

# THE POSITIVE PERSPECTIVE



The Kingsbury PLC | Annual Report 2020/21



# THE POSITIVE PERSPECTIVE

The power of true Sri Lankan hospitality intertwines care, empathy, warmth and friendliness; and at The Kingsbury we are built upon these values to renew the way our stakeholders experience the unique hospitality of our nation. As we empower our people with assurance and care amid a pandemic, this year our core values ensured business continuity amid challenging terrains, extending memorable experiences to all those we serve. This report pays tribute to the remarkable spirit of agility and adaptability that enabled us to embrace new environments, technologies and market conditions to exemplify the positive perspective of a future of opportunity.

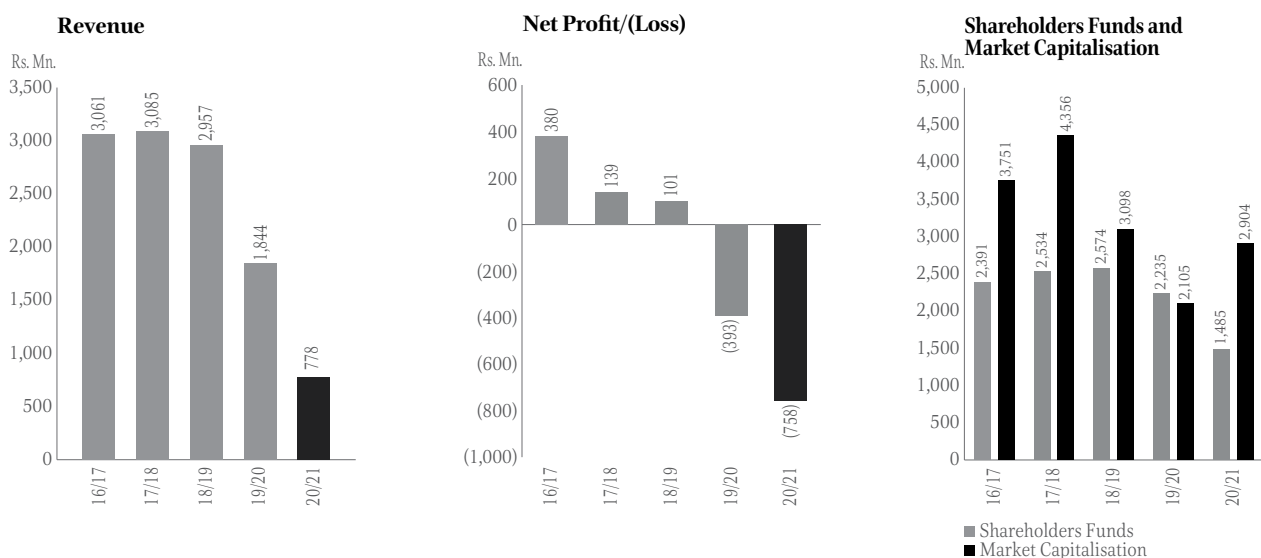
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# FINANCIAL HIGHLIGHTS

Year ended 31st March		2021	2020
<b>Earnings Highlights and Ratios</b>			
Revenue	(Rs '000)	777,923	1,843,754
Earnings Before Interest & Tax (EBIT)	(Rs '000)	(799,278)	(289,341)
Profit/(Loss) Before Tax (PBT)	(Rs '000)	(881,394)	(405,133)
Profit/(Loss) After Tax (PAT)	(Rs '000)	(758,194)	(392,849)
Earnings Per Share (Basic)	(Rs)	(1.57)	(0.81)
Return on Capital Employed	%	(19.42)	(6.32)
Return on Assets	%	(21.41)	(8.84)
Gross Profit Margin	%	(10.92)	33.70
<b>Financial Position Highlights and Ratios</b>			
Shareholders Fund	(Rs '000)	1,484,931	2,235,136
Total Assets	(Rs '000)	4,116,182	4,581,621
Total Debt	(Rs '000)	1,651,173	1,275,354
Return on Equity	%	(51.06)	(17.58)
Gearing	%	49.68	35.93
Debt/Equity	%	111.20	57.06
Net Assets Per Share	(Rs)	3.07	4.62
Quick Asset Ratio	No. of Times	0.12	0.26
Equity Asset Ratio	No. of Times	0.36	0.49
Current Ratio	No. of Times	0.17	0.32
<b>Market/Shareholder Information</b>			
Market Price Per Share	(Rs)	6.00	8.70
Market Capitalisation	(Rs '000)	2,904,000	2,105,400
Price Earnings Ratio	No. of Times	(3.83)	(5.36)

# OPERATIONAL HIGHLIGHTS



# CHAIRMAN'S REVIEW

## DEAR SHAREHOLDER

I am pleased to present to you the Annual Report and the Audited Financial Statements of The Kingsbury PLC for the year ended 31st March 2021.

## OVERVIEW OF FINANCIAL YEAR

Repercussions of the COVID-19 global pandemic were felt strongly during the year under review, as the global travel and tourism industry continued to be among the hardest hit.

The cessation of international tourist arrivals, enforcement of curfew and general uncertainty had a negative knock-on effect. With lower room occupancy and reduced footfall in restaurants and bars, revenues declined across the board.

With the strength of the parent company Hayleys PLC, your Hotel took measures to remain buoyant through it all, with innovative ideas and prudent measures helping the Hotel remain an industry leader.

## SHOWCASING CONTINUOUS RESILIENCE

Adhering to stipulated Health and Safety guidelines, The Kingsbury team's courageous and untiring efforts enabled the continuation of banqueting operations, whenever possible, in keeping with the country's COVID-19 situation.

Despite the constraints, the Hotel remained true to its brand standards offering gourmet excellence, luxury accommodation and unmatched service standards.

## MARKET PERFORMANCE

The Food & Beverage Revenue showed improved performances from the dining facilities following the first lockdown.

Our pioneering food delivery platform, 'Indulgence' is an ongoing success and a prime example of the innovative measures taken by your company. This trendsetting website continues to be one of the most popular in Colombo, delivering five-star meals to suit diverse palates in a safe and secure manner.

## FINANCIAL PERFORMANCE

Our financial performance reflected the continued stress of a global crisis that began at the end of the last financial year. Your Company ended the year reporting an overall loss of Rs. 758Mn on revenue of Rs. 778Mn.

## WAY FORWARD

The socio-economic impact of COVID-19 in the past year has been tremendous, particularly for the tourism industry which repeatedly bore the brunt of it. The closure of borders, followed by their conditional re-opening were far from adequate to propel the industry into recovery.

Your Company will maintain its positive outlook and focus on future opportunities. By embracing the new reality of the business environment, implementing modern technology and adapting to market conditions, we will continue to be a leader in the industry.

With its innovative culture and renewed vigour, The Kingsbury pledges to strike the right balance between safeguarding its patrons and ensuring uncompromised service quality. The Company has strengthened its processes in line with recommendations made by The World

Health Organization (WHO), The Ministry of Health Sri Lanka and the Sri Lanka Tourism and Development Authority (SLTDA).

## ACKNOWLEDGEMENTS

I would like to take this opportunity to thank our shareholders for their continued trust in the Hotel.

My sincere gratitude is extended to Managing Director, Hayleys Leisure Sector, Mr. Rohan Karr and my colleagues on the Board of Directors for their unwavering support.

I am deeply appreciative of the contribution from the members of The Kingsbury family, who once again showed steadfast commitment and great courage in the face of daunting circumstances.

To our guests, I express my earnest appreciation for their continued patronage and invite them to keep visiting the Hotel to enjoy our brand of hospitality.



**A. M. Pandithage**  
*Executive Chairman*

10th May 2021

# MANAGING DIRECTOR'S REVIEW

The year under review dawned with a fresh set of challenges as the COVID-19 pandemic took control of the world economy. Inbound tourism to Sri Lanka remained stagnant. At the time of writing, the trajectory of the pandemic has yet again proven unpredictable as we enter the third wave in Sri Lanka.

Your Hotel weathered the storms with great aplomb, seeking opportunities where others were daunted by the challenges. Our collective efforts and the resilient spirit of our team ensured that the Hotel successfully upheld its brand and reputation throughout this period of adversity. The property made great strides to bring a new level of service excellence across operations, despite the uncertainty of the country's situation. As a City Hotel, we continued to face significant competition as others looked to rebuild their revenue with food and beverage operations. Customer satisfaction levels were maintained with diligent attention to detail and going beyond expectations.

The Hotel's trailblazing digital food delivery platform, 'Indulgence', continued to perform admirably during the year under review, providing five-star cuisine to please all palates; delivered safely home. Managed by dedicated staff members who have gone beyond the call of duty to provide peerless service, 'Indulgence' continues to tap into new markets while expanding its reach.

Towards the end of the financial year, the Hotel, in keeping with its pioneering spirit, opened an authentic Japanese restaurant 'Tenku' with a Master Chef especially flown down from Japan.

In these trying circumstances when guest operations have ground to a halt, the Hotel looked to the future and set in place a course of action that would keep it well prepared for the 'New Normal'. Meanwhile, it also took the necessary steps to improve the financial position by adopting

pragmatic cost management measures. Staff welfare was keenly looked into with no pay cuts during the lean period and the introduction of a hardship allowance.

Your Hotel has implemented a series of measures to counter the spread of COVID-19, keeping in mind the safety of guests and staff alike. Procedures have been implemented according to recommendations made by The World Health Organization (WHO), The Ministry of Health Sri Lanka, The Sri Lanka Tourism and Development Authority (SLTDA), as well as industry best practices. These include measures such as enhanced sanitisation, social distancing, use of Personal Protective Equipment (PPE), heightened food safety measures and regular staff training on Health and Safety. The Hotel received the 'Safe and Secure Tourism' Compliance Certificate from the SLTDA during the year under review, being among the initial batch of recipients.

The emergence of COVID-19 has battered a tourism industry that was gradually raising its head from the devastating repercussions of the 2019 Easter attacks. Nevertheless, your Hotel remains steadfast in its commitment to provide unmatched service excellence to its guests, personifying five-star hospitality. I firmly believe in seeing opportunities when obstacles loom and thus, we will continue to tread new paths and seek new solutions.

We have to embrace new horizons of opportunity with agility, adaptability and a positive outlook. By embodying the core values of true Sri Lankan hospitality - care, warmth, empathy and geniality - The Kingsbury will continue to lead and inspire.

It gives me great pleasure to head an organisation that has a strong, capable team willing to go the extra mile. I would like to note and commend the leadership and staff of The Kingsbury who have worked tirelessly facing the numerous

challenges with exemplary dedication and resilience of spirit.

My sincere appreciation to the Chairman and Board of Directors for their valuable guidance and support at all times.

I would also like to extend a heartfelt thank you to our stakeholders for their vote of confidence and trust placed in us.



**Rohan Karr**  
*Managing Director*

10th May 2021

# BOARD OF DIRECTORS

## **MR. A. M. PANDITHAGE**

*Chairman*

Mr. Pandithage joined the Hayleys Group in 1969. Appointed to the Hayleys PLC Board in 1998. Chairman and Chief Executive of Hayleys PLC since July 2009.

Fellow of the Chartered Institute of Logistics & Transport (UK). Honorary Consul of the United Mexican States (Mexico) to Sri Lanka. Council Member of the Employers' Federation of Ceylon. Member of the Advisory Council of the Ceylon Association of Shipping Agents.

Recipient of the Best Shipping Personality Award by the Institute of Chartered Shipbrokers; Leadership Excellence Recognition – Institute of Chartered Accountants of Sri Lanka; Honoured with Lifetime Achievement Award at the Seatrade – Sri Lanka Ports, Trade and Logistics; Lifetime Award for the Most Outstanding Logistics and Transport Personality of the Year – Chartered Institute of Logistics & Transport. Member of the Advisory Council, Ministry of Ports and Shipping.

## **MR. DHAMMIKA PERERA\***

*Co-Chairman*

Mr. Dhammika Perera is a quintessential strategist and a business leader with interests in a variety of key industries including manufacturing, banking and finance, leisure, plantations and hydropower generation. He has over 30 years of experience in building formidable businesses through unmatched strategic foresight and extensive governance experience gained through membership of the Boards of quoted and unquoted companies.

Mr. Perera is the Chairman of Vallibel One PLC, Royal Ceramics Lanka PLC, Lanka Tiles PLC, Lanka Walltiles PLC, The Fortress Resort PLC, Vallibel Power Erathna PLC, Greener Water Limited, Delmege Limited and LB Microfinance Myanmar Company Limited. He is the Co-Chairman of Hayleys PLC and Singer (Sri Lanka) PLC, Executive Deputy Chairman of LB Finance PLC, Deputy Chairman of Horana Plantations PLC. He is also an Executive Director of Vallibel Finance

PLC and serves on the Boards of Amaya Leisure PLC, Haycarb PLC, Hayleys Fabric PLC and Dipped Products PLC. Also, a Director of Dhammika and Priscilla Perera Foundation.

## **MR. ROHAN J. KARUNARAJAH (ROHAN KARR)**

*Managing Director*

Mr. Karr joined the Board and Group Management Committee of Hayleys PLC on 01st June 2019. Mr. Karr holds a Masters in Hospitality and Business Studies from the United Kingdom and is a veteran in the hospitality industry with 37 years' experience in Executive Vice President/General Manager positions in leading hotels in Sri Lanka and the United Kingdom. He has served as Regional Director of Revenue Management of Marriott Hotels for Whitbread Hotel Company, England, as General Manager of Bristol Marriott Hotel, England and Marriott Marble Arch, London, before his return to Sri Lanka.

Mr. Karr was instrumental in revitalising standards for the entire domestic hospitality sector through his groundbreaking work as Executive Vice President of John Keells Holdings PLC, overlooking Cinnamon City Hotels and Resorts chain and as Head of Brand Development. He also serves as Managing Director of the Hayleys Leisure sector, including Amaya Leisure PLC.

## **MR. N. J. DE S. DEVA ADITYA\*\***

Mr. N. J. De Silva Deva Aditya (Nirj Deva) DL FRSA, MP (1992-1997) and MEP (1999-2019) was the first post war Asian born Conservative Member of the British House of Commons and served in Government as the Parliamentary Private Secretary to the Scottish Office. He was elected as the first Asian born British Member of the European Parliament, representing over 08 million British people in Berkshire, Hampshire, Buckinghamshire, Oxfordshire, Surrey, Sussex and Kent for 20 years. He has served for 35 years as Her Majesty's Deputy Lieutenant for the Lord Lieutenancy of London representing The Queen. He was the Vice President of the International Development Committee for 15 years overseeing the Euro 25 billion European Aid Budget. He was the

Chairman of the EU Korean Peninsula Delegation working towards a lasting Peace with North Korea, Chairman of the EU China, EU Bangladesh, EU Indonesia, EU Myanmar and EU India Friendship Groups in The EU Parliament and was nominated by his political group ECR to be the President of the European Parliament and was the Chairman of the EU Delegation to the UN General Assembly.

For his Tsunami Relief work he was made a Chevalier of the Catholic Church and Vishwa Keerthi Sri Lanka Abhimani by the Buddhist Clergy of Sri Lanka.

## **MR. S. C. GANEGODA\***

Mr. Ganegoda rejoined Hayleys in March 2007. Appointed to the Group Management Committee in July 2007. Appointed to the Board in April 2010. Fellow Member of CA Sri Lanka and Member of Institute of Certified Management Accountants of Australia. Holds an MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura. Worked for Hayleys Group between 1987 and 2002, ultimately as an Executive Director. Subsequently, held several senior management positions in large private sector entities in Sri Lanka and overseas. Has responsibility for the Strategic Business Development Unit, Group Information Technology of Hayleys PLC and appointed as the Deputy Chairman of Alumex PLC in October 2020. He serves on the Boards of Unisyst Engineering PLC, Dipped Products PLC, Haycarb PLC, Hayleys Fabric PLC, Hayleys Fibre PLC, Kelani Valley Plantations PLC, Regnis (Lanka) PLC, Singer (Sri Lanka) PLC, Singer Industries (Ceylon) PLC, Horana Plantations PLC.

## **MR. S. J. WIJESINGHE\***

Mr. Wijesinghe was employed at Hayleys PLC from 2008 to 2019, during which time he served as a member of the Group Management Committee and as the Managing Director of Hayleys Aviation & Projects (Private) Limited, as well as of Unisyst Engineering PLC.

He currently serves as a Non-Executive Director on the Boards of Hayleys Aviation & Projects (Private) Limited, Unisyst Engineering PLC, S&T Interiors (Private)



Limited, Amaya PLC, Summer Seasons Limited and Greener Water Limited.

Mr. Wijesinghe formerly served as a Non-Executive Director on the Board of Sri Lankan Airlines Limited, as well as on the Board of Sri Lankan Catering Limited. Prior to joining Hayleys, Mr. Wijesinghe held several senior positions at Sri Lankan Airlines, including management positions in Europe, the Middle East, the Far East, as well as in the Head Office in Colombo, Sri Lanka. During his tenure at the airline, Mr. Wijesinghe was a member of its Group Senior Management Team. He also served as a Committee Member on the Pacific Asia Travel Association's (PATA) Education Authority. Overall, Mr. Wijesinghe holds over 35 years of experience in the aviation industry.

Mr. Wijesinghe holds an MBA from the University of Leicester (UK) and is a Member of the Chartered Institute of Marketing (UK).

Additionally, Mr. Wijesinghe has served as the Chairman of Litro Gas Lanka Limited. He also has in excess of 05 years of senior management experience in the hospitality industry.

#### **MR. L. N. DE S. WIJYERATNE \*\***

Mr. Wijeyeratne is a Fellow of The Institute of Chartered Accountants in Sri Lanka and counts over thirty-five years of experience in Finance and General Management both in Sri Lanka and overseas. He was the former Group Finance Director of Richard Pieris PLC and also held senior management positions at Aitken Spence & Company, Brooke Bonds Ceylon Ltd and Zambia Consolidated Copper Mines Limited. Mr. Wijeyeratne is a former member of the Quality Assurance Board and the Corporate Governance Committee of the Institute of Chartered Accountants of Sri Lanka and of the Sri Lanka Accounting Standards Monitoring Board. He is presently an Independent Director and Audit Committee Chairman of several listed Entities.

#### **MS. R. N. PONNAMBALAM \*\***

Ms. Ponnambalam has held several senior management positions in large private sector entities.

Ms. Ponnambalam has served as a Director of McLarens Holdings Limited & GAC Shipping Limited. She currently serves as Director of Amaya Leisure PLC, Macbertan Holdings (Pvt) Ltd, Mcbolon Polymer (Pvt) Ltd and Pidilite Lanka (Pvt) Ltd.

Ms. Ponnambalam is presently the Managing Director of Macbertan (Pvt) Ltd. She has also been in roles of international and local business development and negotiation.

Ms. Ponnambalam was appointed as a Founder Member of the Commonwealth Business Women's Leadership Group (Sri Lanka) on 13th November 2013. She also currently serves as 2nd Vice Chairperson of Women's Chamber of Industry & Commerce.

#### **MR. J. P. VAN TWEST \*\***

Mr. Van Twest currently serves as the Director/General Manager of The Fortress PLC. He counts over 35 years' experience in the hospitality industry in senior management positions in Sri Lanka, Europe, Australia and the South Pacific. Mr. Van Twest graduated from the Ceylon Hotel School, Sri Lanka in Hotel & Catering Operations and Advanced Hotel and Catering Operations from the Carl Duisburg Centre in Munich, Germany. He is a Certified Hotel Trainer with the Chamber of Commerce for Munich and Upper Bavaria and also a graduate of the Technical University of Munich.

#### **MS. I. JAMALDEEN \*\***

Ms. Jamaldeen has extensive experience in the hospitality industry, previously leading all corporate events for Bloomberg in London. Her main focus was the planning and execution of high profile events for leaders in politics and finance. Prior to Bloomberg, Ms. Jamaldeen worked as an events manager for Mint, one of London's most renowned events and catering businesses, focusing on high profile events in and around London. Furthermore, Ms. Jamaldeen has a track record of working in various departments of leading hotels throughout Europe. There she developed extensive knowledge of the overall operational aspects of the hotel business.

Ms. Jamaldeen is the founder of Gem Atelier London, an online jewellery business that mainly sells to the European

market. She has also developed an exclusive jewellery business focusing on bespoke pieces for high profile clients. Ms. Jamaldeen is the Managing Director of W15, a collection of high-end boutique hotels around the island. W15 is represented in beautiful locations, with its newly opened flagship property in Hanthana close to Kandy, Weligama and Ahangama in the southern part of Sri Lanka, as well as a city property in Colombo.

