The Kandy Hotels Co. (1938) PLC

Annual Report 2022/23

Contents

Group Structure

The Kandy Hotels Company (1938) PLC

100%

Suisse Hotel (Pvt) Limited

50%

Suisse Hotel Kandy (Pvt) Limited

Queens Hotel

Rooms
93

Banquet Halls
03

Hotel Suisse

Rooms
90

Banquet Halls
02

Radisson Kandy
(Formerly known as Ozo Kandy)

Rooms
122

Group Financial Highlights

Performance for the year ended 31 March	2023 Rs.	2022 Rs.
Revenue	309,339,828	181,218,816
Earnings before Interests, Depreciation & Amortization (EBITDA)	(7,961,308)	(3,576,227)
Profit/ (Loss)before tax (PBT)	(69,080,146)	(155,361,865)
Profit/ (Loss)after tax (PAT)	(20,803,451)	(154,279,938)
Earnings / (Loss) per Share	(0.04)	(0.27)
Dividend per Share (Company)	-	-
Dividend Payout Ratio (Times)	-	-

Financial Position as at 31 March	2023 Rs.	2022 Rs.
Total Assets	10,906,279,716	10,438,123,199
Total Debt	909,199,271	790,005,510
Total Equity	8,018,022,832	8,669,093,522
No. of Ordinary Shares Issued	577,500,000	577,500,000
Net Assets per Ordinary Share	13.88	15.01
Debt/ Equity Ratio	11.34%	9.1%
Debt/Total Assets	8.34%	7.35%

Market Shareholder Information as at 31 March	2023 Rs.	2022 Rs.
Closing Market Price per Share	7.50	6.90
Market Capitalisation	4,331,250,000	3,984,750,000

Chairman's Review

Dear Shareholder,

I am pleased to welcome you to the 94th 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 2023.

THE YEAR IN REVIEW

Reflecting on the past four years since the industry recorded the best ever results in tourism (in 2018), our story had been one with Crisis – Recovery – Hope – and new Challenges/Crisis. 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 faced a new crisis, as our nation endured the worst economic turmoil since Independence with far reaching consequences and a near collapse, both economically and politically. A crisis that was in the making due to multiple factors, including mistakes that were fundamental, culminated in a severe foreign exchange crisis, country defaulting on external debt obligations, scarcity of essentials, and record high inflation. Travel advisories issued for Sri Lanka by multiple countries on the backdrop of incidences of civil unrest, exacerbated the challenging outlook for the industry.

The Country at present is, in a much stronger position than what it was during the 1st half of the financial year under review. Much more needs to be done to ensure that, the hardships and struggles of many fellow citizens are addressed, fiscal disciplines and public accountability is strengthened, correct and forward looking- policy framework that would foster investments into key sectors and facilitate a conducive environment for commercial industries to prosper and most importantly Good Governance of the Country is to truly prosper.

Having said all this, I am hopeful, the Country will rise above challenges as we Sri Lankans have shown our resilience in overcoming many a challenges in the past since independence. Correct Political leadership and going beyond party politics line would be a pre-requisite in the Country journey on a path to prosperity

Tourism too will rebound. Tourism is a vital foreign exchange earner, employer and contributor to GDP. A revived tourism industry would be vital and key to building the Country's foreign exchange reserves. The Country is much to gain from a thriving tourism industry.

Beyond our borders, globally, tourism is well on its way to returning to pre-pandemic levels. UNWTO predicts that global tourism will recover 80%-95% of pre-pandemic level by the end of 2023. Sri Lanka has not grown at that pace.

Across the world we also see the evolving nature of tourism, where leisure travel is increasingly blending with business travel, the emergence of experiential tourism, the role of technology shaping the world of tourism and the industry etc.

Sri Lanka has much to offer in tourism, what it needs is a cohesive strategy to leverage and integrate with these global tourism trends.

FINANCIAL PERFORMANCE

The Tourism sector was adversely affected as the economic crisis led shortage of daily essentials created negative publicity across the world discouraging travel to Sri Lanka. Travel advisories issued for Sri Lanka by multiple countries on the backdrop of incidences of civil unrest, exacerbated the challenging outlook for the industry. Therefore, 2022 witnessed a weak tourist arrivals performance in Sri Lanka.

There was however, a positive shift in arrivals mainly from CIS region during the final quarter of the year. But much of these arrivals were concentrated into the southern belt of the island, and therefore much less footfall into region of Kandy.

The local traveler which anchored the tourism industry during most part of the pandemic period, failed to materialize with restrictions on the usage of fuel and the impacts to their disposable income levels. To compound the challenges the company and many other hotels, businesses, and industries, had to grapple with an increasing cost base due to inflationary effects. Amidst this environment we continued to control cost.

From the 3rd quarter of the previous financial year our hotels returned to regular operations (compared to the much scaled down business model under which the hotels operated during the pandemic period) with the anticipated rebound in international Arrivals. This resulted in the increase of the overhead cost base particularly of the payrolls and admin related expenses, as the hotels commenced their rehiring of key hotel position in line with the strategy to bring the hotels to full operation, the model we wanted to continue with despite the crisis impacting the earning streams.

The Kandy Hotels Company (1938) PLC ("KHC") recorded a total revenue of Rs. 309 million for the financial year ended 31st March 2023 compared to Rs. 181 million recorded during the previous financial year. Loss from Operations before finance cost and tax amounted to Rs. 79 million for the period under review compared to a loss of Rs. 60 million recorded last year.

Chairman's Review

Though the results reported are modest , considering the context and climate prevailed during the period in review is nevertheless a commendable performance by the management team. These financial results continue to reflect the challenges our business and our industry have faced over the last few years.

The Company recorded a Net Loss of Rs. 21 million for the year under review compared to a Net Loss of Rs.154 million in FY 2021/2022.

Whilst we were devising various operational strategies to remain profitable and or to minimise losses amidst successive crises over the past few years, we took a few critical decisions during the year under review, focused on strengthening the balance sheet and laid the foundation to enhance shareholder value over the longer term. These inward oriented action plans include (i) to destress and to strengthen the balance sheet of the Company, after nearly 4 years of stress build up amid successive crises, and (ii) to strategically position the company to deliver higher value to shareholders over the medium to long term, with the announcement we made in January to acquire the remaining 83.11% of United Hotels Co. Ltd.

The Company opted out of the official moratorium on payment of Capital and Interest on some of its main loan, (with the respective financial institution restructuring the loan on favorable terms at concessionary interest rates) starting 1st July 2022, and proceeded to restructure debt and commence repayment of capital and interest.

These steps, particularly, our ability to negotiate and secure significantly lower interest rates (i) saved a substantial amount which otherwise we would have had to either pay or accrue on these loans compared to market rates at as high as over 30% which prevailed most part of the financial year and to date (ii) and allowed the Company to be able to service such interest without straining the fragile liquidity positions amidst the industry impact on revenue generation.

The acquisition of United Hotels Co Limited, which owns a range of hotels spread across key tourism destination will broad base and enhance the earning base and diversify the now concentrated earnings base of Kandy to an array of destinations that includes the Southern belt and the North Central Province.

The acquisition will also give access to a significant Cash Reserve, and will now support the company's balance sheet. This cash reserve will also be available for future investments/upgrades and or to strengthen the combined balance sheets.

The shareholders of the Company will have a much larger balance sheet and a business with a potential for upward re-rating of the valuations of the company.

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 how effectively it will leverage and integrate with the global tourism trends 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 about the resilience and the revival of the industry.

There are a few more challenges that we will have to face, which will effect profitability, the crisis furled increased operating cost base of hotel consumables, the increased cost of electricity and other utilities, increasing payroll cost 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.

The acquisition of United Hotels Co. Ltd will diversify the earnings base of the Company, and with the access to the significant Cash Reserves the Company could forge ahead with a carefully devised plan of an investment pipeline to upgrade/refurbish the properties of both the Company and of United Hotels Co Ltd. to prepare the property base to capture the upside in tourism industry as we navigate out of the economic turmoil

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.

Sanjeev Gardiner
Chairman

31 August 2023

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 Group), and United Hotels Co Limited which owns 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 since 1972, Mr. Ratwatte possesses over 25 years of experience in Government service and has served as the Secretary to the Treasury, Secretary to the Ministries of Finance, Policy Development and Implementation, Youth Affairs and Employment, Manpower of Sri Lanka Mobilization, and Reconstruction, Rehabilitation and Social Welfare. He has also served as the Director General of Youth Affairs, Chairman of the National Youth Services Council, Vice President of the World Assembly of Youth and the Asian Youth Council. He has also served as Chief of Mission to the World Bank / UNDP Mission to Mongolia and as a Consultant to USAID and other Donor organizations. He is currently a Director of the Sri Lanka Business Development Center and serves on the Boards of several other organizations.

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 Company 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 Company Limited in October 1978.

As a Director of The Galle Face Hotel Company Ltd for over 45 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 53 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 The 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 18 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 Jayewardenepura 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.

Profile of Directors

MR. RANJITH GUNATILLEKE

Mr. Gunatilleke 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. Gunatilleke 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 Immediate past President of 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 45 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 to many 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 17 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 to Mr Priyantha Maddumage)

Mr. Shalike Karunasena presently serves as a Director and as the Group Chief Financial Officer of the Gardiner Group of Companies. Mr. Karunasena is also a Board member and serves as the Chairman of the Board Audit Committee of Dankotuwa Porcelain PLC.

Mr. Karunasena has 25 years of experience in Financial Management, Treasury and Strategy in the fields of Commodities Trading, Overseas Plantations, Refining & Manufacturing and Leisure/ Hospitality with nearly 20 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

Economic Recession and Gross Domestic Product (GDP)

The Sri Lankan economy faced its most challenging year since independence in 2022, resulting in an unprecedented economic and political crisis. The country faced a painful economic recession, with real GDP contracting by 7.8% to US$ 77 billion with the Industry sector recording the sharpest decline by 16.0%, followed by the decline in the services sector and the Agriculture sector by 2.0% and 4.6% respectively.

The per capita GDP saw a sharp decline, in line with the real GDP contraction to US$ 3,474 in 2022 from US$ 3,997 in 2021.

The Tourism sector was also adversely affected as the economic crisis resulted in a severe shortage of daily essentials such as petrol, diesel, LPG gas, electricity and medicine, which created negative publicity across the world discouraging travel to Sri Lanka. Therefore, 2022 witnessed a weak tourist arrivals performance in Sri Lanka despite the end of the Covid-19 pandemic and the lifting of international travel restrictions.

Balance of Payments Crisis and Exchange Rate Devaluation

The Balance of Payments (BOP) crisis was a core part of the economic crisis due to a severe shortage of foreign currency in Sri Lanka. There was limited access to foreign financing as large fiscal imbalances resulted in multiple ratings downgrades. The Central Bank of Sri Lanka (CBSL) also had depleted its foreign reserves to near zero level useable foreign reserves by early 2022. The crisis was compounded by a misaligned exchange rate which was completely floated during mid 2022, resulting in a volatile steep devaluation, where by end of 2022, a US Dollar was LKR 363.11 compared to a US dollar being LKR 200.43 in end of 2021.

Sovereign Debt Crisis

The Government of Sri Lanka (GOSL) reached a critical point of inability to service foreign debt by April 2022. As an interim measure, an announcement was made to suspend debt servicing of external debt.

Funding was sought from the IMF, however, since public debt was assessed as unsustainable, a key requirement for any assistance involved a restructure of public debt.

Hyperinflation

As the price pressures from the exchange rate devaluation and the BOP crisis trickled down to the real economy, the consumer price inflation reached a record high in September 2022 with the Colombo Consumer price index accelerating to 69.8%. Significant price increases were witnessed in food, energy, and transport sectors creating much hardship to the public.

Disinflation Process and Interest Rates

In order to bring back the inflation levels to target levels, CBSL adopted a tight monetary policy with average weighted prime lending rate increasing to 29.67% by end 2022. The treasury bill rates also followed a similar direction with the 3 month treasury bill reaching 32.64% by end 2022.

Fiscal tightening was also pursued simultaneously by GOSL as a part of this process, with taxes introduced, tax rates increased and tax concessions removed.

IMF Agreement

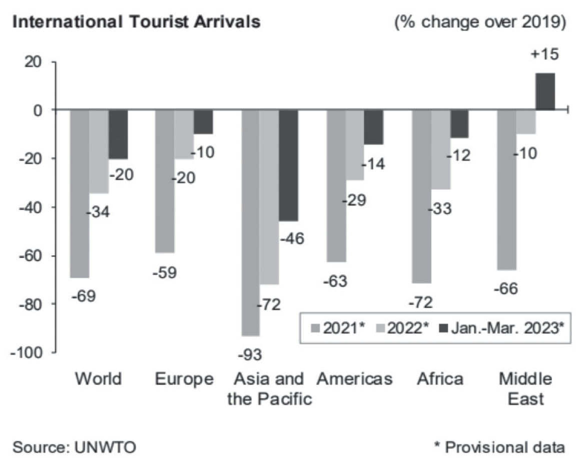
As a result of these measures and several other initiatives such as market pricing of energy, State Owned Enterprise reform initiatives followed by efforts to secure fiscal assurances from Official Creditors, approval was obtained for a 48 month US$ 3 billion IMF extended fund facility support program in March 2023 which has put the country on a recovery path.

INDUSTRY ENVIRONMENT

Global Tourism

As per UNWTO, International tourism saw stronger than expected results in 2022, backed by large pent-up demand and the lifting or relaxation of travel restrictions in a large number of countries. Over 900 million tourists travelled internationally in 2022, double those in 2021 though still 37% fewer than in 2019. International tourism recovered 63% of pre-pandemic levels.

Quoting data released by UNWTO, Europe, the world's largest destination region, recorded 585 million arrivals in 2022 to reach nearly 80% of pre-pandemic levels. The Middle East enjoyed the strongest relative increase across regions in 2022 with arrivals climbing to 83% of pre-pandemic numbers Africa and the Americas both recovered about 65% of its pre-pandemic visitors, while Asia and the Pacific reached only 23%, due to stronger pandemic-related restrictions continuing through out 2022.



All indications are that the global travel is in the right direction towards recovery and International tourism is expected to continue its recovery throughout 2023, backed by strong pent-up demand, the sustained recovery of air connectivity, as well as by the recent reopening of China and other major Asian markets and destinations.

However, many challenges also remain ahead for global travel. Among them the key would be, the challenging economic environment world over with high inflation, interest rates and rising oil prices. Against this backdrop, WTO estimates that tourists are expected to increasingly seek value for money and travel closer to home in response to elevated prices and the overall economic challenges. Mounting geopolitical tensions, will also weigh on global travel. Another area that will shape the future of travel is the return of business traveler and evolving nature of business travel.

Sri Lanka Tourism

The Sri Lanka Tourism sector was adversely affected as the economic crisis led shortage of daily essentials created negative publicity across the world discouraging travel to Sri Lanka. Travel advisories issued for Sri Lanka by multiple countries on the backdrop of incidences of civil unrest, exacerbated the challenging outlook for the industry. Therefore, 2022 witnessed a weak tourist arrivals performance in Sri Lanka despite the end of the Covid-19 pandemic and the lifting of international travel restrictions and travelers around the world adopting to a new normal of living with the pandemic.

The local traveler patronage, which the industry depended on during the pandemic period despite On and Off lockdowns until a steady stream of international arrivals starting from the 3rd quarter of the previous financial year dried down due impacts of the economic crisis.

The Country recorded approximately 720,000 international arrivals during 2022. India dominated accounting for almost 17% of the country's visitor traffic, while Russia and East Europe emerged as the dominant region. Our major source market, China, remained closed for travel due to strict border controls in place.

Source : SLTDA

Country	Arrivals	%
India	123,004	17%
Russian Fedaration	91,272	13%
United Kingdom	85,187	12%
Germany	55,542	8%
France	35,482	5%
Ausralia	30,924	4%
Canada	26,845	4%
United State	22,230	3%
Maldives	18,880	3%
Poland	15,195	2%
Others	215,417	30%
Total	719,978	100%

Source : SLTDA

OVERVIEW OF FINANCIAL AND OPERATIONAL PERFORMANCE

The Kandy Hotels Company (1938) PLC (KHC) is the owner 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

KHC recorded an increase in revenue by 71% recording a total revenue of Rs309.3 million for the financial year ended 31st March 2023 compared to Rs181.2 million recorded during the previous financial year in tandem with the increase in occupancy during the year under review compared to previous year, despite challenging external environment.

Room revenue of the company increased from Rs 62.7 million in FY 2021/22 to Rs 107.4 million in FY 2022/23, an increase of 71%. The food and beverage revenue increased from Rs 100.7 million to Rs 171.5 million for the financial year under review. Other revenue also recorded an increase with a revenue of Rs. 30.4 million compared to Rs 17.8 million recorded during the previous financial year.

Operating Performance

The Gross Profit of the Group increased from Rs. 120.2 million during the previous financial year to Rs. 190.8 million in the financial year under review but the gross profit margin dropping from 66% to 62%,due to impact of rising cost levels in tandum with inflationary pressure.

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 254.9 million from Rs 169.8 million of the prior year. Another reason for the increase in administrative expenses was due to hotels returnning to full operation during the latter part of the previous financial year and continuing throughout the year under review.

The Group recorded an operating loss of Rs79.3 million for the year under review compared to an operating loss of Rs59.5 million recorded last year. The Group and the Company recorded Net Losses for the year under review of Rs 20.8 million (2022:Rs. 154.3 million) and Rs. 15.7 million (2022: 222.5 million) respectively.

FINANCIAL POSITION

Borrowings

Total interest-bearing borrowings of the company as at 31st March 2023 was Rs 909.1 million compared to Rs.786.6 million during the previous financial year. The increase was a result of (i.) capitalisation of intrest on loans during the quater one and increse in the overdraft facility to finance operations.

The Company opted out of the official moratorium on payment of Capital and Interest on its main loan, (with the respective financial institution restructuring the loan on favorable terms at concessionary interest rates) starting 1st July 2022, and proceeded to restructure debt and commence repayment of capital and interest.

These steps, particularly, our ability to negotiate and secure significantly lower interest rates (i) saved a substantial amount which otherwise we would have had to either pay or accrue on these loans compared to market rates at as high as over 30% which prevailed during the most part of the financial year and to date (ii) and allowed the Company to be able to service such interest without straining the fragile liquidity positions amidst the industry impact on revenue generation.

The company paid Rs 62 million as capital and Rs 37.9 as interest during the year.

The average interest rate on the loan portfolio during the year under was 12.8% compared to a market rate of 25% .

The debt-to-equity ratio of the Company is at 11.34% (2022:9%).

Net Assets

Net Assets of the Group declined from Rs. 8.7 billion as at 31st March 2022 to Rs 8 billion as at 31st March 2023 primarily due to the increase in Deferred Tax Provision on the revaluation gains on the lands of the Company as a result of the changes in Income Tax rates .(Freehold land and buildings of KHC were revalued during the previous year by a Chartered Valuer and the details pertaining to the valuation are provided in the notes of the financial statements.)

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/ VARIANTS - PANDEMICS

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.

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 and 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.

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 ('the Board') of The Kandy Hotels Co. (1938) PLC have pleasure in presenting the Annual Report together with the Audited Consolidated Financial Statements of the Company and its subsidiary (collectively) referred to as 'the Group' for the year ended 31st March 2023. The details set out herein provide the pertinent information required by the Companies Act No.07 of 2007 and its amendments ('Companies Act'), the Listing Rules of the Colombo Stock Exchange (CSE) and is guided by recommended best practices on Corporate Governance.

FORMATION

The Company is a public limited liability company incorporated and domiciled in Sri Lanka bearing company registration no. PQ 201 and the ordinary shares of the Company are listed on the main board of the CSE. The registered office of the Company is located at No.327, Union Place, Colombo 02.

1. PRINCIPAL ACTIVITY OF THE COMPANY AND ITS SUBSIDIARIES

The Company's principal activity is to engage in the hospitality industry. The Company owns and operates the Queens 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).

There were no significant changes in the nature of the principal activities of the Company and its subsidiary during the financial year under review.

2. ANNUAL REPORT

The Board of Directors on 31 August 2023, 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 to meet the deadlines.

3. REVIEW OF THE YEAR

The Chairman's Review and the Management Discussion and Analysis on pages 3 to 4 and 8 to 10 describe 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 2 summaries 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 2023 are prepared in compliance with the Sri Lanka Accounting Standards (SLFRS and LKAS) laid down by the Institute of Chartered Accountants of Sri Lanka and the requirements of Section 151 of the Companies Act No. 07 of 2007 are given on pages 42 to 102 in this annual report.

The aforementioned financial statements for the year ended March 31, 2023, are duly signed by the Financial Controller and two Directors of the Company.

5. FINANCIAL RESULTS

The net loss before tax of the Company was Rs 64 millon a turnover of Rs 309 million for the year ended 31st March 2023 compared to a net loss before tax of Rs. 223 million on a turnover of Rs.181 million in 2021/2022.

