the listing rules of the Colombo Stock Exchange. As the float adjusted market capitalisation is less than Rs. 2.5 Bn, The Kandy Hotels Co. (1938) PLC complies under option 5 of the Listing Rules 7.13.1 (a) with the minimum public holding requirements.

## Investor Information

#### TOP 20 SHAREHOLDERS (ORDINARY VOTING) AS AT 31ST MARCH 2022

Name	No. of Shares	Holding %
1 Ceylon Hotels Corporation Plc	401,567,250	69.54
2 Seylan Bank PLC/Hotel International(private) Limited	36,890,938	6.39
3 Adiuvat Investment Fund	36,582,097	6.33
4 Progruss Investments Limited	32,863,522	5.69
5 Hotel International (Private) Limited	17,906,619	3.10
6 Mr. N.V.S. Saackville	4,368,000	0.70
7 Mr. P.R.F. Collas	1,965,250	0.3
8 Mr. G.C. Goonetilleke	1,945,755	0.3
9 Mrs. L. Ratwatte	1,853,000	0.3
10 Mr. P.V. Gunasekera	1,750,000	0.3
11 Mrs. M.F. Gunasekera	1,750,000	0.3
12 Mrs. A.U.R. Pethiyagoda	1,500,000	0.2
13 Ms. H. Sauties	1,496,250	0.2
14 Mr. J.P. Sauties	1,496,250	0.2
15 Mr. J. Laravoire	1,496,250	0.2
16 Mr. E. Laravoire	1,496,250	0.2
17 Ms. M. Chevallaz	1,496,250	0.2
18 Mr. P. Chevallaz	1,496,250	0.2
19 Mr. A. Chevallaz	1,496,250	0.2
20 Mr. J.E.C. Badcock	1,034,250	0.1
Subtotal	552,450,431	95.6
Balance held by others	25,049,569	4.3
Total number of shares	577,500,000	100.0

#### TOP 20 SHAREHOLDERS (ORDINARY VOTING) AS AT 31ST MARCH 2021

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	36,582,097	6.33
4 Hotel International (Private) Limited	17,906,619	3.10
5 Mr. N.V.S. Saackville	4,368,000	0.76
6 Mr. P.R.F. Collas	1,965,250	0.34
8 Mr. G.C. Goonetilleke	1,924,755	0.33
9 Mrs. L. Ratwatte	1,853,000	0.32
10 Mr. P.V. Gunasekera	1,750,000	0.30
7 Mrs. M.F. Gunasekera	1,750,000	0.30
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
Subtotal	553,154,840	95.78
Balance held by others	24,345,160	4.22
Total number of shares	577,500,000	100.00