Ms. Jamaldeen has a very strong background in the hospitality industry with a Diploma in Hotel Operations and Management from Glion Hotel School in Switzerland. She holds a Bachelor of Business from Victoria University of Technology in Melbourne, Australia as well as an MBA from the International University of Applied Sciences in Bad Honnef, Germany.

#### **MS. A. A. K AMARASINGHE**

*Alternate Director to Mr. Dhammika Perera\**

Ms. Amarasinghe appointed as Alternate Director to Mr. Dhammika Perera on the 15th March 2017. Ms. Amarasinghe currently serves as Group Director, International Business Development & CSR at Vallibel One PLC.

Prior to joining Vallibel One, Ms. Amarasinghe served as an intern at Strategic Policy Division at Department of Community Safety in Queensland, Australia.

Ms. Amarasinghe earned a bachelor's degree in International Studies from University of Queensland in Brisbane, Australia and a specialisation in French Studies at University of Lausanne, Switzerland.

In addition, she holds a certificate in Management Acceleration from INSEAD Business School in Fontainebleau, France and a certificate in Hotel Revenue Management from Cornell University, USA.

\* Non-Executive Director

\*\* Independent Non-Executive Director

# CORPORATE GOVERNANCE

The Company believes Corporate Governance is an essential part of a culture that enables us to meet our short-term objectives while striving to realise the long-term vision of the hotel and the Hayleys Group. Good Corporate Governance ensures that the Company is run as efficiently as possible in the interests of its stakeholders. This in turn promotes greater confidence within the company as well as amongst the public at large.

Our goal has therefore been to foster a culture of good governance, recognising that it is the key to sustainability and integrity of the hotel and central to the health of our economies and their stability.

## THE CONSTITUENTS OF OUR GOVERNANCE PRACTICE

Enterprise Governance constitutes the entire accountability framework of our organisation through the two dimensions of conformance and performance that are in balance. Whilst conformance covers issues such as Board structures and roles and Executive Remuneration, the performance dimension focuses on strategy and value creation. The focus is on helping the Board to make strategic decisions and understanding the gamut of risk and the key drivers of performance. Recognising that performance does not

lend itself easily to a regime of standards and audit, we have developed a range of best practice tools and techniques that can be applied intelligently within different areas of the organisation.

We account the successful infusion of conformance and performance measures to a conscious decision to take good Governance seriously, recognising it as imperative as opposed to requirements of formal codes of practice. Conformance and performance measures are not merely viewed as “policing” tools but as an avenue for us as a corporate to work better and yield better.

## THE FOUNDATION OF OUR GOVERNANCE PRACTICE

The Kingsbury PLC is committed to the highest level of Governance and makes every effort to cultivate a culture that values and rewards exemplary ethical standards, personal and corporate integrity and respect for others.

The very premise of our Governance practice, the foundation upon which it is based and nurtured, is by way of our commitment to the corporate values and the Code of Conduct prevalent within our holding company, the Hayleys Group. As with our holding company, The

Kingsbury PLC has a firm commitment to transparency and integrity in our Corporate Governance practices.

As such, The Board of Directors, Senior Management and Employees are expected to strictly adhere and follow in performing official duties, ensuring that the Group image remains at the highest levels.

The Corporate Governance practice adopted by the Company is in line with the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and Listing Rules of the Colombo Stock Exchange issued by the Securities & Exchange Commission of Sri Lanka. The Corporate Governance Principles, along with the Charters of each of the Board Committees and the by-laws of the Board provide the framework for Corporate Governance at The Kingsbury PLC.

## CODE OF BEST PRACTICES ON CORPORATE GOVERNANCE

### A. DIRECTORS

#### A.1 Board of Directors:

The Board is responsible to the Company’s shareholders for the success of the entity and for its overall Strategic Direction, Values and Governance. The Board is responsible for the overall system of internal control for the Company and its subsidiaries and for reviewing the effectiveness of the system. It carries out such a review at least annually, covering all material controls including financial,

## Governance Structure



operational and compliance controls and risk management systems, reporting to shareholders that it has done so.

A balance of Executive and Non-Executive member representation on the Board ensures impartiality.

The Board of The Kingsbury PLC comprises of ten Directors, an Executive Chairman, a Non-Executive Co-Chairman,

one Executive Director and seven Non-Executive Directors of which five are Independent. The names of the Directors and their profiles are available on pages 06 and 07 of this report.

#### A.1.1 Board Meetings:

All meetings of the Board and its subcommittees were well attended during the year. All Board members have specific responsibilities in controlling and setting

direction through the various Board Committees.

The Board meets quarterly as a practice and ad hoc meetings are held whenever necessary. During the financial year under review, the Board met on 04 occasions.

The attendance of these meetings is given below:

Name of Director	Executive / Non-Executive / Independent Non-Executive	Attendance
Mr. A. M. Pandithage - Chairman	Executive	04/04
Mr. Dhammika Perera * - Co-Chairman	Non-Executive	Please refer the note below
Mr. Rohan J. Karunarahaj - Managing Director	Executive	04/04
Mr. N. J. De S. Deva Aditya **	Independent Non-Executive	04/04
Mr. S. C. Ganegoda *	Non-Executive	04/04
Mr. S. J. Wijesinghe *	Non-Executive	04/04
Mr. L. N. De S. Wijeyeratne **	Independent Non-Executive	04/04
Ms. R. N. Ponnambalam **	Independent Non-Executive	04/04
Mr. J. P. Van Twest **	Independent Non-Executive	04/04
Ms. I. Jamaldeen **	Independent Non-Executive	04/04
Ms. A. A. K. Amarasinghe*	Non-Executive	03/04

*Note: Mr. Dhammika Perera was represented by his Alternate Director Ms. A. A. K. Amarasinghe in 03 Board Meetings.*

The following information was reported and discussed at length at the Board meetings held during the year.

- Finances & Operational results, Monthly & Quarterly against the previous year results.
- Budgets & Targets for the coming Month and Quarter.
- Internal Control breaches or frauds during the period and actions taken.

#### A.1.2 The Board responsibilities can be broadly listed as follows:

- Enhancing shareholder value, formulating, communicating, implementing and monitoring of business policies and strategies.

- Ensuring due compliance with applicable legal, ethical, health, environment and safety standards and regulations.
- Ensuring that due attention is given to appropriate accounting policies and practices and to setting priorities and communicating values and ethical standards for management.
- Ensuring that appropriate systems of internal controls are in place to safeguard the assets of the Company.
- Reviewing and approving annual budgets and periodic monitoring of performance against the budgets.
- Approving of major investments on business proposals and adopting annual

and interim Financial Statements prior to publication.

- Evaluating and monitoring the performance of the Company on a regular basis and initiating remedial action where necessary.
- Adopting annual and interim accounts and recommending dividend for approval by the shareholders.

The ultimate responsibility of the Company's financial performance lies with its Board of Directors and is in control of the Company's affairs and conscious of its obligation to all stakeholders.

# CORPORATE GOVERNANCE

## **A.1.3 Act in Accordance with Laws:**

The Board has set in place a framework of policies, procedures and a risk management framework to ensure compliance with relevant laws and international best practice with regards to the operations of the Company. Directors have the power to obtain independent professional advice as deemed necessary and these functions are co-ordinated by the Group Legal Department or Group Finance, as and when it is necessary.

## **A.1.4 Company Secretary:**

The service and advice of the Company Secretaries, Hayleys Group Services (Pvt) Ltd are made available to Directors as necessary. The Company Secretaries keep the Board informed of new laws, regulations and requirements coming into effect, which are relevant to them as individual Directors and collectively to the Board. Hayleys Group Services (Pvt) Ltd consists of competent qualified professionals who are registered as Company Secretaries.

The Company has obtained appropriate insurance covers and it is further detailed in page 21 under "Annual Report of the Directors on the Affairs of The Company".

## **A.1.5 Independent Judgment:**

The Board determines the degree of independence of each member, based on criteria such as independence of character and judgment and assessment of relationships or circumstances that affect or are likely to affect the Director's judgment. Independent Directors are free of any business or other relationship with the Company that can materially affect their performance on the Board towards this effect; Independent Board members make an annual determination of their independence through a signed and dated declaration to that effect.

The Governance approach towards the appointment of Alternate Directors

stipulates that any Alternate Director appointed by a Non-Executive Director should not be an Executive of the Company and an Alternate Director appointed by an Independent Director should meet the criteria of Independence laid out above. The Board gives direction to the long term strategy, seeking and contributing views and opinions on strategic options proposed by the Executive Management. All members of the Board have fiduciary duty and statutory liability, regardless of whether they are Executive or Non-Executive.

## **A.1.6 Dedicate Adequate Time and Effort to Matters of the Board and Company;**

Directors are provided with minutes, the agenda and the board papers giving them adequate time to study the contents prior to meetings.

## **A.1.7 Calling for a Resolution:**

One third of the directors can call for a resolution to be presented to the board where they feel it is in the best interest to the company to do.

## **A.1.8 Training for Directors:**

The Board regularly reviews and agrees on the training and development needs of the Board members, to ensure Directors are fully able to make appropriate decisions with regard to the current and future performance of the business.

## **A.2 Division of Responsibilities Between the Chairman and CEO:**

The positions of Chairman and Managing Director are kept separate in line with good Governance practices.

## **A.3 The Chairman's Role:**

Board meetings and ensures effective participation of both Executive and Non-Executive Directors. It is also the responsibility of the Chairman to ensure that views of Directors on issues under

consideration are ascertained; and that the board is in complete control of the Company's affairs and alert to its obligations to all shareholders and other stakeholders. The Chairman maintains close contact with all Directors and, where necessary, holds meetings with Non-Executive Directors without Executive Directors being present.

## **A.4 Financial Acumen:**

The Board includes two senior Chartered Accountants who possess the necessary knowledge and competence to offer the Board guidance on matters of finance.

## **A.5 Board Balance:**

The composition of the Executive and Non-Executive Directors (the latter are over one third of the total number of Directors) satisfies the requirements laid down in the Listing Rules of the Colombo Stock Exchange.

The balance of Executive and Non-Executive Directors on the Board are essential in ensuring that decision making is transparent and not dominated by any individual or small group.

As at 31st March 2021, the Board consisted of 10 Directors comprising of:

- 2 Executive Directors (ED)
- 3 Non-Executive Directors (NED)
- 5 Non-Executive Independent Directors (NED/ID)

The Board profiles reflect the calibre of members and the weight their views carry in Board deliberations. The Board seeks individuals with independence based on their proven capabilities and their potential to contribute to the company. Non-Executive Board members perform an important role in providing an external perspective to the business. The Independent Non-Executive Directors are free from any relationship that can interfere with the affairs of the Company.

The Board has determined that the Directors: Mr. N. J. De S. Deva Aditya, Ms. R. N. Ponnambalam, Mr. L. N. De S. Wijeyeratne, Mr. J. P. Van Twest and Ms. I. Jamaldeen satisfy the criteria for 'independence' set out in the Listing Rules. The Board further believes the independence of Mr. L. N. De S. Wijeyeratne, Mr. N. J. De S. Deva Aditya and Ms. R. N. Ponnambalam are not compromised by being Board members for more than nine years and spouse of Ms. I. Jamaldeen being a Director of the Parent Company as they conduct themselves in an impartial manner on matters deliberated by the Board.

The Chairman of The Kingsbury PLC is also the Chairman of Hayleys PLC. Co-Chairman (Non-Executive) is also the Co-Chairman (Non-Executive) of Hayleys PLC. Chief Executive authority is vested in the Managing Director of the Company and the distinction between the Chairman and Officers wielding executive powers in the Company ensures the balance of power and authority.

#### **A.6 Supply of Information:**

Directors are provided with quarterly reports on performance and appropriate documentation in advance of each Board meeting for individual directors to study matters under discussion.

#### **A.7 Appointments to the Board:**

The Board as a whole decides on the appointment of Directors in accordance with the Articles of Association of the Company.

#### **A.8 Re-election of Directors:**

The provisions of the Company's Articles require a Director appointed by the Board to hold office until the next Annual General Meeting and seek re-appointment by the shareholders at that meeting.

The Articles call for one third of the Directors in office to retire at each Annual

General Meeting. The Directors who retire are those who have served for the longest period after their appointment/re-appointment. Retiring Directors are generally eligible for re-election. The Managing Director does not retire by rotation.

#### **A.9 Appraisal of Board Performances:**

The Chairman and Remuneration Committee are responsible for evaluating the performance of the Executive Directors. The Board undertakes an annual self-evaluation of its own performance and of its Committees and the responses are collated by the Board Secretary who compiles a report which is submitted to the Chairman and discussed at a Board Meeting.

#### **A.10 Disclosure of Information in Respect of Directors:**

Information specified in the Code with regards to Directors are disclosed within this Annual Report as follows:

- Name, qualifications, expertise, material business interests and brief profiles on pages 06 to 07.
- Related party transactions on pages 65 to 67.
- Membership of sub-committees and attendance at Board Meetings and Sub-Committee meetings on pages 09, 24 and 25.

#### **A.11 Appraisal of Chief Executive Officer:**

Prior to the commencement of each financial year, the Board in consultation with the Chief Executive, set reasonable financial and non-financial targets which are in line with short, medium and long term objectives of The Kingsbury PLC, achievement of which should be ensured by the Chief Executive. A monthly performance evaluation is performed at which actual performance is compared

to the budget. The Chief Executive is responsible to provide the Board with explanations for any adverse variances together with actions to be taken.

## **B. DIRECTORS' REMUNERATION**

### **B.1 Directors' Remuneration Procedure:**

The Remuneration Committee determines the framework and policy in terms of engagement and remuneration of the Chairman, the Board of Directors, the Executive Management and all compensation structures.

The Remuneration Committee of Hayleys PLC, the holding company of The Kingsbury PLC is responsible for laying down guidelines and parameters for the compensation structures of all management staff within the Group.

The Remuneration Committee comprises the following Non-Executive Directors and the Chairman of this committee is appointed by the Board.

Mr. L. N. De. S. Wijeyeratne (Chairman) - Independent Non-Executive Director

Ms. R. N. Ponnambalam - Independent Non-Executive Director

### **B.2 Level and Make Up of Remuneration:**

The Kingsbury PLC is guided to work within the given parameters and design compensation levels appropriate for the Company within the Group and commensurate with each employee's level of expertise and contributions, bearing in mind the business's performance and shareholder returns.

### **B.3 Disclosure of Remuneration:**

Hayleys PLC, the parent company's Remuneration Committee function as the Remuneration Committee of the Company and recommends the remuneration payable to the Managing Director and

# CORPORATE GOVERNANCE

Executive Director(s) and sets guidelines for the remuneration of management staff within the Company. The total value of Directors' remuneration is reported in Note 30.8 to the Financial Statements.

## C. RELATIONS WITH SHAREHOLDERS

### C.1 Constructive Use of the Annual General Meeting (AGM) and Conduct of General Meetings:

The Annual General Meeting is considered by the Board of Directors as a means of continuing effective dialogue with shareholders and encourages their active participation. The Board offers clarifications and responds to concerns shareholders have over the content of the Annual Report as well as other matters, which are important to them.

The adoption of the Annual Report of the Board of Directors and the Financial Statements is considered as a separate resolution.

A copy of the Annual Report including Financial Statements, Notice of the Meeting and the Form of Proxy are sent to shareholders 15 days prior to the date of the AGM as required by the Statute in order to provide the opportunity to all the shareholders to attend the AGM. A summary of the procedures governing voting at Annual General Meeting is circulated to shareholders with every notice of the Annual General Meeting.

### C.2 Communication with Shareholders:

Shareholders are provided with the Annual Report and also with Quarterly Financial Statements via the Colombo Stock Exchange website, which the company considers as its principal forum for communication with stakeholders.

Shareholders may voice concern or raise queries with the Chairman, Directors or the Company Secretary as appropriate.

The Company maintains an appropriate dialogue and provides feedback and interaction.

### C.3 Disclosure of Major and Material Transactions:

Transactions, if any, which materially affect the net asset base of The Kingsbury PLC, will be disclosed in the Quarterly / Annual Financial Statements. During the year, there were no major transactions as defined by Section 185 of the Companies Act No. 07 of 2007 which materially affect the net asset base of The Kingsbury PLC.

## D. ACCOUNTABILITY AND AUDIT

### D.1 Financial Reporting (The Annual Report):

Emphasis on complete disclosure of financial and non-financial information within the bounds of commercial reality and on the adoption of sound reporting practices. Financial information is disclosed in accordance with the Sri Lanka Accounting Standards. Revisions to existing Accounting Standards and adoption of new standards are carefully monitored.

The Kingsbury PLC has complied with the reporting requirements prescribed by the Colombo Stock Exchange.

The following specialised information requirements are also included in this Annual Report:

- The Annual Report of the Board of Directors on the Affairs of the Company given on pages 20 to 22 cover all areas of this section.
- The "Statement of Directors' Responsibilities" is given on page 23.
- The Directors' Statement on Internal Controls is given on page 12.
- The "Independent Auditors Report" is given on page 27 for the Auditor's responsibility.

### D.2 Internal Controls:

The Board is responsible for the Company's internal controls and its effectiveness. Internal control is established with emphasis placed on safeguarding assets, making available accurate and timely information and imposing greater discipline on decision making. It is important to state that any system can ensure only reasonable and not absolute assurance that errors and irregularities are prevented or detected within a reasonable time.

Holding company resources by way of the Hayleys Group's Management Audit & System Review Department are utilised in assessing the effectiveness and successful implementation of the existing controls and strengthening these and establishing new controls where necessary.

The Board has reviewed the effectiveness of the System of financial controls for the period, up till the date of signing the Financials.

### D.3 Audit Committee:

The Audit Committee is chaired by Mr. L. N. De. S. Wijeyeratne, a Fellow Member of the Institute of Chartered Accountants of Sri Lanka. The Managing Director, General Manager and the Head of Finance attend the meetings of the Audit Committee by invitation. The Audit Committee has written terms of reference and is empowered to examine any matters relating to the financial affairs of the Company and its Internal and External Audits.

It helps the Company to strike the proper balance between conformance and performance.

Its key role, therefore, is to monitor the integrity of the Financial Statements of the Company and review the same and where appropriate make representations to the Board on business risks, internal controls and compliance. The Committee is

also responsible for the assessment of the External Auditors, their independence and quality of work. Interacting with external and internal auditors, the Committee ensures that audits are carried out with independence, integrity and objectivity. Close monitoring and control of type and value of non-audit work is carried out to preserve the independence of the external auditors.

The composition of the Audit Committee is as follows:

Mr. L. N. De S. Wijeyeratne (Chairman) - Independent Non-Executive Director

Ms. R. N. Ponnambalam - Independent Non-Executive Director

Mr. J. P. Van Twest - Independent Non-Executive Director

The Audit Committee Report appears on page 25 of this report.

#### **D.4 Related Party Transactions Review Committee:**

The Related Party Transactions Review Committee of the parent company Hayleys PLC acts on behalf of the Company. The report of the Related Party Transactions Review Committee is given in page 24 of this report.

#### **D.5 Code of Governance and Business Conduct:**

Operating under the guidance of the Hayley's Group Code of Conduct, the Company has been practicing an exemplary standard of business conduct. Clearly communicated to employees across the organisation, in a relevant and consistent manner, the Code of Conduct together with a Code of Ethics has been embedded in the daily functioning of the organisation. Addressing issues such as bribery and corruption, charitable contributions, conflict of interest, entertainment and gifts, insider dealing, inside information and corporate opportunity, political contribution, money

laundering and whistleblowing, the Code demands compliance at all levels through formal commitment from each and every employee.

The Code of Ethics defines the ethical expectations from the team and most importantly, constant and consistent reference to the Code inculcates these practices and principles continuously. A reward and recognition scheme in place serves as the main catalyst in perpetuating the service values and the Code of Ethics. This programme recognises the achievements and dedication of the team made towards the realisation of service excellence.

#### **D.6 Corporate Governance Disclosures:**

The Corporate Governance Report set out on pages 08 to 17 (of which this paragraph is part of) describes the extent to which The Kingsbury PLCs' adheres to established principles and practices of good Corporate Governance.

#### **E1 & 2: INSTITUTIONAL INVESTORS**

The Company conducts regular discussions with Institutional Investors. Existing and prospective investors are given a balanced report that enables them to make well-informed decisions in their dealings with the Company. Shareholders are provided an opportunity to comment, discuss and seek clarifications on any relevant issues with the Chairman and the Board of Directors at the Annual General Meeting. Further, shareholders are free to informally meet with the Directors at the conclusion of general meetings.

The Institutional Investors are encouraged to give due weight on matters relating to the Board structure and composition to Board structure. The Annual Report gives the shareholders sufficient information on such related matters which allows them to evaluate same.