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

	Group		Company	
For the year ended 31st March	2023 Rs (000)	2022 Rs (000)	2023 Rs (000)	2022 Rs (000)
Profit/(loss) for the year	(20,803)	(154,279)	(15,719)	(222,520)
Profit brought forward from the previous year	818,040	909,470	1,123,185	1,282,855
Other comprehensive income	414	(963)	414	(963)
Dividends (preference dividend)	(94)	(38)	(94)	(38)
Transfer of excess depreciation on revaluation	73,707	63,851	73,707	63,851
Retained earnings carried forward	871,265	818,040	1,181,494	1,123,185

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

6. AUDITORS' REPORT

The Independent Auditors of the Company are Messrs. Ernst & Young, Chartered Accountants. E&Y carried out the audit of the financial statements of the Company for the year ended 31 March 2023 and their report on the financial statements is set out on pages 39 to 41 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 47 to 64 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. 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 Sri Lanka Accounting Standards, Companies Act, the Sri Lanka Accounting and Auditing Standard Act and the Continuing Listing Rules of the Colombo Stock Exchange.

The detailed Statement of Directors' Responsibilities for Financial Reporting is set out on pages 20 to 21 of this Annual Report.

9. STATED CAPITAL AND RESERVES

The Company's stated capital as at 31st March 2023 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. 8,018 million as at 31st March 2023. (2022 : Rs. 8,669 Million). However, the stated capital of the Company increased by Rs.2,645,066,425 for the issuance of 176,809,253 Ordinary Shares to the following companies effective from 14th July 2023.

Ceylon Hotels Corporation PLC	-	127,093,753
Ceylon Hotels Investment (Pvt) Ltd	-	49,715,471
Ceylon Hotels Holdings (Pvt) Ltd	-	29

10. SHAREHOLDERS' FUND

The total reserves of the Company as of 31st March 2023 was Rs. 7,865 million (2022: Rs.8,829Million) comprising of retained earnings of Rs. 1,181Million (2022: Rs. 1,123 Million) and other reserves of Rs 6,683 million (2022: Rs.7,706 Million). Total reserves combined with Stated Capital as at 31st March 2023 was Rs. 7,881 million (2022: Rs.8,846 million) The movements are shown in the Statement of Changes in Equity given on pages 44 to 45.

11. DIVIDEND

The Board of Directors have not recommended a final dividend for the year ended 31st March 2023.

12. SOLVENCY TEST

Since there is no recommendation for payment of a dividend for the year ended 31st March 2023, 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 Directors, after making necessary inquiries and reviews including the reviews of the budget for the ensuing year, capital expenditure requirements, future prospects and risks, cash flows and such other matters required to be addressed under the Code of best practice issued by the Institute of Chartered Accountants of Sri Lanka are satisfied that the Company has adequate resources to continue operations in the foreseeable future.

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 Group has incurred capital expenditure of Rs. 5.9 million during the year under review (2021/2022 – Rs. 1.1 million). The movements in property, plant and equipment during the year are set out in Note 11 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 therein 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 2023 is Rs. 8,361 million.(2022 – Rs 8,405 million)

The details of freehold land and building valuation are given in Note 11.3 on page 72 to 73 to the Financial Statements.

16. INVESTMENTS

Details of long-term Investments held by the Company are given in Note 13 to the financial statements on page 74.

a. Investment in Financial Instruments

Investments in financial instruments of the Company represents investments in fair value through OCI, categorized 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 10 to the financial statements.

17. IMPAIRMENT TESTING

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

18. STATUTORY PAYMENTS

To the best of their knowledge and having made adequate inquiries from the management, the Directors are satisfied and confirm that all statutory payments in relation to the Government and on behalf and in respect of to the Employees have been duly settled to date or wherever relevant have been provided for in the books of the company.

19. CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

The contingent liabilities as at 31st March 2023 are given in Note 29 .to the Financial Statements. There were no capital commitments made on account of capital expenditure as at 31 March 2023.

20. OUTSTANDING LITIGATION

In the opinion of the Directors, the Company's lawyers have established that litigation currently pending against the Company will not have a material impact on the reported financial results or future operations of the Company. There were no outstanding litigations as at the reporting date other than those disclosed in Note 29.

21. ENVIORNMENTAL PROTECTION

The Company makes every endeavor to comply with the relevant environmental laws, regulations and best practices applicable in the country. After making adequate inquiries from the management, the Directors are satisfied that the Company operates in a manner that minimizes the detrimental effects on the environment and provides products and services that have a beneficial effect on customers and the communities within which the Company operates.

To the best of the knowledge of the Board of Directors, the Company has not engaged in any activity which is harmful and hazardous to the environment and complies with the relevant environmental laws and regulations.

22. POST BALANCE SHEET EVENTS

No circumstances have arisen since the Statement of Financial Position date, which would require adjustment to or disclosure in, the financial statements other than stated in note 34.

United Hotels Company Ltd and its subsidiaries become fully owned subsidiaries of the Company

- The Company acquired 83.39% of the issued share capital of UHCL, an affiliate of the Company, through a share swap. The Securities Exchange Commission (SEC) approved the aforesaid transaction on 4th July 2023. 176,809,253 listed ordinary shares on the CSE on 20th July 2023 which would result in to increase in the stated capital to RS. 2,661,816,425. Consequent to the aforementioned re-structure, resulted in UHC and its subsidiaries became fully owned subsidiaries of the Company.

23. DIRECTORS AS AT 31 MARCH 2023

The Board of Directors of The Kandy Hotels Company (1938) PLC comprises 08 Directors with wide commercial knowledge and experience and 04 of them serves as Independent Non- Executive Directors. The qualification and experience of the Directors are given on pages 5 to 7 of the Annual Report.

The classification of Directors into Executive (ED), Non-Executive (NED) and Independent (IND), Non-Independent Directors (NID) is given against the names as per the Listing Rules of the CSE.

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 *(Alternate Director to Mr. Priyantha Maddumage)*	Non-Independent / Executive

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

The names of the Directors of the fully owned Subsidiary Suisse Hotel (Pvt) Ltd as at 31st March 2023 are given below.

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

Each of the Non-Executive Directors of the Company has submitted a signed declaration on Independence /Non-Independence as per Rule 7.10.2(b) of the Listing Rules of the Colombo Stock Exchange (CSE). The said declarations were considered in order to enable the Board of Directors to determine the Independence/Non-Independence of each of the Non-Executive Directors, in terms of Rule 7.10.3(a) of the Listing Rules of the CSE.

*The Board has determined that Messrs Chartitha Ratwatte, Nahil Wijesuriya, Ranjith Gunatilleke and Pradeep Nilanga Dela is an Independent, Non-Executive Director in spite of being on the Board for more than 9 years, since he is not directly involved in the management of the Company.

Re-appointment of Directors who are over 70 years of age

In terms of Section 211 of the Companies Act, No.07 of 2007, Messrs. Lakshman Samarasinghe and Nahil Wijesuriya, Chandra Mohotti and Charitha Ratwatte Directors who are over 70 years of age were re-appointed as Directors of the Company at the Annual General Meeting held on 23rd September 2022 for a period of one year.

The Board has recommended that Messrs.Lakshman Samarasinghe, Nahil Wijesuriya, Chandra Mohotti and Charitha Ratwatte Directors who are over 70 years of age be re-appointed as Directors of the Company for a further period of one year from the conclusion of the Annual General Meeting scheduled for 26th September 2023 and that the age limit stipulated in Section 210 of the Companies Act, No.07 shall not be applicable to the said Directors.

Retirement by rotation and re-election

In terms of Articles 91 and 93 of the Articles of Association of the Company Mr.Priyantha Maddumage retires by rotation and being eligible offers himself for re-election.

24. 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)	2/2
Mr. Charitha Ratwatte	2/2
Mr. Lakshman Samarasinghe	2/2
Mr. Priyantha Maddumage	0/2
Mr. Ranjith Gunatilleke	1/2
Mr. Nahil Wijesuriya	2/2
Mr. Chandra Mohotti	1/2
Mr. Nilanga Dela	0/2
Mr. Shalike Karunasena *(Alternate Director to Mr. Priyantha Maddumage)*	2/2

25. BOARD SUBCOMMITTEES

The Board while assuming the highest level of responsibility and accountability for the management oversight of the Company, has appointed board sub-committees to ensure that the activities of the Company at all times are conducted within the highest ethical standards and in the best interests of all its stakeholders.

In line with the Corporate Governance Standards of Listing Rules and industry best practices the following three board sub committees of the parent company, Ceylon Hotels Corporation PLC (listed entity) oversee the function of the company. The composition and function of each subcommittee are given on pages 22 to 30 of the corporate governance section of this Annual Report.

- Audit Committee
- Remuneration Committee
- Related Party Transaction Review Committee

25.1 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 pages 31 to 32 set out the manner of compliance by the Company in accordance with the requirements of the Rule 7.10.6 (c) of the Listing Rules of the Colombo Stock Exchange on Corporate Governance.

25.2 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 pages 35 to 36 on this Annual Report.

25.3 Related Party Transactions Review Committee

Following are the names of the directors comprising the 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 06 (six) times during the financial year 2022/2023.

The Related party transactions review committee report is given on pages 33 to 34 on this Annual Report.

25.3.1 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 2023 audited financial statements, which required additional disclosures in the 2022/23 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.

25.3.2 Recurrent Related Party Transactions

The Company has disclosed transactions, if any, that could be classified as Related Party Transactions in terms of Sri Lanka Accounting Standards – LKAS 24 (Related Party Disclosures) which is adopted in the preparation of Financial Statements. The Company carries out transactions in the ordinary course of business on an arms' length basis with the related entities.

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 2023 are disclosed under Note 28 on page 94 to the Financial Statements, as required by Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

25.3.3 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 2023. 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 pages 33 to 34 in the Annual Report.

26. DIRECTORS DEALINGS WITH THE SHARES OF THE COMPANY

Directors shareholding in the company as at 31st March 2023 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

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

As at 31st March 2023, there were 1,969 registered ordinary shareholders. The number of ordinary shares held by the public as per the Colombo Stock Exchange rules as at 31st March 2023 was 120,290,003 shares equivalent to 20.83%.

The Company has ensured at all times that all shareholders are treated fairly and equitably.

27. 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.

28. REMUNERATION OF DIRECTORS

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

29. DIRECTORS INTEREST IN CONTRACTS

Directors of the Company have made necessary declarations of their interest in the contract or proposed contracts, in terms of section 192(1) and 192(2) of the Companies Act. These interests have been recorded in the interest register which is available for inspection in terms of the Companies Act.

The Directors have no direct or indirect interest in contracts and proposed contracts, other than disclosed in Note 28 to the Financial Statements.

30. DIRECTORS DECLARATION

The Board of Directors declare as follows:

i. The Company has not engaged in any activity which contravenes laws and regulations

ii. 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

31. 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).

32. SUBSTANTIAL SHAREHOLDING

Names of the twenty largest shareholders and the percentages of their respective holdings as at 31st March 2023 and 31st March 2022, are given in the section on "Investor Information" on page 103.

33. 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 pages 103 to 105.

34. CONTRIBUTIONS TO CHARITY

The sum of contributions made to charities by the company during the financial year ended 31 March 2023 does not exceed Rs.94,000 (2022: 9,000)

35. 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'.

The Directors of the Company have taken reasonable steps to safeguard the financial operation of the Company to prevent and detect fraud and any other irregularities. For this purpose, the Directors consider that the system of internal controls is appropriately designed for identifying, recording, evaluating, and managing the significant risks faced by the Company throughout the year and it is being regularly reviewed by the Board of Directors. The Directors further confirm that an on-going process to identify, evaluate and manage significant business risk.

36. 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.

37. AUDITORS RELATIONSHIP

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

The fees paid to auditors are disclosed in Note 7 to the financial statements.

Based on the declaration provided by Messrs. Ernst & Young and 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 relationship or interest in the Company or its Group Companies other than those disclosed above which may reasonably be thought to have a bearing on their. independence in accordance with the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka.

38. ACKNOWLEDGEMENT OF THE CONTENT OF THE REPORT

As required by 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,

31st August 2023

Statement of Directors' Responsibilities for Preparation of Financial Statements

The responsibilities of the Directors, in relation to the Financial Statements of The Kandy Hotels Co. (1938) PLC ('the Company') and the Consolidated Financial Statements of the Company and its subsidiaries ('the Group') is set out in the following statement.

In terms of Sections 150 (1), 151, 152 and 153 (1) & (2) of the Companies Act No. 07 of 2007, the Directors of the Company are responsible for ensuring that the Company keeps 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 Company and its subsidiaries, as at the end of each financial year and of the financial performance of the Company for each financial year and places them before a general meeting.

The financial statements comprise:

- The Statement of Financial Position, which presents a true and fair view of the state of affairs of the Company and its subsidiaries as at the end of the financial year.
- The Statement of Comprehensive Income
- The Statement of Changes in Equity
- The Statement of Cash Flows
- Notes to the Financial Statements

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

(a) the financial position of the KHC as of the 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 Company have been certified by the Company's Financial Controller, the Officer responsible for their preparation. In addition, the Financial Statements of the Company and the Group have been signed by two Directors of the Company on 31st August 2023 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 explain the Company's transactions to facilitate a proper audit of the Financial Statements. Accordingly, the Directors have taken reasonable steps to ensure that the Company and the Group maintain proper books of accounts and review the financial reporting system through the 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 2023, prepared and presented in this Annual Report are in agreement with

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

b) All applicable accounting standards (SLFRS/LKAS) that are relevant, have been followed and are consistent with the underlying books of accounts.

c) Reasonable and prudent judgments and estimates have been made so that the form and substance of transactions are properly reflected.

d) And information required by the 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 (CA Sri Lanka) and the Securities and Exchange Commission of Sri Lanka (SEC) have been disclosed.

e) The companies within the Group maintain sufficient accounting records to disclose the financial position of the Group with reasonable accuracy.

The External Auditors, Messrs. Ernst & Young, are appointed in terms of Section 158 of the Companies Act No. 07 of 2007 were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements. The responsibilities of the independent auditor in relation to the financial statements prepared in accordance with the provisions of the Companies Act, No. 07 of 2007 ('the Companies Act'), are set out in the Independent Auditor's Report from pages 39 to 41.

As required by Section 166(1) and 167(1) of the Companies Act, this Annual Report has been prepared and the Company has met all the requirements under Rule 7 on Continuing Listing Requirements of the Listing Rules of the CSE, where applicable.

The Directors are responsible for taking reasonable measures to safeguard the assets of the Company and its subsidiaries and in this regard to give proper consideration to the establishment, designation, implementation and maintenance of appropriate accounting and internal control systems with a view of preventing and detecting fraud and other irregularities relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error. 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 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.

COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its subsidiaries, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and its subsidiaries as at the date of the statement of financial position have been duly paid or, where relevant, provided for, (except as disclosed in note 29 to the financial statements covering contingent liabilities).

The Directors confirm that based on their assessment, the accounting controls are adequate, and nothing has come to their attention to indicate any breakdown in the functioning of these controls that may result in a material loss to the Company. The Directors also confirm that the Company has adequate resources to continue in its operational existence and continue as a going concern for the foreseeable future.

Accordingly, the Directors are of the view that they have discharged their responsibilities as set out in the statement.

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

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

31st August 2023

Corporate Governance

Corporate governance is the process through which businesses operate in order to promote corporate fairness, transparency, accountability, delegation, and sound and prudent decision-making. The Company's Board of Directors is responsible for implementing robust corporate governance mechanisms and practices for the benefit of all stakeholders with a view to achieving the proper segregation of duties and responsibilities between the board and corporate management, supporting the efficient use of resources, promoting accountability and responsible stewardship, compliance with all legal and regulatory requirements, and promoting ethical leadership, good corporate citizenship, and sustainable development for the best interest of all stakeholders.

The corporate governance framework regulates the application of policies and standards and ensures that legal and regulatory compliance, internal controls, risk management, internal audit, information management, stakeholder relationships, ethics and sustainability are complied with. It also defines the roles and responsibilities at each level of authority within the Company.

The Company's governance structure includes but is not limited to compliance with the following.

REGULATORY REQUIREMENTS

- Continuing listing rules of the Colombo Stock Exchange
- Companies Act No. 07 of 2007 and its amendments.
- The Securities and the Exchange Commission of Sri Lanka Act No.36 of 1987 and its amendments thereto, as repealed by the Securities and Exchange Commission of Sri Lanka Act No. 19 of 2021
- The Code of Best Practices on Related Party Transactions issued by Securities and Exchange Commission

INTERNAL

- Articles of Association
- Board-approved Terms of Reference (TOR) of sub-committees
- Code of conduct for employees
- Board-approved policies

VOLUNTARY CODES

- 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)

The extent to which the Company has met the requirements specified by the Companies Act No. 07 of 2007 and the Colombo Stock Exchange's listing guidelines as amended is also covered in this report. The following declaration outlines the many facets of corporate governance that the Company implemented during the financial year under review.

Statement of Compliance with Companies Act No. 07 of 2007

Section Reference	Applicable 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 in 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

BOARD OF DIRECTORS

The Board is responsible for the management and supervision of the Company's business and operations.

Ensuring good governance and overseeing the risk management of the Company; effectively reviewing and constructively challenging management performance in meeting the agreed goals; providing strategic guidance; evaluating, reviewing, and approving corporate strategy and the performance objectives of the Company; approving and monitoring financial and other reporting practices adopted by the Company; monitoring the reporting of performance; and ensuring that the necessary financial and human resources are in place for the Company to meet its objectives are among the key responsibilities entrusted with the board.

COMPOSITION

The composition of the Board of Directors as of March 31, 2023, was as follows. There were no changes to the composition of the Board of Directors during the year under review.

Name of the Director	Type
Mr. Sanjeev Gardiner	Non- Independent, Executive Director
Mr. Charitha Ratwatte	Independent, Non-Executive Director
Mr. Lakshman Samarasinghe	Non- Independent, Executive Director
Mr. Priyantha Maddumage	Non- Independent, Executive Director
Mr. Ranjith Gunatilleke	Independent, Non-Executive Director
Mr. Nahil Wijesuriya	Independent, Non-Executive Director
Mr. Chandra Mohotti	Non- Independent ,Non-Executive Director
Mr. Nilanga Dela	Independent, Non-Executive Director
Mr. Shalike Karunasena *(Alternate Director to Mr. Priyantha Maddumage)*	Non- Independent, Executive Director

The profiles of the Board of Directors are given on pages 5 to 7. As of 31st March 2023, the Company's board comprised eight (08)) Directors, of which five (05) function in a non-executive capacity. The three (03) Executive Directors are also considered to be Key Management Personnel (KMP) of the Company. Four (04) out of eight (08) Directors are independent bringing independent judgement and objectivity to the board deliberations.

Recognizing the importance of diversity at the Board level, the Company has adopted a more inclusive strategy to promote diversity in order to induce fresh viewpoints that will foster robust debate and effective decision-making. The Non- Executive Directors collectively provide a considerable depth of knowledge gained from their experience and have the necessary skills to bring an objective and sound judgement to bear on issues of strategy, performance and resources.

The Board has determined that four (04) of the Non- Executive Directors are 'independent' as per the criteria set out in the Listing Rules of the Colombo Stock Exchange. The composition satisfies the listing rules of the Colombo Stock Exchange.

BOARD MEETINGS AND ATTENDANCE

The Board meets regularly to discuss the company's performance and evaluate its strategic direction. There were two (02) board meetings held during the year under review.

The attendance of Directors at the aforesaid meetings is set out in the table below. All meetings held during the year ensured that the Board has adequate time to discuss the actual and potential impact to the Company from the macro-economic environment and to decide on the way forward.

Name of the Director	Board Meetings
Mr. Sanjeev Gardiner (Chairman)	2/2
Mr. Charitha Ratwatte	2/2
Mr. Lakshman Samarasinghe	2/2
Mr. Priyantha Maddumage	0/2
Mr. Ranjith Gunatilleke	1/2
Mr. Nahil Wijesuriya	2/2
Mr. Chandra Mohotti	1/2
Mr. Nilanga Dela	0/2
Mr. Shalike Karunasena *(Alternate Director to Mr. Priyantha Maddumage)*	2/2

The routine agenda for board meetings is developed by the Chairman in consultation with all the Directors and the Company Secretary. Agenda items include but are not limited to strategy, industry performance, financial performance, risk management, and human resources. The Company Secretary is responsible for circulating agenda items and board papers to all the Directors.

The Annual Board meeting and subcommittee meeting calendar is circulated to the Board well in advance.

The Directors are well prepared for the board meetings and actively participate in board decisions.

The company's Senior Management offers all the information essential for the Board of Directors to make decisions. Directors seek independent advice from legal and accounting professionals when needed to gain a broader view of important issues.

Minutes are circulated by the Company Secretary. The significant matters that require further discussion are incorporated into the agenda items for the next meeting. Board members are free to request any additional information on matters that are being discussed at the board level.

DUTIES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Board provided stewardship and strategic direction to guide the Corporate Management in achieving the growth objectives of the Company whilst ensuring that the necessary resources are made available, culturally aligned, proper internal control systems and appropriate reporting functions to measure and report the performance.

The board has a key role in formulating the strategy and establishing the strategic direction for the Company. Board-approved policies and procedures serve as the basis for operationalising the strategy. The board recognises its accountability towards a wide range of stakeholders, provides information, and places a high reliance on financial statements and accounting systems for monitoring performance.

THE CHAIRMAN OF THE BOARD

The Chairman's primary role is to lead the Board to ensure that it effectively functions in achieving the strategic direction. 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 hotels of the group are managed and operated by Galle Face Group (Pvt) Ltd., an affiliate of the Company.

MANAGING CONFLICTS OF INTEREST

All Directors are expected to act in good faith and maintain transparency regarding matters that could potentially be in conflict of interest. Directors are excused from meetings if an agenda item refers to a matter in which they have an interest, allowing the board to deliberate on the matter without undue influence.