# 5 Year at A Glance

Year Ended	31st March	ch 2022	31st March 2021	ch 2021	31st March 2020	ch 2020	31st March 2019	rch 2019	31st March 2018	ch 2018
	Rs.		Rs.		Rs.	ċ	Rs.	s.	Rs.	
	Group	Company	Group	Company	Group	Company	Group	Company	Group	Company
Trading Results Turnover	181,218,816	181,218,816	145,045,475	145,045,475	410,663,517	410,663,517	703,479,627	703,479,627	685,379,723	685,379,723
Profit / (Loss) Before Tax	(155, 361, 865)	(223,602,228)	(167, 541, 616)	(52,918,653)	(65, 206, 318)	34,213,892	156,897,527	206,715,812	261,163,081	231,765,562
Taxation	1,081,928	1,081,928	(153, 754)	(153, 754)	(7, 343, 202)	(7, 343, 202)	(31, 272, 479)	(31, 272, 479)	(36,943,560)	(36,943,560)
Net Profit/(Loss) for the Year	(154, 279, 937)	(222, 520, 300)	(167, 695, 370)	(53,072,407)	(72, 549, 520)	26,870,690	125,625,048	175,443,333	224,219,521	194,822,002
Property Plant & Equipment	8,572,370,586	8,572,370,586	7,461,020,648	7,461,020,648	7,523,969,574	7,523,969,574	6,300,284,951	6, 300, 284, 951	6, 348, 836, 223	6, 348, 836, 223
Intangible Assets	12,085,570	12,085,570	16,777,238	16,777,238	21,512,306	21,512,306	26,198,190	26,198,190	29,344,272	29,344,272
Investment in subsidiary	1	176, 421, 177		352,843,177		352,843,177		352,843,177		352,843,177
Investment in Joint Venture	1	1	107,984,127	1	222, 421, 100		301,540,029	-	351,355,284	
Investment in equity securities	600,000,000	600,000,000	525,000,000	525,000,000	525,000,000	525,000,000	600,000,000	600,000,000	600,000,000	600,000,000
Non Current Assets	9,184,456,156	9,360,877,333	8,110,782,013	8,355,641,063	8,292,902,980	8,423,325,057	7,228,023,170	7,279,326,318	7,329,535,779	7,331,023,672
Current Assets	1.253.667.043	1.253.667.043	1.195.378.431	1.195.349.134	1.144.722.117	1.144.616.471	1.085.589.678	1.085.548.657	987.680.809	987.645.187
Current Liabilities	377.047.343	376.390.241	293.009.238	292.520.349	154.639.418	154.172.052	263.659.566	263.421.199	342.764.508	342.677.555
Net Current Assets	876,619,700	877,276,802	902,369,193	902,828,785	990,082,699	990,444,419	821,930,112	822,127,458	644,916,300	644,967,631
Capital Employed	10,061,075,856 10,238,154,135	0,238,154,135	9,013,151,206	9,258,469,848	9,282,985,679	9,413,769,476	8,049,953,282	8,101,453,776	7,974,452,079	7,975,991,303
Less : Non Current Liabilities										
Interest bearing loans & borrowings	527,786,602	527,786,602	547, 616, 226	547, 616, 226	629,844,118	629,844,118	525, 299, 999	525, 299, 999	508, 700, 000	508, 700, 000
Deferred Tax Liabilities	860,393,691	860,393,691	715,767,993	715,767,993	736,754,802	736,754,802	565,751,016	565,751,016	569, 664, 902	569, 664, 902
Retirement Benefit Obligations	3,802,041	3,802,041	4,553,721	4,553,721	4,280,891	4,280,891	4,920,264	4,920,264	5,157,838	5,157,838
NET ASSETS	8,669,093,522	8,846,171,801	7,741,798,836	7,987,117,479	7,910,050,001	8,040,833,800	6,953,982,004	7,005,482,497	6,890,929,339	6,892,468,563
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	8,652,343,522	8,829,421,801	7,725,048,836	7,970,367,479	7,893,300,001	8,024,083,800	6,937,232,004	6,988,732,497	6,874,179,339	6,875,718,563
Share Holders Funds	8,669,093,522	8,846,171,801	7,741,798,836	7,987,117,479	7,910,050,001	8,040,833,800	6,953,982,004	7,005,482,497	6,890,929,339	6,892,468,563
Ratios And Statistics					1	I				
Current Ratio	3.32	3.33	4.08	4.09	7.40	7.42	4.12	4.12	2.88	2.88
Earnings/(Losses) per Ordinary Share (Rs.)	(0.27)	(0.39)	(0.29)	(0.0)	(0.13)	0.05	0.22	0.30	0.39	0.34
Net Assets per Ordinary Share (Rs.)	15.01	15.32	13.41	13.83	13.70	13.92	12.04	12.13	11.93	11.94
Market Shareholder Information No of shares in issue		577.500.000		577,500,000		577.500.000		577.500.000		577,500,000
Highbort		10.9		5.0		Ϋ́Ε		<u> </u>		é en
Luguest	•	4.5		4.7	-	4.0		4.4	-	5.90
Monhat Conitalization		3 084 750 000		3 060 750 000		9 4.83 950 000		9 508 750 000		3 060 750 000
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# Notice of Annual General Meeting

#### THE KANDY HOTELS COMPANY (1938) PLC - PQ201

NOTICE IS HEREBY GIVEN that the 93rd Annual General Meeting of The Kandy Hotels Company (1938) PLC (KHC) will be held as a Virtual Meeting on 23rd September 2022 at 9.30 am assembled at the Corporate Office No.327, Union Place, Colombo 2 via Audio/Video Technology for the purpose of conducting the following businesses:

- 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 2022 and the Report of the Auditors thereon.
- 2. To re-elect Mr Pradeep Nilanga Dela who retires by rotation in terms of Article 91 and Article 93 of the Article Articles of Association.
- 3. To re-appoint Mr Lakshman Samarasinghe as a Director of the Company who is over seventy years of age and to consider and if deemed fit to pass the following resolution.

"IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act, No.07 of 2007 shall not be applicable to Mr Lakshman Samarasinghe who has reached the age of 80 years and that he be re-appointed as a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year.

4. To re-appoint Mr Nahil Wijesuriya as a Director of the Company who is over seventy years of age and to consider and if deemed fit to pass the following resolution.

"IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act, No.07 of 2007 shall not be applicable to Mr Nahil Wijesuriya who has reached the age of 77 years and that he be re-appointed as a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year.

5. To re-appoint Mr Chandra Mohotti as a Director of the Company who is over seventy years of age and to consider and if deemed fit to pass the following resolution.

"IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act, No.07 of 2007 shall not be applicable to Mr Chandra Mohotti who has reached the age of 75 years and that he be re-appointed as a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year.

6. To re-appoint Mr Jayampathy Charitha Ratwatte as a Director of the Company who is over seventy years of age and to consider and if deemed fit to pass the following resolution.

"IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act, No.07 of 2007 shall not be applicable to Mr Jayampathy Charitha Ratwatte who has reached the age of 74 years and that he be re-appointed as a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year.

- 7. To re-appoint Messrs Ernst & Young, Chartered Accountants, the retiring Auditors for the ensuing Financial Year and authorize the Directors to fix their remuneration.
- 8. To authorize the Directors to determine the contributions to charities for the ensuing year.
- 9. To transact any other business that may properly be brought before the meeting.