#### **F1 & 2: OTHER INVESTORS**

Individual investors are encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions. They are also encouraged to participate in General Meetings of companies and exercise their voting rights. Information is disseminated to all shareholders as specified in the Stakeholder Engagement section on page 74.

#### **G. INTERNET OF THINGS & CYBER SECURITY**

The Company has implemented a property management and financial information system which has increased the effectiveness and efficiency in the provision of management information and has implemented a comprehensive IT policy which strengthens controls of the organisation's IT System and ensures unauthorised access and data loss is prevented.

Hayleys Group's Disaster Recovery Policy ensures that daily backups are taken in a timely manner and stored in remote locations ensuring reduction of downtime and continuity of operations during a disaster.

#### **H. ENVIRONMENT, SOCIETY AND GOVERNANCE (ESG)**

ESG policies and practices implemented to develop long term sustainability of Company are discussed by the management of the Company at regular intervals. On a quarterly basis the information is gathered and presented to the Group for inclusion in the Sustainability Report of the parent company Hayleys PLC.

Levels of compliance with the CSE's Listing Rules - Section 7.10, Rules on Corporate Governance as at 31st March 2021 are given in the table that follows.

## CORPORATE GOVERNANCE

Rule No.	Subject	Applicable Requirement	Compliance Status	Details
7.10.1(a)	Non-Executive Directors	At least one third of the total number of Directors should be Non-Executive Directors.	Compliant	Eight out of the ten Directors are Non-Executive Directors.
7.10.2 (a)	Independent Directors	Two or one third of Non-Executive Directors, whichever is higher should be Independent.	Compliant	Five out of the eight Non-Executive Directors are Independent Directors.
7.10.2 (b)	Independent Directors	Each Non-Executive Director should submit a declaration of Independence/non-independence in the prescribed format.	Compliant	Non-Executive Directors have submitted the declarations as at 31st March 2021.
7.10.3 (a)	Disclosure relating to Directors	The Board shall annually make a determination as to the independence or otherwise of the Non-Executive Directors and names of Independent Directors should be disclosed in the Annual Report.	Compliant	Please refer 'Board of Directors' on pages 06 to 07.
7.10.3 (b)	Disclosure relating to Directors	The basis for the Board to determine a Director is Independent when the criteria specified for independence is not met.	Compliant	Please refer page 10 under the heading Board Balance.
7.10.3 (c)	Disclosure relating to Directors	A brief resume of each Director should be included in the Annual Report including areas of expertise.	Compliant	Please refer 'Board of Directors' on pages 06 to 07.
7.10.3 (d)	Disclosure relating to Directors	Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the Exchange.	Compliant	A brief resume provided to the Exchange at the time of appointment is available on pages 06 to 07.
7.10.5	Remuneration Committee	A listed company shall have a Remuneration Committee.	Compliant	Names of the members of the Remuneration Committee are stated on page 11.
7.10.5 (a)	Composition of Remuneration Committee	Shall comprise of minimum of two Independent Non-Executive Directors or of Non-Executive Directors a majority of whom shall be Independent.	Compliant	The Committee consists of two Independent Non-Executive Directors. Please refer page 11.
7.10.5 (b)	Remuneration Committee Functions	The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and Executive Directors.	Compliant	Please refer remuneration procedure on page 11 of this Report.
7.10.5 (c)	Disclosure in the Annual Report relating to Remuneration Committee	Names of Directors comprising the Remuneration Committee.	Compliant	Please refer page 11.
		Statement of remuneration policy.		Please refer page 11.
		Aggregated remuneration paid to Executive and Non-Executive Directors.		Please refer page 67.



Rule No.	Subject	Applicable Requirement	Compliance Status	Details
7.10.6	Audit Committee	The company shall have an Audit Committee.	Compliant	Names of the members of the Audit Committee are stated on page 25.
7.10.6 (a)	Composition of Audit Committee	Shall comprise of Non-Executive Directors a majority of whom will be Independent.	Compliant	Audit Committee consists of Three Independent Non-Executive Directors. Please refer page 25.
7.10.6 (b)	Audit Committee Functions	A Non-Executive Director shall be appointed as the Chairman of the Committee.	Compliant	Chairman of the Audit Committee is an Independent Non-Executive Director.
		Chief Executive Officer and Chief Financial Officer should attend Audit Committee meetings.	Compliant	Managing Director and Head of Finance of the Company have attended Audit Committee meetings.
		The Chairman of the Audit Committee or one member should be a member of a professional accounting body.	Compliant	Chairman of the Audit Committee is a Senior Chartered Accountant.
		Functions shall include:		
		Overseeing of the preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Accounting Standards.	Compliant	
		Overseeing the compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.	Compliant	
		Overseeing processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards.	Compliant	The terms of reference of the Audit Committee have been agreed upon by the Board.
Assessment of the independence and performance of the External Auditors.	Compliant			
Make recommendations to the Board pertaining to appointment, re-appointment and removal of External Auditors and approve the remuneration and terms of engagement of the External Auditors.	Compliant			
7.10.6 (c)	Disclosure in the Annual Report relating to Audit Committee	Names of Directors comprising the Audit Committee.	Compliant	Please refer page 25.
		The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination.	Compliant	Please refer Audit Committee Report on page 25.
		The Annual Report shall contain a Report of the Audit Committee setting out of the manner of compliance with their functions.	Compliant	Please refer Audit Committee Report on page 25.

## CORPORATE GOVERNANCE

Rule No.	Subject	Applicable Requirement	Compliance Status	Details
9.2	Related Party Transactions Review Committee Functions	Functions shall include:		
		Review in advance all proposed related party transactions of the group either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.	Compliant	
		Seek any information the Committee requires from management, employees or external parties with regard to any transaction entered into with a related party.	Compliant	
		Obtain knowledge or expertise to assess all aspects of proposed related party transactions where necessary including obtaining appropriate professional and expert advice from suitably qualified persons.	Compliant	
		Recommend where necessary to the Board and obtain their approval prior to the execution of any related party transaction.	Compliant	The Committee of the Parent Company Hayleys PLC functions as the committee of the Company. Please refer page 24.
		Monitor that all related party transactions of the entity are transacted on normal commercial terms and are not prejudicial to the interests of the entity and its minority shareholders.	Compliant	
		Meet with the management, Internal Auditors/ External Auditors as necessary to carry out the assigned duties.	Compliant	
		Review the transfer of resources, services or obligations between related parties regardless of whether a price is charged.	Compliant	
		Review the economic and commercial substance of both recurrent/non recurrent related party transactions.	Compliant	
Monitor and recommend the acquisition or disposal of substantial assets between related parties, including obtaining 'competent independent advice' from independent professional experts with regard to the value of the substantial asset of the related party transaction.	Compliant			

Rule No.	Subject	Applicable Requirement	Compliance Status	Details
9.2.2	Composition	Two Independent Non-Executive Directors and one Executive Director.	Compliant	The Committee of the Parent Company Hayleys PLC functions as the committee of the Company. Please refer page 24.
9.2.3	Related Party Transactions Committee	If the parent company and the subsidiary Company both are listed entities, the related Party Transactions Review Committee of the parent company may be permitted to function as such Committee of the subsidiary.	Compliant	The Committee of the Parent Company Hayleys PLC functions as the committee of the Company. Please refer page 24.
9.2.4	Related Party Transactions Committee	Shall meet once a calendar quarter.	Compliant	Committee met 04 times during the financial year. Please refer page 24.
9.3.2	Related Party Transactions Review Committee Disclosure in the Annual Report	Report by the related party transactions review committee.	Compliant	Please refer page 24.
		A declaration by the Board of Directors.	Compliant	Please refer page 24.

# RISK MANAGEMENT

The Financial year under review was deeply impacted by the COVID-19 Global Pandemic, where the first quarter was almost at a standstill with the first wave of the pandemic and the third quarter was effected with the second wave and lastly the fourth quarter once again with the third wave of the pandemic, which to this date is far from over.

The recurring effects have resulted in serious loss of business and the third wave of the pandemic has proved the magnitude of the devastation it can cause to both human lives and economies of the world.

With this report we aim to highlight the risks involved and the mitigations taken to lessen the impact of the risks whilst staying true to the core business acumen.

## RISK GOVERNANCE

The risk function comes under the overall supervision of The Kingsbury PLC's Board of Directors, who recognize that they are responsible for providing return to shareholders, which is consistent with the responsible assessment and mitigation of risk. The Board is aware that any internal control systems contains inherent limitations and therefore, the Board takes appropriate action to minimise such situations.

The Company under the guidance of the Hayleys Group's Management Audit & System Review Department (MASRD) maintains a comprehensive system to identify, measure and mitigate risks.

Both risk and internal control function work in sync to ensure that the risks are identified timely and necessary mitigatory steps are taken immediately.

The three main objectives of Internal Controls of the Company are,

1. Ensuring the reliability of Financial Reporting.
2. Improving the effectiveness and the efficiency of Hotel Operations.
3. Compliance with the Laws and Regulations.

Management, with the oversight of the Board, has created and maintained a "culture of honesty" and promotes ethical behaviour, which provides the foundation for the other components of the Internal Control system. Increasing competition for skilled labour has compelled the Group to seek ways of enhancing the productivity and efficiency of our employees in order to ensure superior service quality for our customers. Inadequacies in operational efficiency can potentially affect overall profitability while below par service

quality will have a direct impact on guest satisfaction, competitiveness and market share.

We ensure continued compliance to several national and international accreditations and certifications, thereby compelling our properties to maintain the highest standards in quality and efficiency. Meanwhile, implementation of a robust Property Management System has facilitated the tracking and analysis of each aspect of our hotel operations and allows us to benchmark our operational efficiency against global best practices. Strategic emphasis has also been placed on continually investing in training and developing our people.

## MANAGING RISKS IN AN EVER CHANGING ENVIRONMENT

Today's businesses work in an increasing dynamic yet challenging environment and are influenced by many external factors, some of which are not controllable. These different spheres include governmental, financial, social, technological, industrial, legal and environmental etc.

The following aspects are perceived as the most dynamic risks and therefore, proactively managed and monitored by the senior management.

Risk factor and risk rating	Potential impact	Mitigate Strategies	
<b>Health &amp; Safety Risk</b>			
COVID-19 Global Pandemic	Vulnerable Business climate may affect the system which can cause severe challenges on Revenue segments.	a) Follow the guidelines issued by the World Health Organisation (WHO), Health Authorities and Sri Lanka Tourism Development Authority (SLTDA) on the pandemic to safeguard staff and guests. b) Rigorous cost management techniques have been introduced to minimise the losses. c) Business Continuity Plan (BCP) is in place.	
Risk assessment			
Severity			High
Probability of Occurrence			High
Risk level	High		
<b>Liquidity and Financial Stability</b>			
Prevailling uncertainty on the business activities and risk of the Company not being able to meet its financial obligations as they fall due.	Poor cash flow position leads not being able to meet financial obligations.	a) Utilisation of Government debt moratorium at lower interest rates. b) Introduced rigorous cost management initiatives. c) Funding has been sourced in advance to support the business.	
Risk assessment			
Severity			High
Probability of Occurrence			High
Risk level	High		
<b>Market risk</b>			
a) Raw Materials and Supply Chain Constraints	Due to the pandemic and enforcement of import restrictions, the supply chain has been affected with item shortages and unusual price hikes.	The Group's supply chain and material management processes are well established and we have nurtured relationships with a diverse pool of suppliers thereby limiting exposure to a single party. We also rotate supply contracts on a regular basis to ensure strong relationships with all suppliers.	
Risk assessment			
Severity			High
Probability of Occurrence			High
Risk level	High		

Risk factor and risk rating	Potential impact	Mitigate Strategies						
<p>b) Competition Risk</p> <p>Risk assessment</p> <table border="1"> <tr> <td>Severity</td> <td>High</td> </tr> <tr> <td>Probability of Occurrence</td> <td>High</td> </tr> <tr> <td>Risk level</td> <td>High</td> </tr> </table>	Severity	High	Probability of Occurrence	High	Risk level	High	<p>a) Pressure on Disposable Income of Customers' which can hamper the business volumes.</p> <p>b) Revenue reduction in Rooms, Food &amp; Beverage Outlets and Banquet categories, due to limitation of number of pax gathered at a single location enforced by the Government and Regulatory bodies from time to time.</p> <p>c) Entering of new brands for food delivery segment.</p>	<p>a) Discounted offers are floated to keep the cash flow moving.</p> <p>b) Proactive measures have been taken maintaining brand standards, health and safety standards and ensuring high levels of customer satisfaction.</p> <p>c) Closely monitors industry trends and competitors' activities and strategies by reviewing respective market share and performance on daily basis.</p> <p>d) Proactive measures have been taken maintaining brand standards, health and safety standards and ensuring high levels of customer satisfaction.</p>
Severity	High							
Probability of Occurrence	High							
Risk level	High							
<b>Technology and Data Safeguard Risk</b>								
<p>Cyber Security/Information Technology Systems.</p> <p>Risk assessment</p> <table border="1"> <tr> <td>Severity</td> <td>High</td> </tr> <tr> <td>Probability of Occurrence</td> <td>Medium</td> </tr> <tr> <td>Risk level</td> <td>Medium</td> </tr> </table>	Severity	High	Probability of Occurrence	Medium	Risk level	Medium	<p>Threat of losing information of the Group and compromising guest privacy.</p>	<p>a) Group level initiatives to increase the awareness among the staff members.</p> <p>b) E-mails are protected through dual factor authentication.</p> <p>c) Providing secured VPN connections for remote working environments.</p>
Severity	High							
Probability of Occurrence	Medium							
Risk level	Medium							
<b>Credit Risk</b>								
<p>Financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.</p> <p>Risk assessment</p> <table border="1"> <tr> <td>Severity</td> <td>High</td> </tr> <tr> <td>Probability of Occurrence</td> <td>Low</td> </tr> <tr> <td>Risk level</td> <td>Medium</td> </tr> </table>	Severity	High	Probability of Occurrence	Low	Risk level	Medium	<p>a) Risk of Defaults with possible losses.</p> <p>b) Negative cash flows impact operational working capital.</p>	<p>Credit facility for customers is subject to regular review, to ensure it remains consistent with the customer's credit worthiness in relation to the anticipated volume of business.</p>
Severity	High							
Probability of Occurrence	Low							
Risk level	Medium							
<b>Threat from Terrorist Activities &amp; Security</b>								
<p>Attacks on economic nerve centres &amp; civilians may disrupt the peace and tranquillity. Imposition of Travel adversaries against Sri Lanka.</p> <p>Risk assessment</p> <table border="1"> <tr> <td>Severity</td> <td>High</td> </tr> <tr> <td>Probability of Occurrence</td> <td>High</td> </tr> <tr> <td>Risk level</td> <td>Medium</td> </tr> </table>	Severity	High	Probability of Occurrence	High	Risk level	Medium	<p>a) Loss of lives &amp; property damages.</p> <p>b) Additional expenditure on surveillance &amp; Insurance.</p> <p>c) Lower guest arrivals.</p>	<p>a) Investments in state of the art screening equipment.</p> <p>b) Increased security checks on vehicles and guests.</p> <p>c) Increased insurance coverage on business interruptions for Domestic and International.</p> <p>d) Business Continuity Plan in place.</p>
Severity	High							
Probability of Occurrence	High							
Risk level	Medium							
<b>Retention of Employees</b>								
<p>Ongoing challenges in the industry has resulted in employees looking for alternative employment, locally and internationally.</p> <p>Risk assessment</p> <table border="1"> <tr> <td>Severity</td> <td>High</td> </tr> <tr> <td>Probability of Occurrence</td> <td>High</td> </tr> <tr> <td>Risk level</td> <td>High</td> </tr> </table>	Severity	High	Probability of Occurrence	High	Risk level	High	<p>a) Service/Brand standards are affected.</p> <p>b) Cost of recruitment is increased and industry benchmarking is required to retain the talents.</p>	<p>a) Continuous efforts in associate development programmes.</p> <p>b) Salary benchmarking to the Industry.</p> <p>c) No pay-cuts were introduced but a supporting allowance was provided for associates.</p>
Severity	High							
Probability of Occurrence	High							
Risk level	High							
<b>Exchange Rate Risk</b>								
<p>Profitability and Cash Flow impact on negative Exchange Rate fluctuations.</p> <p>Risk assessment</p> <table border="1"> <tr> <td>Severity</td> <td>High</td> </tr> <tr> <td>Probability of Occurrence</td> <td>High</td> </tr> <tr> <td>Risk level</td> <td>High</td> </tr> </table>	Severity	High	Probability of Occurrence	High	Risk level	High	<p>a) Currency Loans cannot be serviced due to non-availability of foreign remittances.</p> <p>b) Negative impact on imported food and beverage items which affect the Cost of Sales.</p>	<p>a) Negotiating with banks on converting foreign currency loans to local currencies at lower interest rates.</p> <p>b) Bulk purchase agreements on imported items.</p>
Severity	High							
Probability of Occurrence	High							
Risk level	High							

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

The Board of Directors is pleased to present their Report and the Audited Financial Statements of the Company for the year ended 31st March 2021.

The details set out herein provide pertinent information required by the Companies Act No. 07 of 2007 and the Colombo Stock Exchange Listing rules and are guided by recommended best accounting practices.

## REVIEW OF THE YEAR

The Chairman's Review describes the Company's affairs and mentions important events of the year.

## PRINCIPAL ACTIVITY

The Principal Activity of the Company is hoteliering and is the owner of The Kingsbury Hotel, Colombo.

## FINANCIAL STATEMENTS

The Financial Statements of the Company are given in pages 26 to 73.

## AUDITORS' REPORT

The Auditor's Report on the Financial Statements is given on pages 27 to 29.

## ACCOUNTING POLICIES

The Accounting Policies adopted in preparation of Financial Statements are given on pages 35 to 45.

Changes made to the Accounting Policies during the accounting period are described under Note 2.3.20 of the Financial Statements.

## INTEREST REGISTER

The Company in compliance with the Companies Act No. 07 of 2007, maintains an Interest Register. Particulars of the entries in the Register are detailed as follows;

## Directors' Interests in Shares

Directors' Interests in shares are given later in this Report. There were no share

transactions by the Directors during the financial year.

The Directors' shareholding increased consequent to the subdivision of shares on 03rd March 2021 by splitting each ordinary share into two (02) ordinary shares.

## Directors' Interests in Transactions

The Directors of the Company have made the general disclosure provided as per section 192 (2) of the Companies Act No. 07 of 2007. Note 30 to the Financial Statements dealing with related party disclosure includes details of their interests in transactions.

## DIRECTORS EMOLUMENTS AND OTHER BENEFITS

Directors' emoluments in respect of the Company for the financial year ended 31st March 2021 is given in Note 30.8 to the Financial Statements.

Executive Directors' remuneration is established within an established framework. The total remuneration of Executive Directors for the year ended 31st March 2021 is Rs. 31,134,020/- The total remuneration of Non-Executive Directors for the year ended 31st March 2021 is Rs. 4,422,000/- determined according to scales of payment decided upon by the Board. The Board is satisfied that the payment of this remuneration is fair to the company.

## RELATED PARTY TRANSACTIONS

The Board of Directors have given the following statement in respect of the Related Party Transactions.

The related party transactions of the Company during the financial year have been reviewed by the Related Party Transactions Review Committee of Hayleys PLC, the Parent Company and are in compliance with the Section 09 of the CSE Listing Rules.

The names of the members of the Committee and their attendance of the Meetings are given on the Related Party Transaction Review Committee report on page 24.

Related Party Transaction Review Committee met 04 times during the financial year 2020/21.

Related party transactions are given in Note 30.4 in the notes to the Financial Statements.

## CORPORATE DONATIONS

Donations made during the year were Rs. 52,947/-.

The amount of Rs. 2,000,000/- was approved by the shareholders for the financial year 2020/21.

## DIRECTORS OF THE COMPANY AS AT 31ST MARCH 2021

The names of the Directors who served during the year are given below and their brief profiles appear on pages 06 and 07 of the report.

Mr. A. M. Pandithage - Executive Chairman

Mr. Dhammika Perera\* - Co-Chairman

Mr. Rohan J. Karunaratna - Managing Director

Mr. N. J. De S. Deva Aditya\*\*

Mr. S. C. Ganegoda\*

Mr. S. J. Wijesinghe\*

Mr. L. N. De S. Wijeyeratne\*\*

Ms. R. N. Ponnambalam\*\*

Mr. J. P. Van Twest\*\*

Ms. I. Jamaldeen\*\*

Ms. A. A. K. Amarasinghe (Alternate Director to Mr. Dhammika Perera\*)

\* Non-Executive Director

\*\* Independent Non-Executive Director

In terms of the Article No. 87 of the Articles of Association of the Company

Messrs S. J. Wijesinghe and Dhammika Perera retire by rotation and being eligible offer themselves for re-election at the Annual General Meeting.