SUB- COMMITTEES

Sub-committees play a crucial role in the Company's governance. They function under the delegated authority of the board. The board is supported by the sub- committees that are established to meet the regulatory requirements, namely, Audit Committee, Related Party Transactions Review Committee and Remuneration Committee.

The aforementioned committee's function is in accordance with the Board approved Terms of Reference (TOR) which include the membership and composition, scope of duties and responsibilities etc.

DIRECTORS' REMUNERATION

The report of the Remuneration Committee is given on pages 35 to 36 of the annual report. The main objective of the remuneration committee is to attract and retain quality management staff who perform well. The Chairman and Executive Directors attend the meetings by invitation, provide information to the committee, and participate in deliberations.

SHAREHOLDER RELATIONS

The board is committed to its responsibility for upholding shareholders' rights. The Company's shareholders and their interests are always equally safeguarded by the Company. Multiple channels are available to encourage shareholders' active engagement such as the corporate websites, the annual report, interim financial statements, CSE announcements and press releases. The Company's website www.chcplc.com contains information on the Company's performance and other important corporate information.

The Annual General Meeting (AGM) is the main platform for the shareholders to meet the board, giving them reasonable opportunity to communicate various matters affecting the Company. All shares have equal voting rights, and shareholders are notified of the annual general meeting well in advance of the mandatory period. AGM notices are uploaded to the Company's website and the CSE website and shareholders are encouraged to use the AGM constructively to discuss matters. Senior management and external auditors attend the AGM.

The Company provides its annual financial statements to all shareholders within the required period, and the unaudited provisional financial statements are released to the CSE in compliance with the CSE's Listing Rules. Quarterly financial results and other important announcements are promptly disclosed to CSE in compliance with the listing rules.

ACCOUNTABILITY AND AUDIT

The members of the Board of Directors have reviewed in detail the annual financial statements in order to satisfy themselves that they present a true and fair view of the affairs of the Company. A summary of Directors' responsibilities in respect of financial statements are given on pages 20 to 21.

The board is responsible for establishing a holistic risk control framework for proactive identification and effective management of risks. A well-defined internal control system is vital for the effective management of risk. The risk management report is detailed on pages 11 to 12 of the annual report, and the Directors' Responsibilities for preparing financial statements are stated on pages 20 to 21.

The report of the Audit Committee is given on pages 31 to 32 of the annual report.

The Audit Committee reviews the financial reporting process, internal controls, and external audit functions to ensure the integrity and quality of the financial statements. The audit committee ensures the independence of external auditors, the timely delivery of the audited financial statements, and the effectiveness of internal audit procedures. The Audit Committee tries to meet at least once a quarter with the management to review quarterly financial statements prior to release to shareholders and with the internal auditors to review the internal audit reports and findings. The Audit Committee also meets with external auditors to discuss the external audit plan prior to the commencement of the external audit and meets with them after the completion of the audit to discuss the financial statements and key audit findings.

Statutory compliance statements demonstrating the extent to which the company complies with the rules and regulations are distributed among the Directors for the board's information at all audit committee and board meetings.

All the Board members have unlimited access to the Company Secretary for advice and guidance regarding compliance with rules, regulations and statutes.

The report of the Related Party Transactions Review Committee is given on pages 33 to 34 of the annual report. Related party transactions are reviewed by the Committee on a quarterly basis.

ENVIORNMENTAL, SOCIAL GOVERNANCE AND PROMITING ETHICS

The board placed a strong emphasis on strengthening ESG credentials by establishing a framework of policies and procedures to drive principles of sustainable business. The board sets the tone for promoting cultural ethics and good business conduct. Every board member complies with the Code of Conduct and governance requirements in executing their duties ethically and in alignment with the business values.

Through sustainable and eco-friendly practices, the Board is cognizant of its relationship with all stakeholders, including the community in which it operates. Through frequent training and enhanced facilities, the hotels raise and improve staff standards and morale. This enables service level improvements, enhancing the passenger experience. Satisfied guests not only provide repeated business, but also serve as ambassadors for the hotels.

CORPORATE GOVERNANCE COMPLIANCE DISCLOSURES

The tables shown here summarize the Company's level of compliance with the regulatory requirements.

Statement of compliance under section 7.6 of the listing rules of the Colombo Stock Exchange on Annual Report Disclosure

	Requirement	Reference
(i)	Names of persons who were Directors of the Entity	Page 15
(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 and non-voting shares and the percentage of such shares held	Page 105
(iv)	The public holding percentage	Page 104
(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 104
(vi)	Information pertaining to material foreseeable risk factors of the Entity and details of material issues pertaining to employees and industrial relations.	Note No. 36 of Annual Report of the Board of Directors and Management Discussion and Analysis on pages 8-10
(vii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties	Pages 71-72
(viii)	Number of shares representing the Entity's stated capital	Page 81

	Requirement	Reference
(ix)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Page 103
(x)	Financial ratios and market price information	Page 102
(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 71 to 72
(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 22 to 30
(xv)	Related Party transactions exceeding 10 percent of the equity or 5 percent of the total assets of the Entity as per audited financial statements, whichever is lower	Pages 91 to 94

Statement of compliance under section 7.10 of the listing rules of the Colombo Stock Exchange (CSE) on Annual Disclosure.

Section	Applicable Requirement	Compliance Status	Level of Compliance (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 eight (08) Directors, the Company has five (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 five (05) Non-Executive Directors, the Company has four (04) Independent Non-Executive Directors.
7.10.2(b)	The board shall require each non-executive director to submit a signed and dated declaration annually of his/her independence or non-independence against the specified criteria	Complied	Non-Executive Directors have submitted their confirmation of independence as per the criteria set by the CSE rules, which is in line with the regulatory requirements.
7.10.3(a)	The board shall determine annually as to the independence or non-independence of each non-executive director based on such declaration and other information available to the board and shall set out in the annual report the names of directors determined to be 'independent'	Complied	The Board has made such a determination and the basis for the 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 into 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, the Board has declared that the independence of these Directors has not been impaired. Accordingly, the Board decided that the said three (03) Directors are suitable to continue serving as Independent Directors.

Section	Applicable Requirement	Compliance Status	Level of Compliance (Reference)
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	A brief resume of all the Directors are given on pages 5 to 7.
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 a new Director is appointed to the Board, a brief resume of the new Director is given to the CSE. During the year, there were no new appointments to the Board.
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.	Complied	The Remuneration Committee of the parent company oversees the functions as the Remuneration Committee. The composition of the Remuneration Committee is given on pages 35 to 36 of the Annual Report under the Remuneration Committee Report.
	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.		
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	The 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 pages 35 to 36 of this report. Directors were not remunerated during the year.
7.10.6(a)	The audit committee shall comprise; of a minimum of two independent non-executive directors (in instances where 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 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 body.	Complied	The Audit Committee oversees the functions of the company. The Audit Committee consists of four (04) members including three Independent, Non-Executive Directors and 01 Non- Independent, Non-Executive Director. The report of the Audit Committee is given on page 31 of the annual report. The Chief Financial Officer attends the audit committee meetings by invitation. Out of the four (04) members, two (02) of them are members of the recognised professional accounting body.

Section	Applicable Requirement	Compliance Status	Level of Compliance (Reference)
7.10.6(b)	Function of the Audit committee shall include, Overseeing the preparation, presentation and adequacy of disclosures in the financial statements of a Listed Entity, in accordance with Sri Lanka Accounting Standards. Overseeing the Entity's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements. 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. Assessment of the independence and performance of the Entity's external auditors. To make recommendations to the board pertaining to appointment, re-appointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors.	Complied	The report of the Audit Committee set out on page 31 of the annual report describes the scope of work performed by the committee during the year under review.
7.10.6(c)	The names of the directors (or persons in the parent company's committee in the case of a group company) comprising the audit committee should be disclosed in the annual report. The committee shall make a determination of the independence of the auditors and shall disclose the basis for such determination in the annual report. The annual report shall contain a report by the audit committee, setting out the manner of compliance by the Entity in relation to the above, during the period to which the annual report relates.	Complied	The names of the directors on the Audit committee are given on page 31 of the annual report. The Audit Committee report is given on pages 31 to 32 of the report. The statement of Auditors independence is disclosed on page 31 of the Audit Committee report.

Statement of compliance under the Section 9 of the Listing Rules of the CSE

Section	Applicable Requirement	Compliance Status	Level of Compliance (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	The composition of the related party transaction review committee is given on page 33 of the related party review committee report. The Chairman of the committee is an Independent, Non-Executive Director.

Section	Applicable Requirement	Compliance Status	Level of Compliance (Reference)
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	The Related Party Transactions Review Committee oversees the related party transactions of the group.
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	The attendance of the Related Party Transactions Review Committee is given on page 33 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. The 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 the note 28 to the Financial Statements.
9.3.2 (a)	In the case of Non-Recurrent Related Party Transactions, if the aggregate value of the non-recurrent Related Party Transactions exceeds 10% of the Equity or 5% of the Total Assets, whichever is lower, of the Listed Entity as per the latest Audited Financial Statements the related information must be presented in the Annual Report:	Complied	There were no non-recurrent related- party transactions that required disclosure in the financial statements.
9.3.2 (b)	In the case of Recurrent Related Party Transactions, if the aggregate value of the recurrent Related Party Transactions exceeds 10% of the gross revenue/ income (or equivalent term in the 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 to note 28 to the financial statements on pages 91 to 94.

Section	Applicable Requirement	Compliance Status	Level of Compliance (Reference)
9.3.2 (c)	Annual Report shall contain a report by the Related Party Transactions Review Committee, setting out the following: • Names of the Directors comprising the Committee; • A statement to the effect that the Committee has reviewed the Related Party Transactions during the financial year and has communicated the comments/ observations to the Board of Directors; • The policies and procedures adopted by the Committee for reviewing the Related Party Transactions; • The number of times the Committee has met during the Financial Year, Name of the Related Party Relationship Value of the Related Party Transactions entered into during the financial year Value of Related Party Transactions as a % of Equity and as a % of Total Assets Terms and Conditions of the Related Party Transactions, • The rationale for entering into the transactions.	Complied	Report of the Related Party Transaction Review Committee on page 33 of the annual report complies with the requirement.
9.3.2 (d)	A declaration by the Board of Directors in the Annual Report as an affirmative statement of the compliance with these Rules pertaining to Related Party Transactions or a negative statement in the event the Entity has not entered into any Related Party Transaction/s.	Complied	An affirmative statement is included on page 34 of the Annual Report.

Report of the Audit Committee

AUDIT COMMITTEE

Ceylon Hotels Corporation PLC is The Kandy Hotels Co. (1938) PLC's parent company. As permitted by the Colombo Stock Exchange Listing Rules, the Audit Committee of Ceylon Hotels Corporation PLC serves as the Company's Audit Committee.

The role, functions and composition of the Committee are defined by the provisions of Section 7.10.6 of the Listing Rules of the Colombo Stock Exchange (the 'CSE Rules') and the Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

COMPOSITION

The composition of the Audit Committee (BAC) is as follows.

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

MEETINGS

The committee met 05 times during the financial year. Details of the attendance of the members are set out below.

	Membership status	Attendance (Attended/ Eligible to attend)
Mr. Kuvera de Zoysa	Chairman	05/05
Mr. Mangala Boyagoda	Member	04/05
Mr. Kamantha Amarasekara	Member	00/05
Mr. Ranil Pathirana	Member	04/05

The representatives of the Company's external auditors, Messer. EY participated in meetings by invitation. The Group Chief Financial Officer and the Financial Controller attended the meetings by invitation. The senior management of the Company also participated in the meetings from time to time on a need basis.

The Company Secretary served as the Committee's Secretary during the year under review.

ROLES AND RESPONSIBILITIES

The Committee has written Terms of Reference (TOR) and is empowered to oversee financial reporting, internal controls, and functions relating to internal and external audits. It is regularly reviewed to ensure that new developments relating to the Committee's functions are addressed and that the same reflects the best practices of the industry at all times.

1. Financial Reporting

As part of its responsibility to oversee the Company's financial reporting process on behalf of the Board of Directors, the Committee assists the Board in effectively carrying out its supervisory responsibilities with the following reviews:

- Reviewing the financial information of the Company in order to monitor the integrity of its financial statements, annual reports, and periodic reports prepared for disclosure requirements.
- Assessing the acceptability and appropriateness of accounting policies and the reasonableness of significant estimates and judgements
- Assessing the reasonableness of the underlying assumptions based on which estimates and judgements are made when preparing the financial statements.
- Review of the policy decisions relating to the adoption of Sri Lanka Accounting Standards (SLFRSs and LKASs) applicable to the Company and monitor compliance with relevant accounting standards.

2. Internal Controls over Financial Reporting

The Committee is satisfied that the financial reporting system is effectively designed to provide the Board, regulatory authorities, and management with accurate, appropriate, and timely information, and that the adequacy, efficiency, and effectiveness of risk management measures, internal controls, and governance processes are sufficient to avoid, mitigate, and transfer current and evolving risks.

3. Internal Audit

Internal auditors are identified as adding value and improving operations through systematic and disciplined approaches to evaluating and improving the effectiveness of governance, risk management, and internal controls. The Committee oversees the internal audit and review of audit reports to ensure that appropriate actions are taken by management to implement the recommendations made by the internal auditors.

4. External Audit

Overseeing the appointment, compensation, resignation, and dismissal of external auditors is vested in the Committee. The functions are inclusive of the review of the external audit function, its costs and effectiveness, and monitoring of the external auditor's independence. The Committee reviewed and monitored the independence and objectivity of the External Auditors and also assessed the effectiveness of their audit process, considering the relevant professional and regulatory requirements.

The independence and objectivity of the external auditors were reviewed by the Committee and concluded that the services outside the scope of the statutory audit provided by the external auditors have not impaired their independence.

Prior to the start of the audit for the financial year, the Committee addressed with the External auditors their audit plan, scope, and methodology for performing the annual audit. There was no scope limitation, and management provided all the information and explanations sought by the auditors.

Messrs. Ernst & Young, Chartered Accountants were re-appointed as external auditors of the Company at the Annual General Meeting held on 23rd September 2022.

ACTIVITIES FOR THE YEAR ENDED MARCH 31, 2023

The following were among the activities carried out:

- Discussed with external auditors the scope of the audit, audit approach, and procedures.
- Determined that Messrs. EY, Chartered Accountants were independent based on written representation.
- Reviewed the Financial statements together with the External auditors, Messrs. EY, prior to release to the regulators, shareholders, and the general public.
- Provided confirmations and declarations pertaining to the Financial Statements' compliance with the Sri Lanka Accounting Standards (SLFRS/LKAS) and the Companies Act No. 7 of 2007.
- Reviewed the Letter of Representation issued to the External Auditors by the management.
- Evaluated external auditors based on the audit deliverables and the quality assurance initiatives and recommendations.
- Met with the auditors to review the management letter and the responses from the management. and followed up on the issues raised.
- Assessed the effectiveness of the internal audit function.

Having reviewed the effectiveness of the external auditors, the members of the Audit Committee have concurred to recommend to the Board of Directors the re-appointment of Messrs. EY, Chartered Accountants, as Auditors for the financial year ending March 31, 2024, subject to the approval of the shareholders at the 94th Annual General Meeting.

REPORTING TO THE BOARD

The proceedings of the Committee meetings with adequate details were discussed and regularly reported to the Board of Directors providing board members with access to the Committee's deliberations.

The Board is apprised of the key issues considered, recommended, and approved by the Committee, and it analyses and accepts the Committee's recommendations, if deemed appropriate.

PROFESSIONAL ADVICE

The Committee has the authority to seek external professional advice from time to time on matters within its purview. Several consultations were sought with various professionals during the financial year under review.

PERFORMANCE EVALUATION OF THE COMMITTEE

The annual self-evaluation of the committee was concluded at year-end by the members of the committee, with the evaluation indicating that its performance was effective.

CONCLUSION

The Committee is satisfied that the Company's accounting policies, internal controls and risk management processes are adequate to provide reasonable assurance that the financial affairs of the Company are managed in accordance with accepted accounting standards.

On behalf of the Audit Committee

(Sgd.)
Kuvera De Zoysa
Chairman of the Audit Committee

August 31, 2023

Report of the Related Party Transactions Review Committee

As permitted by the Colombo Stock Exchange Listing Rules, the Related Party Transactions Review Committee of Ceylon Hotels Corporation PLC, the parent company of The Kandy Hotels Co. (1938) PLC, serves as the Related Party Transactions Review Committee of the Company.

The Related Party Transactions Review Committee ('the Committee') was established by the Board of Directors ('the Board') in compliance with Section 9 of the listing rules of the Colombo Stock Exchange (the 'CSE Rules'), the Code of Best Practice on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka (the 'SEC Code') and the Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). The Committee is a formally constituted sub-committee of the Board and reports to the Board.

COMPOSITION

The Composition of the Related Party Transactions Review Committee is as follows:

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

MEETINGS

The committee met 06 times during the financial year. Details of the attendance of the members are set out below.

	Membership status	Attendance (Attended/ Eligible to attend)
Mr. Kuvera de Zoysa	Chairman	05/06
Mr. Mangala Boyagoda	Member	06/06
Mr. Kamantha Amarasekara	Member	00/06
Mr. Ranil Pathirana	Member	04/06

The Company Secretary served as the Committee's Secretary during the year under review.

ROLES AND RESPONSIBILITIES

The role and functions of the committee include the following.

1. Formulate and review the 'Related Party Transactions Policy' and review all proposed Related Party Transactions (RPTs) in compliance with the regulations.
2. Ensure that the regulations issued to compel all Related Party Transactions (RPTs) to be referred to the Committee for review.
3. To review all Related Party transactions pertaining to the transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged and make a decision if the transaction needs the approval of the Board of Directors prior to entering to the transaction.
4. Advise the Board on making immediate market disclosures and disclosures in the annual report where necessary, in respect of RPTs, in compliance with the regulatory provisions.

Accordingly, the Committee adopts the following.

- Review the Committee's Terms of Reference (TOR) on a regular basis to ensure that they represent industry best practices at all times.
- Place a sufficiently effective and efficient mechanism to collect information pertinent to its review role while ensuring that the Company does not engage in such transactions with related parties in a way that would result in a 'More Favourable Treatment'.
- Consider the interests of shareholders when RPTs are initiated.
- Implement appropriate measures and safeguards to avoid conflicts of interest that may arise from any transaction performed by the Company with any category of 'Related Parties' in accordance with regulatory requirements.
- Obtain declarations from all Directors upon joining the Board and annually thereafter, as well as inform the Company Secretary (the primary contact point for Directors) of any existing or potential RPTs carried out by them or close family members.
- Obtain professional and expert advice, where such advice is necessary for the performance of the review function.

RECURRENT RELATED PARTY TRANSACTIONS

All recurrent related party transactions, whose aggregate value exceeds 10% of the revenue of the Company as per the audited financial statements of March 31, 2023, are disclosed under Note 28 on page 94 to the Financial Statements as required in Section 9.3.2 of the listing rules.

Report of the Related Party Transactions Review Committee

NON-RECURRENT RELATED PARTY TRANSACTIONS

There were no non-recurrent related party transactions whose aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower, of the Group as per 31st March 2023 audited financial statements, which required additional disclosures in the 2022/23 Annual Report under Colombo Stock Exchange Listing Rule 9.3.2 and the 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 committee has reviewed the related party transactions during the year and has communicated the comments and observations to the Board of Directors.

REPORTING TO THE BOARD

The proceedings of the Committee meetings, which also included activities under its TOR, were regularly presented to the Board of Directors with comments and observations allowing board members access to the Committee's deliberations.

The Board is apprised of the key issues considered, recommended, and approved by the Committee, and it analyses and accepts the Committee's recommendations, if deemed appropriate.

PERFORMANCE EVALUATION OF THE COMMITTEE

The Committee's annual self-assessment was completed at year's end by its members, with the evaluation indicating that its performance was effective.

DECLARATION

Declarations are obtained from each Key Management Personnel (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. Self-declarations are obtained from each Director/Key Management Personnel of the Company for the purpose of identifying parties related to them.

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 2023.

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 those disclosed in the financial statements.

The Committee is pleased with the Company's RPT policies and practices implemented during the financial year under consideration.

On behalf of the Related Party Transactions Review Committee

(Sgd.)
Kuvera De Zoysa
Chairman of the Related Party Transactions Review Committee

August 31, 2023

Report of the Remuneration Committee

Ceylon Hotels Corporation PLC is The Kandy Hotels Co. (1938) PLC's parent company. The Remuneration Committee of Ceylon Hotels Corporation PLC serves as the Company's remuneration committee, as permitted by Rule 7.10.5 (a) of the Colombo Stock Exchange's Listing Rules.W

COMPOSITION

The Composition of the Remuneration Committee (BHRRC) is as follows: The composition meets the requirements stipulated in rule 7.10.5 (a) of the listing rules of the Colombo Stock Exchange (the 'CSE Rules').

1. Mr. Kuvera de Zoysa – Independent, Non-Executive Director
2. Mr. Mangala Boyagoda – Independent, Non-Executive Director
3. Mr. Ranil Pathirana - Non – Independent, Non-Executive Director

MEETINGS

The committee met one time during the year under review. Details of the attendance of the members at these meetings are given below.

	Membership status	Attendance (Attended/ Eligible to attend)
Mr. Kuvera de Zoysa	Chairman	01/01
Mr. Mangala Boyagoda	Member	01/01
Mr. Ranil Pathirana	Member	01/01

Executive Directors and the Chief Financial Officer are invited to the meetings and participate in the deliberations. During the year under review, the Company Secretary served as the Committee's Secretary.