#### By order of the Board of Directors of THE KANDY HOTELS COMPANY (1938) PLC

1 pro

Accounting Systems Secretarial Services (Private) Limited Company Secretaries Colombo, this 30th August 2022

#### Note:

- a. Only persons who are shareholders of the Company and whose names appear on the share Register as at the AGM date will be entitled to attend the above meeting.
- b. A shareholder entitled to attend and vote at the above meeting is required to complete and submit a pre- registration form in order to ensure participation at the AGM of the Company. Only members of KHC are entitled to take part at the AGM of KHC.
- c. A Pre-registration form is enclosed for this purpose to be completed by KHC Shareholders only.
- d. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote in his/her behalf. A proxy need not be a member of the Company.
- e. A form of proxy is enclosed for this purpose.
- f. The instruments for registration and appointing a proxy must be completed and deposited at the Accounting Systems Secretarial Services (Private) Limited, Level 03, No:11, Castle Lane, Colombo 4, 48 hours before the meeting.
- g. For more information on how to participate by virtual means in the above meeting, please refer the supplementary notice to shareholders.

# Form of Proxy

#### THE KANDY HOTELS COMPANY (1938) PLC

#### (Company Registration No PQ201) No.327, Union Place, Colombo 2

I/We	
bearer of NIC)	of

being a shareholder/shareholders of The Kandy Hotels Company (1938) PLC, hereby appoint:

• Full name of proxy :				
• NIC of Proxy :				
Address of Proxy :				
Contact Numbers : Land				
• Email address :				
failing him/her				
Mr. Sanjeev Gardiner	of Colombo	(or failing him)		
Mr. Jayampathy Charitha Ratwatte	of Colombo	(or failing him)		
Mr. Denipitiya Pathiranalage Mohandas Lakshman Samarasinghe	of Colombo	(or failing him)		
Mr. Priyantha Pushpakumara Maddumage	of Colombo	(or failing him)		
Mr. Sarath Chandra Mohotti	of Colombo	(or failing him)		
Mr. Mestiyage Don Ranjith Gunatilleke	of Colombo	(or failing him)		
Mr. Muthukuda Wijesuriya Arachchige Don Jayantha Nahil Wijesuriya	of Colombo	(or failing him)		

Mr. Pradeep Nilanga Dela

as my/our Proxy to represent me/us\*\* to vote for me/us on my/our behalf at the 93rd Annual General Meeting of the Company to be held on 23rd September 2022 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 2022 and Report of the Auditors thereon.					
2	To re-elect Mr Pradeep Nilanga Dela who retires by rotation in terms of Article 91 and Article 93 of the Article Articles of Association					
3	To re-appoint Mr Lakshman Samarasinghe who is over seventy years of age as a Director of the Company.					
4.	To re-appoint Mr Nahil Wijesuriya who is over seventy years of age as a Director of the Company.					
5.	To re-appoint Mr Chandra Mohotti who is over seventy years of age as a Director of the Company.					
6.	To re-appoint Mr Charitha Ratwatte who is over seventy years of age as a Director of the Company.					
7.	To re-appoint Messrs Ernst & Young Chartered Accountants, the retiring Auditors and authorize the Directors to fix their remuneration					
8.	To authorize the Directors to determine the contributions to charities for the ensuing year.					
Inv	In witness my/our** hands this Two Thousand and Twenty Two.					

Signature of Shareholder

Notes: \* Please indicate your folio number given in the address sticker carrying this annual report pack, \*\* Instructions as to completion appear overleaf, \*\*\*Please indicate with an "x" in the space provided, how your Proxy is to vote on the Resolutions. If no indication is given, the Proxy in his discretion will vote as he thinks fit.

#### **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. A proxy need not be a shareholder of the Company. However, the proxy must be above 18 years of age.
- 3. The completed form of proxy must be deposited at the Accounting Systems Secretarial Services (Private) Limited, Level 03, No:11, Castle Lane, Colombo 4, not less than forty-eight hours before the time fixed for the meeting
- 4. 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.
- 5. 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.
- 6. 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

#### **COMPANY REGISTRATION NUMBER**

PQ 40

#### LEGAL FORM

A Public Quoted Company with Limited Liability Incorporated in Sri Lanka in 1924

#### 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. Ranjith Gunathilleke Mr. Nahil Wjesuriya Mr. Chandra Mohotti Mr. Nilanga Dela Mr. Shalike Karunasena (Alternate Director to Mr. Priyantha Maddumage)

# MANAGERS OF THE QUEENS HOTEL AND HOTEL SUISSE

Galle Face Group (Pvt) Limited

#### **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 2 222 813 Hotel Suisse : 081 2 233 024

Designed & produced by



### The Kandy Hotels Co. (1938) PLC

No.327, Union Place, Colombo 02.

www.queenshotel.lk www.hotelsuisse.lk