Notice has been given pursuant to Section 211 of the Companies Act No. 07 of 2007, of the intention to propose an ordinary resolution for re-election Mr. A. M. Pandithage, who has attained 70 years of age notwithstanding the age limit of 70 years stipulated by Section 210 of the Companies Act No. 07 of 2007.

Notice has been given pursuant to Section 211 of the Companies Act No. 07 of 2007, of the intention to propose an ordinary resolution for re-election Mr. N. J. De S. Deva Aditya, who is over 70 years of age notwithstanding the age limit of 70 years stipulated by Section 210 of the Companies Act No. 07 of 2007.

Notice has been given pursuant to Section 211 of the Companies Act No. 07 of 2007, of the intention to propose an ordinary resolution for re-election Mr. L. N. De S. Wijeyeratne, who is over 70 years of age notwithstanding the age limit of 70 years stipulated by Section 210 of the Companies Act No. 07 of 2007.

#### **DIRECTORS' SHAREHOLDINGS**

The shareholdings of the Directors as at 31st March 2021 were as follows;

No. of Shares	As at 31.03.2021	As at 01.04.2020
Mr. S. C. Ganegoda	111,426	55,713
Mr. Dhammika Perera	6,432,292	3,216,146

Mr. Dhammika Perera holds 51.01% directly and indirectly of the total issued shares of Hayleys PLC which holds 174,614,114 shares in the Company.

Director's share holdings are increased due to the subdivision of shares in the Company during the Financial year.

#### **INSURANCE AND INDEMNITY**

The ultimate parent of the Company, Hayleys PLC has obtained a Directors' and Officers' Liability insurance from a reputed insurance company in Sri Lanka providing worldwide cover to indemnify all past, present and future Directors and Officers of the Group.

#### **EMPLOYMENT**

No. of persons employed by the Company was 606.

#### **INTERNAL CONTROLS**

The Directors acknowledge their responsibility for the Company's system of internal controls. The system is designed to give assurance, inter alia, regarding safeguarding the assets, the maintenance of proper accounting records and the reliability of financial information generated. However, any system can only ensure reasonable and not absolute assurance that errors and irregularities are either prevented or detected within a reasonable time period.

The Board, having reviewed the system of internal controls, is satisfied with its effectiveness for the period up to the date of signing the Financial Statements.

#### **GOING CONCERN**

The Directors, after making necessary inquiries and reviews including the reviews of the Company's budget for the ensuing year, capital expenditure requirement, future prospects and risks, cash flows and borrowing facilities, have a reasonable expectation that the Company have adequate resources to continue in operational existence for the foreseeable future.

Therefore, the going concern basis has been adopted in the preparation of the Financial Statements.

#### **AUDITORS**

The Auditors, Messrs. Ernst & Young, Chartered Accountants, were paid Rs. 743,400/- (2020 - Rs. 845,629/-) as

audit fees by the Company. In addition, they were paid Rs. 230,647/- (2020 - Rs. 539,313/-) by the Company for non-audit related work.

As far as the Directors are aware, the Auditors do not have any relationship (other than that of an Auditor) with the Company other than those disclosed above. The Auditors also do not have any interest with the Company.

Messrs Ernst & Young, Chartered Accountants, are deemed re-appointed, in terms of section 158 of the Companies Act No. 07 of 2007, as Auditors of the Company.

A resolution proposing Directors be authorised to determine the Auditors remuneration will be submitted at the Annual General Meeting.

#### **INVESTMENTS (SHORT TERM DEPOSITS)**

Details of the investments held by the Company are disclosed in Note 18 to the Financial Statements.

#### **PROPERTY, PLANT AND EQUIPMENT**

An analysis of the property, plant and equipment of the Company, additions and disposals made during the year and depreciation charged during the year are set out in Note 12 to the Financial Statements.

#### **CAPITAL COMMITMENTS**

Details of the capital commitments of the Company as at 31st March 2021 are disclosed in Note 26 to the Financial Statements.

#### **STATED CAPITAL**

The Stated Capital of the Company is Rs. 836,000,000/- comprising 484,000,000 ordinary shares.

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

The ordinary shares of the company were subdivided by splitting each issued ordinary share into two (02) ordinary shares from 03rd March 2021. Consequently the total number of existing issued Ordinary Shares were increased from 242,000,000 to 484,000,000 without changing the Stated Capital of the Company which will remain at Rs. 836,000,000/-.

## RESERVES

Total Company reserves as at 31st March 2021 amounts to Rs. 648,930,837/- (2020 - Rs. 1,399,135,001/-) Movements are shown in the Statement of Changes in Equity in the Financial Statements.

## TAXATION

The tax position of the Company is given in Notes 10 and 21 to the Financial Statements.

## EMPLOYEES AND INDUSTRIAL RELATIONS

There have been no material issues pertaining to employees and industrial relations of the Company during the Financial Year.

## SHAREHOLDING

The number of registered shareholders of the Company as at 31st March 2021 was 4,257.

Disclosure as per Colombo Stock Exchange Rule No.7.6.xi

	2021	2020
Market price per share as at 31st March	6.00	8.70
Highest share price during the year (22nd January 2021)	15.50	14.00
Lowest share price during the year (09th March 2021)	5.00	8.00
No. of share transactions	4,311	2,202
No. of shares traded	5,724,613	2,229,915
Value of shares traded	Rs. 62,683,485	Rs. 26,030,173
Net Asset per share	Rs. 3.07	Rs. 4.62
Ordinary shares in issue	484,000,000	484,000,000

## MAJOR SHAREHOLDER

The twenty largest shareholders of the Company as at 31st March 2021, together with an analysis are given on page 75 of the Annual Report.

## PUBLIC SHAREHOLDING

As at 31st March 2021, 39.17% of the issued capital of the Company was held by the public comprising 4,253 shareholders.

## STATUTORY PAYMENTS

The Directors to the best of their knowledge and belief are satisfied that all statutory payments in relation to the government and the employees have been made and provided.

## CONTINGENT LIABILITIES

There were no material contingent liabilities outstanding as at 31st March 2021 other than that described in Note 25 of the Financial Statements.

## POST BALANCE SHEET EVENTS

Subsequent to the date of the Balance Sheet no circumstances have arisen which would require adjustments to the accounts. Significant post balance sheet events which in the opinion of the Directors require disclosure are described in Note 35 to the Financial Statements.

## ANNUAL GENERAL MEETING

The Annual General Meeting will be held at Hayleys Conference Room, No. 400, Deans Road, Colombo 10, Sri Lanka at 9.30a.m. on 29th June 2021. The Notice of the Annual General Meeting appears on page 78 of the Annual Report.

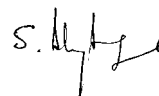
For and on behalf of the Board  
The Kingsbury PLC



A. M. Pandithage  
Executive Chairman



Rohan Karr  
Managing Director



Hayleys Group Services (Pvt) Ltd  
Secretaries

10th May 2021



# STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible, under the Sections 150 and 151 of the Companies Act No. 07 of 2007, to ensure compliance with the requirements set out therein to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit & loss of the Company for the financial year. The Directors are also responsible, under Section 148 for ensuring that proper accounting records are kept to disclose, with reasonable accuracy, the financial position and enable preparation of the Financial Statements.

The Board accepts responsibility for the integrity and objectivity of the Financial Statements presented. The Directors confirm that in preparing the Financial Statements, appropriate accounting policies have been selected and applied consistently while reasonable and prudent judgments have been made so that the form and substance of transactions are properly reflected.

They also confirm that the Financial Statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS). The Financial Statements provide the information required by the Companies Act and the listing rules of the Colombo Stock Exchange.

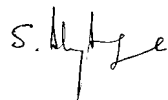
The Directors have taken reasonable measures to safeguard the assets of the Company and, in that context, have instituted appropriate systems of internal control in order to prevent and detect fraud and other irregularities.

The External Auditors, Messrs. Ernst & Young, Chartered Accountants, were deemed re-appointed in terms of section 158 of the Companies Act No. 07 of 2007 and were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements. The Report of the Auditors, shown on pages 27 to 29 sets out their responsibilities in relation to the Financial Statements.

## COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all statutory payments relating to employees and the Government that were due in respect of the Company as at the Balance Sheet date have been paid or where relevant, provided for.

By Order of the Board  
The Kingsbury PLC



Hayleys Group Services (Pvt) Ltd  
*Secretaries*

10th May 2021

# RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Related Party Transaction Review Committee (RPTRC) of Hayleys PLC, the parent Company functions as the RPTRC Committee of the Company in terms of the Section 9 of the Listing Rules of the Colombo Stock Exchange.

## COMPOSITION OF THE COMMITTEE

The Related Party Transactions Review Committee comprises two Independent Non-Executive Directors and one Executive Director and the members are as follows.

Dr. H. Cabral\*\*, PC - Chairman

Mr. M. Y. A. Perera\*\*

Mr. S. C. Ganegoda\*

\*\* *Independent Non-Executive*

\* *Executive*

## ATTENDANCE

Committee met four (04) times in the Financial Year 2020/21.

Meetings held on 15th June 2020, 11th August 2020, 06th November 2020 and 10th February 2021.

	Meetings
Dr. H. Cabral, PC	4/4
Mr. M. Y. A. Perera	4/4
Mr. S. C. Ganegoda	4/4

## THE DUTIES OF THE COMMITTEE


- To review in advance all proposed related party transactions of the group either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.
- Seek any information the Committee requires from management, employees or external parties to with regard to any transaction entered into with a related party.

- Obtain knowledge or expertise to assess all aspects of proposed related party transactions where necessary including obtaining appropriate professional and expert advice from suitably qualified persons.
- To recommend, where necessary, to the Board and obtain their approval prior to the execution of any related party transaction.
- To monitor that all related party transactions of the entity are transacted on normal commercial terms and are not prejudicial to the interests of the entity and its minority shareholders.
- Meet with the management, Internal Auditors/External Auditors as necessary to carry out the assigned duties.
- To review the transfer of resources, services or obligations between related parties regardless of whether a price is charged.
- To review the economic and commercial substance of both recurrent/non recurrent related party transactions.
- To monitor and recommend the acquisition or disposal of substantial assets between related parties, including obtaining 'competent independent advice' from independent professional experts with regard to the value of the substantial asset of the related party transaction.

## TASK OF THE COMMITTEE

The Committee reviewed the related party transactions and their compliances of The Kingsbury PLC and communicated the same to the Board.

The Committee in its review process recognised the adequacy of the content and quality of the information forwarded to its members by the management.



**Dr. Harsha Cabral, PC.**

*Chairman*

*Related Party Transactions Review  
Committee of Hayleys PLC*

17th May 2021

# AUDIT COMMITTEE REPORT

The Audit Committee comprises, three Independent Non-Executive Directors.

The Chairman of the Audit Committee is Mr. L. N. De S. Wijeyeratne, a Fellow member of the Institute of Chartered Accountants of Sri Lanka. The names of the members are given in this report and a brief profile of each member is given on pages 06 to 07.

The Committee met formally four (04) times during the financial year ended 31st March 2021. The attendance of the members at these meetings were as follows:

Independent Non-Executive Director	04th June 2020	05th August 2020	28th October 2020	03rd February 2021	Total
Mr. L. N. De S. Wijeyeratne	Present	Present	Present	Present	4/4
Ms. R. N. Ponnambalam	Present	Present	Present	Present	4/4
Mr. J. P. Van Twest	Present	Present	Present	Present	4/4

The Managing Director, Head of Finance, Manager Finance and the Group Chief Financial Officer (CFO) and the Head of Internal Audit of the Group Management Audit and Systems Review Department of Hayleys PLC attend the meetings of the Audit Committee by invitation. The Chairman of the Company and other Directors attend the meetings as required.

The Committee functions within the Terms of Reference approved by the Board of Directors. In addition it reviews and monitors the financial reporting process of the Company, so as to provide additional assurance on the reliability of the Financial Statements through a process of independent and objective review.

During the period under review the Committee,

- Reviewed the quarterly financial information of the Company to monitor the integrity of the financial statements and the significant financial reporting judgements.
- Recommended the year-end financial statements to the Board for its approval and publication.
- Reviewed the processes in place to assess the effectiveness of the Internal Financial Controls that are in place to provide reasonable assurance

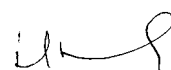
that assets are safeguarded and that the financial reporting system can be relied upon in preparation and presentation of Financial Statements.

- Recommended to the Board, the re-appointment of external auditors for a further period of one year subject to approval by the shareholders.
- Noted that the External Auditors M/s Ernst & Young were independent and objective in performing the year-end audit and had no relationship nor interest in the Company in terms of the Companies Act No. 07 of 2007 and that the audit was being carried out in accordance with the Sri Lanka Accounting Standards and other statutory and regulatory requirements.
- The audit results were presented to the Audit Committee on completion of the year end audit. The committee reviewed the audit observations in relation to the Group's accounting policies, judgments and accounting estimates adopted, with particular reference to the Going Concern and Impairment of Assets assessments carried out by the Management and noted that there were no significant issues reported.
- Reviewed the management letter issued by the external auditors.

- Discussed and finalised the nature and scope of audit with the external auditors for the ensuing year.
- The Hayleys PLC's Group Management Audit and Systems Review Department act as the Internal Auditors for the Company. Reviewed the scope, functions and resources of the internal audit department and was satisfied that the internal audit function was independent of the activities it audited and that it performed with impartiality, proficiency and due professional care.
- Discussed and approved the Internal Audit Plan for the ensuing year.

It also reviewed the reports of the internal auditors covering, all sectors of the hotel and considered the major findings of internal investigations and management's responses thereto.

Minutes of the Audit Committee meetings are approved by the Committee Chairman at the following meeting and are tabled at Board meetings to ensure that all Directors are kept informed of its activities.



**L. N. De S. Wijeyeratne**  
Chairman  
Audit Committee

10th May 2021

# FINANCIAL STATEMENTS

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## FINANCIAL CALENDER

Interim Financial Statement - 01st Quarter.....	05th August 2020
Interim Financial Statement - 02nd Quarter.....	28th October 2020
Interim Financial Statement - 03rd Quarter.....	03rd February 2021
Interim Financial Statement - 04th Quarter.....	10th May 2021
Annual General Meeting.....	29th June 2021

# INDEPENDENT AUDITOR'S REPORT



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

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eysl@lk.ey.com  
ey.com

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE KINGSBURY PLC Report on the audit of the financial statements

### Opinion

We have audited the financial statements of The Kingsbury PLC (“the Company”), which comprise the statement of financial position as at 31st March 2021, and the statement of profit or loss, statement of 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 give a true and fair view of the financial position of the Company as at 31st March 2021 and of its financial performance and its 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 Company 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 the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor’s 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 matter	How our audit addressed the key audit matter
<p>Management’s assessment of the recoverability of the carrying values of property, plant and equipment:</p> <p>As at 31st March 2021, the property, plant and equipment amount to Rs. 3,856 Mn and represents 94% of the total assets.</p> <p>We selected management’s assessment of recoverability of the carrying value of the stated assets as a key audit matter due to:</p> <ul style="list-style-type: none"><li>• Significant judgements and key assumptions used in estimating the future cash flows of the CGU together with the rate at which they are discounted as set out in Note 2.2 d.</li><li>• Higher level of estimation uncertainty and complexity associated with the assessment of recoverability due to the probable effects arising from the evolving nature of the COVID-19 pandemic.</li></ul>	<p>Our audit procedures included the following;</p> <ul style="list-style-type: none"><li>• We understood the methodology applied by management in performing its impairment test for the CGU and evaluated the financial controls over this process.</li><li>• With the assistance of our internal specialised resources, we assessed the reasonableness of the key assumptions and judgements used (including probable impacts of COVID-19 pandemic) and corroborated the key inputs used in the assessment of impairment. Our procedures included among others, performing analysis of sensitivity and assessing adequacy of headroom.</li><li>• We assessed the adequacy of the disclosure made in Note 2.2 d. in the Financial Statements.</li></ul>

# INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
<p><b>Interest bearing borrowings</b></p> <p>The Company has total interest bearing borrowings of Rs. 1,651 Mn and accounted for 63% of the company's total liabilities at 31st March 2021.</p> <p>The servicing of interest bearing borrowings was a key audit matter due to:</p> <ul style="list-style-type: none"><li>the magnitude of the interest bearing borrowings and its significance to the overall financial statements;</li><li>the presence of net current liability position of Rs. 1,387 Mn while the current portion of interest bearing borrowings amounts to Rs. 602 Mn;</li><li>reported net losses during the year; and</li><li>the fact that management's assessment of its ability to continue to serve company's debt obligations depends on significant judgments and assumptions such as timing and amount of future cash flows and entity's ability to secure alternative funding arrangements.</li></ul>	<p>Our audit procedures included amongst others, the following;</p> <ul style="list-style-type: none"><li>We obtained an understanding of the terms and conditions attached to external borrowings, by perusing the loan agreements,</li><li>We validated the entity's compliance with long term loan covenants, factoring in available moratoriums facilities and revisions to financing arrangements made during the year,</li><li>We obtained management's assessment of future cash flows and its plans to meet debt service obligations as per existing contractual arrangements,</li><li>We assessed the maturity profile of the Company's interest-bearing borrowings focusing on the management's plans to meet the debt obligations maturing within the next twelve months and working capital requirements.</li><li>We involved our internal experts to assist us in evaluating the appropriateness of significant judgments and reasonableness of assumptions used by management in its future cash flows. Internal expert's work included:<ul style="list-style-type: none"><li>Assessing if the assumptions such as timing and rate at which gradual revenue increase will happen and if those are consistent with currently available market information; and</li><li>Assessing entity's ability to continue to meet its debt servicing obligations in foreseeable future under additional stress scenarios.</li></ul></li><li>We also, assessed the adequacy of the disclosures made in Note 19 and 33.2 to the Financial Statements relating to the interest-bearing borrowings and liquidity risk aspects.</li></ul>

## Other information included in the Company's 2020/21 Annual Report

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

The 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 or 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 management and those charged with governance for the financial statements

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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 Company's internal control.
- 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 Company'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 Company 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.

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.

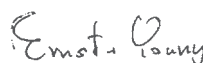
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 1884.



Ernst & Young

24th May 2021  
Colombo

Partners: W R H Fernando FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W R H De Silva ACA ACMA W K B S P Fernando FCA FCMA  
Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Huiangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA  
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA A A J R Perera ACA ACMA Ms. P V K N Sajewan. FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA  
Principals: G B Goudan ACMA T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

# STATEMENT OF PROFIT OR LOSS

Year ended 31st March	Notes	2021 Rs '000	2020 Rs '000
Revenue	4	777,923	1,843,754
Cost of sales		(862,849)	(1,222,437)
<b>Gross Profit/(Loss)</b>		<b>(84,926)</b>	621,317
Other income and expenses	5	33,405	85,644
Administrative expenses		(702,414)	(883,719)
Marketing expenses		(45,343)	(112,583)
Finance income	8	601	6,309
Finance expense	9	(82,717)	(122,101)
<b>Profit/(Loss) before tax</b>		<b>(881,394)</b>	(405,133)
Income tax (expense)/reversal	10	123,200	12,284
<b>Net Profit/(Loss) after tax</b>		<b>(758,194)</b>	(392,849)
Basic earnings per share (Rs.)	11	(1.57)	(0.81)

The Accounting Policies and Notes on pages 35 through 73 form an integral part of the Financial Statements.



# STATEMENT OF COMPREHENSIVE INCOME

Year ended 31st March	Notes	2021 Rs '000	2020 Rs '000
<b>Profit/(Loss) for the year</b>		<b>(758,194)</b>	<b>(392,849)</b>
<b>Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods</b>			
Re-measurement Gain/(Loss) on defined benefit plans	20	<b>6,062</b>	(1,642)
Income tax effect on defined benefit plans	21	<b>(849)</b>	230
		<b>5,213</b>	(1,412)
<b>Other Comprehensive Income to be reclassified to profit or loss in subsequent periods</b>			
Net movement of cash flow hedges		-	59,573
<b>Other Comprehensive Income for the year, net of tax</b>		<b>5,213</b>	<b>58,161</b>
<b>Total Comprehensive Income for the year, net of tax</b>		<b>(752,981)</b>	<b>(334,688)</b>

The Accounting Policies and Notes on pages 35 through 73 form an integral part of the Financial Statements.