ROLES AND RESPONSIBILITIES

The Committee has the power to evaluate, decide, and recommend to the Board of Directors any items relevant to the Company's human resource management, which shall explicitly include the following.

- Establishing remuneration policies for Directors and Kay Management Personnel (KMP) and review their performance against predetermined targets and goals.
- Establish performance parameters, evaluate the KMP's performance against the defined targets, and submit the same to the Board, along with recommendations for salary, benefits, and other performance-based incentives.
- Advising the KMP heading HR department of guidelines, policies and procedures pertaining to the remuneration structure of all staff and overseeing the implementation thereof.
- Ensure that the performance-related component of remuneration is designed and adjusted to align employees' interests with the interests of the company's key stakeholders and to support its sustainable growth.
- Evaluate and recommend organizational structure and succession planning.
- Reviewing, commenting on, and reporting to the Board on HR-related matters, including development plans, talent retention, and the career development of potential successors.
- Make recommendations to the Board of Directors on new managerial expertise that is required.
- Review the Committee's Terms of Reference (ToR) on a regular basis to ensure that it continuously reflects industry best practices.
- Evaluate the Committee's performance, based on the requirements.

Furthermore, the Committee may seek external companies to conduct salary surveys in order to make well-informed decisions about the Company's salaries and standards.

Summary of activities during the year

- Approval of annual salary revision and performance bonus
- Approval for appointment of Key Management Personnel
- Review of the Organization Structure

REPORTING TO THE BOARD

The proceedings of the Committee meetings, which also included activities under its TOR, were regularly presented to the Board of Directors with comments and observations allowing board members access to the Committee's deliberations.

The Board is apprised of the key issues considered, recommended, and approved by the Committee, and it analyses and accepts the Committee's recommendations, if deemed appropriate.

Report of the Remuneration Committee

PERFORMANCE EVALUATION OF THE COMMITTEE

The Committee's annual self-assessment was completed at year's end by its members, with the evaluation indicating that its performance was effective.

The Committee is pleased with the Company's remuneration policies and practices implemented during the financial year under consideration.

On behalf of the Committee

(Sgd.)
Kuvera de Zoysa
Chairman - Remuneration Committee

August 31, 2023

Financial Reports

Independent Auditor's Report

EY
Building a better working world

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of The Kandy Hotels Company (1938) PLC ("the Company") and the consolidated financial statements of the Company and its subsidiary ("the Group"), which comprise the statement of financial position as at 31 March 2023, 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 2023, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

Key audit matters

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

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

Key audit matters common to both Group and Company

Key audit matter	How our audit addressed the key audit matter
Revenue from contracts with customers The company derives its revenue of Rs. 309 million by providing food, lodging and other hospitality industry related services as disclosed in Note 3.7.1 and 4 to the financial statements. Revenue was a key matter due to: • The materiality of reported revenue coupled with the significant increase (71%) in revenue recorded by the company during the year.	Our audit procedures included the following, • Evaluated the design and tested the operating effectiveness of key controls over revenue recognition. • Performed appropriate analytical procedures to understand and assess the reasonableness of reported revenues. • Tested the appropriateness of revenue recognized during the year, particularly towards the year end, by testing revenue transactions to sales invoices and other supporting documents. • We also assessed adequacy of disclosures made in relation to the recognition of revenue in Notes 3.7.1 and 4 to the financial statement.

Partners: D K Hulangamuwa FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA, B E Wijesuriya FCA FCMA, R N De Saram ACA FCMA
Resident Partner: U G D I Gunasekara FCA

A member firm of Ernst & Young Global Limited

Key audit matter	How our audit addressed the key audit matter
Amounts due from related parties Amounts due from related parties include an interest-bearing loan receivable from Ceylon Hotels Corporation PLC which is the parent company of the Group, amounting to Rs. 1,164,794,017/- (2022 – Rs. 1,111,033,056/-). The Group has earned Rs. 111,194,611/- (2022 – Rs. 75,663,497/-) of interest income on such receivables for the year ended 31 March 2023 as disclosed in note 6. Considering the materiality and the involvement of related party transactions and balances, we considered this as a key audit matter.	Our audit procedures included the following: • Evaluated the appropriateness of management's process for identifying and recording related party transactions. • Read loan agreement with related party to understand the nature, terms and conditions of the transactions. • Evaluated the compliance to the loan agreement by tracing those to financial statements and confirmation received from the Parent Company. • Evaluated the appropriateness of calculation of provisions for impairment. • Performed analytical review procedures to evaluate the reasonableness of interest income. • Checked Group management's plan for settlements of related party balances. • Assessed the adequacy of the related disclosures given in note 6 to the financial statements.

Other Information included in the 2023 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.

Ernst & Young

Kandy, Sri Lanka

31st August 2023

Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 March 2023	Note	Group 2023 Rs.	Group 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
Revenue	4	309,339,828	181,218,816	309,339,828	181,218,816
Cost of sales		(118,563,396)	(60,972,005)	(118,563,396)	(60,972,005)
Gross profit		190,776,432	120,246,811	190,776,432	120,246,811
Other operating income	5	891,036	123,999	891,036	123,999
Administrative expenses		(254,925,818)	(169,791,935)	(249,851,288)	(346,026,755)
Selling and marketing expenses		(16,038,739)	(10,112,631)	(16,038,739)	(10,112,631)
Operating loss		(79,297,089)	(59,533,756)	(74,222,559)	(235,768,576)
Finance income	6	111,226,335	75,664,431	111,226,335	75,664,431
Finance costs	6	(101,699,345)	(62,535,465)	(101,689,274)	(62,525,135)
Net Foreign Exchange gain/(loss)		689,953	(972,948)	689,953	(972,948)
Share of loss of equity-accounted investees (net of tax)	14	-	(107,984,127)	-	-
Loss before income tax	7	(69,080,146)	(155,361,866)	(63,995,545)	(223,602,229)
Income tax reversals	8	48,276,695	1,081,928	48,276,695	1,081,928
Loss for the year		(20,803,451)	(154,279,938)	(15,718,850)	(222,520,301)
Other comprehensive income/(loss) (OCI)					
Other comprehensive income that will not to be reclassified to profit or loss in subsequent periods (net of tax):					
Revaluation of property, plant and equipment	11.2	-	1,171,599,395	-	1,171,599,395
Deferred tax on revaluation		-	(164,023,915)	-	(164,023,915)
Deferred tax impact on revaluation of land on income tax rate changes		(1,080,840,298)	-	(1,080,840,298)	-
		(1,080,840,298)	1,007,575,480	(1,080,840,298)	1,007,575,480
Remeasurement gain/ (loss) on defined benefit plans	24	238,048	(1,120,183)	238,048	(1,120,183)
Deferred tax on defined benefit plans	23	(71,414)	156,826	(71,414)	156,826
Deferred tax impact on defined benefit plans on income tax rate changes		247,877	-	247,877	-
		414,511	(963,357)	414,511	(963,357)
Equity investments designated at FVOCI - net change in fair value	15.1	131,741,321	75,000,000	131,741,321	75,000,000
Equity - accounted investees - share of other comprehensive income	14	318,510,978	-	-	-
Other comprehensive income/(loss) for the year, net of tax		(630,173,488)	1,081,612,123	(948,684,466)	1,081,612,123
Total comprehensive income/(loss) for the year, net of tax		(650,976,939)	927,332,184	(964,403,316)	859,091,821
Total comprehensive income/(loss) attributable to:					
Equity holders of the parent		(650,976,939)	927,332,184		
Non-controlling interests		-	-		
		(650,976,939)	927,332,184		
Basic/Diluted loss per share	9	(0.04)	(0.27)	(0.03)	(0.39)

The accounting policies and notes as set out in pages 47 to 102 form an integral part of these financial statements.

Statement of Financial Position

As at 31 March 2023	Note	Group 2023 Rs.	Group 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
Non-current assets					
Property, plant and equipment	11	8,511,705,269	8,572,370,586	8,511,705,269	8,572,370,586
Intangible assets	12	8,357,689	12,085,570	8,357,689	12,085,570
Investment in subsidiary	13	-	-	176,421,177	176,421,177
Investment in joint venture	14	318,510,978	-	-	-
Financial assets at fair value through other comprehensive income	15	731,741,321	600,000,000	731,741,321	600,000,000
		9,570,315,257	9,184,456,156	9,428,225,456	9,360,877,333
Current assets					
Inventories	16	36,674,936	33,684,683	36,674,936	33,684,683
Trade and other receivables	17	27,028,597	19,960,370	27,028,597	19,960,370
Advances and prepayments	18	18,196,697	10,855,855	18,196,697	10,855,855
Amounts due from related companies	28.1	1,248,411,528	1,167,915,851	1,254,005,074	1,167,915,851
Cash and cash equivalents	19	5,652,701	21,250,284	5,652,701	21,250,284
		1,335,964,459	1,253,667,043	1,341,558,005	1,253,667,043
Total assets		10,906,279,716	10,438,123,199	10,769,783,461	10,614,544,376
EQUITY AND LIABILITIES					
Equity					
Stated capital	20	16,750,000	16,750,000	16,750,000	16,750,000
Other capital reserves	21.2	7,130,008,277	7,834,303,473	6,683,430,755	7,706,236,929
Retained earnings		871,264,555	818,040,049	1,181,493,980	1,123,184,872
Total equity		8,018,022,832	8,669,093,522	7,881,674,735	8,846,171,801
Non-current liabilities					
Interest-bearing loans and borrowings	22	483,769,786	527,786,602	483,769,786	527,786,602
Employee benefit payables	24	4,076,483	3,802,041	4,076,483	3,802,041
Deferred tax liabilities	23	1,876,923,268	860,393,691	1,876,923,268	860,393,691
		2,364,769,537	1,391,982,334	2,364,769,537	1,391,982,334
Current liabilities					
Trade and other payables	25	81,261,298	82,315,051	81,169,691	82,206,051
Contract liabilities	26	5,436,820	8,401,123	5,436,820	8,401,123
Interest-bearing loans and borrowings	22	425,429,485	258,929,487	425,372,934	258,738,906
Amounts due to related companies	28.2	6,466,384	15,487,310	6,466,384	15,129,789
Government grants	27	-	3,289,421	-	3,289,421
Other current liabilities		-	632,201	-	632,201
Income tax liabilities		4,893,360	7,992,750	4,893,360	7,992,750
		523,487,347	377,047,343	523,339,189	376,390,241
Total equity and liabilities		10,906,279,716	10,438,123,199	10,769,783,461	10,614,544,376
Net assets per share (Rs.)		14	15	14	15

The accounting policies and notes as set out in pages 47 to 102 form an integral part of these financial statements.

I certify that these financial statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

Hasuni Gayasha
Financial Controller

The Board of Directors is responsible for the preparation and presentation of these financial statements.
Approved and signed for and on behalf of the Board of Directors by,

Sanjeev Gardiner
Chairman

Lakshman Samarasinghe
Director

31 August 2023
Colombo

Statement of Changes in Equity

Year ended 31 March			Other Component of Equity			
		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 2021		16,750,000	(75,000,000)	6,890,578,908	909,469,928	7,741,798,836
Total comprehensive income						
Loss for the year		-	-	-	(154,279,937)	(154,279,937)
Other comprehensive income						
Actuarial loss on defined benefit obligation (net of tax)	24	-	-	-	(963,357)	(963,357)
Revaluation of property , plant and equipment (net of tax)	11.2	-	-	1,007,575,480	-	1,007,575,480
Equity investments designated at FVOCI - net change in fair value	15.1	-	75,000,000	-	-	75,000,000
Total comprehensive income for the year		-	75,000,000	1,007,575,480	(155,243,295)	927,332,185
Transactions with owners of the company						
Dividends-(15% Cumulative preference shares)		-	-	-	(37,500)	(37,500)
Transfer of excess depreciation on revaluation		-	-	(63,850,916)	63,850,916	-
Total transactions with owners of the company		-	-	(63,850,916)	63,813,416	(37,500)
Balance as at 31 March 2022		16,750,000	-	7,834,303,473	818,040,049	8,669,093,522
Total comprehensive income						
Loss for the year		-	-	-	(20,803,451)	(20,803,451)
Other comprehensive income						
Actuarial loss on defined benefit obligation (net of tax)	24	-	-	-	414,511	414,511
Revaluation of property , plant and equipment (net of tax)	11.2	-	-	(1,080,840,298)	-	(1,080,840,298)
Equity investments designated at FVOCI - net change in fair value	15.1	-	131,741,321	-	-	131,741,321
Total comprehensive income for the year			131,741,321	(1,080,840,298)	(20,388,941)	(969,487,918)
Transactions with owners of the company						
Dividends-(15% Cumulative preference shares)		-	-	-	(93,750)	(93,750)
Transfer of excess depreciation on revaluation		-	-	(73,707,197)	73,707,197	-
Total transactions with owners of the company		-	-	(73,707,197)	73,613,,447	(93,750)
Share of other comprehensive income attributable to joint venture		-	-	318,510,978	-	318,510,978
Balance as at 31 March 2023		16,750,000	131,741,321	6,998,266,956	871,264,555	8,018,022,833

The accounting policies and notes as set out in pages 47 to 102 form an integral part of these financial statements.

Year ended 31 March		Stated capital	Other Component of Equity Fair Value Reserve of Financial Assets at FVOCI	Revaluation reserves	Retained earnings	Total equity
Company	Note	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01 April 2021		16,750,000	(75,000,000)	6,762,512,365	1,282,855,113	7,987,117,479
Total comprehensive income						
Loss for the year		-	-	-	(222,520,301)	(222,520,301)
Other comprehensive income						
Actuarial loss on defined benefit obligation (net of tax)	24	-	-	-	(963,357)	(963,357)
Revaluation of property , plant and equipment (net of tax)	11.2	-	-	1,007,575,480	-	1,007,575,480
Equity investments designated at FVOCI - net change in fair value	15.1	-	75,000,000	-	-	75,000,000
Total comprehensive income for the year		-	75,000,000	1,007,575,480	(223,483,658)	859,091,822
Total transactions with owners of the company						
Dividends-(15% Cumulative preference shares)		-	-	-	(37,500)	(37,500)
Transfer of excess depreciation on revaluation		-	-	(63,850,916)	63,850,916	-
Total transactions with owners of the company		-	-	(63,850,916)	63,813,416	(37,500)
Balance as at 31 March 2022		16,750,000	-	7,706,236,929	1,123,184,871	8,846,171,800
Balance as at 1 April 2022						
Total comprehensive income						
Loss for the year		-	-	-	(15,718,850)	(15,718,850)
Other comprehensive income						
Actuarial loss on defined benefit obligation (net of tax)	24	-	-	-	414,511	414,511
Revaluation of property , plant and equipment (net of tax)	11.2	-	-	(1,080,840,298)	-	(1,080,840,298)
Equity investments designated at FVOCI - net change in fair value	15.1	-	131,741,321	-	-	131,741,321
Total comprehensive income for the year		-	131,741,321	(1,080,840,298)	(15,304,339)	(964,403,316)
Transactions with owners of the company						
Dividends-(15% Cumulative preference shares)		-	-	-	(93,750)	(93,750)
Transfer of excess depreciation on revaluation		-	-	(73,707,197)	73,707,197	-
Total transactions with owners of the company		-	-	(73,707,197)	73,613,447	(93,750)
Balance as at 31 March 2023		16,750,000	131,741,321	6,551,689,434	1,181,493,980	7,881,674,735

The accounting policies and notes as set out in pages 47 to 102 form an integral part of these financial statements.

Statement of Cash Flows

Year ended 31 March 2023	Note	Group 2023 Rs.	Group 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
Cash flows from/(used in) operating activities					
Loss before income tax from operations		(69,080,146)	(155,361,866)	(63,995,545)	(223,602,229)
Adjustments for:					
Depreciation of property, plant and equipment	11.1.2	66,603,158	61,380,771	66,603,158	61,380,771
Amortization of intangible assets	12.2	4,732,696	4,691,669	4,732,696	4,691,669
Interest income		(111,226,335)	(75,664,431)	(111,226,335)	(75,664,431)
Interest costs	6	101,699,345	61,954,221	101,689,274	61,954,221
Provision/(reversal) of provision for impairment		-	(9,728,277)	1,229,495	(9,728,277)
Share of results of equity-accounted investee	15	-	107,984,127	-	-
Provision/(reversal) for impairment of subsidiary		-	-	-	176,422,000
Provision for employee benefit obligations	24	1,012,879	674,594	1,012,879	674,594
Operating profit/ (loss) before working capital changes		(6,258,403)	(4,069,191)	45,622	(3,871,681)
(Increase)/decrease in inventories		(2,990,253)	(95,735)	(2,990,253)	(95,735)
(Increase)/decrease in trade and other receivables		(7,068,263)	2,205,965	(7,068,263)	2,205,965
(Increase)/decrease in advances and prepayments		(7,340,842)	(676,469)	(7,340,842)	(676,469)
(Increase)/decrease in amounts due from related parties		(80,495,678)	(80,550,101)	(87,318,718)	(80,550,101)
Increase/(decrease) in trade and other payable		(4,111,805)	(4,373,732)	(4,094,413)	(4,241,364)
Increase/(decrease) in other current liabilities		(632,201)	86,148	(632,201)	86,148
Increase/(decrease) in amount due to related parties		(9,020,926)	90,076	(8,663,405)	(19,924)
Cash generated from/ (used in) operations		(117,918,371)	(87,383,039)	(118,062,473)	(87,163,161)
Interest paid		(37,914,969)	-	(37,904,897)	-
Income taxes paid		(18,956,955)	(23,629,177)	(18,956,954)	(23,629,177)
Employee benefit obligations paid		(500,389)	(2,546,457)	(500,389)	(2,546,457)
Net cash used in operating activities		(175,290,683)	(113,558,673)	(175,424,713)	(113,338,795)
Cash flows from/ (used in) investing activities					
Interest income received		111,226,335	75,664,431	111,226,335	75,664,431
Purchase of property, plant and equipment	11	(5,937,801)	(1,131,314)	(5,937,801)	(1,131,314)
Purchase of intangible assets		(1,004,816)	-	(1,004,816)	-
(Increase)/decrease in interest bearing loans due from related parties		-	-	-	-
Net cash from investing activities		104,283,718	74,533,117	104,283,718	74,533,117
Cash flows from/ (used in) financing activities					
Proceeds from borrowings	22.3	-	-	-	-
Repayment of borrowings		(62,028,260)	-	(62,028,260)	-
Net cash used in financing activities		(62,028,260)	-	(62,028,260)	-
Net decrease in cash and cash equivalents		(133,035,225)	(39,025,556)	(133,169,255)	(38,805,679)
Cash and cash equivalents at the beginning of the year		13,055,301	52,080,858	13,245,882	52,051,561
Cash and cash equivalents at the end of the year (Note a)	19	(119,979,924)	13,055,301	(119,923,373)	13,245,882

Note a

Cash and cash equivalents at the end of the financial year consist of the following.

Year ended 31 March 2023	Note	Group 2023 Rs.	Group 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
Cash in hand and cash at bank		5,652,701	21,250,284	5,652,701	21,250,284
Bank overdrafts		(125,632,625)	(8,194,983)	(125,576,073)	(8,004,402)
		(119,979,924)	13,055,301	(119,923,373)	13,245,882

The accounting policies and notes as set out in pages 47 to 102 form an integral part of these financial statements.

Notes to the Financial Statements

1. CORPORATE INFORMATION

1.1 General

The Kandy Hotels Company (1938) PLC ("the Company") is a public limited Company incorporated and domiciled in Sri Lanka whose shares are listed on the Colombo Stock Exchange and publicly traded. The registered office of the Company is located at No. 30, Sangaraja Mawatha, Kandy, and the principal places of business are situated at Hotel Suisse No. 30, Sangaraja Mawatha, Kandy and 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 2023 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 2023 were authorized for issue in accordance with a resolution of the Board of Directors on 31st August 2023.

1.3 Principal Activities and nature of operations

During the year, the principal activities of the Company and Group were the 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 the 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 of the Group and the Company 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, which comprise Sri Lanka Financial Reporting Standards (SLFRS), Sri Lanka Accounting Standards (LKAS), relevant interpretations of the Standing Interpretations Committee ('SIC') and International Financial Reporting Interpretations Committee ('IFRIC') 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 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

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Sri Lanka Rupee (Rs.), which is the Company's and the Group's functional and presentation currency.

2.4 Comparative information

The financial statements provide comparative information with respect to the previous year. The accounting policies have been consistently applied by the Group and, are consistent with those used in the previous year.

Wherever necessary, comparative figures have been adjusted to conform with the changes in presentation in the current year.

2.5 Materiality and aggregation

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

2.6 Going Concern

When preparing the financial statements, the Board of Directors 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

The principal accounting policies adopted in the preparation of these financial statements are set out below.

3.1 Basis of consolidation

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

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct relevant activities of the entity.

Specifically, the Group controls an entity if, and only if, the Group has:

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

The acquisition method of accounting is used to account for business combinations by the Group. Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity, and statement of financial position.

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. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between group companies are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary without a loss of control is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

3.2 Subsidiary

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

Subsidiary	2023	2022	Nature of the Operations
Suisse Hotel (Private) Limited	100%	100%	Operation of Small 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 economic activities of the entity. The arrangement requires unanimous agreement for financial and operating decisions among the ventures.

The Group's investment in joint ventures 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.

