

# SILVER LININGS



**THE KINGSBURY**  
COLOMBO - SRI LANKA

ANNUAL REPORT 2022/23



The Annual Report of the Company for 2022/23 is available on the corporate website:  
<https://www.thekingsburyhotel.com/annual-reports>

# SILVER LININGS



A chaotic economic climate was aggravated by an unprecedented pandemic; melancholic dark clouds loomed over grounds of prosperity but thankfully, silver linings surfaced, a symbol of hope and renewal for us.

At The Kingsbury PLC , we stood firmly on our fundamentals which remain built on our wholesome values to navigate ourselves onto safe grounds; thus, this report highlights a journey of awakening and future vision. The Company's priority has always been in its dynamic team of people who give us energy and direction. We are passionate to continue nurturing and uplifting the lives of our people and communities thus also focusing on expanding our innovative ESG practices for a glittering tomorrow.

Because we believe that no matter how dark the forecast is, every cloud illuminates a silver lining.

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*Overview*  
04- 08

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**Forging Pathways**

This section offers a narrative that encapsulates the notable milestones and accomplishments attained during the period under review, providing key highlights and showcasing the vibrance of a hotel that stands as an epitome of luxury, innovation, and unrivalled guest satisfaction

# ABOUT THIS REPORT

## Welcome to our first ever integrated annual report

This year at The Kingsbury PLC (the Company), we have taken a fresh turn in our annual reporting. We are proud to present to you, our first ever Integrated Annual Report (the Report) for the financial year ended 31st March 2023. This Report marks a considerable step forward in our continued commitment to present clear, concise yet comprehensive reporting across the Hayleys Leisure Sector.

We firmly believe that our timely adoption of the International <IR> Framework issued by the Value Reporting Foundation meets added information and reporting requirements of our diverse stakeholder base, particularly during times like this marked by multiple external challenges.

### Reporting boundary and scope

The Report covers operations of The Kingsbury PLC for the period 01st April 2022 to 31st March 2023. We adopt an annual reporting cycle for both financial and non-financial reporting and this Report builds on the prior year's report for the period ended 31st March 2022. There are no restatements of non-financial information reported in the prior year unless otherwise stated.

### Reporting principles

We have adopted the following local and international reporting frameworks/guidelines and external assurance in ensuring the quality and Integrity of our reporting.

### Materiality

Information presented in this Report has been collated based on the principle of materiality. Material topics are those which have or could potentially impact the Company's ability to create value over the short, medium and long-term. We have evaluated aspects such as the evolving operating landscape, opportunities and risks that arise from same, key expectations and concerns of our stakeholders, our strategic aspirations and our overall value creation process in determining the material topics. The full set of material topics and further analysis of same are found in pages 32 to 55 of this Report.

### Forward-looking statements

This Report contains certain forward-looking statements with respect to the financial condition and results of operations of

These forward-looking statements represent the Company's expectations or beliefs concerning future events and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Forward-looking statements speak only as of the date they are made. The Company makes no commitment to revise or update any forward-looking statements to reflect events or circumstances occurring or existing after the date of any forward-looking statements.

### Financial Statements and Related Disclosures

- Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka
- Companies Act No. 07 of 2007 (as amended)
- Listing Rules of Colombo Stock Exchange
- Independent Auditors' Report by Messrs. Ernst and Young

### Integrated Reporting

- Integrated Reporting Framework of the Value Creation Foundation
- United Nation's Sustainability Development Goals

### Corporate Governance

- Companies Act No. 07 of 2007 (as amended)
- Listing Requirements of the Colombo Stock Exchange
- Code of Best Practice on Governance issued by the Institute of Chartered Accountants of Sri Lanka
- Code of Best practice on Related Party Transactions issued by the Securities & Exchange Commission

### Inter-links

Where possible, we have linked our discussions to stakeholders impacted, capitals and UN's Sustainability Development Goals through the use of navigation icons

### Core reporting principles

### Materiality

We have build our disclosures along topics that are material to our stakeholders

### Equity

We have embraced both positive and negative performance for a fair and balanced representation of our value creation during the year

## Way forward in our annual reporting

As we forge ahead in enhanced financial and non-financial reporting, we intend to obtain external assurance on same in the coming years. We will also broaden the adoption of frameworks and guidelines that are available locally and internationally which will enhance the quality and integrity of our disclosures.

## Online accessibility of our Report



A PDF version of this Report is accessible on our corporate website.



A PDF version of this Report is accessible on the Colombo Stock Exchange website.

## Icon guide

### Capitals as defined in the <IR> framework



Financial Capital



Manufactured capital



Human capital



Intellectual capital



Social and relationship capital



Natural capital

### Our key stakeholders



Shareholders



Customers



Employees



Business Partners



Government



Community

### United Nations Sustainability Development Goals



## Feedback

We welcome your feedback on how we can enhance the relevance and reader-friendliness of our Report.

Please contact

Mr. Ravindra Dissanayake

Head of Finance

Level 27, East Tower, World Trade Center, Colombo 01

Email: ravindra.d@hayleysleisure.com

# ABOUT US

## We are The Kingsbury PLC

Bejeweled as one of the finest five-star Colombo hotels located in-between Galle Face Green, the World Trade Centre and the Dutch Hospital Precinct, The Kingsbury offers an unparalleled guest experience to local and international guests.