# STATEMENT OF FINANCIAL POSITION

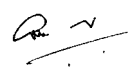
As at 31st March	Notes	2021 Rs '000	2020 Rs '000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	3,856,101	4,095,352
Intangible assets	13	7,250	11,374
Right of use asset	14	11,921	12,168
		<b>3,875,272</b>	<b>4,118,894</b>
<b>Current assets</b>			
Inventories	15	71,931	84,878
Trade and other receivables	16	29,572	174,342
Other non financial assets	17	117,405	131,129
Income tax receivable		8,431	8,431
Cash and cash equivalents	18	13,571	63,947
		<b>240,910</b>	<b>462,727</b>
<b>Total assets</b>		<b>4,116,182</b>	<b>4,581,621</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Stated capital	27	836,000	836,000
Reserves	28	816,874	833,924
Retained earnings		(167,943)	565,212
		<b>1,484,931</b>	<b>2,235,136</b>
<b>Non-current liabilities</b>			
Interest-bearing borrowings	19	1,049,209	574,469
Post employment benefit obligation	20	66,458	69,778
Deferred tax liability	21	104,915	230,042
Lease liability	22	19,050	19,056
Other non-current liabilities		4,150	-
		<b>1,243,782</b>	<b>893,345</b>
<b>Current liabilities</b>			
Trade and other payables	23	667,110	650,923
Interest-bearing borrowings	19	601,964	700,885
Other non financial liabilities	24	118,395	101,332
		<b>1,387,469</b>	<b>1,453,140</b>
<b>Total equity and liabilities</b>		<b>4,116,182</b>	<b>4,581,621</b>

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



**Ravindra Dissanayake**  
Head of Finance

The Board of Directors is responsible for these Financial Statements. These Financial Statements were authorised for issue by the Board of Directors on 10th May 2021.



**A. M. Pandithage**  
Executive Chairman



**Rohan Karr**  
Managing Director

The Accounting Policies and Notes on pages 35 through 73 form an integral part of the Financial Statements.

10th May 2021  
Colombo

# STATEMENT OF CHANGES IN EQUITY

	Notes	Ordinary share capital	Revaluation reserve	Cash flow hedge reserve	Retained earnings	Total
		Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
<b>Balance at 01st April 2019</b>		836,000	885,666	(59,573)	911,606	2,573,699
Effect of transition to SLFRS 16	22	-	-	-	(6,651)	(6,651)
		836,000	885,666	(59,573)	904,955	2,567,048
Net Profit/(Loss) for the period		-	-	-	(392,849)	(392,849)
Net movement of cash flow hedges	28	-	-	59,573	-	59,573
Other comprehensive income		-	-	-	(1,412)	(1,412)
Total comprehensive income		-	-	59,573	(394,261)	(334,688)
Transfer to retained earnings from						
Revaluation reserve	28	-	(54,518)	-	54,518	-
Deferred tax on transfer	28	-	2,776	-	-	2,776
<b>Balance at 31st March 2020</b>		836,000	833,924	-	565,212	2,235,136
Net Profit/(Loss) for the period		-	-	-	(758,194)	(758,194)
Other comprehensive income		-	-	-	5,213	5,213
Total comprehensive income		-	-	-	(752,981)	(752,981)
Transfer to retained earnings from						
Revaluation reserve	28	-	(19,826)	-	19,826	-
Deferred tax on transfer	28	-	2,776	-	-	2,776
<b>Balance at 31st March 2021</b>		836,000	816,874	-	(167,943)	1,484,931

The Accounting Policies and Notes on pages 35 through 73 form an integral part of the Financial Statements.

# STATEMENT OF CASH FLOWS

Year ended 31st March	Notes	2021 Rs '000	2020 Rs '000
<b>Operating activities</b>			
Cash generated from operations	29	(293,154)	431,892
Interest received	8	601	6,309
Interest paid		(59,570)	(73,083)
Lease interest paid		(2,388)	(2,013)
Tax paid		-	(13,072)
Employee benefit obligations	20	(13,716)	(12,635)
<b>Net cash generated from operating activities</b>		<b>(368,227)</b>	<b>337,398</b>
<b>Investing activities</b>			
Capital work in progress	12	10,991	(4,543)
Purchases of property, plant and equipment	12	(48,159)	(806,548)
Purchases of intangible assets	13	(37)	(921)
Proceeds from disposal of property, plant and equipment		-	13,935
<b>Net cash generated from/(used in) investing activities</b>		<b>(37,205)</b>	<b>(798,077)</b>
<b>Financing activities</b>			
Proceeds from interest-bearing borrowings		563,072	388,967
Payments on interest-bearing borrowings		(316,532)	(291,120)
Payments on lease rent - capital portion		(6)	(5)
<b>Net cash generated from financing activities</b>		<b>246,534</b>	<b>97,842</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(158,898)</b>	<b>(362,837)</b>
<b>Movement in cash and cash equivalents</b>			
At the beginning of year		(181,012)	181,825
Net increase/(decrease)		(158,898)	(362,837)
<b>At end of year</b>	18	<b>(339,910)</b>	<b>(181,012)</b>

The Accounting Policies and Notes on pages 35 through 73 form an integral part of the Financial Statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1 CORPORATE INFORMATION

### 1.1 Reporting Entity

The Kingsbury PLC (“Company”) is a limited liability company incorporated in Sri Lanka and listed on the Colombo Stock Exchange Sri Lanka. The address of its registered office and principal place of business is No. 48, Janadhipathi Mawatha, Colombo 1.

### 1.2 Principal Activity and Nature of Operations

During the year, the principal activities of the Company were the provision of Hospitality & Leisure Services.

### 1.3 Parent Entity and Ultimate Parent Entity

The Company’s parent entity is Hayleys PLC. In the opinion of the directors, the Company’s ultimate parent undertaking and controlling party is Hayleys PLC, which is incorporated in Sri Lanka.

### 1.4 Date of Authorisation for Issue

The Financial Statements of The Kingsbury PLC, for the year ended 31 March 2021 were authorised for issue in accordance with a resolution of the Board of Directors on 10th May 2021.

## 2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 BASIS OF PREPARATION

#### 2.1.1 Basis of Measurement

The Financial Statements have been prepared on a historical cost basis, except for buildings and building integrals of property, plant and equipment which were subsequently measured at fair value. The Financial Statements are presented in Sri Lankan Rupees Thousands, except when otherwise indicated. The preparation and presentation of these Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

#### 2.1.2 Statement of Compliance

The Financial Statements of the Company which comprise the Statement of Financial Position, Statement of Profit or Loss, Statement of Other Comprehensive Income and Statement of Changes in Equity, Statement of Cash Flows and Significant Accounting Policies and Notes have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS).

#### 2.1.3 Comparative Information

Comparative information including quantitative, narrative and descriptive information as relevant is disclosed in respect of previous period in the Financial Statements. In addition, the Company presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements.

## 2.2 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period and any future periods.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following notes.

#### a. Going Concern

The Company’s management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis. Refer Note 31.

#### b. Revaluation of Property, Plant and Equipment

The Company measures buildings and building integrals at revalued amounts with gains in fair value being recognised in equity (Revaluation Reserve). The Company usually engages an external, independent and qualified valuer to determine the fair values. When current market prices of

# NOTES TO THE FINANCIAL STATEMENTS

similar assets are available, such evidences are considered in estimating fair values of these assets. In the absence of such information the Company determines within reasonable fair value estimates, amounts that can be attributed as fair values, with the assistance of an independent professional valuer. Further details are given in Note 12.2.

## c. Components of Buildings and Useful Life

In determining the depreciation expense, the Company with the assistance of an independent professional valuer determined the components of buildings that have varying useful lives. Approximation techniques and appropriate groupings were used in such determination as well as in the assessment of the useful lives of each component. Further details are given in Note 12.4.

## d. Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the CGU, are discount rate and terminal growth rate, 11.8% and 2% respectively.

The Company has not determined an impairment as at the reporting date due to the implications from COVID-19 pandemic, as the Company implemented its business continuity plan which was operationalised during the early days of the pandemic. Company also developed and instituted COVID-19 specific response plans and teams to enable smooth and uninterrupted functioning of business and operations to the extent possible, whilst maintaining strict adherence to Government directives and health and safety considerations in situations where normal operations are disrupted.

## e. Deferred Tax Assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment 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. Further details are given in Note 21.

## f. Post-Employment Benefit Obligation

The post-employment benefit obligation; gratuity, is determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and staff turnover. Due to the complexity of the valuation; the underlying assumptions and its long-term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details are given in Note 20.

## g. Determining the lease term of contracts with renewal and termination options

The company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to eliminate the lease, if it is reasonably certain not to be exercised. Refers to Note 22 for information on potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term.

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.3.1 Foreign Currencies

#### (a) Functional and Presentation Currency

Items included in the Financial Statements of the entity are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Financial Statements are presented in Sri Lankan Rupees, which is the Company's functional and presentation currency.

#### (b) Transactions and Balances

Foreign currency transactions are translated to the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and

losses resulting from the settlement of such transactions and from the translation at reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Profit or Loss.

### 2.3.2 Borrowing Costs

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

### 2.3.3 Property, Plant and Equipment

#### a. At Initial Recognition

All property, plant and equipment are initially stated at cost net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major refurbishment is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the Statement of Profit or Loss as incurred.

#### b. At Subsequent Measurement

Construction in progress is stated at cost, net of accumulated impairment losses, if any. Property, plant and equipment other than building and building integrals is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the property, plant and equipment when that cost is incurred, if the recognition criteria is met.

Building and building integrals are subsequently measured at fair value less accumulated depreciation and impairment losses recognised after the date of revaluation, such valuations are carried out by external independent valuers. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

A revaluation surplus is recognised in Other Comprehensive Income and credited to the revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in the Statement of Profit or Loss, in which case the increase is recognised in the Statement of Profit or Loss. A revaluation deficit is recognised in Profit or Loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve. Upon disposal or de-recognition, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets original cost.

#### c. Depreciation

Depreciation is calculated on a straight-line basis over the useful life of assets or components. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each reporting date and adjusted prospectively, if appropriate.

	2021	2020
Buildings and building integrals	15 - 50 years	15 - 50 years
Plant, machinery and equipment	08 years	08 years
Furniture and fittings	10 years	10 years
Motor vehicles	05 years	05 years
Linen, cutlery, crockery and glassware	03 - 10 years	03 - 10 years

#### d. Subsequent Costs

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 Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Profit or Loss during the financial period in which they are incurred.

#### e. De-recognition

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference

# NOTES TO THE FINANCIAL STATEMENTS

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 de-recognised. The revaluation surplus included in the equity in respect of an item of property, plant and equipment is transferred directly to equity when the assets are de-recognised.

## 2.3.4 Lease

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

### 2.3.4.1 Right-of-use Assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term.

### 2.3.4.2 Lease Liability

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced.

The Company lease liabilities are included in Note 22 to the Financial Statements.

## 2.3.5 Intangible Assets

The Company's intangible assets include the value of computer software. An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Company.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

Computer software	08 years
-------------------	----------

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

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 in the expense category consistent with the function of the intangible asset.

## 2.3.6 Financial Instruments

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.

### a) Initial Recognition and Subsequent Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through Other Comprehensive Income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or



loss, transaction costs. Trade receivables do not contain a significant financing component.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

#### b) Subsequent Measurement

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

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

#### Financial Assets at Amortised Cost (Debt Instruments)

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is de-recognised, modified or impaired..

The Company's financial assets at amortised cost includes trade and other receivables, short term deposits, cash and bank balances and other financial assets.

#### c) De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily de-recognised (i.e., removed from the Company's Statement of Financial Position) when:

- The rights to receive cash flows from the asset have expired;
- Or
- The Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company 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 Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company 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 Company 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.

#### d) Impairment of Financial Assets

Further disclosures relating to impairment of financial assets are also provided in the following note:

#### Trade Receivables:

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

# NOTES TO THE FINANCIAL STATEMENTS

Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

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

## 2.3.7 Other Non-Financial Assets

All other non-financial assets are valued net of specific provision, where necessary, so as to reduce the carrying value of such assets to their estimated realisable value.

## 2.3.8 Impairment of Non-Financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the 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. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognised in the Income Statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously

recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Income Statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

## 2.3.9 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 in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

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.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the Financial Statements on a recurring basis, the Company 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.

External valuers are involved for valuation of property, plant and equipment. Involvement of external valuers is decided by the management after discussion with and approval by the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

### 2.3.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method. The cost of the inventory comprises purchase price, taxes (other than those subsequently recoverable by the Company from the tax authorities), and transport, handling and other costs directly attributable to the acquisition of finished goods. It excludes the borrowing costs, trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

### 2.3.11 Cash and Cash Equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at banks and in hand and short term deposits with maturity of three months or less. For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise cash and short term deposits as defined above, net of outstanding bank overdrafts.

### 2.3.12 Financial Liabilities

#### a) Initial Recognition and Measurement

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

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payable, bank overdrafts and interest bearing loans and borrowings.

#### b) Subsequent Measurement

The measurement of financial liabilities depends on their classification, as described below:

Loans and Borrowings (Financial liabilities at amortised cost)

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 de-recognised as well as through the EIR amortisation process.

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

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

#### c) De-recognition

A financial liability is de-recognised 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 de-recognition 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.

### 2.3.13 Hedge Accounting

For the purpose of hedge accounting, hedges are classified as Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship

# NOTES TO THE FINANCIAL STATEMENTS

meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

## Cash Flow Hedges

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognised directly in equity in the "Cash flow hedge reserve". The ineffective portion of the gains or losses on the hedge instrument is recognised immediately in the Statement of Profit or Loss.

When the hedge cash flow affect the Statement of Profit or Loss, the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the Statement of Profit or Loss. When a hedging instrument expires, or is sold, terminated, exercised or when a hedge no longer meet the criteria for hedge accounting, any cumulative gains/losses existing in Other Comprehensive Income at that time remains in Other Comprehensive Income itself and is recognised when the hedge forecast transaction is ultimately recognised in the Statement of Profit or Loss. When a forecast transaction is no longer expected to occur the cumulative gains/loss was reported in other comprehensive income is immediately transferred to the Statement of Profit or Loss.

## 2.3.14 Other Non-Financial Liabilities

Other non-financial liabilities are recognised at their monetary amount.

## 2.3.15 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

## 2.3.16 Employee Benefits

### a) Defined Contribution Plans

All employees of the Company are members of the Employees' Provident Fund and the Employees' Trust Fund, to which the Company contributes 12% and 03% respectively of such employees' basic or consolidated wage or salary and cost of living and all other allowances.

The Company's contributions to the defined contribution plans are charged to the Statement of Profit or Loss in the year to which they relate.

### b) Defined Benefit Plan

The liability recognised in the Statement of Financial Position in respect of defined benefit plans is the present value of the defined benefit obligation at the reporting date together with past service cost. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of treasury bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged to the Statement of Other Comprehensive Income.

## 2.3.17 Dividend Distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Financial Statements in the period in which the dividends are approved by the Company's shareholders.

## 2.3.18 Taxation

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the Statement of Profit or Loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### 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.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, 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.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

#### Turnover Based Taxes

Turnover based taxes include Value Added Tax, Nations Building Tax and Tourism Development Levy. Company pays such taxes in accordance with the respective statutes.

### 2.3.19 Revenue Recognition

#### 2.3.19.1 Revenue from contracts with Customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the company expect to entitled in exchange of those goods or services.

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

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

- a) Room revenue is recognised on the rooms occupied on daily basis.
- b) Food and Beverage revenue is recognised at the time of sales.
- c) Other Hotel Related Revenue is accounted when such service is rendered.

#### 2.3.19.2 Revenue from other income sources

- d) Interest income is accrued on a time basis with reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimates future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.
- e) Other income is recognised on an accrual basis. Net gains and losses of a revenue nature on the disposal of Property, Plant & Equipment has been accounted for in the Statement of Profit or Loss, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expense.

Gains and losses arising from incidental activities to main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

- f) Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company 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). Contract liabilities are recognised as revenue when the Company performs under the contract. The Company recognises advanced received for future reservations as contract liabilities.

The Company recognises advanced received for future reservations as contract liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

## 2.3.20 Changes in accounting policies

The accounting policies adopted by the Company are consistent with those of the previous financial year except for the following:

### New and amended standards and interpretations

New and amended standards and interpretations the Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 01st April 2020. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

### 2.3.20.1 Amendments to LKAS 1 and LKAS 8: Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those Financial Statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the Financial Statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

These amendments had no impact on the Financial Statements of, nor is there expected to be any future impact to the Company.

### 2.3.20.2 Amendments to references to the conceptual framework in SLFRS standards

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist in developing standards, to help prepare develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the Financial Statements of the Company.

## 3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The amended standards that are issued, but not yet effective up to the date of issuance of these Financial Statements are disclosed below. The Company intends to adopt these amended standards, if applicable, when they become effective.

### 3.1 Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 – Interest Rate Benchmark Reform (Phase 1 & 2)

The amendments to SLFRS 9 & LKAS 39 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

IBOR reforms Phase 2 include number of reliefs and additional disclosures. Amendments supports companies in applying SLFRS when changes are made to contractual cash flows or hedging relationships because of the reform.

These amendments to various standards are effective for the annual reporting periods beginning on or after 01st January 2021. Pending the completion of detail review of the above amendment the extent of the probable impact is not reasonably estimable.

### 3.2 Amendments to SLFRS 16 - COVID - 19 Related Rent Concessions

The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 Pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from COVID-19 related rent concession the same way it would account for the change under SLFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 01st June 2020. This amendment is not expected to have a material impact on the Financial Statements of the Company in the foreseeable future.

### 3.3 Amendments to SLFRS 3

The amendments update SLFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to SLFRS 3 a requirement that, for obligations within the scope of LKAS 37, an acquirer applies LKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 01st January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

### 3.4 Amendments to LKAS 16: Property, Plant and Equipment: Proceeds before Intended Use

In March 2021, the ICASL adopted amendments to LKAS 16 - Property, Plant and Equipment - Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 01st January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. Pending the completion of detail review of the above amendment the extent of the probable impact is not reasonably estimable

### 3.5 Amendments to LKAS 37 Onerous Contracts – Costs of Fulfilling a Contract

In March 2021, the ICASL adopted amendments to LKAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

he amendments are effective for annual reporting periods beginning on or after 01st January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

### 3.5 Amendments to LKAS 1: Classification of Liabilities as Current or Non-current

In March 2021, ICASL adopted amendments to paragraphs 69 to 76 of LKAS 1 which 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

The amendments are effective for annual reporting periods beginning on or after 01st January 2022 and must be applied retrospectively. Pending the completion of detail review of the above amendment the extent of the probable impact is not reasonably estimable. The amendments are effective for annual periods beginning on or after 01st January 2020, with early application is permitted.

## NOTES TO THE FINANCIAL STATEMENTS

### 4. REVENUE

The Company classifies its revenue streams according to business units based on the nature of services, for easy of understanding. Namely; Room Revenue, Food and Beverage Revenue and Other Hotel Related Revenue. The Board monitors the operating results for the purpose of performance assessment. Assets and Liabilities are managed on a collective basis and are not allocated to operating segments.

#### 4.1 Summary

Year ended 31st March	2021 Rs '000	2020 Rs '000
Gross Revenue	777,923	1,878,624
Effect of Cash Flow Hedges	-	(34,870)
<b>Total Revenue</b>	<b>777,923</b>	<b>1,843,754</b>
Less: Tourism Development Levy/Nation Building Tax	(7,889)	(41,380)
<b>Net Revenue</b>	<b>770,034</b>	<b>1,802,374</b>

#### 4.2 Segmentation of the Revenue

Year ended 31st March	2021 Rs '000	2020 Rs '000
Room revenue	44,751	702,440
Food & beverage revenue	702,899	1,054,452
Other hotel related revenue	22,384	80,352
Effect of cash flow hedges	-	(34,870)
<b>Total revenue</b>	<b>770,034</b>	<b>1,802,374</b>

### 5. OTHER INCOME AND EXPENSES

Year ended 31st March	2021 Rs '000	2020 Rs '000
Loss on disposal of property, plant and equipment	(2)	(145,261)
Sundry income	33,407	230,905
<b>Other income and expenses</b>	<b>33,405</b>	<b>85,644</b>

Losses incurred on de-recognition and disposal of assets due to the 21st April 2019 terrorist attack was Rs. 93Mn and subsequent refurbishment was Rs. 54Mn.

Insurance claim on terrorist attack damage is recorded amounting to 2020: Nil (2019: Rs.225Mn) (net of tax) under Other Income.