Where the Group's share of losses in an equity- accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

When the profit or other comprehensive income is recorded, the gain will be used to write back previously written-down components of the investor's interest in the joint venture. The Group first allocates unrecognised losses to profit, and if there are further unrecognised losses, they are assigned against other comprehensive income. The net amount of total comprehensive income will be recognised under investment in joint ventures.

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 that have been accounted for under the equity method are;

Joint venture	2023	2022	Nature of the Operations
Suisse Hotels Kandy (Pvt) Ltd	50%	50%	Operation of Small 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 the remaining investment and proceeds from disposal are recognised in the income statement. When the remaining investment constitutes significant influence, it is accounted for as an 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 by the Group at the functional currency rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of 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 recognized in the statement of Profit or Loss.

3.6 Current versus non-current classification

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

An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in a 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 a 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 the statement of the liability by the transfer of cash or other assets for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

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

3.7 Statement of Profit or Loss

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

Goods and services deliverable under contracts with customers are identified as separate performance obligations ('obligations') to the extent that the customer can benefit from the goods or services on their own or together with other resources that are readily available to the customer and that the separate goods and services are considered distinct from other goods and services in the agreement. Where individual goods and services do not meet the criteria to be identified as separate performance obligations they are aggregated with other goods and/or services in the agreement until a separate performance obligation is identified.

Revenue is recognized when the respective obligations in the contract are delivered to the customer and payment remain probable.

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 a 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 and the Company. The performance obligation is satisfied when the food and beverage are delivered to the customer (at a point of time), and revenue is recognised at this point at the price in the items purchased.

c) Interest income

For all financial instruments measured at amortised cost, interest income is recognized 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.

Interest income on bank balances and bank deposits are recognised on an accrual basis.

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

Contract liabilities are considered to be the hotel's obligation to transfer goods and services to a customer for which the Group and the Company have received consideration from the customer. If a customer pays consideration before the entity transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Short-term advances include in the contract liabilities which is received to render certain services. Contract liabilities of the Group/Company have been disclosed in other current liabilities Note 26.

Contract liabilities are recognised as revenue when the entity performs under the contract.

- Contract Cost Assets

The costs that are directly related to the acquisition and fulfilment of customer contracts are recognised as contract cost assets and amortised on a systematic basis that is consistent with the fulfilment of the performance obligation. The Group has elected the practical expedient to recognise contract cost assets incurred related to contracts with an amortisation period of less than one year as an expense when incurred.

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 Finance income and Finance costs

Finance income comprises interest income on funds invested in fixed deposits, saving accounts and intercompany loans. Interest income is recognised as it accrues in the 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.

3.7.4 Tax expense

Tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The Group and the Company measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of uncertainty.

The profits and income of the Company arising from the provision of tourism-related services are liable for taxation at the rate of 14% in the first six months of the year and 30% in the second six months of the year. Further, interest income is taxed at 24% in the first six-months period and 30% in the second six-months period 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 the taxable profit or loss.

- In respect of taxable temporary differences associated with investments in the subsidiary and the 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 the taxable profit or loss.

- In respect of deductible temporary differences associated with investments in subsidiary and joint venture deferred tax assets, they are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets 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 are 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 the 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.

3.7.5 Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to owners of the Group and the Company by the weighted average number of ordinary shares outstanding during the financial year.

For the diluted earnings per share calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

3.8 Fair value measurement

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 most advantageous market must be accessible to 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.

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 11
- Financial Assets at fair value through other comprehensive income Note 15

The determination of fair value for financial assets and financial liabilities for which there is no observable market price requires the use of valuation techniques. The Group and the Company measure fair values using the following fair value hierarchy that reflects the significance of inputs used in making the measurements.

- Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from price)
- Level 3 — Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs.)

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 for 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

(a) Cost and revaluation

Property, Plant and equipment (other than land and buildings) is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Historical costs include expenditure that is directly attributable to the acquisition including the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The carrying amount of any component accounted for as a separate asset is derecognised when replaced.

All other repair and maintenance are charged to the statement of profit or loss during the reporting period which they are 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 revaluationsurplusto 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 derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

(b) Depreciation and residual value

Depreciation of asset begins when it is available for use. Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values over the estimated useful lives or in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

Assets	Years
Building	50
Sewerage plant	10
Equipment	12.5
Furniture and fittings	12.5
Motor vehicles	5
Computer equipment	3
Air conditioners	5
Generator	10
Solar power hot water system	10

Depreciation on assets under construction or capital work-in-progress commences when the assets are ready for their intended use. Depreciation on PPE ceases at the earlier of derecognition or classification as held-for-sale.

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

(c) Impairment

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(d) Gains or losses on disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the statement of profit and loss.

(e) Asset exchange transaction

PPE may be acquired in exchange for a non-monetary asset or for a combination of monetary and non-monetary assets is measured at fair value unless.

- the exchange transaction lacks commercial substance; or
- the fair value of neither the assets received, nor the assets given up can be measured reliably.

The acquired item is measured in this way even if the Group and the Company cannot immediately derecognise the assets given up. If the acquired item cannot be reliably measured at fair value, its cost is measured at the carrying amount of the asset given up.

(f) Repairs and maintenance

Repair and maintenance are charged to the statement of profit or loss during the period in which they are incurred.

The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group and the Company. This cost is depreciated over the remaining useful life of the related asset.

3.9.2 Intangible assets

3.9.2.1 Basis of Recognition

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

3.9.2.2 Basis of measurement

Intangible assets acquired separately are measured at cost at initial recognition. The costs of intangible assets acquired in a business combination are their fair value as at the date of acquisition. Acquired software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life.

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

The useful life of intangible assets is assessed as finite.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The useful life of intangible asset is as follows;

Computer Software	Over 5 Years

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are 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 the administrative expense category consistent with the function/nature of the intangible asset. Amortisation was commenced when the assets were available for use.

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use.
- Management intends to complete the software product and use or sell it.
- There is an ability to use or sell the software product.
- It can be demonstrated how the software will generate probable future economic benefits.
- Adequate technical, financial, and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Intangible assets are de-recognised on disposal or when no future economic benefits are expected from their use. Gains or losses arising from the 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 Investment on subsidiaries

In the Company's separate financial statements, investments in subsidiaries stated at cost less accumulated impairment losses. When an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

On disposal of investment in subsidiaries, the difference between disposal proceeds and the carrying amount of the investments are recognised in comprehensive income. Disposal related costs are expensed as incurred.

3.9.4 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis (i.e. food and beverages, house keeping, maintenance and other) and comprises all expenses incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. In arriving at the net realisable value, due allowance is made for all obsolete and slow-moving items.

3.9.5 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within a year and therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, where they are recognised at fair value. They are subsequently measured at amortised costs using the effective interest rate method, less loss allowance.

Other receivables generally arise from transactions outside the usual operating activities of the Group and the Company.

3.9.6 Cash and cash equivalents

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

For the purpose of presentation in the statement of cash flows, cash and cash equivalents consist of cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of there months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts which are repayable on demand form an integral part of the Group's cash management are included as a component of cash and cash equivalents in the statement of cash flows. Bank overdrafts are included within borrowings in current liabilities in the statement of financial position.

3.9.7 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.

3.9.8 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.

3.9.9 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.

The impairment loss is charged to the statement of profit or loss. Any subsequent increase in recoverable amount is recognised in the statement of profit or loss.

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

The Group and the Company classify its financial assets in the following measurement categories.

- those to be measured at cost, and
- those to be measured subsequently at fair value either through Other Comprehensive Income (OCI) or through profit or loss.

The classification depends on the financial assets' contractual cash flow characteristics and the Company's and the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investment in equity instruments that are not held for trading, this will depend on whether the Group and the Company have made an irrevocable election at the time of initial recognition to account for the equity.

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 the 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 financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective of holding 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 marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

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

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

(i) Debt Instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies the debt instruments.

a) Amortised cost : Asset that are held for collection of contractual cash flows where those cash flows represents solely the payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in the finance income using Effective Interest Rate (EIR) method. Any gain or loss arising on derecognition is recognised directly in comprehensive income and presented in other income/ (losses).

b) FVOCI : Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payment of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken though OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to comprehensive income and recognised in other income/ (losses). Interest income from these financial assets is included in finance income using the effective interest rate method.

c) FVTPL : Asset that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL is recognised in comprehensive income and presented net within other gains/(losses) in the period in which it arises.

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest rate (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's financial assets at amortised cost includes cash and bank balances, trade receivables, advances and prepayments.

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.

(ii) Equity Instruments

The Group and the Company subsequently measure all equity instruments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to comprehensive income following the derecognition of the investment. Dividends from such investments continue to be recognised in comprehensive income as other income when the Group's right to receive payments is established. Changes in the fair value of financial assets at FVTPL are recognised in other gains/ (losses) in the statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Investments measured at FVOCI are not reported separately from other changes in fair value.

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

Upon initial recognition, the Group can elect to irrevocably classify 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 into 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 assessments.

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

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 that the Group has 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 and the Company assesses on a forward-looking basis the expected credit loss (ECL) associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

ECL represents a probability-weighted estimate of the difference between present value of cash flows according to the contracts and present value of cash flows the Group and the Company expect to receive, over the remaining life of the financial instruments.

The measurement of ECL reflects:

- An unbiased probability – weighted amount that is determined by evaluating a range of possible outcome;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

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).

General 3-statge approach for Other Financial Assets – At each reporting date, the Group and the Company measures ECL through a loss allowance at an amount equal to the 12- month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to the lifetime ECL is required.

Based on the above process, financial assets are grouped into Stage 1, Stage 2, Stage 3 and purchased originated credit impaired (POCI), as described below.

Stage 1 – When financial assets are first recognised, the Group and the Company recognises an allowance based on 12-month ECLs. Stage 1 financial assets also include facilities where the credit risk has improved, and the financial asset has been reclassified from Stage 2.

Stage 2 – When a financial asset has shown a significant increase in credit risk since origination, the Group and the Company records an allowance for the lifetime ECLs. Stage 2 financial assets also include facilities, where the credit risk has improved, and the financial asset has been reclassified from Stage 3.

Stage 3 – Financial assets considered as credit impaired. The Group and the Company records an allowance for the lifetime ECLs.

Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit adjusted EIR. ECLs are only recognised or released to the extend that there is a subsequent change in the expected credit losses.

For trade receivables, the Group and the Company apply the simplified approach permitted by SLFRS 9, 'Financial Instruments', which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of customers and the corresponding historic credit losses experienced within this period. The historic loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. GDP, inflation, exchange rates, interest rates and unemployment rates are considered the most relevant factors for the Group and the Company.

Trade receivables which are in default or credit impaired or have individually significant balances, are separately assessed for ECL measurement.

3.10.2 Financial liabilities

Initial recognition and measurement

The Group and the Company classify their financial liabilities in the following categories: trade and other payables (excluding statutory liabilities), borrowings and other financial liabilities. Management determines the classification of financial liabilities at initial recognition.

Financial instruments issued by the group and the Company, that are not designated at fair value through profit or loss, are carried at amortised cost.

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's 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

Financial liabilities are initially recognised at fair value net of transaction costs and subsequently carried at amortised cost using effective interest rate method. They are included in current liabilities, except for maturities greater than 12 months after the end of the reporting date in which they are classified as non-current liabilities.

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.

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

This category generally applies to interest bearing loans and borrowings.

Derecognition

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

3.10.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is presented in the statement of financial position when 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

3.11 Stated Capital

(a) Classification

Ordinary shares with discretionary dividends are classified as equity. Other shares are classified as equity or liability according to the economic substance of the particular instrument. Distribution to holders of a financial instrument classified as an equity instrument is charged directly to equity.

(b) Dividends to shareholders of the Company

Dividend distribution is recognised as liability in the Company's and the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Distributions to holders of an equity instrument is recognised directly in equity.

3.12 Trade payables

Trade payables represent liabilities for goods and services provided to the Group and the Company prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using effective interest method.

3.13 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and redemption amount is recognised in the statement of profit or loss over the period of the borrowing using the effective interest method.

Fee paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawn down occurs. To the extend there is no evidence that some or all of the facility will be draw down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. Borrowings are classified as current liabilities unless the Group and the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(a) Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. General and specific borrowing costs directly attributable to the acquisition, construction or production of a qualifying 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.

Investment income earned on temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are expensed in the period in which they occur.

3.14 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, of basic or consolidated wage or salary of each eligible employee. The contributions are recognised as employee benefit expense when they are due. The Group and the Company have no further payment obligation once the contributions have been paid. The Company and the employees are members of these defined contribution plans.

b) Defined benefit plans

Defined benefit plan defines an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The defined benefit plan comprises the gratuity provided under the payment of Gratuity Act, No. 12 of 1983.

The liability recognised in the statement of financial position in respect of defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries.

The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using the yield rate of long-term government bonds that have terms to maturity approximating to the terms od the related defined benefit obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligations and included in employee benefit expense in the statement of profit or loss. The current service cost of the defined benefit plan reflects the increase in the defined benefit obligations resulting from the employees in the current year. It is recognised in the statement of profit or loss in employee benefit expense, except where included in the cost of an asset. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in the statement of profit or loss as past service costs.

Recognition of actuarial gains or losses

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and the statement of financial position. The assumptions based on which the results of the actuarial valuation were determined, are included in note 24 to the financial statements.

c) Short term benefits

Wages, salaries, bonuses and non- monetary benefits that are expected to be settled in full within twelve (12) months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

3.15 Provisions

Provisions are recognised when the Group and the Company have 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. Provisions are not recognised for future operating losses.

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.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to anyone item included in the same class of obligations may be small.

Provisions are measured at the present value of managhement's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

3.16 Contingent assets and contingent liabilities

The Group and the Company do not recognise contingent assets and liabilities but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the group and the Company or present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Company. The Group does not recognise a contingent asset but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

Capital commitments and contingent liabilities of the Group are disclosed in the respective note 29 to the financial statements.

3.17 Government grants

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

Government grants relating to costs are deferred and recognised in the statement of profit or loss over the period necessary to match them with the costs that are intended to compensate. 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.

3.18 Critical accounting estimates and judgements

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

The Group and the Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a) Fair value of land and buildings

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

The land was 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 of 31 March 2022 and the valuer has confirmed that the fair value is not materially deviated from the carrying value of land and buildings as at the reporting date.

b) Estimated useful lives of PPE and intangible assets.

The Group and the Company review annually the estimated useful lives of PPE and intangible assets based on factors such as business plan and strategies, expected level of usage. Future results of operations could be materially affected by changes in these estimates brought by changes in the factors mentioned. A reduction in the estimated useful lives of PPE and intangible assets would increase the recorded depreciation and amortization charge and decrease the carrying value.

c) Estimation of income taxes in relation to uncertain tax position

Judgement is involved in determining the Company's and the Group's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognise liabilities for tax matters based on estimates of whether additional taxes will be due. If the final outcome of these taxes result in a difference in the amounts initially recognised, such differences will impact the income tax and/ or deferred income tax provisions in the period in which such determination is made.

d) Recognition of deferred income tax assets

1. 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.

This involves significant management judgement regarding future financial performance 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.

e) Impairment of non-financial assets

The Group and the Company test annually the indicators to ascertain whether non-financial assets (including intangibles) have suffered any impairment, in accordance with the accounting policy stated in note 13.1 to the financial statements. These calculations require the use of estimates.

f) Estimation 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.

The assumptions used in determining the net cost (income) for defined benefit plan include the discount rate, future salary increase rate, mortality rate, withdrawal and disability rates and retirement age. Any changes in these assumptions will impact the carrying amount of defined benefit plan. The Group and the Company determine the appropriate discount rate at the end of each financial reporting period. This is the interest rate that should be used to determine the present value of estimated future cash outflows, expected to be required to settle the defined benefit plan. In determining the appropriate discount rate, the Group and the Company consider the interest yield of long term government bonds that are denominated in the currency in which the benefit will be paid, and that have terms to maturity approximating the terms of the related defined benefit plan. Other key assumptions for defined benefit plan are based in part on current market conditions as disclosed in note 24 to the financial statements.

g) Estimation of provisions

The Group and the Company recognise provisions when they have a present legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. The recording of provisions requires the application of judgements about the ultimate resolution of these obligations. As a result, provisions are reviewed at the end of each financial reporting period and adjusted to reflect the Company's and the Group's current best estimate.

h) Estimation of contingent liabilities

Determination of the treatment of contingent liabilities in the financial statement is based on the management's view of the expected outcome of the applicable contingency. The Group and the Company consult legal counsel on matters related to litigation and other experts both within and outside the Group and the company with respect to matters in the ordinary course of business.

i) Impairment of financial assets

The loss allowance for financial assets is based on assumptions about risk of default and expected loss rates. The Group and the Company use judgements in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's and the Group's past history and existing market conditions, as well as forward-looking estimates at the end of each reporting period.

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 analysed.

3.19 New accounting standards, amendments and interpretations adopted.

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2022.

Amendments to LKAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies

- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

Amendments to LKAS 1 Presentation of Financial Statements specify the requirements for classifying liabilities as current or non-current. The amendments clarify –

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification
- Disclosures

The amendment to the standard is effective for annual reporting periods beginning on or after 1 January 2023.

Amendments to LKAS 8, 'Definition of Accounting Estimates'

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendment to the standard is effective for annual reporting periods beginning on or after 1 January 2023.

Amendments to LKAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Also, under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

The amendment to the standard is effective for annual reporting periods beginning on or after 1 January 2023.

Amendments to SLFRS 17, 'Insurance contracts'

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 insurers. In contrast 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 2025, 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.

4 REVENUE

Year ended 31 March	Group 2023 Rs.	Group 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
Revenue from contracts with customers (Note 4.1)	309,339,828	181,218,816	309,339,828	181,218,816
	309,339,828	181,218,816	309,339,828	181,218,816

4.1 Disaggregation of revenue from contracts with customers

The Group and the Company derive revenue from the transfer of goods and services over time/the period of stay and at a point in time through the following.

Year ended 31 March	Group 2023 Rs.	Group 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
Business lines				
Room revenue	107,411,382	62,738,603	107,411,382	62,738,603
Food and Beverage revenue	171,536,274	100,676,796	171,536,274	100,676,796
Other revenue	30,392,172	17,803,417	30,392,172	17,803,417
Total Revenue	309,339,828	181,218,816	309,339,828	181,218,816
Timing of revenue recognition				
Products and services transferred over time	107,411,382	62,738,603	107,411,382	62,738,603
Products and services transferred at a point in time	201,928,446	118,480,213	201,928,446	118,480,213
Total Revenue	309,339,828	181,218,816	309,339,828	181,218,816

5 OTHER OPERATING INCOME

Year ended 31 March	Group 2023 Rs.	Group 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
Sundry income	891,036	123,999	891,036	123,999
	891,036	123,999	891,036	123,999

Other income of the Group and the Company consist of sundry income.

6 FINANCE INCOME AND COSTS

Year ended 31 March	Group 2023 Rs.	Group 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
6.1 Interest income on:				
Saving accounts	31,724	934	31,724	934
Intercompany loans	111,194,611	75,663,497	111,194,611	75,663,497
Finance income	111,226,335	75,664,431	111,226,335	75,664,431
6.2 Interest expenses on:				
Bank overdrafts	25,099,273	8,780,878	25,099,273	8,780,878
Bank loans	75,569,970	53,173,343	75,569,970	53,173,343
Bank charges	1,030,102	581,244	1,020,030	570,914
Finance costs	101,699,345	62,535,465	101,689,274	62,525,135

7 PROFIT/(LOSS) BEFORE TAX

Year ended 31 March	Group 2023 Rs.	Group 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
Profit/(loss) before tax is stated after charging all expenses including the following;				
Auditors' remuneration				
- Statutory audit	1,188,266	1,001,000	880,000	931,000
- Non audit services	313,043	313,043	313,043	313,043
Staff costs (Note 7.1)	75,480,568	55,447,263	67,034,502	55,447,263
Depreciation on property, plant and equipment	66,603,158	61,380,771	66,603,158	61,380,771
Amortization of intangible assets	4,732,696	4,691,669	4,732,696	4,691,669
Provision for impairment of trade receivables	-	(9,728,277)	-	(9,728,277)
Donations	94,978	23,375	94,978	23,375
Professional fee	1,144,841	803,950	1,144,841	803,950
Legal fee	834,376	565,900	834,376	565,900
Impairment of investment in subsidiary	-	-	-	176,422,000
7.1 Staff costs				
- Wages, salaries and others	45,889,365	45,039,334	45,889,365	45,039,334
- Defined contribution plans - EPF and ETF	5,054,935	1,088,767	5,054,935	1,088,767
- Defined benefit obligation	1,012,879	674,594	1,012,879	674,594
- Other staff expenses	23,523,389	8,644,567	15,077,322	8,644,567
	75,480,568	55,447,263	67,034,502	55,447,263

8 INCOME TAX EXPENSE/ (REVERSALS)

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

	Group		Company	
Year ended 31 March	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Current income tax				
Current income tax charge (Note 8.1)	15,857,564	18,159,463	15,857,564	18,159,463
	15,857,564	18,159,463	15,857,564	18,159,463
Deferred income tax				
Deferred tax (charge)/ reversals (Note 23.1.1)	(64,134,258)	(19,241,392)	(64,134,258)	(19,241,392)
Income tax expense/ (reversals) for the year	(48,276,694)	(1,081,929)	(48,276,694)	(1,081,928)

a) The business profit of The Kandy Hotels Company (1938) PLC and Suisse Hotels (Pvt) Limited are subject to a corporate tax rate of 14% for first six months (01.04.2022-30.09.2022) and 30% for second six months (01.10.2022-31.03.2023)

b) The Group and the Company are also liable to pay income tax at 24% for first six months and 30% for second six months on interest income earned in Sri Lanka Rupees (24% - 2022).

c) According to Inland Revenue (amendment) Act No. 45 of 2022 section 33, income tax rate of resident companies increased to 30% from 24% effective from 1 October 2022.

d) The Group being engaged in an undertaking for the promotion of tourism is liable to income tax at concessionary rate of 14% in terms of the Inland Revenue (amendment) Act No. 10 of 2021.