## 6. Profit Before Tax

The following items have been charged /(credited) in arriving at profit before tax:

Year ended 31st March	2021 Rs '000	2020 Rs '000	
Directors' emoluments	4,422	3,402	
Auditors remuneration - audit fees	743	846	
- non audit fees	230	539	
Depreciation on property, plant and equipment	Note 12	272,130	236,879
Amortisation of intangible assets	Note 13	4,161	4,348
Amortisation of right of use assets	Note 14	247	247
Impairment allowance for trade receivables	Note 33.2.c	(582)	2,646
Repair and maintenance expenditure		38,784	59,847
Lease rentals on property		2,382	2,013
Staff costs	Note 7	427,784	525,559
Power and energy expenditure		92,952	104,946
Loss on disposal of property, plant and equipment		4,288	156,598
Marketing and promotional fee		23,101	55,758

## 7. Staff Costs

Year ended 31st March	2021 Rs '000	2020 Rs '000	
Wages and salaries	320,106	393,520	
Cost of meals	43,070	66,530	
Defined contribution plans	48,150	49,763	
Post employment benefit obligation	Note 20.2	16,458	15,746
Staff costs	427,784	525,559	

## NOTES TO THE FINANCIAL STATEMENTS

### 8. FINANCE INCOME

Year ended 31st March	2021 Rs '000	2020 Rs '000
Interest income	601	6,309
	601	6,309

### 9. FINANCE EXPENSES

Year ended 31st March	2021 Rs '000	2020 Rs '000
Interest expenses	88,975	72,358
Foreign exchange (gain)/loss	(6,258)	(25,040)
Exchange loss on cash flow hedges - transferred to Other Comprehensive Income	-	24,703
	82,717	122,101
Net Finance Income/(Expenses)	82,116	115,792

### 10. TAXATION

Year ended 31st March	2021 Rs '000	2020 Rs '000
10.1 Under provision in respect of previous years	-	8,954
Economic service charge	-	16,569
Deferred tax	Note 21.1	(37,807)
Income Tax Expense/(Reversal)	(123,200)	(12,284)

## 10.2 Reconciliation of accounting profit to income tax expense

Year ended 31st March	2021 Rs '000	2020 Rs '000
Profit/(Loss) before tax	(881,393)	(405,133)
Disallowable expenses	296,608	601,414
Allowable expenses	(384,443)	(639,873)
Tax credits (utilisation)/earned during the year	968,627	437,283
Interest income	601	6,309
Taxable income	-	-

## 11. BASIC EARNINGS/(LOSS) PER SHARE

Basic earnings per share is calculated by dividing the net profit/(loss) attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

Year ended 31st March		2021	2020 (Restated)
Net profit attributable to shareholders	(Rs'000)	(758,194)	(392,849)
Weighted average number of ordinary shares in issue-	('000)	484,000	484,000
Basic earnings per share	(Rs.)	(1.57)	(0.81)

The ordinary shares of the Company were subdivided by splitting each issued ordinary share into 2 ordinary shares after the approval of the shareholders at the Extraordinary General Meeting (EGM) held on 03rd March 2021. Consequently the total number of existing issued ordinary shares were increased from 242,000 to 484,000 without changing the stated capital of the Company which will remain at Rs. 836,000,000/-.

## NOTES TO THE FINANCIAL STATEMENTS

### 12. PROPERTY, PLANT AND EQUIPMENT

#### 12.1

##### 12.1.1

As at 31st March 2020

	Buildings and building integrals Rs '000	Plant, machinery & equipment Rs '000	Furniture & fittings Rs '000	Motor vehicles Rs '000	Linen, cutlery, crockery & glassware Rs '000	Total Rs '000
Cost/valuation						
<b>Balance as at 01st April 2019</b>	3,252,599	640,541	398,344	17,766	211,625	4,520,875
Additions	361,323	287,802	69,914	-	88,571	807,610
Disposals/breakages, losses & discarded	(122,636)	(29,096)	(58,689)	(7,723)	(35,169)	(253,312)
<b>Balance as at 31st March 2020</b>	3,491,286	899,247	409,569	10,043	265,028	5,075,173
Depreciation						
<b>Balance as at 01st April 2019</b>	148,358	380,656	168,923	11,707	127,013	836,657
Depreciation charge	78,820	76,753	37,483	9	43,815	236,880
Disposals/breakages, losses & discarded	(11,400)	(19,918)	(24,550)	(4,473)	(22,383)	(82,724)
<b>Balance as at 31st March 2020</b>	215,778	437,491	181,856	7,243	148,445	990,813
<b>Net book value as at 31st March 2020</b>	3,275,508	461,756	227,713	2,800	116,583	4,084,360
Capital work in progress						
Balance as at 01st April 2019						6,450
Cost incurred during the year						741,997
Amount transferred to property, plant and equipment						(737,455)
Balance as at 31st March 2020						10,992
<b>Total net book value as at 31st March 2020</b>	3,275,508	461,756	227,713	2,800	116,583	4,095,352

## 12.1.2

As at 31st March 2021

	Buildings and building integrals Rs '000	Plant, machinery & equipment Rs '000	Furniture & fittings Rs '000	Motor vehicles Rs '000	Linen, cutlery, crockery & glassware Rs '000	Total Rs '000
Cost/valuation						
Balance as at 01st April 2020	3,491,286	899,247	409,569	10,043	265,028	5,075,173
Additions	12,584	23,682	19	7,260	4,614	48,159
Disposals/breakages, losses & discarded	-	-	(11)	-	(8,108)	(8,119)
<b>Balance as at 31st March 2021</b>	<b>3,503,870</b>	<b>922,929</b>	<b>409,577</b>	<b>17,303</b>	<b>261,534</b>	<b>5,115,213</b>
Depreciation						
Balance as at 01st April 2020	215,778	437,491	181,856	7,243	148,445	990,813
Depreciation charge	86,228	98,768	41,712	965	44,457	272,130
Disposals/breakages, losses & discarded	-	-	(9)	-	(3,822)	(3,831)
<b>Balance as at 31st March 2021</b>	<b>302,006</b>	<b>536,259</b>	<b>223,559</b>	<b>8,208</b>	<b>189,080</b>	<b>1,259,112</b>
<b>Net book value as at 31st March 2021</b>	<b>3,201,864</b>	<b>386,670</b>	<b>186,018</b>	<b>9,095</b>	<b>72,454</b>	<b>3,856,101</b>
Capital work in progress						
Balance as at 01st April 2020						10,991
Amount transferred to property, plant and equipment						(10,991)
Balance as at 31st March 2021						-
<b>Total net book value as at 31st March 2021</b>	<b>3,201,864</b>	<b>386,670</b>	<b>186,018</b>	<b>9,095</b>	<b>72,454</b>	<b>3,856,101</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 12. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

### 12.2 Fair Valuation Process and Key Valuation Assumptions

The Company measures Buildings and building integrals at revalued amounts. The Company usually engages an external qualified valuer on a regular basis to determine the fair values.

The latest revaluation has been carried out by Mr. P. B. Kalugalagedera (F.I.V Sri Lanka) a chartered independent valuer, as at 31st March 2021. The revaluation carried out resulted in a fair value which approximated with the carrying value as at 31st March 2021. The valuation was of the buildings and integrals located at the principal place of business, No. 48, Janadhipathi Mawatha, Colombo. The re-valuation of the building and building integrals was determined using the cost method and was classified as a Level 3 fair value measurement. Approximate price per sq.ft is Rs 15,000/- to Rs 19,500/- (2020: Rs 14,000/- to Rs 20,000/-). Significant increase or decrease in estimated price per square foot in isolation would result in a significantly higher or lower fair value measurement.

12.3 If the Buildings and building integrals were stated at historical cost, the carrying amounts would be as follows:

Asset category	Cost	Accumulated depreciation	Net book value
	Rs '000	Rs '000	Rs '000
Buildings and building integrals	2,461,679	606,266	1,855,413
	2,461,679	606,266	1,855,413

12.4 The Company regularly review the useful life of each significant component of buildings and in the review process, the Company obtains the assistance of an independent professional valuer. Accordingly, depreciation is calculated for the year using a straight line method for each individual significant component of building.

Components included in buildings and building integrals and their useful lives are as follows:

- Buildings superstructure	48 to 50 years
- Bathrooms	15 years
- Ballroom finishes	20 years
- Elevators	25 years
- Mechanical and engineering	25 years

12.5 The gross carrying amount of any fully depreciated property, plant & equipment that is still in use as at 31st March 2021 is Rs. 384,879,804/- (2020: Rs. 233,227,426/-).

### 13. INTANGIBLE ASSETS

As at 31st March	2021 Rs '000	2020 Rs '000
<b>Cost</b>		
Balance as at 01st April	45,480	46,886
Additions during the year	37	921
Impairment	-	(2,327)
Balance as at 31st March	45,517	45,480
<b>Amortisation</b>		
Balance as at 01st April	34,106	29,758
Amortisation during the year	4,161	4,348
Balance as at 31st March	38,267	34,106
<b>Net Book Value</b>	<b>7,250</b>	<b>11,374</b>

The intangible assets consist of computer software.

### 14. RIGHT OF USE ASSETS

As at 31st March	2021 Rs '000	2020 Rs '000
<b>Cost</b>		
Balance as at 01st of April	12,415	-
Day 1 impact from the application of SLFRS 16	-	12,415
Balance as at 31st March	12,415	12,415
<b>Amortisation</b>		
Balance as at 01st of April	247	-
Amortization for the period	247	247
Balance as at 31st March	494	247
<b>Net book value of right of use assets</b>	<b>11,921</b>	<b>12,168</b>

The Hotel building is constructed on land obtained from the Ceylon Tourist Board on a 99 years lease commencing from 09th May 1979, for which the Company pays a sum of Rs 2.5 Mn annually as operating lease rental. Remaining lease period is 48 years.

## NOTES TO THE FINANCIAL STATEMENTS

### 14. RIGHT OF USE ASSETS (CONTD.)

#### 14.1 Sensitivity of Right-of-Use Assets/Lease Liability to Key Assumption

##### Sensitivity to Incremental Borrowing Rates

Increase/(decrease) in incremental borrowing rate as at 31st March 2021 by 01% would have (decreased)/increased the lease liability by approximately Rs 163,814/- and Rs 166,590/- respectively. Had the Company increased/(decreased) the discount rate by 01%, the Company profit before tax for the year would have (decreased)/increased by approximately Rs 1,835/- and Rs 1,857/- respectively.

### 15. INVENTORIES

As at 31st March	2021 Rs '000	2020 Rs '000
Food, beverages and tobacco	50,350	63,470
Consumables	21,581	21,408
<b>Inventories</b>	<b>71,931</b>	<b>84,878</b>

### 16. TRADE AND OTHER RECEIVABLES

As at 31st March	2021 Rs '000	2020 Rs '000
Trade receivables	17,095	174,996
Less: Impairment allowances	(1,243)	(8,724)
	15,852	166,272
Intercompany receivables	13,720	8,070
<b>Trade and other receivables</b>	<b>29,572</b>	<b>174,342</b>

### 17. OTHER NON FINANCIAL ASSETS

As at 31st March	2021 Rs '000	2020 Rs '000
Prepayments	14,903	46,790
Advances paid	3,232	16,486
VAT receivable	74,131	37,319
Security deposits	19,743	20,152
Other receivables	5,396	10,382
<b>Other non-financial assets</b>	<b>117,405</b>	<b>131,129</b>

### 18. CASH AND CASH EQUIVALENTS

As at 31st March	2021 Rs '000	2020 Rs '000
<b>18.1 Cash at bank and in hand</b>	<b>13,571</b>	<b>63,947</b>
Cash and short term deposits	13,571	63,947



18.2 For the purposes of the cash flow statement, the year end cash and cash equivalents comprise the following:

As at 31st March	2021 Rs '000	2020 Rs '000
Cash and short term deposits	13,571	63,947
Bank overdraft	(353,481)	(244,959)
<b>Cash and Cash equivalents at the end of the period</b>	<b>(339,910)</b>	<b>(181,012)</b>

## 19. INTEREST-BEARING BORROWINGS

### 19.1 Borrowings

As at 31st March	2021 Rs '000	2020 Rs '000
<b>Current liabilities</b>		
Bank overdraft	353,481	244,959
Borrowings from Banks/Financial Institutions	248,483	455,926
	<b>601,964</b>	700,885
<b>Non-current liabilities</b>		
Borrowings from Banks/Financial Institutions	1,049,209	574,469
	<b>1,049,209</b>	574,469
<b>Total borrowings</b>	<b>1,651,173</b>	1,275,354

### 19.2 Details of Loan - Terms and conditions

Loan Amount	Bank / Financial Institutions							
	Bank of Ceylon							
	Rs 350 Mn TL	Rs 500 Mn TL	Rs 29 Mn	Rs 250 Mn WC	Rs 92 Mn WC	Rs 25 Mn	Rs 25 Mn	Rs 31.1 Mn
Commencement date	10 Jul 2018	30 Dec 2019	31 Mar 2020	30 Dec 2019	25 Sep 2020	13 Aug 2020	19 Jun 2020	31 Mar 2021
End date	10 Jul 2022	30 Dec 2026	31 Mar 2022	30 Dec 2021	25 Sep 2025	13 Aug 2022	19 Jun 2022	31 Mar 2023
Grace period	01 year	01 year & 06 months	02 months	-	01 year	06 months	03 months	03 months
Instalment amount	Rs. 9,722	Rs. 7,576	Rs. 1,379	Rs. 10,417	Rs. 5,208	Rs. 1,390	Rs. 1,190	Rs. 1,480
Interest rate	AWPLR + Premium	AWPLR + Premium	TB rate + Premium	06 M - AWPLR + Premium	AWPLR + Premium	4.0% p.a. Fixed	4.0% p.a. Fixed	-
Term	04 years	07 years	02 years	02 years	05 years	02 years	02 years	02 years

### 19.3 The Details of the Security Pledged

Existing mortgage bond No. 364 over lease hold right of the hotel property and bond Nos. 1416 dated 27th July 2001 for Rs. 100 Mn and 166 dated 09th May 2013 for Rs. 1,335 Mn over lease hold rights of the property situated at the junction of Janadhipathi Mawatha and Chaithya Road adjoining the Central Bank.

# NOTES TO THE FINANCIAL STATEMENTS

## 20. POST EMPLOYMENT BENEFIT OBLIGATION (GRATUITY)

### 20.1 Summary

Year ended 31st March	2021 Rs '000	2020 Rs '000
As at 01st April	69,778	65,025
Charge for the year <span style="float: right;">Note 20.2</span>	10,396	17,388
Benefits paid	(13,716)	(12,635)
As at 31st March	66,458	69,778

### 20.2 Charge for the Year

Year ended 31st March	2021 Rs '000	2020 Rs '000
<b>Reported in Income Statement</b>		
Current service cost	6,324	9,395
Interest cost	10,134	6,351
Service cost	16,458	15,746
<b>Reported in Other Comprehensive Income</b>		
Net actuarial (Gain)/Loss recognised immediately to Other Comprehensive Income	(6,062)	1,642
<b>Charge for the year</b>	<b>10,396</b>	17,388

**20.3** The Company obtained an actuarial valuation from an independent professional actuary, Messrs. Actuarial and Management Consultants (Pvt) Ltd, in March 2021, to ascertain the post employment benefit obligations arising in respect of Gratuity.

The principal actuarial assumptions used in determining the liability were:

Year ended 31st March	2021	2020
Discount rate (per annum)	08%	10%
Future salary increase (per annum)	07%	09%
Retiring age	55 years	55 years

Average future working life of an employee is 5.72 years (2020: 5.52 years).

## 20.4 Sensitivity of assumptions employed in actuary valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the post employment benefit liability measurement.

### 31st March 2021

Increase/(decrease) in discount rate	Increase/(decrease) in salary increment	Effect on comprehensive income increase/ (decrease) in results for the year Rs '000	Effect on post employment benefit obligation increase/(decrease) in the liability Rs '000
01%	-	3,253	(3,253)
01%	-	(3,587)	3,587
-	01%	(3,887)	3,887
-	01%	3,585	(3,585)

### 31st March 2020

Increase/(decrease) in discount rate	Increase/(decrease) in salary increment	Effect on Comprehensive Income Increase/ (decrease) In Results For The Year Rs '000	Effect on post employment benefit obligation increase/(decrease) in the liability Rs '000
01%	-	3,331	(3,331)
01%	-	(3,660)	3,660
-	01%	(3,965)	3,965
-	01%	3,667	(3,667)

## 20.5 Distribution of Post Employment Benefit Obligation Over Future Lifetime

The following table demonstrates distribution of the future working lifetime of the Post Employment Benefit Obligation as at the reporting period.

As at 31st March	2021 Rs '000	2020 Rs '000
Less than or equal to 01 year	9,559	9,064
Over 01 year and less than or equal to 05 years	32,208	35,195
Over 05 years and less than or equal to 10 years	16,214	17,260
Beyond 10 years	8,477	8,259
<b>Total</b>	<b>66,458</b>	69,778

# NOTES TO THE FINANCIAL STATEMENTS

## 21 DEFERRED TAX LIABILITY

### 21.1

Year ended 31st March	Statement of Financial Position		Statement of Profit or Loss		Statement of Other Comprehensive Income	
	2021	2020	2021	2020	2021	2020
	Rs '000	Rs '000			Rs '000	Rs '000
<b>Deferred Tax Liability</b>						
Capital allowance for tax purpose	398,262	391,408	9,630	24,002	(2,776)	(2,776)
	398,262	391,408				
<b>Deferred Tax Assets</b>						
Defined benefit plans	9,304	9,769	(384)	(436)	849	(230)
Net lease liability	999	965	(34)	(965)		
Bad debt provision	174	1,220	1,046	(1,220)		
Un-used tax losses	282,870	149,412	(133,458)	(59,188)		
	293,347	161,366				
<b>Net Deferred Tax Liability</b>	<b>104,915</b>	<b>230,042</b>				
<b>Deferred Tax Expense/(Reversal)</b>			<b>(123,200)</b>	<b>(37,807)</b>	<b>(1,927)</b>	<b>(3,006)</b>

### 21.2 The movement on the deferred income tax account is as follows:

As at 31st March	2021	2020
	Rs '000	Rs '000
<b>Deferred tax assets</b>		
As at 01st April	161,366	99,327
Amount charged/(reversed) to Profit or Loss	132,830	61,809
Tax income recognised in Other Comprehensive Income	(849)	230
<b>As at 31st March</b>	<b>293,347</b>	<b>161,366</b>
<b>Deferred tax liabilities</b>		
As at 01st April	391,408	370,182
Profit or Loss charge	9,630	24,002
	401,038	394,184
Deferred tax on amount transferred from revaluation reserve	(2,776)	(2,776)
<b>As at 31st March</b>	<b>398,262</b>	<b>391,408</b>
<b>Deferred tax liabilities (net)</b>	<b>104,915</b>	<b>230,042</b>

**21.3** The unused tax losses amounted to Rs. 2,020,498,917/- (2020: Rs.1,051,871,277/-), which shall expire during the years of assessment as follows;

Description	Year of Assessment	Amount Rs Mn	Expiry by (Year of Assessment)
Brought forward losses from	2018/19	632	2023/24
Losses during the year	2019/20	420	2024/25
Losses during the year	2020/21	968	2025/26

The deferred tax assets recognised as of the reporting date relates to the losses in the current and preceding periods. This amount is supported by forecasts that indicate sufficient future taxable profits will be available to utilise such assets.

Deferred tax assets and liabilities as at reporting date, deferred tax charge/(release) in the Statement of Profit or Loss and deferred tax charge/(credit) in equity, are attributable to provision for retirement benefit obligations, accelerated tax depreciation, tax losses carried forward and asset revaluation. The deferred tax on amount transferred from revaluation reserve to retained earnings represents the deferred tax on the difference between the depreciation on revalued property, plant and equipment and the equivalent depreciation based on the historical cost of property, plant and equipment.

#### 21.4 Sensitivity of assumptions in key revenue variable

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions of revenue variables (Occupancy/ARR/No of covers) with all other variables held constant to assess the recoverability of tax brought forward losses within the next four years.

	Rs '000
Brought forward tax loss	(1,051,871)
Actual tax loss for the year	(968,628)
Carried forward tax loss	(2,020,499)
Forecasted taxable Income in next five years	2,068,059

	Increase/(decrease)	Sensitivity Effect on taxable income increase/(decrease) Rs '000
Occupancy rate	05%	683,957
	(05%)	(234,503)
Average room rate	05%	683,957
	(05%)	(234,503)
Number of covers	05%	908,110
	(05%)	(10,349)

# NOTES TO THE FINANCIAL STATEMENTS

## 22 LEASE LIABILITY

### 22.1 Movement of Lease Liabilities

As at 31st March	2021 Rs '000	2020 Rs '000
Balance as at 01st April 2019	-	117,414
Day 1 impact from the application of SLFRS 16	-	(98,348)
Restated Balance as at 01st April	19,061	19,066
Accretion of Interest	2,382	2,013
Payment to lease creditor	(2,388)	(2,018)
Balance as at 31st March	19,055	19,061
<b>Non Current</b>	<b>19,050</b>	<b>19,056</b>
<b>Current</b>	<b>5</b>	<b>5</b>
	<b>19,055</b>	<b>19,061</b>

The Company applied 11.5% as incremental borrowing rate.

### 22.2 The following are the amounts recognised in the profit or loss:

As at 31st March	2021 Rs '000	2020 Rs '000
Depreciation expenses of right of use assets	247	247
Interest expense on lease liability	2,382	2,013
<b>Total Amount recognised in profit and loss</b>	<b>2,629</b>	<b>2,260</b>

### 22.3 Effect of the adoption of SLFRS 16 as at 01st April 2020

As at 31st March	2021 Rs '000	2020 Rs '000
<b>ASSETS</b>		
Right of Use Asset	12,168	12,415
	<b>12,168</b>	<b>12,415</b>
<b>EQUITY AND LIABILITIES</b>		
Revenue reserves	(6,893)	(6,651)
Interest bearing borrowings/Lease liability	19,061	19,066
	<b>12,168</b>	<b>12,415</b>
<b>Reconciliation of lease liability</b>		
Operating lease commitments at 01st April	19,061	19,066
Payments on lease rent - capital portion	(6)	(5)
Gross lease liabilities as of 31st March	<b>19,055</b>	<b>19,061</b>

**22.4** The table below summaries the maturity profile of the Company's financial liabilities based on contractual unaccounted payments

		0 to 03 Months	03 to 12 Months	01 to 05 Years	05 Years and above
Lease Liability	(Rs '000)	597	1,791	11,940	100,698

**23 TRADE AND OTHER PAYABLES**

As at 31st March		2021 Rs '000	2020 Rs '000
Trade payables		205,838	208,189
Intercompany payables	Note 30.6	251,361	186,845
Accrued expenses		146,761	137,877
Other payables		58,211	61,486
Payables to contractors		4,939	56,526
<b>Trade and other payables</b>		<b>667,110</b>	<b>650,923</b>

**24 OTHER NON FINANCIAL LIABILITIES**

As at 31st March		2021 Rs '000	2020 Rs '000
Advances received for reservations*		107,340	82,436
Other payables		11,055	18,896
<b>Other non financial liabilities</b>		<b>118,395</b>	<b>101,332</b>

\* The Company recognises advanced revived for future reservations as contract liabilities

## NOTES TO THE FINANCIAL STATEMENTS

### 25. CONTINGENCIES

#### Contingent Liabilities

There were no contingent liabilities outstanding at the reporting date, except for pending litigation in relation to;

- (a) The application filed by legal counsel on behalf of the Company objecting the order made by the Learned Magistrate of Maligakanda Magistrate Court for the Company to pay 01% of the turnover of the Hotel as license fees to the Colombo Municipal Council (CMC). The Company filed a petition of appeal on 27th January 2011 in the court of appeal. The Court of appeal has abated the matter pending the decision of the court in the writ Application filed challenging the levying of 01% of Turnover as License Duty.
- (b) There are ten cases filed by the Colombo Municipal Council at the Maligakanda Magistrate Court for operating a restaurant without obtaining a requisite license in the years 2009 (13219/M), 2010 (14158/M), 2011 (15464/R), 2013 (28930/14), 2014 (16397/15), 2015 (15580/16), 2016 (15689/17), 2017 (16909/18), 2018 (16251/19) and 2019 (4689/20).

The above cases have concluded in the Magistrate's Court with the Hon. Magistrate holding against the Company and fining the Company Rs 100/-, for each case, which fine has been paid, as of date. Appeals were filed against the Judgements in the said cases, however, the appeals have been withdrawn.

- (c) The writ application (766/2010) filed by the company challenging, inter alia, the decision taken by Colombo Municipal Council to levy license fees equivalent to 01% of the total annual turnover as a pre-condition to the issue of the Annual Trade License for the years 2008, 2009 and 2010 in respect of the restaurant operated at hotel premises. Judgment was delivered on 19th September 2019 and their Lordships of the Court of Appeal dismissed the application and ordered costs. Costs have not been determined as of date. The case was appealed to the Supreme Court, however, the appeal has yet to be supported.

### 26. COMMITMENTS

#### (a) Capital Commitments

The Company has no capital commitments as at the reporting date.

#### (b) Tax Assessments

The Company is in the view that tax assessments issued against the Company will not have any material impact on the Financial Statements.

### 27. STATED CAPITAL

As at 31st March	2021		2020 (Restated)	
	No's. '000	Rs '000	No's. '000	Rs '000
Balance at beginning of the year	484,000	836,000	484,000	836,000
Balance at end of the year	484,000	836,000	484,000	836,000



## 28. RESERVES

As at 31st March		2021 Rs '000	2020 Rs '000
Revaluation reserve	Note 28.1	816,874	833,924
<b>Total</b>		<b>816,874</b>	<b>833,924</b>

### 28.1 Revaluation Reserve

The movement in the revaluation reserve is as follows:

As at 31st March		2021 Rs '000	2020 Rs '000
At beginning of year		833,924	885,666
Transfer to retained earnings*		(19,826)	(54,518)
Deferred tax on transfers to retained earnings		2,776	2,776
At end of year		816,874	833,924

\*The amount transfer to retained earnings represents current year depreciation effect of the revaluation gain of previous years and the revaluation gain of those assets which were disposed or de-recognised during the year.

### 28.2 Cash Flow Hedge Reserve

The movement in cash flow hedge reserve is as follows:

As at 31st March		2021 Rs '000	2020 Rs '000
At beginning of year		-	(59,573)
Movement of cash flow hedge reserve			
- recognise through revenue		-	34,870
- recognise through foreign exchange loss		-	24,703
At end of year		-	-

Hedge effectiveness reasonably cannot be assessed. Therefore the Management decided to exit from the hedge arrangement w.e.f 31st March 2020 and balance recognised to Statement of Profit or Loss.

## NOTES TO THE FINANCIAL STATEMENTS

### 29. CASH GENERATED FROM OPERATIONS

#### 29.1 Reconciliation of Profit/(Loss) Before Tax to Cash Generated From Operations:

Year ended 31st March	2021 Rs '000	2020 Rs '000
Profit before tax	(881,393)	(405,133)
Adjustments for:		
Depreciation on property, plant and equipment	272,130	236,879
Amortisation on right of use assets	247	247
Amortisation of intangible assets	4,161	5,415
Impairment of intangible assets	-	1,260
Provision for bad and doubtful debts	(582)	2,646
Interest income	(601)	(6,309)
Interest expense	88,975	72,358
Exchange (gain)/loss on cash flow hedges - transfer to Other Comprehensive Income	-	24,703
Foreign exchange (gain)/loss	(6,258)	25,040
Loss on disposal of property, plant and equipment	4,288	155,338
Post employment benefit plans	16,458	15,746
Changes in working capital:		
- Receivable and prepayments	159,075	(44,922)
- Inventories	12,948	(14,770)
- Payables	37,398	363,394
<b>Net cash generated from/(used in) operations</b>	<b>(293,154)</b>	<b>431,892</b>

## 29.2 Changes in Liabilities Arising from Financing Activities

	Balance as at 01st April 2020	Cash inflows	Cash outflows	Exchange differences and other non cash adjustments	Balance as at 31st March 2021
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Interest bearing Loans and Borrowings	1,275,354	532,000	(316,532)	160,352	1,651,174
<b>Total Liabilities from Financing activities</b>	<b>1,275,354</b>	<b>532,000</b>	<b>(316,532)</b>	<b>160,352</b>	<b>1,651,174</b>

	Balance as at 01st April 2019	Cash inflows	Cash outflows	Exchange differences and other non cash adjustments	Balance as at 31st March 2020
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Interest bearing Loans and Borrowings	1,014,056	388,967	(291,120)	163,451	1,275,354
<b>Total Liabilities from Financing activities</b>	<b>1,014,056</b>	<b>388,967</b>	<b>(291,120)</b>	<b>163,451</b>	<b>1,275,354</b>

## 30. RELATED PARTY DISCLOSURE

### 30.1 Non-recurrent related party transactions

There were no non-recurrent related party transactions which in aggregate value exceeds 10% of the equity or 05% of the total assets whichever is lower of the Company as per 31st March 2021 audited financial statements, which required additional disclosures in the 2020/21 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.

### 30.2 Recurrent related party transactions:

Except for the below, there were no recurrent related party transactions which in aggregate value exceeds 10% of the revenue of the Company as per 31st March 2021 audited financial statements, which required additional disclosures in the 2020/21 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.

Name of Company		2021
Hayleys PLC	Aggregate value of Transaction during the year	(Rs '000) <b>143,790</b>
	Aggregate value of Transactions as a percentage of Net Revenue	<b>19%</b>

For more details, refer notes 30.3, 30.4 and 30.8 to the Financial Statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 30. RELATED PARTY DISCLOSURE (CONTD.)

### 30.3 Parent and Ultimate Controlling Party

Hayleys PLC effectively holds 57.57% controlling interest of The Kingsbury PLC.

### 30.4 Transactions with the Related Parties During the Year were as Follows:

Year ended 31st March Nature of Transaction	Parent**		Transactions with Companies under common control of Hayleys PLC		Entities controlled by Key Management Personnel (KMP)		Total	
	2021 Rs '000	2020 Rs '000	2021 Rs '000	2020 Rs '000	2021 Rs '000	2020 Rs '000	2021 Rs '000	2020 Rs '000
Rooms and banquet sales	26,396	19,008	16,238	44,510	5,848	21,400	48,482	84,918
Purchase of goods/services	18,289	6,424	59,466	104,946	375	28,618	78,130	139,988
Marketing and promotional fees	12,712	31,473	12,249	30,977	-	-	24,961	62,450
Sectorial and group services	86,393	96,640	57,561	15,519	-	-	143,954	112,159

\*\*The Board of Directors of its Parent has affirmed its intention and ability, by way of letter dated 24th May 2021, to provide its support to the Company to secure funding to fulfil its obligations where necessary, if the Company is not able to do so on its own accord.

### 30.5 Outstanding Receivable Balances Arising From The Above Transactions:

As at 31st March	2021 Rs '000	2020 Rs '000
Parent	9,650	1,771
Fellow Companies under common control of Hayleys PLC	4,070	6,299
Intercompany receivable	Note 16	13,720
Entities controlled by KMP	3,030	2,110

### 30.6 Outstanding Payable Balances Arising From The Above Transactions:

As at 31st March	2021 Rs '000	2020 Rs '000
Parent	204,771	126,080
Fellow Companies under common control of Hayleys PLC	46,590	60,765
Intercompany payable	Note 23	251,361
Entities controlled by KMP	1,861	1,519

### 30.7 Key Management Compensation

The Key Management Personnel (KMP) of the Company are the members of its Board of Directors and that of its parent.

### 30.8 Terms and Conditions of Transactions with Related Parties and KMP:

The sales to and purchases from related parties and KMP are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

Year ended 31st March	2021 Rs '000	2020 Rs '000
<b>a. Key Management Personnel Compensation</b>		
Short-term employee benefits	31,134	25,724
Directors' emoluments	4,422	3,402
	15,867	14,847
<b>b. Transactions, with KMP and their close family members</b>		
Rooms and banquet sales	26,097	19,369
<b>c. Outstanding receivable balance arising from above transactions:</b>	<b>3,030</b>	6,493

### 31. GOING CONCERN

The Kingsbury PLC, being a leading hotel in the city of Colombo faced a drastic drop in tourist arrivals and booking cancellations during the 2020/21 Financial Year due COVID -19 pandemic. Travel restrictions imposed during the period and health and safety scares within the country resulted in the temporarily suspensions as the Government issued a series of lockdown guidelines.

In determining the basis of preparing the Financial Statements for the year ended 31st March 2021, based on available information, the management has assessed the prevailing and anticipated effects of COVID-19 on the Company and the appropriateness of the use of the going concern basis. It is the view of the management that there are no material uncertainties that may cast significant doubt on the Company's ability to continue operating as a going concern, due to the improved operating environment despite the ongoing effects of the pandemic and the operationalisation of risk mitigation initiatives and continuous monitoring of business continuity and response plans at each business unit along with the financial strength of the Company.

The management has formed judgement that the Company has adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing and presenting these Financial Statements. The Company continued to place emphasis on ensuring that the undrawn committed facilities and the ultimate parent company's affirmation (refer Note 30.4) on its intention and ability to secure funding, sufficient to meet the short, medium and long-term funding requirements, unforeseen obligations as well as unanticipated opportunities.

Having anticipated the financial impact and relatable adverse effects, the Company undertook rigorous cost management measures for the Financial Year 2021/22 and alternate revenue generating avenues were also introduced to ensure business continuity. Furthermore, the Company has proactively approached Financial Institutions to negotiate and enable funding mechanisms to counter upcoming funding requirements.

Having considered possible scenarios, the Board of Directors is satisfied that the company has sufficient capital to continue in operational existence for the foreseeable future and confident that there are no material uncertainties relating to events or conditions that may cast significant doubt on the company's ability to continue as a going concern.

# NOTES TO THE FINANCIAL STATEMENTS

## 32. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Financial instruments of the Company comprise financial assets and financial liabilities. Fair value is the amount at which the financial assets could be exchanged or a financial liability transferred, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the determination of fair values as at the reporting date.

### 32.1 Financial Instruments carried at Fair Value

The Company does not have any financial instruments that are carried at Fair value as at the reporting date.

### 32.2 Financial Instruments not carried at Fair Value

Given below is a comparison, by class, of the carrying amounts and fair values of the company's financial instruments that are not carried at fair value in the Financial Statements. This table does not include the fair values of non-financial assets and non-financial liabilities.

As at 31st March	2021		2020	
	Carrying Value Rs '000	Fair Value Rs '000	Carrying Value Rs '000	Fair Value Rs '000
<b>Financial assets</b>				
Cash and bank	13,571	13,571	63,947	63,947
Trade and other receivables	29,572	29,572	174,342	174,342
	<b>43,143</b>	<b>43,143</b>	238,289	238,289
<b>Financial liabilities</b>				
Trade and other payables	667,110	667,110	650,923	650,923
Interest-bearing loans and borrowings	1,651,173	1,651,173	1,275,354	1,275,354
	<b>2,318,283</b>	<b>2,318,283</b>	1,926,277	1,926,277

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not recorded at fair value in the Financial statements:

#### Other current financial assets, trade and other receivables and trade and other payables

For the above, instruments with maturities of less than 12 months, the carrying value closely approximates with its fair values.

#### Trade and other payables

For the above, instruments with maturities of less than 12 months, the carrying value is reasonably estimate of its fair values.

#### Interest-bearing loans and borrowings

All the borrowings are obtained at variable interest rates. Hence the carrying value closely approximates with its fair values.

### **33. RISK MANAGEMENT**

#### **33.1 Introduction**

During the year in review, under its financial instruments, the following were identified as the risks that the Company was exposed to:

1. Credit Risk
2. Liquidity Risk
3. Market Risk

The Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework, which includes developing and monitoring the Company's risk management policies.

The Audit Committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by it. The Audit Committee is assisted in its oversight role by the Management Audit System Review Department (MASRD) of Hayleys PLC. MASRD undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

#### **33.2 Credit Risk**

##### **(a) Introduction**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

Company has an established credit policy under which each new customer is reviewed individually for credit worthiness before standard payment and delivery terms are offered to the customer. The credit review includes bank and other reputed company references. Credit granted is subject to regular review, to ensure it remains consistent with the customer's credit worthiness in relation to the anticipated volume of business.

The maximum exposure to credit risk is represented by the carrying value of each financial asset on the reporting date.

## NOTES TO THE FINANCIAL STATEMENTS

### 33. RISK MANAGEMENT (CONTD.)

(b) The maximum exposure to credit risk at the reporting date

As at 31st March		2021 Rs '000	2020 Rs '000
Trade and other receivables	Note 16	29,572	174,342

(c) The ageing of the trade receivable at the reporting date

As at 31st March	Gross Receivable		Impairment Allowance*		Carrying Value	
	2021 Rs '000	2020 Rs '000	2021 Rs '000	2020 Rs '000	2021 Rs '000	2020 Rs '000
Not due 0-30 days	13,547	89,780	-	-	13,547	89,780
<b>Past due:</b>						
Past due 31 - 60 days	6,606	41,084	-	-	6,606	41,084
Past due 61 - 90 days	4,038	28,794	-	-	4,038	28,794
Past due 90 - 120 days	426	8,550	-	-	426	8,550
Past due 120 - 180 days	4,526	6,134	-	183	4,526	5,951
More than 180 days	1,672	8,724	1,243	8,541	429	183
<b>Total</b>	<b>30,815</b>	<b>183,066</b>	<b>1,243</b>	<b>8,724</b>	<b>29,572</b>	<b>174,342</b>

\*Movement in the Impairment Allowance

Year ended 31st March	2021 Rs '000	2020 Rs '000
Balance at 01st April	8,724	6,078
Impairment recognised	(582)	2,646
Written-off	(6,899)	-
<b>Balance at 31st March</b>	<b>1,243</b>	<b>8,724</b>



### 33.3 Liquidity Risk

#### (a) Introduction

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to 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 Company's reputation.

Following the outbreak of the COVID-19 pandemic, the Company has taken precautionary measures including re scheduling of non essential expenditure and looking in to Government introduced funding mechanisms aimed at providing assistance to overcome the financial impact.

(b) The following are the contractual maturities of financial liabilities at its carrying value:

As at 31st March 2021	Carrying amount	Contractual maturities of financial liabilities		
		Up to 03 Months	03 to 12 Months	01 to 05 Years
		Rs '000	Rs '000	Rs '000
Trade and other payables	667,110	237,932	78,141	351,037
Interest-bearing borrowings	1,651,173	388,689	213,275	1,049,209
	2,318,283	626,621	291,416	1,400,246

As at 31st March 2020	Carrying amount	Contractual maturities of financial liabilities		
		Up to 03 Months	03 to 12 Months	01 to 05 Years
		Rs '000	Rs '000	Rs '000
Trade and other payables	650,923	301,941	109,613	239,369
Interest-bearing borrowings	1,398,203	437,440	337,449	623,314
	2,049,126	739,381	447,062	862,683

#### (c) The 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 bucket against the combination of contractual cash inflows plus other inflows that can be generated through the sale of assets, repurchase agreement, or other secured borrowings.

The Company continued to place emphasis on ensuring that undrawn committed facilities and the ultimate parent company's affirmation (refer Note 30.4) on its intention and ability to secure funding are sufficient to meet the short, medium and long-term funding requirements, unforeseen obligations as well as unanticipated opportunities.

Further the Company is in constant dialogue with banks regarding financing requirement including re-scheduling loan arrangements in-light with government introduced funding mechanisms aimed at providing assistance to overcome the liquidity concerns associated to the tourism industry. The Company continues to differ its essential expenditure to maintain a better cash position.

The daily cash management processes at the business units include active cash flow forecasts and matching the duration and profiles of assets and liabilities, thereby ensuring a prudent balance between liquidity and earnings.

# NOTES TO THE FINANCIAL STATEMENTS

## 33. RISK MANAGEMENT (CONTD.)

(c) If interest rate increased or decreased by 01% the effect of the same to the interest expenses and liability would be:

Year ended 31st March 2021

Increase/(decrease) in interest rate	Sensitivity effect on comprehensive income increase/(decrease) in results for the year Rs '000	Sensitivity effect on borrowings increase/(decrease) in the liability Rs '000
01%	(9,815)	9,815
01%	9,815	(9,815)

Year ended 31st March 2020

Increase/(decrease) in interest rate	Sensitivity effect on comprehensive income increase/(decrease) in results for the year Rs '000	Sensitivity effect on borrowings increase/(decrease) in the liability Rs '000
01%	(8,407)	8,407
01%	8,407	(8,407)

### 33.4 Market Risk

#### (a) Introduction

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to the changes in market prices. Mainly the changes in market prices, such as foreign exchange rates and interest rates that will affect the company's income or the value of its holdings of financial instruments.

#### COVID-19 Impact on Our Business

The impact of the second wave of the pandemic resulted in an unfavourable winter season for the tourism sector. January and February 2021 proved better and Kingsbury was optimistic in expecting an inflow by July 2021, however, the third wave proved its devastating magnitude towards human lives, livelihoods and the economy.