8.1 The tax on profit before tax differs from the theoretical amount that would arise using the applicable tax to profit as follows;

	Group		Company	
Year ended 31 March	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Accounting Loss before tax	(69,080,146)	(155,361,865)	(63,995,545)	(223,602,229)
Share of loss of joint venture	-	107,984,127	-	-
	(69,080,146)	(47,377,738)	(63,995,545)	(223,602,229)
Less: Non business income	(111,226,335)	(75,664,431)	(111,226,335)	(75,664,431)
Add: Adjustment on disallowed expenses	79,835,516	67,591,440	74,936,986	243,838,068
Less: Adjustments on allowable expenses	(16,542,590)	(33,482,380)	(16,542,590)	(33,482,380)
Loss from business	(117,013,555)	(88,933,109)	(116,827,483)	(88,910,972)
Other sources of income				
Interest income	111,226,335	75,664,431	111,226,335	75,664,431
Less: Unrelieved Losses	(45,153,153)	-	(45,153,153)	-
Taxable other income	66,073,182	75,664,431	66,073,182	75,664,431
Income tax provision for the year is made up of the following:				
- Income tax @ 24%	15,857,564	18,159,463	15,857,564	18,159,463
Current income tax expense	15,857,564	18,159,463	15,857,564	18,159,463

Year ended 31 March	Group 2023 Rs.	Group 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
8.2 Movement of brought forward tax losses				
Tax losses brought forward	200,567,821	111,634,711	200,558,162	111,647,190
Adjustments to prior years	(1,876,419)	-	(3,312,381)	-
Tax losses utilized during the year	(45,153,153)	-	(45,153,153)	-
Loss Written off	(1,474,672)	-	(1,474,672)	-
Tax losses incurred during the year	117,013,555	88,933,109	116,827,483	88,910,971
Tax losses carried forward	269,077,132	200,567,820	267,445,439	200,558,162

9 LOSS PER SHARE AND DIVIDENDS

(a) Basic loss per share

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

As at 31 March	Group 2023 Rs.	Group 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
Amount used as the numerator				
Loss attributable to ordinary equity holders	(20,803,451)	(154,279,938)	(15,718,850)	(222,520,301)
Less : Preference dividend	(93,750)	(37,500)	(93,750)	(37,500)
Loss attributable to ordinary shareholders	(20,897,201)	(154,317,438)	(15,812,600)	(222,557,801)
Amounts used as the denominator :				
Weighted average number of ordinary shares	577,500,000	577,500,000	577,500,000	577,500,000
Basic loss per share (Rs.)	(0.04)	(0.27)	(0.03)	(0.39)

(b) Diluted loss per share

There were no potential dilutive ordinary shares outstanding at any time during the year. Therefore, diluted loss per share is the same as the basic loss per share shown above.

(c) Dividends

The Company has not declared dividends for the financial year.

10 FAIR VALUE MEASUREMENT - GROUP/COMPANY

The determination of fair value for financial assets and financial liabilities for which there is no observable market price requires the use of valuation techniques. The Group and the Company measure fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The following table represents the fair value of the financial and non- financial assets and liabilities that are measured at fair value at the end of the reporting period.

			Fair value measurement using		
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value:					
As at 31 March 2023					
Non financial assets					
Land and Buildings (Note 11)	31 March 2022	8,360,615,517	-	-	8,360,615,517
Non financial assets as at 31 March 2023		8,360,615,517	-	-	8,360,615,517
Financial assets					
Financial assets at fair value through OCI					
Investment in unquoted equities (Note 15)	30- June 2022	731,741,321	-	-	731,741,321
Financial assets as at 31 March 2023		731,741,321	-	-	731,741,321
As at 31 March 2022					
Non financial assets					
Land and Buildings (Note 11)	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 15)					
Investment in unquoted equities	31 March 2022	600,000,000	-	-	600,000,000
Financial assets as at 31 March 2022		600,000,000	-	-	600,000,000

Financial assets of which carrying values are reasonable approximates of 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 of 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.

11 PROPERTY, PLANT AND EQUIPMENT

11.1 Group/Company

11.1.1 Gross carrying amounts

	Balance as at 01.04.2022 Rs.	Additions Rs.	Revaluations	Disposals/ transfers Rs.	Balance as at 31.03.2023 Rs.
At cost or valuation					
Freehold land	6,235,000,000	-	-	-	6,235,000,004
Freehold buildings	2,170,100,000	-	-	-	2,170,100,000
Furniture and fittings	109,111,976	728,847	-	-	109,840,829
Equipment	92,123,487	3,115,614	-	-	95,239,101
Air conditioners	13,906,943	-	-	-	13,906,951
Generator	32,626,000	-	-	-	32,626,000
Computer equipment	28,522,087	2,093,340	-	-	30,615,437
Solar power hot water	11,068,980	-	-	-	11,068,980
Sewerage plant	22,124,250	-	-	-	22,124,262
Motor vehicles	464,000	-	-	-	464,000
Total value of depreciable assets	8,715,047,724	5,937,801	-	-	8,720,985,564

11.1.2 Accumumulated Depreciation

	Balance as at 01.04.2022 Rs.	Depreciation Charge for the Year Rs.	Depreciation on revaluations Rs.	Disposals/ transfers Rs.	Balance as at 31.03.2023 Rs.
Freehold buildings	-	44,484,487	-	-	44,484,487
Furniture and fittings	42,030,161	8,329,949	-	-	50,360,110
Equipment	27,797,897	5,559,734	-	-	33,357,631
Air conditioners	11,814,293	721,608	-	-	12,535,901
Generator	16,317,329	3,262,600	-	-	19,579,929
Computer equipment	27,866,636	894,542	-	-	28,761,178
Solar power hot water	5,355,612	1,106,898	-	-	6,462,510
Sewerage plant	11,062,125	2,212,425	-	-	13,274,550
Motor vehicles	433,085	30,915	-	-	464,000
Total accumulated depreciation	142,677,138	66,603,158	-	-	209,280,296

11.1.3 Net book value

Year ended 31 March	2023 Rs.	2022 Rs.
Freehold land	6,235,000,004	6,235,000,000
Freehold buildings	2,125,615,513	2,170,100,000
Furniture and fittings	59,480,719	67,081,815
Equipment	61,881,470	64,325,590
Air conditioners	1,371,050	2,092,650
Generator	13,046,071	16,308,671
Computer equipment	1,854,259	655,451
Solar power hot water	4,606,470	5,713,368
Sewerage plant	8,849,712	11,062,125
Motor vehicles	-	30,915
Net book value	8,511,705,269	8,572,370,586

11.1.4 During the financial year, the Group/Company acquired Property, Plant and Equipment to the aggregate value of Rs. 5,937,828/- (2022 - Rs. 1,131,314/-). Cash payments amounted to Rs. 5,937,801/- (2022 - Rs.1,131,314/-) were made during the year for purchase of Property, Plant and Equipment. .

11.1.5 Based on the assessment carried out internally, it has been identified that there is no permanent impairment of property, plant and equipment which require provision in the financial statements based on reassessment as at 31 March 2023.

11.1.6 There were no capitalised borrowing costs related to the acquisition of Property, Plant and Equipment during the year (2021/2022 - nil).

11.1.7 There were no restrictions in the titles of the property plant and equipment and no assets were pledged as security for any financing arrangements as at 31 March 2023.

11.1.8 At 31 March 2023, proprty, plant and equipment includes fully depreciated assets that are still in use, the cost of which amounted to Rs. 29,603,401/- (2021/2022 - Rs. 28,819,541/-) and Rs. 29,603,401/- (2021/2022 - Rs. 28,819,541/-) for the Group and the Company respectively.

11.2 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. Management has determined that the carrying value of the assets approximate the fair value as at 31 March 2023.

Refer to note 10 for the fair value measurement hierarchy of Group's non-financial assets.

Revaluation surplus for the year ended 31 March 2022	Land Rs.	Building Rs.	Total 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

11.3 Valuation techniques and significant unobservable inputs

Name of the Company	Non financial assets	No. of Buildings/ Land	Location	Valuation Technique	Property Valuer and Qualification	Significant unobservable inputs	Sensitivity of the input to the fair value
The Kandy Hotels (1938) PLC	Freehold Land	02	Kandy	Open market value method	S. Sivaskantha, Fellow Member of Institute of Valuation, Incorporated valuer	Price per perch of land Rs. 7,000,000/- to Rs. 15,000,000/-	Estimated fair value would increase/ (decrease) if ;- Price per perch increases/ (decreases)
	Building	02	Hotel Suisse at 30, Sangaraja Mawatha, Kandy Hotel Queens at 04, Dalada Veediya, Kandy.	Depreciated replacement cost method	S. Sivaskantha, Fellow Member of Institute of Valuation, Incorporated valuer	Price per sq. Ft Rs. 9,000/- to Rs. 21,000/-	Estimated fair value would increase/ (decrease) if ;- Price per square feet increases/ (decreases)

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.

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.

Open Market Value

This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of property being revalued. This involves evaluation of recent active market price of similar assets, making appropriate adjustments for difference in size, nature and location of the property.

Depreciated replacement cost method

The Depreciated replacement cost method works on the basis that property's value can be equated to its cost, Valuer assesses the cost of the building if it would have constructed in the current year, and deduct margin for usage of the property based on the respective year of construction.

11.4 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:

Year ended 31 March	2023			2022
	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	373,931,691	265,793,331	278,587,831
Total	2,595,987,522	373,931,691	2,222,055,831	2,234,850,331

11.5 Value of Land and building ownership

Name of the Company	Location	Property	Ownership	Extent	Carrying value as at 31st March 2023
The Kandy Hotels (1938) PLC	Hotel Suisse - No.30, Sangaraja Mawatha, Kandy	Land	Freehold	429.85 Perches	3,008,950,000
		Building	Freehold	114,885.5 Sq.ft.	1,072,765,513
	Hotel Queen's - No.04, Dalada Vidiya, Kandy	Land	Freehold	215.07 Perches	3,226,050,000
		Buidling	Freehold	80.861.5 Sq.ft.	1,052,850,000

12 INTANGIBLE ASSETS

	Group/Company	
Year ended 31 March	2023	2022
	Rs.	Rs.
12.1 Computer software		
At the beginning of the year	34,718,759	34,718,759
Acquired/ incurred during the year	1,004,816	-
At the end of the year	35,723,574	34,718,759
12.2 Accumulated amortization		
At the beginning of the year	(22,633,189)	(17,941,521)
Amortization charge for the year	(4,732,696)	(4,691,669)
At the end of the year	(27,365,885)	(22,633,189)
Net book value	8,357,689	12,085,569

13 INVESTMENT IN SUBSIDIARY

As at 31 March	Company 2023 Rs.	2022 Rs.
Suisse Hotel (Private) Limited	176,421,177	352,843,177
Provision for impairment (Note 13.2)	-	(176,422,000)
	176,421,177	176,421,177

13.1 Investment in subsidiary- Suisse Hotel (Private) Limited

	2023	2022
Number of shares	35,284,318	35,284,318
Holding %	100%	100%
Cost of the investment Rs.	352,843,177	352,843,177

Name of the subsidiary	Principal activities	Country of incorporation and place of business
Suisse Hotel (Private) Limited	Carry out on the business of financers, advisors, consultants, developers, managers and providers of service of whatever nature to the hotel and tourism industry; and to facilitate the improvement and development of hotels, resorts and restaurants.	Sri Lanka

13.2 Impairment of Investment in subsidiary - Suisse Hotel (Private) Limited in 2021/2022

The Group has carried out an impairment assessment of 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 and do not include the restructuring activities that the group is yet to commit 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 (ARR)

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

14 INVESTMENT IN JOINT VENTURE

Group

The Group holds 50% interest in Suisse Hotel Kandy (Private) Limited, a joint venture owning the OZO 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 - Suisse Hotel Kandy (Pvt) Limited	2023 Rs.	2022 Rs.
Opening balance	-	107,984,127
Cumulative loss accruing to the group net of dividend (Note 14.2)	(684,591,274)	(107,984,127)
Cumulative other comprehensive income accruing to the group	1,003,102,252	-
Investment made during the year	4,898,530	-
Provision for impairment	(4,898,530)	-
	318,510,978	-

Name of the Joint Venture	Principal activities	Country of incorporation and place of business	Class of shares held	Group Interest (%)
Suisse Hotel Kandy (Pvt) Limited	Hotel Services	Sri Lanka	Ordinary shares	50%

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

	Company	
As at 31 March	2023	2022
Number of shares	161,961,962	161,961,962
Holding %	50	50

14.2 Summarized Financial information of joint venture - Group

As at 31 March	2023 Rs.	2022 Rs.
Assets and liabilities		
Current assets, including cash and cash equivalents	136,463,034	126,995,403
Non current asset, including property, plant and equipment	3,911,252,269	1,638,451,206
Current liabilities, including trade and other payables	(241,143,285)	(236,253,755)
Non-current liabilities, including long-term borrowing	(3,214,428,991)	(2,317,889,148)
Equity	592,143,028	(788,696,294)
Group's carrying amount of the investment	318,510,978	-

For the year ended 31 March	2023 Rs.	2022 Rs.
Summarized statement of profit or loss and other comprehensive income		
Revenue	232,126,552	186,663,675
Cost of sales	(54,771,333)	(42,059,899)
Administrative expenses, including depreciation	(301,065,470)	(195,004,610)
Marketing and promotional expenses	(19,916,936)	(6,581,840)
Net finance costs	(231,941,720)	(148,208,692)
Foreign exchange loss	(258,855,686)	(745,031,177)
Loss before income tax	(634,424,593)	(950,222,543)
Income tax	(251,833)	(251,833)
Loss for the year	(634,676,426)	(950,474,376)
Group's share of loss for the year*	(317,338,213)	(475,237,188)
Group's share of loss for the year	(317,338,213)	(475,237,188)
Brought forward unrecognised loss	(367,253,061)	-
Loss recognized during the year	684,591,274	107,984,127
Unrecognised loss	-	(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 reognized as there is no legal or constructive liability to make any payments on behalf of the Suisse Hotel Kandy (Pvt) Ltd.

	2023 Rs.	2022 Rs.
Other comprehensive income		
Actuarial gains and losses on defined benefit plans	-	204,930
Deferred tax charge on defined benefit plan	-	(28,690)
Revaluation surplus of freehold land	2,332,795,936	-
Deferred tax attributable to revaluation surplus	(326,591,431)	-
Other comprehensive income for the year	2,006,204,505	176,240
Group's share of other comprehensive income for the year	1,003,102,252	88,120
Summarized cash flow information		
Cash flows from/ (used in) operating activities	(595,772,715)	5,052,799
Cash flows from/ (used in) investing activities	10,259,906	(932,393)
Cash flows from/ (used in) finance activities	568,794,829	15,663,009
Net increase/ (decrease) in cash and cash equivalents	(16,717,980)	19,783,416

14.3 The joint venture had no other contingent liabilities or capital commitments as at 31 March 2023 and 2022.

14.4 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 9,343,289/-. Carrying value of the property is Rs. 3,910,032,427/- as of the reporting date.

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31 March	Group/Company 2023 Rs.	2022 Rs.
Investments in unquoted shares (Note 15.1)	731,741,321	600,000,000
	731,741,321	600,000,000

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

15.1 Investments in unquoted shares

As at 31 March	2022/2023 No. of shares	Holding %	2023 Rs.	2022 Rs.
Group/Company				
United Hotels Company Limited	48,000,000	16.1%	600,000,000	525,000,000
Add: Changes in Fair Value			131,741,321	75,000,000
			731,741,321	600,000,000

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. The Group disposed the 50% stake in Handhuvaru Ocean Holidays (Pvt) Ltd (HOH) for US$ 4,493,663/- (Approx. Rs. 1,632 Billion) on 01st September 2022 based on the conditional sale and purchase agreement on 12 October 2021 with China Travel International Investment Hong Kong Limited. The disposal gain on the transaction is Rs. 772,768,568/-.

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	30-06-2022
Method	Adjusted net assets basis
Level of Fair value measurement	Level 03 (using significant unobservable inputs)

Drop in fair value of Rs 75,000,000 was recognized in 2021 mainly due to lower fair value assigned to adjusted net assets value of CHML. The said drop in value has been reversed in 2022 giving due consideration to contracted sale price of its 50% stake in HOH.

16 INVENTORIES

As at 31 March	Group 2023 Rs.	Group 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
Food and beverage	7,801,265	4,348,841	7,801,265	4,348,841
Linen	19,988,548	20,362,285	19,988,548	20,362,285
Housekeeping and maintenance	8,885,123	8,973,557	8,885,123	8,973,557
	36,674,936	33,684,683	36,674,936	33,684,683

17 TRADE AND OTHER RECEIVABLES

As at 31 March	Group/Company 2023 Rs.	2022 Rs.
Trade receivables (Note 17.1)	5,818,973	8,548,555
Other receivables (Note 17.2)	21,209,625	11,411,815
	27,028,597	19,960,370

a) Due to the short-term nature of the current receivables, their carrying amount is assumed to be the same as their fair value.

17.1 Trade receivables

Trade receivables	11,224,169	12,724,256
Less: Provision for bad and doubtful debts ECL (Note 17.3)	(5,405,196)	(4,175,701)
	5,818,973	8,548,555

17.2 Other receivables

Other receivables	24,931,051	15,133,241
Less: Provision for bad and doubtful debts ECL (Note 17.3)	(3,721,427)	(3,721,426)
	21,209,625	11,411,815

17.3 The movement of the provision for impairment of trade receivables are as follows.

Provision for bad and doubtful debts ECL		
Balance as at the beginning of year	7,897,127	4,109,997
Provision/ (reversal) during the year	1,229,495	3,787,130
Balance as at the end of the year	9,126,623	7,897,127

17.4 Impairment of debtors

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.

17.5 Trade receivables by credit quality are as follows.

	Group/Company	
	2023	2022
	Rs.	Rs.
Neither past due nor impaired	4,348,406	5,007,589
Past due but not impaired		
31-60 days	281,423	1,159,581
61-90 days	267,656	279,619
91-120 days	87,404	70,666
> 121 days	6,239,280	6,206,801
Impaired	-	
Total	11,224,169	12,724,256

17.5 Trade receivables by credit quality are as follows.

Past due not impaired trade receivable balances of the Group and the Company have not been impaired as there has not been a significant change in credit quality and believe that overdue amounts are fully recoverable.

Trade and other receivables are not pledged as securities for any financing arrangements.

18 ADVANCES AND PREPAYMENTS

	Group/Company	
As at 31 March	2023	2022
	Rs.	Rs.
Advances and deposits	1,912,990	4,121,570
Prepayments	16,283,707	6,734,285
	18,196,697	10,855,855

19 CASH AND BANK BALANCES

	Group		Company	
As at 31 March	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Favorable cash and bank balances				
Cash in hand	3,277,271	4,103,010	3,277,271	4,103,010
Cash at bank	2,375,429	17,147,274	2,375,429	17,147,274
Total cash and bank balances	5,652,701	21,250,284	5,652,701	21,250,284
Unfavourable cash and bank balances				
Bank overdrafts	(125,632,625)	(8,194,983)	(125,576,073)	(8,004,402)
	(125,632,625)	(8,194,983)	(125,576,073)	(8,004,402)
Total cash and cash equivalents for the purpose of statement of cash flows	(119,979,924)	13,055,301	(119,923,373)	13,245,882

20 STATED CAPITAL

	Ordinary shares issued and fully paid		Value of shares	
Year ended 31 March	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Fully paid ordinary shares	577,500,000	577,500,000	16,500,000	16,500,000
Fully paid preference shares - 15% cumulative (Note 20.1)	50,000	50,000	250,000	250,000
	577,550,000	577,550,000	16,750,000	16,750,000

20.1 All the shares rank equally with regard to the Company's residual assets, except that preference shareholders participate only to the extent of the face value of the shares.

20.2 The holders of ordinary shares are entitled to receive dividends as described from time to time, and are entitled to one vote per share at meetings of the Company. In respect of the Company's shares that are held by the Group, all rights are suspended until those shares are reissued.

20.3 Movement in shares

Movement in shares	Number of shares
At 1 April 2022	577,500,000
Share issue during the year	-
At 31 March 2023	577,500,000
At 1 April 2021	577,500,000
Share issue during the year	-
At 31 March 2022	577,500,000

20.4 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.

21 OTHER CAPITAL RESERVES

21.1 Revaluation reserve

Nature and purpose of the reserve

The revaluation reserve is used to record increments and decrements in the revaluation of the 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.