Currently the Company is in operation with the highest possible Health & Safety standards in place to ensure the continuity of the business in these challenging times.

#### (b) Foreign Currency Risk

The Company is exposed to foreign currency risk on revenue, purchases, borrowings and cash deposits denominated in currencies other than the functional currency of the Company. The currencies giving rise to this risk are primarily US dollars, Sterling pounds, Euro and Japanese yen.

The Sri Lankan Rupee is depreciating against the US Dollar in March 2021 on the back of economic turmoil in global, regional and local markets, resulting from the COVID-19 pandemic. The Company is exposed to foreign currency denominated payments with local currency revenues adversely impacted due to fluctuations in exchange rates.

If market rate appreciate or depreciate by 01% the effect of the same to the exchange gain/(loss) would be:

Year ended 31st March 2021	Increase/(decrease) in market rate	Sensitivity effect on comprehensive income increase/(decrease) in results for the year Rs '000
	01%	(63)
	01%	63
Year ended 31st March 2020	Increase/(decrease) in market rate	Sensitivity effect on comprehensive income increase/(decrease) in results for the year Rs '000
	01%	(271)
	01%	271

#### 34. CAPITAL MANAGEMENT

The Company's capital structure consists of debt, which includes the loans and borrowings disclosed in Note 19 cash and cash equivalents disclosed in Note 18 and the equity, comprising share capital, reserves and retained earnings, as disclosed in the statement of changes in equity. The Company seeks to maintain a balance between the higher returns that might be possible with reasonable levels of borrowings obtained to fund its long term projects as the hotel underwent upgrading.

#### 35. EVENTS OCCURRING AFTER THE REPORTING DATE

There were no significant events subsequent to the balance sheet date which is required to be disclosed in the Financial Statements.

# INFORMATION TO SHAREHOLDERS

## Ordinary Shareholders as at 31st March 2021

No. of Shares Held	Residents			Non Residents			Total		
	No. of Shareholders	No. of Shareholders	%	No. of Shareholders	No. of Shareholders	%	No. of Shareholders	No. of Shareholders	%
01 - 1,000	2,136	712,468	0.15	09	5,000	-	2,145	717,468	0.15
1,001 - 10,000	1,551	5,682,487	1.17	19	91,120	0.02	1,570	5,773,607	1.19
10,001 - 100,000	445	13,437,466	2.78	07	272,400	0.06	452	13,709,866	2.83
100,001 - 1,000,000	67	15,735,563	3.25	01	140,000	0.03	68	15,875,563	3.28
Over 1,000,000	22	447,923,496	92.55	-	-	-	22	447,923,496	92.55
	4,221	483,491,480	99.89	36	508,520	0.11	4,257	484,000,000	100.00
Category									
Individuals	4,083	67,620,269	13.97	36	508,520	0.11	4,119	68,128,789	14.08
Institutions	138	415,871,211	85.92	-	-	-	138	415,871,211	85.92
	4,221	483,491,480	99.89	36	508,520	0.11	4,257	484,000,000	100.00

Percentage of Public Shareholding	39.17%
Total No. of Shareholders Represent in the Public Holding	4,253
Float Adjusted Market Capitalisation	Rs 1,137,553,008/-

Option 5 of Section 7.13.1(a) of the listing rules requires to maintain 20% of minimum public holding of the Company if the float adjusted market capitalisation is less than Rs 2.5 Bn.

The Company is in compliance of this requirement.

First Twenty Shareholders (Descending Order)

	Name of Shareholder	No. of Shares as at 31.03.2021	% of Holding	No. of Shares as at 31.03.2020	% of Holding
1	Hayleys PLC No. 03 Share Investment Account	174,614,114	36.08	87,307,057	36.08
2	Carbotels (Pvt) Ltd	113,250,000	23.40	56,625,000	23.40
3	Employees Provident Fund	51,119,894	10.56	25,559,947	10.56
4	Bank of Ceylon, Ceybank Unit Trust Account	16,794,100	3.47	8,397,050	3.47
5	Bank of Ceylon, Account No. 02	15,667,000	3.24	7,833,500	3.24
6	Mr. G. Weerarithna	14,308,550	2.96	7,154,275	2.96
7	Mr. K. D. A. Perera	13,346,626	2.76	6,581,352	2.72
8	Mr. K. D. D. Perera	6,432,292	1.33	3,216,146	1.33
9	National Savings Bank	5,743,332	1.19	2,871,666	1.19
10	Renuka Hotels PLC	4,742,600	0.98	2,371,300	0.98
11	Renuka City Hotels PLC	4,520,600	0.93	2,260,300	0.93
12	Associated Electrical Corporation Ltd	4,342,800	0.90	2,171,400	0.90
13	Merchant Bank of Sri Lanka & Finance PLC, Account No. 01	3,875,454	0.80	1,937,727	0.80
14	Renuka Consultants & Services Ltd	3,670,200	0.76	1,835,100	0.76
15	Mr. K. D. H. Perera	2,907,134	0.60	1,453,567	0.60
16	People's Leasing & Finance PLC/L. P. Hapangama	2,455,400	0.51	1,227,700	0.51
17	Mr. A. P. Somasiri	2,200,000	0.45	1,100,000	0.45
18	Cargo Boat Development Company PLC	2,020,200	0.42	1,010,100	0.42
19	Sampath Bank PLC/Mrs. Priyani Dharshini Ratnagopal	2,000,000	0.41	1,000,000	0.41
20	Ellawala Exports (Pvt) Ltd	1,650,000	0.34	825,000	0.34
		<b>445,660,296</b>	<b>92.08</b>	<b>222,738,187</b>	<b>92.04</b>

# TEN YEAR FINANCIAL SUMMARY AND KEY INDICATORS

	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
<b>OPERATING RESULTS</b>										
Revenue	777,923	1,843,754	2,956,631	3,085,143	3,061,048	2,702,581	2,412,816	2,213,935	202,316	565,288
Cost of sales	(862,849)	(1,222,437)	(1,526,383)	(1,630,688)	(1,469,351)	(1,264,925)	(1,155,415)	(1,099,942)	(275,923)	(274,890)
<b>Gross Profit/(Loss)</b>	<b>(84,926)</b>	621,317	1,430,248	1,454,455	1,591,697	1,437,656	1,257,401	1,113,993	(73,607)	290,398
Other income and expenses	33,405	85,644	(28,985)	12,541	(4,503)	2,919	(3,810)	2,157	(41,264)	(169,214)
Administrative expenses	(702,414)	(883,719)	(1,020,714)	(1,060,184)	(919,108)	(790,370)	(737,602)	(711,723)	(263,328)	(259,251)
Marketing expenses	(45,343)	(112,583)	(150,783)	(137,734)	(129,346)	(122,454)	(86,274)	(101,512)	(40,783)	(62,474)
Finance income	601	6,309	9,281	8,765	20,905	18,393	16,192	12,711	648	2,252
Finance expense	(82,717)	(122,101)	(66,259)	(89,914)	(134,629)	(188,283)	(145,786)	(281,896)	(84,283)	(790)
<b>Profit/(Loss) before tax</b>	<b>(881,394)</b>	(405,133)	172,788	187,929	425,016	357,860	300,121	33,730	(502,617)	(199,079)
Income tax (expense)/reversal	123,200	12,285	(72,011)	(48,775)	(44,670)	(64,493)	(8,698)	(1,009)	52,642	13,152
<b>Net Profit/(Loss) after tax</b>	<b>(758,194)</b>	(392,849)	100,777	139,154	380,346	293,367	291,423	32,721	(449,975)	(185,927)
<b>ASSETS EMPLOYED</b>										
<b>Non-current assets</b>										
Property, plant and equipment	3,856,101	4,095,352	3,690,668	3,898,611	3,860,890	3,791,472	3,836,936	3,796,076	3,799,845	1,952,318
Intangible assets	7,250	11,374	17,128	21,214	25,517	24,110	24,517	23,536	26,316	6,164
Right of use asset	11,921	12,168	-	-	-	-	-	-	-	-
	<b>3,875,272</b>	4,118,894	3,707,796	3,919,825	3,886,407	3,815,582	3,861,453	3,819,612	3,826,161	1,958,482
<b>Current assets</b>										
Cash and cash equivalents	13,571	63,947	253,156	294,984	496,742	517,047	396,550	312,120	52,478	38,061
Current assets other than cash and cash equivalents	227,339	398,779	351,538	321,658	327,552	307,795	310,939	361,040	322,105	63,011
	<b>240,910</b>	462,727	604,694	616,642	824,294	824,842	707,489	673,160	374,583	101,072
<b>Total assets</b>	<b>4,116,182</b>	4,581,621	4,312,490	4,536,467	4,710,701	4,640,424	4,568,942	4,492,772	4,200,744	2,059,554
<b>SHAREHOLDER'S FUND</b>										
Stated capital	836,000	836,000	836,000	836,000	836,000	836,000	836,000	836,000	176,000	176,000
Reserves	816,874	833,924	826,093	904,808	940,907	905,830	930,576	952,128	975,334	1,087,053
Retained earnings	(167,943)	565,212	911,606	793,072	613,646	440,154	196,636	(117,414)	(171,068)	160,114
	<b>1,484,931</b>	2,235,136	2,573,699	2,533,880	2,390,553	2,181,984	1,963,212	1,670,714	980,266	1,423,167

	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	
<b>LIABILITIES</b>											
<b>Non-current liabilities</b>											
Non-current liabilities other than borrowings	<b>194,573</b>	318,876	335,880	282,418	246,327	164,366	126,412	113,635	114,091	170,655	
Borrowings	<b>1,049,209</b>	574,469	550,610	510,618	942,101	1,380,820	1,702,610	2,118,411	1,200,000	400,000	
	<b>1,243,782</b>	893,345	886,490	793,036	1,188,428	1,545,186	1,829,022	2,232,046	1,314,091	570,655	
<b>Current liabilities</b>											
Current liabilities other than borrowings and overdraft	<b>785,505</b>	752,255	388,855	462,197	562,965	386,163	275,357	308,807	485,210	37,296	
Current portion of borrowings and bank overdraft	<b>601,964</b>	700,885	463,446	747,354	568,755	527,091	501,351	281,205	1,421,177	28,436	
	<b>1,387,469</b>	1,453,140	852,301	1,209,551	1,131,720	913,254	776,708	590,012	1,906,387	65,732	
<b>Total equity and liabilities</b>	<b>4,116,182</b>	4,581,621	4,312,490	4,536,467	4,710,701	4,640,424	4,568,942	4,492,772	4,200,744	2,059,554	
<b>KEY INDICATORS</b>											
Current ratio	No. of Times	<b>0.17</b>	0.32	0.71	0.51	0.73	0.90	0.91	1.14	0.20	1.54
Net assets per share	(Rs)	<b>3.07</b>	4.62	10.64	10.47	9.88	9.02	8.11	6.90	5.57	8.09
Market price per share	(Rs)	<b>6.00</b>	8.70	12.80	18.00	15.50	15.00	16.00	12.80	13.40	17.40
Earnings per share (Basic)	(Rs)	<b>(1.57)</b>	(0.81)	0.42	0.58	1.57	1.21	1.20	0.14	(2.56)	(1.06)
Price earnings ratio	No. of Times	<b>(3.83)</b>	(5.36)	30.47	31.03	9.86	12.37	13.33	91.42	(5.24)	(16.47)
Gearing	%	<b>49.68</b>	35.93	27.48	32.70	37.81	46.21	53.51	62.56	96.14	24.90

# NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Fifty-Second Annual General Meeting of The Kingsbury PLC, will be held on Tuesday, 29th June 2021 at 09.30 a.m. via online meeting platform:

## AGENDA

- 1) To consider and adopt the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March 2021, with the Report of the Auditors thereon.
- 2) To re-elect Mr. S. J. Wijesinghe who retires by rotation at the Annual General Meeting, a Director
- 3) To re-elect Mr. Dhammika Perera who retires by rotation at the Annual General Meeting, a Director.
- 4) To propose the following resolution as an ordinary resolution for the re-appointment of Mr. A. M. Pandithage, in terms of Section 211 of the Companies Act No. 07 of 2007, who retires having attained the age of seventy years.

## ORDINARY RESOLUTION

"That Mr. Abeyakumar Mohan Pandithage, who has attained the age of seventy years be and is hereby re-appointed a Director for a further period of one year and it is hereby declared that the age limit of seventy years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the appointment of the said Director."

- 5) To propose the following resolution as an ordinary resolution for the re-appointment of Mr. N. J. De. S. Deva Aditya, in terms of Section 211 of the Companies Act No. 07 of 2007, who retires having attained the age of seventy three years.

## ORDINARY RESOLUTION

"That Mr. Niranjana Joseph De Silva Deva Aditya, who has attained the age of seventy three years be and is hereby re-appointed a Director for a further period of one year and it is hereby declared that the age limit of seventy years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the appointment of the said Director."

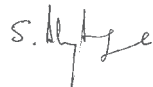
- 6) To propose the following resolution as an ordinary resolution for the re-appointment of Mr. L. N. De S. Wijeyeratne, in terms of Section 211 of the Companies Act No. 07 of 2007, who retires having attained the age of seventy one years.

## ORDINARY RESOLUTION

"That Mr. Lalit Nihal De Silva Wijeyerathne, who has attained the age of seventy one years be and is hereby re-appointed a Director for a further period of one year and it is hereby declared that the age limit of seventy years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the appointment of the said Director."

- 7) To authorise the Directors to determine contributions to Charities for the financial year 2021/22.
- 8) To authorise the Directors to determine the remuneration of the Auditors, Messrs. Ernst & Young, Chartered Accountants, who are deemed to have been reappointed as Auditors in terms of Section 158 of the Companies Act No. 07 of 2007 for the financial year 2021/22.
- 9) To consider any other business of which due notice has been given.

By Order of the Board  
THE KINGSBURY PLC



Hayleys Group Services (Private) Limited  
Secretaries  
Colombo

28th May 2021

## NOTE :

1. A Shareholder is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a Shareholder of the Company. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at No. 400, Deans Road, Colombo 10, Sri Lanka or must be emailed to [kingsagm@secretarial.hayleys.com](mailto:kingsagm@secretarial.hayleys.com) not less than forty eight (48) hours before the time of the Meeting.
2. Please refer the 'Circular to Shareholders' dated 28th May 2021 and follow the instructions to join the meeting virtually.



# FORM OF PROXY

I/We\* .....  
 (Full Name of Shareholder, NIC No./Reg. No.\*\*\*) of .....  
 ..... being a shareholder/shareholders\* of The Kingsbury PLC hereby appoint,  
 1. .... (Full Name of Proxyholder and NIC No.\*\*\*) of .....  
 ..... or failing him/her/they,\*

2. ABEYAKUMAR MOHAN PANDITHAGE (Chairman of the Company) of Colombo, or failing him, One of the Directors of the Company as my/our\* proxy to attend, speak and vote as indicated hereunder for me/us\* and on my/our\* behalf at the Fifty Second Annual General Meeting of the Company to be held on 29th June 2021 and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof:

	For	Against
1. To adopt the Annual Report of the Directors and the Statements of Accounts for the year ended 31st March 2021 together with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect, Mr. S. J. Wijesinghe who retires by rotation at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect, Mr. Dhammika Perera who retires by rotation at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
4. To propose the Ordinary Resolution as set out in the Notice for the re-appointment of Mr. A. M. Pandithage as Director, in terms of Section 211 of the Companies Act No. 07 of 2007, who retires having attained the age of seventy years.	<input type="checkbox"/>	<input type="checkbox"/>
5. To propose the Ordinary Resolution as set out in the Notice for the re-appointment of Mr. N. J. De S. Deva Aditya as a Director, in terms of Section 211 of the Companies Act No. 07 of 2007, who retires having attained the age of seventy three years.	<input type="checkbox"/>	<input type="checkbox"/>
6. To propose the Ordinary Resolution as set out in the Notice for the re-appointment of Mr. L. N. De S. Wijeyeratne as a Director, in terms of Section 211 of the Companies Act No. 07 of 2007, who retires having attained the age of seventy one years.	<input type="checkbox"/>	<input type="checkbox"/>
7. To authorise the Directors to determine contributions to charities for the financial year 2021/22.	<input type="checkbox"/>	<input type="checkbox"/>
8. To authorise Directors to determine the remuneration of the Auditors, Messrs. Ernst & Young, Chartered Accountants, who are deemed to have been re-appointed as Auditors in terms of Section of section 158 of the Companies Act No. 07 of 2007 for the financial year 2021/22.	<input type="checkbox"/>	<input type="checkbox"/>

(\*\*\*) The proxy may vote as he/she\* thinks fit on any other resolution brought before the Meeting of which due Notice has been given.

As witness my/our\* hands this ..... day of ..... 2021.

.....  
 Signature of Shareholder

Witness Signature : .....  
 Name : .....  
 Address : .....  
 NIC No. : .....

**Notes:**

- (a) \*Please delete the inappropriate words.
- (b) A shareholder entitled to attend and vote at the Annual General Meeting of the Company, is entitled to appoint a proxy to attend and vote instead of him/her and the proxy need not be a shareholder of the Company.  
 \*\* Full name of shareholder/proxy holder and their NIC No's and Witness are mandatory. Your Proxy Form will be rejected if these details are not completed.
- (c) A shareholder is not entitled to appoint more than one proxy to attend on the same occasion.
- (d) Instructions are noted on the reverse hereof.
- (e) This Form of Proxy is in terms of the Articles of Association of the Company.
- (f) Please refer the 'Circular to Shareholders' dated 28th May 2021 and follow the instructions to join the meeting virtually.

# FORM OF PROXY

## INSTRUCTIONS AS TO COMPLETION

1. To be valid, the completed Form of Proxy must be deposited with the Company Secretaries, Hayleys Group Services (Pvt) Ltd at No. 400, Deans Road, Colombo 10, Sri Lanka or must be emailed to [kingsagm@secretarial.hayleys.com](mailto:kingsagm@secretarial.hayleys.com) not less than forty eight (48) hours before the start of the Meeting.
2. In perfecting the Form of Proxy, please ensure that all requested details are filled in legibly including mandatory details. Kindly Sign and fill in the date of signing.
3. If you wish to appoint a person other than the Chairman of the Company (or failing him, one of the Directors) as your proxy, please insert the relevant details at (1) overleaf. The proxy need not be a member of the Company.
4. 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/her discretion will vote as he/she thinks fit. Please also delete (\*\*\*) if you do not wish your Proxy to vote as He/She thinks fit on any other resolution brought before the meeting.
5. In the case of a Company/Corporation the proxy must be under its common seal which should be affixed and attested in the manner prescribed by its Articles of Association.

In the case of the individual shareholders, the signature of the shareholder should be witnessed by any person over 18 years of age.

6. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company, the original POA together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company along with the Form of Proxy.
7. In case of Marginal Trading Accounts (slash accounts), the form of Proxy should be signed by the respective authorised Fund Manager/ Banker with whom the account is maintained.

# CORPORATE STRUCTURE

## **COMPANY NAME**

The Kingsbury PLC

## **LEGAL FORM**

A Public Limited Company

Incorporated in Sri Lanka on 04th May 1969

## **COMPANY NUMBER**

PQ 203

## **DIRECTORS**

Mr. A. M. Pandithage - Executive Chairman

Mr. Dhammika Perera - Co-Chairman - Non-Executive

Mr. Rohan J. Karunaratna - Managing Director

Mr. N. J. De S. Deva Aditya

Mr. S. C. Ganegoda

Mr. S. J. Wijesinghe

Mr. L. N. De S. Wijeyeratne

Ms. R. N. Ponnambalam

Mr. J. P. Van Twest

Ms. I. Jamaldeen

Ms. A. A. K. Amarasinghe

(Alternate Director to Mr. Dhammika Perera)

## **AUDIT COMMITTEE**

Mr. L. N. De S. Wijeyeratne - Chairman

Ms. R. N. Ponnambalam

Mr. J. P. Van Twest

## **SECRETARIES**

Hayleys Group Services (Private) Limited  
No. 400, Deans Road, Colombo 10,  
Sri Lanka.

Telephone +94 112 627 650 - 3 (4 Lines)

Fax +94 112 627 645, +94 11 2627 655

## **AUDITORS**

Ernst and Young Chartered Accountants  
No. 201, De Saram Place, Colombo 10,  
Sri Lanka.

## **STOCK EXCHANGE LISTING**

The Ordinary shares of the Company are listed with the  
Colombo Stock Exchange of Sri Lanka.

## **REGISTERED OFFICE**

The Kingsbury PLC

No. 48, Janadhipathi Mawatha, Colombo 01,  
Sri Lanka.

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**THE KINGSBURY**  
COLOMBO - SRI LANKA