As at 31 March	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Balance at the beginning of the year	7,834,303,473	6,890,578,908	7,706,236,929	6,762,512,365
Transfer of excess depreciation on revaluation	(73,707,197)	(63,850,916)	(73,707,197)	(63,850,916)
Surplus on revaluation	-	1,171,599,395	-	1,171,599,395
Deferred tax effect on revaluation of land and buildings (Note 23)	(1,080,840,298)	(164,023,915)	(1,080,840,298)	(164,023,915)
Share of other comprehensive income attributable to joint venture	318,510,978	-	-	-
Balance at the end of the year	6,998,266,956	7,834,303,472	6,551,689,434	7,706,236,929

21.2 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.

As at 31 March	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Balance at the beginning of the year	-	(75,000,000)	-	(75,000,000)
Change in fair value (net of tax)	131,741,321	75,000,000	131,741,321	75,000,000
Balance at the end of the year	131,741,321	-	131,741,321	-
Total other component of equity				
Revaluation reserve	6,998,266,956	7,834,303,472	6,551,689,434	7,706,236,929
Fair value reserve of financial assets at FVOCI	131,741,321	-	131,741,321	-
	7,130,008,277	7,834,303,472	6,683,430,755	7,706,236,929

22 INTEREST BEARING LOANS AND BURROWINGS

22.1 Interest Bearing Loans and Borrowings - Company

	2023			2022		
	Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	Total Rs.	Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	Total Rs.
Bank Loans (Note 22.3)	299,796,860	483,769,786	783,566,646	250,734,504	527,786,602	778,521,106
Bank overdrafts (Note 19)	125,576,073	-	125,576,073	8,004,402	-	8,004,402
	425,372,934	483,769,786	909,142,720	258,738,906	527,786,602	786,525,508

22.2 Interest Bearing Loans and Borrowings - Group

	2023			2022		
	Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	Total Rs.	Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	Total Rs.
Bank Loans (Note 22.3)	299,796,860	483,769,786	783,566,646	250,734,504	527,786,602	778,521,106
Bank overdrafts (Note 19)	125,632,625	-	125,632,625	8,194,983	-	8,194,983
	425,429,485	483,769,786	909,199,271	258,929,487	527,786,602	786,716,089

22.3 Bank Loans

	Group		Company	
As at 31 March	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance at the beginning of the year	778,521,106	711,509,916	778,521,106	711,509,916
Repayments during the year	(106,753,439)	-	(106,753,439)	-
Effect of debt moratorium and Interest accrued during the year	111,798,978	67,011,190	111,798,978	67,011,190
Balance at the end of the year	783,566,645	778,521,106	783,566,646	778,521,106
Current	299,796,860	250,734,504	299,796,860	250,734,504
Non-Current	483,769,786	527,786,602	483,769,786	527,786,602
	783,566,646	778,521,106	783,566,646	778,521,106

22.4

Lending institution	Nature of facility	Interest rate	Principal (Rs.)	Repayment terms	Carrying amount 2023 Rs.	Carrying amount 2022 Rs.
Sampath Bank PLC	Long Term Loan for Investments (Investment loan) 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 installment of Rs 10.7 Mn from July 2022. Rs. 157.7Mn absorbed in to a Capital Moratorium Loan.	-	359,300,000
Sampath Bank PLC	Long Term Loan for Investments Loan value : Rs. 517,000,000/- (Investment loan)	Fixed 12% for a period of 12 months commencing from 26-06-2022 thereafter AWPLR +2%	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 to be repaid in 61 monthly installments of Rs. 8,300,000.00 and final installment of 10,700,000.00 commencing from 26-07-2023. Interest to be serviced monthly during the full tenor of the loan	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 installment of Rs 1.8 Mn together with interest.	53,230,959	40,430,959
Sampath Bank PLC	Saubagya Covid 19 Phase II facility Loan value : Rs. 9,800,000/-.	4% p.a (fixed)		Capital to be repaid in 16 monthly installments of Rs. 816,000.00 and final installment of Rs. 824,000.00 Commencing from 26th July 2022 together with the interest.	4,052,554	9,800,000
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

Lending institution	Nature of facility	Interest rate	Principal (Rs.)	Repayment terms	Carrying amount 2023 Rs.	2022 Rs.
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 loan 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
Sampath Bank PLC	Interest moratorium facility on above investment loan - Loan value Rs. 119,222,885.54/-.	5.8% p.a (fixed)	Loan Agreement for Rs 119,222,885.54/-	Capital to be repaid in 23 monthly installments of Rs.4,900,000.00 and final installment of 6,522,855.54 commencing from 26-07-2022 together with the interest	84,922,886	-
Commercial bank of Ceylon PLC	Long Term Loan for Working capital purpose Loan value : Rs. 10,592,121/-					
Commercial bank of Ceylon PLC	11.5% p.a (fixed)		Corporate Guarantee of Rs 14 Mn from Ceylon Hotels Corporation PLC	Payment terms and interest on the loan to be decided in June 2023.	10,592,121	10,592,121
Commercial bank of Ceylon PLC	Facility Under "Enterprise Sri Lanka" Loan value : Rs. 48,000,000/-.	AWPLR + 2.5% p.a	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 in 22 Monthly installments from 01-07-2022.	49,000,000	49,000,000
Commercial bank of Ceylon PLC	Covid IM Loan for POD Interest (01-04-2020 to 31-03-2021)	Repayment terms & interest on the loan to be decided in June 2023			38,219,285	17,667,185

Lending institution	Nature of facility	Interest rate	Principal (Rs.)	Repayment terms	Carrying amount 2023 Rs.	Carrying amount 2022 Rs.
Commercial bank of Ceylon PLC	Covid IM Loan for 49Mn Term Loan (01-04-2021 to 31-03-2022		Repayment terms & interest on the loan to be decided in June 2023		10,744,881	3,390,800

*AWPLR refers to Average Weighted Prime Lending Rate.

22.5 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 agreed with the respective banks to grace period for both capital and interest (debt moratorium) until 30-06-2022 as the Group operated in the tourism industry.

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.

22.6 The exposure of the carrying value of borrowings to interest rate changes and the contractual re-pricing dates at the end of the reporting period is as follows:

As at 31 March	Group 2023 Rs.	Group 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
3 months or less	273,901,979	57,194,983	273,845,427	57,004,402
3-6 months	44,700,000	-	44,700,000	-
6-12 months	106,827,507	201,734,504	106,827,507	201,734,504
1-5 year	483,769,786	527,786,602	483,769,786	527,786,602
	909,199,271	786,716,089	909,142,719	786,525,508

The carrying amounts of the Company's and the Group's borrowings are denominated in following currencies:

As at 31 March	Group 2023 Rs.	Group 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
Sri Lanka rupees	909,199,271	786,716,089	909,142,719	786,525,508
	909,199,271	786,716,089	909,142,719	786,525,508

22.7 Group and the Company have complied with the financial covenants of its borrowing facilities during the years ended March 31, 2023 and 2022.

22.8 The fair values are not materially different from the carrying amounts for the majority of borrowings.

23 DEFERRED TAX LIABILITY

As at 31 March	Group/Company 2023 Rs.	2022 Rs.
Balance at the beginning of the year	860,393,691	715,767,993
Charge/(Reversal) through statement of profit or loss	(64,134,258)	(19,241,392)
Charge / (reversal) on actuarial gain/(loss)	(176,463)	(156,826)
Income tax effect on revaluation of land and buildings (Recognized through OCI)	1,080,840,298	164,023,915
Balance at the end of the year	1,876,923,268	860,393,691

Deferred income taxes are calculated on all temporary differences under the liability method using the applicable tax rates at the end of the financial reporting period.

23.1 Deferred income tax assets and liabilities of the Group are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position.

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

23.1.1 Deferred tax - Group/Company

As at 31 March	Statement of financial position 2023 Rs.	2022 Rs.	Statement of profit or loss 2023 Rs.	2022 Rs.
Deferred tax liability				
Capital allowances for tax purpose	206,681,103	216,245,754	(9,564,651)	(6,898,639)
Deferred tax effect on revaluation of land and buildings	672,758,365	672,758,365	-	-
Income tax rate change effect on revaluation of land and buildings	1,080,840,298	-	-	-
	1,960,279,766	889,004,119	(9,564,651)	(6,898,639)
Deferred tax assets				
Retirement benefit obligation - Through statement of profit or loss	(948,216)	(434,019)	(514,197)	104,783
Retirement benefit obligation - Through other comprehensive Income	(26,852)	(98,267)		-
Income tax rate change effect on retirement benefit obligation	(247,877)	-		-
Deferred tax effect on impairment provision	(1,899,922)	-	(1,899,922)	-
Carried forward tax loss	(80,233,632)	(28,078,143)	(52,155,489)	(12,447,536)
	(83,487,241)	(28,610,428)	(54,569,608)	(12,342,753)
Deferred tax reversal			(64,134,259)	(19,241,392)
Net deferred tax liability	1,876,923,268	860,393,691		

23.2 Unrecognized deferred tax assets

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profit is probable. According to Inland Revenue Act No.24 of 2017, tax losses could be carried forward for a period of six years, to claim against taxable profits. Any carried forward tax losses prior to Year of Assessment 2018/2019 shall be treated as loss incurred in the year of assessment 2018/2019. Accordingly, deferred income tax assets of Rs. 489,508/- (2021/22- Rs. 202,387/-) was not recognised in respect of subsidiaries in the consolidated financial statements.

23.3 Recorded net deferred tax liability would have been Rs. 730,309,847/- if not for the effect of the tax rate change effected on 01 October 2022. Deferred tax reversal on the statement of profit and loss is Rs. 129,081,538/-.

24 RETIREMENT BENEFIT OBLIGATIONS

As at 31 March	Group/Company 2023 Rs.	2022 Rs.
Balance at the beginning of the year	3,802,041	4,553,721
Interest cost	570,306	277,777
Current service cost	442,573	396,817
Total amount recognised in profit and loss	1,012,879	674,594
Remeasurement losses/(gain)	(238,048)	1,120,183
Total amount recognised in other comprehensive income		
Employee benefit obligations paid	(500,389)	(2,546,457)
Balance at the end of the year	4,076,483	3,802,041

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

As at 31 March	Group/Company 2023 Rs.	2022 Rs.
Amount recognized in profit or loss		
Interest cost	570,306	277,777
Current service cost	442,573	396,817
	1,012,879	674,594
Amount recognized in other comprehensive income		
Actuarial loss / (gain) on obligations for the year	(238,048)	1,120,183
	(238,048)	1,120,183

This obligation is not externally funded.

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 key assumptions used in determining above were as follows;

	2023	2022
Financial assumptions		
Discount rate	20.0%	15.0%
Future salary growth rate	17.0%	12.0%
Demographic assumptions		
Mortality table	10.0%	10.0%
Expected average future working life of the active participants or retirement age	60 Years	60 Years

From the treasury bond rate of the applicable tenure, the present Sri Lanka country default spread is eliminated and the country default risk prior to sovereign debt default is added.

In addition to the above demographic assumptions such as mortality, withdrawal and disability and retirement age are considered for the actuarial valuation. The 2007 mortality table issued by the London Institute of Actuaries (A 1967/70 mortality table) has also been used in the valuation.

As per the Minimum Retirement Age of Workers Act No.28 of 2021, the minimum retirement age of private sector employees was extended to 60 years.

24.2 The defined benefit obligation's sensitivity to changes in key assumptions as at 31 March 2023 and 2022 are shown below:

Group/Company	Salary increment rate		Discount rate	
	1% increase	1% decrease	1% increase	1% decrease
2023				
Change in present value of defined benefit obligation	89,448	(86,818)	(73,492)	76,842
2022				
Change in present value of defined benefit obligation	49,793	(48,473)	(59,680)	62,242

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

24.3 Maturity Analysis of Employee benefit

The weighted average duration of the defined benefit obligation is 2 Years (2021/2022 - 2 years) and the average time to benefit pay-out is 2.1 years (2021/2022 - 1.87 years) for the Company. The distribution of the timing of undiscounted benefit payments is as follows.

As at 31 March	Group/Company	
	2023	2022
	Rs.	Rs.
Less than or equal 1 year	1,579,626	1,743,069
Over 1 year and less than or equal 2 years	958,989	856,757
Over 2 years and less than or equal 5 years	1,130,732	947,117
Over 5 years and less than or equal 10 years	354,048	229,045
Over 10 years	53,088	26,053
Total expected payments	4,076,483	3,802,042

25 TRADE AND OTHER PAYABLES

As at 31 March	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Trade payables	18,260,287	19,931,420	18,260,287	19,931,420
Advances and deposits	6,973,681	7,073,681	6,973,681	7,073,681
Accrued expenses	6,060,150	13,922,564	6,060,150	13,813,564
Other payables	49,967,180	41,387,386	49,875,573	41,387,386
	81,261,298	82,315,051	81,169,691	82,206,051

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.

The carrying amounts of trade and other payables are considered to be the same as their fair value, due to their short-term nature.

26 CONTRACT LIABILITIES

a) The Company recognises advances received for future reservations as contract liabilities.

b) The following table shows unsatisfied performance obligations resulting from customer contracts.

As at 31 March	Group/Company	
	2023	2022
	Rs.	Rs.
Opening Balance	8,401,123	4,725,485
Advance received during the year	16,507,307	53,577,972
Refunds due to cancellation of bookings	(814,938)	-
Transfers during the year	(18,656,672)	(49,902,334)
Closing Balance	5,436,820	8,401,123

According to SLFRS 15, advances received from customers on future bookings have been reclassified from trade payables and presented separately as 'Contract Liabilities' in the statement of financial position. Accordingly, advances amounting to Rs. 5,436,820/- (2021/2022 - Rs. 8,401,123/-) have been separately presented in the statement of financial position.

27 GOVERNMENT GRANTS

As at 31 March	Group/Company 2023 Rs.	2022 Rs.
Opening balance	3,289,421	8,071,821
Setoff against interest expenses during the year	(3,289,421)	(4,782,400)
Closing balance	-	3,289,421
Current	-	3,289,421
Non-Current	-	-

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 22 for the details, terms and condition of the loan.

28 RELATED PARTY TRANSACTIONS

The Company carries out transactions with parties who are defined as related parties in Sri Lanka Accounting Standard 24 'Related Part Disclosures', the details of which are reported below. The Company carried out transactions in the ordinary course of business with the following related entities at an arms length basis.

28.1 Amount due from related companies

As at 31 March Name of the Company	Relationship	Group 2023 Rs.	 2022 Rs.	Company 2023 Rs.	 2022 Rs.
Loan receivable					
Ceylon Hotels Corporation PLC	Parent company	1,164,794,017	1,111,033,056	1,164,794,017	1,111,033,056
Current account balance					
Ceylon Hotels Corporation PLC	Parent company	77,356,987	53,802,493	77,356,987	53,802,493
Galle Face Hotel 1994 (Pvt) Ltd	Affiliate	-	473,521	-	473,521
Tissa Resort (Pvt) Ltd	Affiliate	-	14,000	-	14,000
GFH Management Co. Ltd	Affiliate	1,407,125	2,586,450	1,407,125	2,586,450
Galle Face Group (Pvt) Ltd	Affiliate	853,400	-	853,400	-
Suissse Hotel (Pvt) Ltd	Subsidiary	-	-	9,593,546	-
Suisse Hotel Kandy (Pvt) Ltd	Joint venture	4,000,000	6,330	-	6,330
		1,248,411,529	1,167,915,851	1,254,005,075	1,167,915,851
Less: Provision for expected credit losses		-	-	-	-
		1,248,411,529	1,167,915,851	1,254,005,075	1,167,915,851

28.1.1 Provision for expected credit losses

As at 31 March	Group 2023 Rs.	Group 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
Opening balance	-	(13,515,407)	-	(13,515,407)
Reversal/(Provision) for the year	-	13,515,407	-	13,515,407
Closing balance	-	-	-	-

28.2 Amount due to related companies

As at 31 March	Relationship	Group 2023 Rs.	Group 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
Suisse Hotel Kandy (Pvt) Ltd	Joint venture	-	9,101,475	-	-
Suisse Hotel (Pvt) Ltd	Subsidiary	-	-	-	8,743,954
United Hotels Co. Ltd	Equity investment company	5,108,224	5,113,410	5,108,224	5,113,410
Gardiner Group (Pvt) Ltd	Affiliate	1,358,160	-	1,358,160	-
Galle Face Group (Pvt) Ltd	Affiliate	-	1,272,425	-	1,272,425
		6,466,384	15,487,310	6,466,384	15,129,789

28.3 Transactions with related parties

Name of the related party	Relationship	Nature of transactions	Terms of transactions	Aggregate value of related party transactions entered into during the period 2023 Rs.	2022 Rs.	Balance as at 31 March 2023 Rs.	2022 Rs.	Aggregate value of related party transactions as a % of revenue
a. Transactions with the parent - Recurring transactions								
Ceylon Hotels Corporation PLC	Parent	Expenses paid by CHC on behalf of the Company	Note A	(2,909,521)	(12,003,411)	1,242,151,004	1,164,835,549	-1%
		Reimbursement of expenses paid by CHC	Note A	749,035	1,841,148		-	0%
		Settlements of temporary advances by CHC	Note B	(31,718,670)	12,693,334		-	-10%
		Interest expenses on loan given from the Company	Note B	111,194,611	75,663,497		-	36%
b. Transactions with Subsidiaries - Recurring transactions								
Suisse Hotel (Pvt) Ltd	Subsidiary	Funds Transfers	Note A	18,000,000	110,000	9,593,546	(8,743,954)	6%
		Expenses paid by KHC PLC on behalf of Suisse Hotel (Pvt) Ltd	Note A	337,500				
c. Transactions with other related companies - Recurring transactions								
United Hotels Co. Ltd	Other related company	Reimbursement of expenses paid by UHCL	Note A	405,863	1,219,824	(5,108,224)	(5,113,410)	0%
		Expenses paid by UHCL on behalf of company	Note A	(400,677)	(1,362,438)			0%
GFH Management Co. Ltd.	Other related company	Reimbursement of expenses	Note A	7,944,798	-	1,407,125	2,586,450	3%
		Expenses paid by GFH M on behalf the Company	Note A	(9,124,124)	-			-3%
Tissa Resort (Pvt) Ltd	Other related company	Expenses paid by Tissa Resort on behalf of the Company	Note A	(14,000)	-	-	14,000	0%
		Reimbursement of expenses paid by Tissa Resort	Note A		-			0%
CHC Rest House (Pvt) Ltd	Other related company	Expenses paid by CHC Rest Houses on behalf of the Company	Note A	-	-	5	-	0%
		Reimbursement of expenses paid by CHC Rest Houses	Note A	-	-			0%
Galle Face Group (Pvt) Ltd	Affiliate company	Expenses paid by GFG on behalf of the Company	Note A	(17,951,487)	-	853,400	(1,272,425)	-6%
		Reimbursement of expenses paid by GFH	Note A	20,077,312	-			6%
Galle Face Hotel Co (Pvt) Ltd	Affiliate	Expenses paid by Galle Face Hotel on behalf of KHCL	Note A	(8,137,862)	-	-	473,521	-3%
		Reimbursement of expenses paid by Galle Face Hotel	Note A	7,664,341				
Gardiner Group (Pvt) Ltd	Affiliate	Fund transfers	Note A	(1,358,160)	-	(1,358,160)	-	0%
CHC Foods (Pvt) Ltd	Other related company	Expenses paid by Galle Face Hotel on behalf of KHCL	Note A	(6,330)	-	-	6,330	0%

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 28.1. 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.

28.4 Terms and conditions related to intercompany borrowings/lending

Borrower	Repayment	Interest rate
Ceylon Hotels Corporation PLC	On Demand	AWPLR + 2% for the Rs. 100 million 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.

28.5 Recurrent transactions with related parties

Recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per March 31, 2022 audited financial statements, which require additional disclosures in the 2022/23 Annual Report under Colombo Stock Exchange listing rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under section 13(c) of the Securities and Exchange Commission Act are disclosed under 29.3 above.

28.6 Non - recurrent transactions with related parties

There are no non-recurrent related party transactions for the year ended March 31, 2023.

28.7 Compensation paid to key management personnel

According to Sri Lanka Accounting Standard 24 'Related Party Disclosures', Key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors including executive and non-executive Directors have been classified as Key Management Personnel (KMP) of the Company. No emoluments were paid during the year to key management personnel.

28.8 Transactions, arrangements and agreements involving KMP and their Close Family Members (CFM)

CFM of a KMP are those family members who may be expected to influence, or be influenced by, that KMP in their dealings with the entity. They may include KMP's domestic partner and children, children of the KMP's domestic partner and dependents of the KMP or the KMP's domestic partner. CFM are related parties to the Group. There were no transactions carried out with the above parties.

28.9 The Directors have disclosed the nature of their interests in contracts, which is entered in the interests register maintained by the Company.

There are no other related party transactions other than those disclosed above.

29 CONTINGENT LIABILITIES

Pending litigations

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from such legal claims.

Name/Institution	Type of Cases	Case No.
M.W.H. Waheed of Tourist Shopping Centre	Tenant	DMR 02743/19
H. M Dingiri Menike	Tenant	RE/2645
Pledge Holidays (Pvt) Ltd	Tenant	DMR 972/21

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 2023.

30 CAPITAL COMMITMENTS

There were no capital commitments approved by the Board of Directors, but not yet contracted (2021/22- Nil).

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has exposure to the following risks from its use of financial instruments; Credit risk, Liquidity Risk and Market Risk.

The note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital. Further, quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

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 Group.

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's 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.

31.1 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..

31.1.1 Exposure to credit risk

The Group's maximum exposure to credit risk as at the year end based on the carrying value of financial assets in the statement of financial position is given below. There were no off- balance sheet exposures as at the year end date.

	Group				Company			
As at 31 March	2023 Rs.	% allocation	2022 Rs.	% allocation	2023 Rs.	% allocation	2022 Rs.	% allocation
Trade and other receivables	27,028,597	2%	19,960,370	2%	27,028,597	2%	19,960,370	2%
Amount due from related parties	1,248,411,529	98%	1,167,915,851	97%	1,254,005,075	98%	1,167,915,851	97%
Cash and cash equivalents								
- Cash at bank	2,375,429	0%	17,147,274	1%	2,375,429	0%	17,147,274	1%
	1,277,815,554		1,205,023,495		1,283,409,100		1,205,023,495	

31.1.2 Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers various statistics of the Group's customer base, including the default risk, business relationships with due attention given to past performance, stability in the industry and creditworthiness, as these factors may have an influence on credit risk.

In monitoring customer credit risk, customers are grouped according to the business volumes and consider separately for granting credit limits. Some customers are graded as 'high risk' based on the credit worthiness established through past experience. Such customers are monitored carefully and future sales are made on a prepayment basis.

Please refer to 17.3 for impairment of debtors and 17.5 for trade receivables by credit quality.

31.1.3 Credit risk relating to cash and bank balances

In order to mitigate concentration, settlement and operational risks related to cash and bank balances, the company limits the maximum cash amount that can be deposited with a single counterparty. In addition, the company maintains an authorised list of acceptable cash counterparties based on current ratings and economic outlook, taking into account analysis of fundamentals and market indicators. The Group held cash and bank balances of Rs. 5.6 million as at 31 March 2022 (2022 - Rs. 21.2 Million).

31.2 Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with the financial liabilities that are settled by delivering cash or another financial asset. The Group's approach in managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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

	Group		Company	
As at 31 March	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Cash in hand and at bank	5,562,701	21,250,284	5,562,701	21,250,284
Total liquid assets	5,562,701	21,250,284	5,562,701	21,250,284
Interest-bearing loans and borrowings	(783,566,646)	(778,521,106)	(783,566,646)	(778,521,106)
Bank overdrafts	(125,632,625)	(8,194,983)	(125,576,073)	(8,004,402)
Total liabilities	(909,199,271)	(786,716,089)	(909,142,720)	(786,525,508)
Net (debt)/cash	(903,546,570)	(765,465,805)	(903,490,019)	(765,275,224)

31.2.2 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 undiscounted payments.

Year ended 31 March 2023

Group	Less than 3 months Rs.	Between 3-12 months Rs.	Between 1-2 years Rs.	Between 2-5 years Rs.	Total Rs.
Trade and other payables	20,315,324	28,441,454	32,504,519	-	81,261,297.00
Amounts due to related companies	-	-	6,466,384	-	6,466,384.00
Interest bearing loans & borrowings	148,269,353	44,700,000	106,827,507	483,769,786	783,566,646
Bank overdraft	125,632,625	-	-	-	125,632,625
	294,217,303	73,141,454	145,798,410	483,769,786	996,926,952

Year ended 31 March 2022

Group	Less than 3 months Rs.	Between 3-12 months Rs.	Between 1-2 years Rs.	Between 2-5 years Rs.	Total Rs.
Trade and other payables	20,578,763	28,810,268	32,926,020	-	82,315,051
Amounts due to related companies	-	-	15,487,310	-	15,487,310
Interest bearing loans & borrowings	49,000,000	-	201,734,504	-	778,521,106
Bank overdraft	8,194,983	-	-	-	8,194,983
	77,773,746	28,810,268	250,147,835	250,147,835	884,518,450

31.2.3 Management of liquidity risk

The Group's approach in managing the liquidity is to ensure, as far as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group has access to approved short-term financing facilities from commercial banks, if required.

The Group monitors the level of expected cash inflows on trade and other payables and it is estimated that the maturity of trade receivables as at the reporting date would occur in sufficient quantity and timing, given the historical trends, and currently available information which would enable the Group to meet its contractual obligations.

- Maintaining a diversified funding base and appropriate contingency facilities.
- Carrying a portfolio of highly liquid assets that can be readily converted into cash to protect against unforeseen short-term interruptions to cash flows.
- Monitoring liquidity ratios and carrying out stress-testing of the Company's liquidity position
- Regular reviews on cash flow projections
- Availability of standby overdraft facility to be used in the event of an emergency

32.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

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

32.3.1 Interest rate risk

Interest rate is the risk of fluctuation of the value or cash flows of an instrument due to changes in the market interest rates.

The Group and the Company have cash and bank balances including deposits placed with banks and manage interest rate risk by actively monitoring the yield curve trend and interest rate movements for various deposits, cash and bank balances.

The Group's and the Company's interest rate risk objective is to manage an acceptable level of rate fluctuation on the interest expense in order to achieve this objective. The Group and the Company target a composition of fixed and floating borrowings based on assessment of its existing exposure and desirable interest rate profile.

a) **Exposure to interest rate risk**

The interest rate profile of the Group's interest bearing financial instruments as reported to the management of the Group is as follows.

As at 31 March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Variable rate instruments				
Interest-bearing borrowings	783,566,646	778,521,106	783,566,646	778,521,106
Bank overdrafts	125,632,625	8,194,983	125,576,073	8,004,402
	909,199,271	786,716,089	909,142,720	786,525,508

b) **Sensitivity to interest rate**

The Group's and the Company's exposure to interest rate risk at the end of the financial year are shown in notes 19 and 22 to the financial statements.

	Effect on interest expense
1% change in AWPLR	490,000.00

The Group's borrowings and receivables are carried at amortised costs. The borrowings are periodically contractually repriced and to the extend are also exposed to the risk of future changes in market interest rates.

32.3.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. Foreign currency risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

a) **Exposure to currency risk**

The summary quantitative data about the Group's exposure to currency risk of the Group is as follows.

As at 31 March	2023		2022	
	Amount in USD	Amount in LKR	Amount in USD	Amount in LKR
Financial Assets				
Cash at bank	2,217	705,528	10,858	3,246,456

Closing average exchange rate as at 31st March 2023 is Rs. 318.28 (2021/2022 - Rs. 299.00)

32.3.2 Foreign currency risk

b) Sensitivity to foreign exchange rate

The following demonstrates the sensitivity to a reasonably possible change in the US dollar, with all other variables held constant. The impact of the Group's and the Company's profit before tax due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies are not material.

	Group		Company	
As at 31 March	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
1% change	7,055	32,465	7,055	32,465

c) Management of foreign exchange risk

The treasury officer analyses the market condition of foreign exchange and analyse the utilisation of cash flows, regularly reviews timing of foreign currency cash inflows and outflows and takes decisions on whether to reinvest the foreign cash flows or utilise to make the foreign currency payments.

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, the Group and the Company may or may not make dividend payments to shareholders, issue new shares or other instruments.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as debt divided by total capital. Total capital is calculated as 'Total equity' as shown in the statement of financial position.

The gearing ratios at the end of the reporting period were as follows.

	Group		Company	
As at 31 March	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Trade and other payables	81,261,298	82,315,051	81,169,691	82,206,051
Amounts due to related companies	6,466,384	15,487,310	6,466,384	15,129,789
Interest-bearing borrowings and loans	909,199,271	786,716,089	909,142,720	786,525,508
Less: Cash and cash equivalents	(5,652,701)	(21,250,284)	(5,652,701)	(21,250,284)
Debts	991,274,252	863,268,166	991,126,094	862,611,064
Capital (Total equity)	8,018,022,832	8,669,093,522	7,881,674,735	8,846,171,801
Capital and net debt	9,009,297,084	9,532,361,688	8,872,800,827	9,708,782,865
Gearing ratio (Debt to Total Capital) - Times	0.11	0.09	0.11	0.09

33 FINANCIAL INSTRUMENTS

a) Financial instruments by category

The group holds the following financial instruments.

As at 31 March	Group 2023 Rs.	Group 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
Financial assets				
Financial assets not measured at fair value (amortized cost)				
Trade and other receivables	27,028,597	19,960,370	27,028,597	19,960,370
Amount due from related companies	1,248,411,529	1,167,915,851	1,254,005,075	1,167,915,851
Cash and cash equivalents	5,652,701	21,250,284	5,652,701	21,250,284
Financial assets measured at fair value				
Financial assets at fair value through other comprehensive income ('FVOCI')	731,741,321	600,000,000	731,741,321	600,000,000
Financial liabilities				
Financial liabilities not measured at fair value (amortized cost)				
Trade and other payables	81,261,298	82,315,051	81,169,691	82,206,051
Interest-bearing borrowings	909,199,271	786,716,089	909,142,720	786,525,508
Amount due to related parties	6,466,384	15,487,310	6,466,384	15,129,789
Bank overdrafts	125,632,625	8,194,983	125,576,073	8,004,402

b) Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or historical information about counterparty default risk.

The ageing of the trade receivables that are past due not impaired is disclosed in the note 17.5 to the financial statements.

The carrying amounts of cash and cash equivalents are denominated in following currencies:

Cash at bank and in hand

As at 31 March	Group 2023 Rs.	Group 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
Cash at bank and in hand				
Sri Lanka rupees	5,652,701	21,250,284	5,652,701	21,250,284
Cash and cash equivalents	5,652,701	21,250,284	5,652,701	21,250,284

34 EVENTS OCCURRING AFTER THE REPORTING DATE

No circumstance have arisen since the statement of financial position date that require adjustments to, or disclosure in the financial statements, other than the item disclosed below.

United Hotels Company Limited ("UHC") and its subsidiaries become fully owned subsidiaries of the company.

- Financial assets at fair value through comprehensive income as of March 31, 2023, represent 16.11% stake in United Hotels Company Limited.
- The company's Board of directors recommended to its shareholders the acquisition of 83.39% of the issued share capital of UHC, an affiliate of the Company, through a share swap. The aforesaid was subject to the approval of the Company's shareholders at the Extra Ordinary General Meeting, as well as the approval by the Securities Exchange Commission (SEC).
- The shareholders approved it on May 31, 2023, and the SEC approved on July 04, 2023.
- Consequent to the approvals, the proposed allotment and share transfer took place on July 14, 2023. The new shares were listed on the CSE on July 20, 2023. The Company has issued 176,809,253 for a total consideration of Rs. 2,645,066,425/-.
- The total number of ordinary shares in issue has increased to 754,309,253 (March 31, 2023: 577,500,000). The stated capitol has now been enhanced to Rs. 2,661,816,425/- (March 31, 2023: Rs. 16,750,000/-).
- The aforementioned restructure resulted in UHC and its subsidiaries becoming fully owned subsidiaries of the Company.

Non-Compliance with minimum public holding.

- The percentage of the shares held by the public was 20.83% as of March 31, 2023, with 1,944 public shareholders. The public holding of the shares has now decreased to 15.95% with 1,897 public shareholders as a result of the aforementioned restructuring. Accordingly, the company will not be in compliance with the minimum public holding requirement under Rule 7.14 of the Listing Rules of the Colombo Stock Exchange (CSE) with effect from August 21,2023, and the required market announcement has been made stating that steps to be taken to become compliant will be notified.

Investor Information

ANALYSIS OF ORDINARY SHAREHOLDERS AS AT 31ST MARCH 2023

Share Range	No. of Shareholders	Total Holdings	Percentage
1 - 1000	1258	281,256	0.05%
1001 - 10000	442	1,760,778	0.30%
10001 - 100000	197	7,177,254	1.24%
100001 - 1000000	51	14,796,031	2.56%
1000001 - & Above	21	553,484,681	95.84%
Totals	1969	577,500,000	100.00%

ANALYSIS OF PREFERENCE SHAREHOLDERS AS 31ST MARCH 2023

Shareholdings		No. of Shareholders			Total Holdings			Percentage		
		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

Investor Information

a) Directors Shareholding in the Company

Name of the Director	31st March 2023 Ordinary shares	31st March 2023 Preference Shares	31st March 2022 Ordinary shares	31st March 2022 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 (2022 – 120,290,003)

c) Percentage of ordinary shares held by public - 20.83% (2022-20.83%)

d) No. of Public shareholders – 1956 (2022 - 1,944)

e) Highest, lowest and Market value per share from 1st April 2022 to 31st March 2023

Period	Year ended 31st March 2023
Date High	9/14/22
High Rs.	9.80
Date Low	6/28/22
Low Rs.	5.10
Close Rs.	7.50
Trade Vol	2,623
Share Vol	2,232,371
Turnover Rs.	17,463,306.40
Last Traded date	3/31/23
Days Traded	220

MARKET PRICE PER SHARE FOR THE PERIOD FROM 01/04/2022 TO 31/03/2023

Name of the Director	2022/23 Date	2022/23 Share Price Rs.	2021/22 Date	2021/22 Share Price Rs.
Highest Market Price	9/14/22	9.80	7/19/21	10.20
Lowest Market Price	6/28/22	5.10	5/21/21	4.50
Closing Market Price	3/31/23	7.50	3/31/22	6.90

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. 4331.25 million as at 31st March 2023 (31st March 2022 - Rs. Rs. 3,984 million).

The float adjusted market capitalisation as at 31st March 2023 was Rs. 902.2 million (31st March 2022 - Rs. 830 million) 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 7.14.1 (a) with the minimum public holding requirements.

TOP 20 SHAREHOLDERS (ORDINARY VOTING) AS AT 31ST MARCH 2023

	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	0.76
7	Mr. P.R.F. Collas	1,965,250	0.34
8	Mr. G.C. Goonetilleke	1,945,755	0.34
9	Mrs. L. Ratwatte	1,853,000	0.32
10	Mr. P.V. Gunasekera	1,750,000	0.30
11	Mrs. M.F. Gunasekera	1,750,000	0.30
12	Mrs. A.U.R. Pethiyagoda	1,500,000	0.26
13	Mr. J. Laravoire	1,496,250	0.26
14	Mr. E. Laravoire	1,496,250	0.26
15	Ms. M. Chevallaz	1,496,250	0.26
16	Mr. P. Chevallaz	1,496,250	0.26
17	Mr. A. Chevallaz	1,496,250	0.26
18	Ms. H. Sauties	1,496,250	0.26
19	Mr. J.P. Sauties	1,496,250	0.26
20	Mr. J. F. C. Badcock	1,034,250	0.18
21	Mr.F.D.M. Badcock	1,034,250	0.18
	Subtotal	553,484,681	95.84
	Balance held by others	24,015,319	4.16
	Total number of shares	577,500,000	100.00

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	0.76
8	Mr. P.R.F. Collas	1,965,250	0.34
9	Mr. G.C. Goonetilleke	1,945,755	0.34
10	Mrs. L. Ratwatte	1,853,000	0.32
7	Mr. P.V. Gunasekera	1,750,000	0.30
11	Mrs. M.F. Gunasekera	1,750,000	0.30
12	Mrs. A.U.R. Pethiyagoda	1,500,000	0.26
13	Ms. H. Sauties	1,496,250	0.26
14	Mr. J.P. Sauties	1,496,250	0.26
15	Mr. J. Laravoire	1,496,250	0.26
16	Mr. E. Laravoire	1,496,250	0.26
17	Ms. M. Chevallaz	1,496,250	0.26
18	Mr. P. Chevallaz	1,496,250	0.26
19	Mr. A. Chevallaz	1,496,250	0.26
20	Mr. J.E.C. Badcock	1,034,250	0.18
	Subtotal	552,450,431	95.66
	Balance held by others	25,049,569	4.34
	Total number of shares	577,500,000	100.00

5 Year at A Glance

Year Ended	31st March 2023 Rs.		31st March 2022 Rs.		31st March 2021 Rs.		31st March 2020 Rs.		31st March 2019 Rs.	
	Group	Company	Group	Company	Group	Company	Group	Company	Group	Company
Trading Results										
Turnover	309,339,828	309,339,828	181,218,816	181,218,816	145,045,475	145,045,475	410,663,517	410,663,517	703,479,627	703,479,627
Profit / (Loss) Before Tax	(69,080,146)	(63,995,545)	(155,361,865)	(223,602,228)	(167,541,616)	(52,918,653)	(65,206,318)	34,213,892	156,897,527	206,715,812
Taxation	48,276,695	48,276,695	1,081,928	1,081,928	(153,754)	(153,754)	(7,343,202)	(7,343,202)	(31,272,479)	(31,272,479)
Net Profit/(Loss) for the Year	(20,803,451)	(15,718,850)	(154,279,937)	(222,520,300)	(167,695,370)	(53,072,407)	(72,549,520)	26,870,690	125,625,048	175,443,333
Property Plant & Equipment	8,511,705,269	8,511,705,269	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
Intangible Assets	8,357,689	8,357,689	12,085,570	12,085,570	16,777,238	16,777,238	21,512,306	21,512,306	26,198,190	26,198,190
Investment in subsidiary	-	176,421,177	-	176,421,177	-	352,843,177	-	352,843,177	-	352,843,177
Investment in Joint Venture	318,510,978	-	-	-	107,984,127	-	222,421,100	-	301,540,029	-
Investment in equity securities	731,741,321	731,741,321	600,000,000	600,000,000	525,000,000	525,000,000	525,000,000	525,000,000	600,000,000	600,000,000
Non Current Assets	9,570,315,257	9,428,225,456	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
Current Assets	1,335,964,459	1,341,558,005	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
Current Liabilities	523,487,347	523,339,189	377,047,343	376,390,241	293,009,238	292,520,349	154,639,418	154,172,052	263,659,566	263,421,199
Net Current Assets	812,477,112	818,218,816	876,619,700	877,276,802	902,369,193	902,828,785	990,082,699	990,444,419	821,930,112	822,127,458
Capital Employed	10,382,792,369	10,246,444,272	10,061,075,856	10,238,154,135	9,013,151,206	9,258,469,848	9,282,985,679	9,413,769,476	8,049,953,282	8,101,453,776
Less : Non Current Liabilities										
Interest bearing loans & borrowings	483,769,786	483,769,786	527,786,602	527,786,602	547,616,226	547,616,226	629,844,118	629,844,118	525,299,999	525,299,999
Deferred Tax Liabilities	1,876,923,268	1,876,923,268	860,393,691	860,393,691	715,767,993	715,767,993	736,754,802	736,754,802	565,751,016	565,751,016
Retirement Benefit Obligations	4,076,483	4,076,483	3,802,041	3,802,041	4,553,721	4,553,721	4,280,891	4,280,891	4,920,264	4,920,264
NET ASSETS	8,018,022,832	7,881,674,735	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
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	8,001,272,832	7,864,924,735	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
Share Holders Funds	8,018,022,832	7,881,674,735	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
Ratios And Statistics										
Current Ratio	2.55	2.56	3.32	3.33	4.08	4.09	7.40	7.42	4.12	4.12
Earnings/(Losses) per Ordinary Share (Rs.)	(0.04)	(0.03)	(0.27)	(0.39)	(0.29)	(0.09)	(0.13)	0.05	0.22	0.30
Net Assets per Ordinary Share (Rs.)	13.88	13.65	15.01	15.32	13.41	13.83	13.70	13.92	12.04	12.13
Market Shareholder Information										
No of shares in issue		577,500,000	-	577,500,000	-	577,500,000	-	577,500,000	-	577,500,000
Highest		9.80	-	10.2	-	5.9	-	6.5	-	5.7
Lowest		5.10	-	4.5	-	4.7	-	4	-	4.4
Market Capitalization		4,331,250,000	-	3,984,750,000	-	3,060,750,000	-	2,483,250,000	-	2,598,750,000

Notice of Annual General Meeting

THE KANDY HOTELS COMPANY (1938) PLC - PQ201

NOTICE IS HEREBY GIVEN that the 94th Annual General Meeting of The Kandy Hotels Company (1938) PLC (KHC) will be held as a Virtual Meeting on 26th September 2023 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 2023 and the Report of the Auditors thereon.
2. To re-elect Mr Priyantha Maddumage 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 81 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 78 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 76 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 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.
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

Accounting Systems Secretarial Services (Private) Limited
Company Secretaries
Colombo, this 31st August 2023

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.

Notes

Notes

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 - .... Mobile - ....
- 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 94th Annual General Meeting of the Company to be held on 26th September 2023 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 2023 and Report of the Auditors thereon.		
2	To re-elect Mr Priyantha Maddumage 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.		

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

....

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.

Form of Proxy

INSTRUCTIONS FOR COMPLETION

1. Kindly perfect the Form of Proxy by filling in legibly your full name, address and the National Identity Card number and by signing in the space provided and filling in the date of signature.

2. 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 201

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)

REGISTERED OFFICE

No. 327, Union Place, Colombo 02
Tel :- 011 2421847
Fax :- 011 2325747
Email : Corporateoffice@ceylonhotels.net
Corporate website : www.chcplc.com

MANAGERS OF THE QUEENS HOTEL AND HOTEL SUISSE

Galle Face Group (Pvt) Limited

HOTEL RESERVATIONS

Ceylon Hotels Corporation PLC
Regency Wing – Galle Face Hotel
No.02, Galle Road, Colombo 03
Tel :- 081-2222813/ 081-2233024
Email : gm.queens@kandyhotels.lk , gm.suisse@kandyhotels.lk
Website : www.queenshotel.lk , www.hotelsuisse.lk

SECRETARIES

Accounting Systems Secretarial Services (Private) Limited,
Level 03, No. 11
Castle Lane,
Colombo 04.
Tel :- 011 2505152/ 011-5444425

EXTERNAL AUDITORS

Messrs. 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

Designed & produced by
emagewise

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

www.queenshotel.lk
www.hotelsuisse.lk