**Prime location in Sri Lanka's capital**



**Aggregate rooms - 229**



**Restaurants - 08**



**Spa**



**Weddings and Events**











We will always be an exciting and innovative company who will create raving fans and not simply satisfied customers.

#### What defines us

Our Purpose Statement	Curating happiness
Vision	To be the most preferred leisure service provider in Sri Lanka
Sector Promise	We will always be an exciting and innovative company who will create raving fans and not simply satisfied customers
Our Values	Never say NO Get it right the first time, all the time Innovative culture Take care of our employees and their families Truly sustainable
Our Team	Our team comprises of 720 individuals
Strength of the Hayleys Group	Group controls 59.08% of the Company
Financial statistics	Rs. 4,444 Mn in total assets Rs. 549 Mn in total equity Rs. 3,818 Mn in revenue for FY 2022/23
Our commitment to ESG	Guided by Hayleys PLC's, "The Hayleys Lifecode", which sets out the Group's 2030 environmental, social and governance aspirations, roadmap and action plan
Progress made in Hayleys Lifecode targets	14% reduction in energy intensity 2,700 CSR beneficiaries 2,958 training hours conducted for employees



# VALUE CREATION HIGHLIGHTS

For the financial year ended 31st March		2023	2022	% Change
	<b>Financial capital</b>			
	<b>Revenue and profits - Rs. '000</b>			
	Revenue	3,817,614	2,021,666	89%
	Earnings Before Interest, Tax, Depreciation & Amortisation (EBITDA)	158,390	(97,987)	262%
	Results from operating activities	(39,474)	(346,421)	89%
	Profit/(Loss) before tax	(404,852)	(456,538)	11%
	Profit/(Loss) after tax	(552,473)	(426,835)	(29%)
	<b>Profitability ratios - %</b>			
	Gross profit/(loss) margin	37.18	23.60	58%
	Operating profit/(loss) margin	(1.03)	(17.14)	94%
	Net profit/(loss) margin	(14.47)	(21.11)	31%
	Return on Assets (ROA)	(9.11)	(10.61)	14%
	Return on Capital Employed (ROCE)	(0.89)	(8.05)	89%
	<b>Financial position - Rs. '000</b>			
	Total assets	4,443,253	4,304,326	3%
	Total debt	2,244,640	2,011,883	12%
	Equity attributable to equity holders of the parent			
	<b>Balance Sheet performance ratios - %</b>			
	Gearing	84.11	64.09	31%
	Debt/Equity	529.38	178.50	197%
	Equity Asset Ratio	0.10	0.26	(62%)
	Current ratio (times)	0.30	0.27	11%
	Quick asset ratio (times)	0.23	0.21	10%
	Interest cover (times)	0.11	2.56	(96%)
	<b>Market/Shareholders information</b>			
	Market value per share - Rs.	9.90	8.00	24%
	Market Capitalisation - Rs. '000	4,791,600	3,872,000	24%
	Net Assets per share - Rs.	0.88	2.3	(62%)
	Dividends per share - Rs.	0.00	0.00	
	Dividend payout - %	0.00	0.00	
	Dividend yield - %	0.00	0.00	
	Earnings per share (basic) - Rs.	(1.14)	(0.88)	30%
	Price earning ratio (times)	(8.68)	(9.09)	(4%)
	<b>Manufactured capital</b>			
	Property, plant & equipment - Rs. '000	3,631,705	3,751,326	(3%)
	Number of Rooms	229	229	-
	Number of outlets	8	8	-
	Other Revenue Avenues	5	5	-
	Capital expenditure - Rs. '000	79,633	69,163	15%
	<b>Human capital</b>			
	Total employees	720	718	0%
	Economic value added per employee	5,302	2,816	47%
	Training hours per employee	4.1	5.75	(29%)
	Retation rate	58.7	53.1	10%
	<b>Intellectual capital</b>			
	Brand rating as per Trip Advisor	3	11	-
	Number of awards won	1	1	-
	Average service period of employees (No. of Years)	4.7	5	-
	Number of processes carrying international / local certifications	3	3	-
	<b>Social and relationship capital</b>			
	Number of suppliers	517	509	2%
	Investments in CSR activities - Rs. '000	8,181	-	-
	Number of beneficiaries	2,700	-	-
	<b>Natural capital</b>			
	Carbon footprint - TCO <sub>2e</sub>	5,811	4,254	(37%)
	Electricity consumption - Kwh	5,837,886	5,740,712	(2%)
	Water consumption - m <sup>3</sup>	116,715	110,161	(6%)



*Leadership*  
09- 17

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**Guiding Vision**

We are proud to highlight the unwavering commitment and visionary guidance of our esteemed leaders who, with clear and inspiring insights, have steered our organisation through both challenges and triumphs, setting the course for our continued success.

# REFLECTIONS FROM THE CHAIRMAN



**Our Integrated Annual Report presents a balanced account of how we navigated the rapidly evolving challenges presented by the operating landscape, drawing inspiration from our fundamentals and wholesome values, firmly guided by our conviction that every dark cloud illuminates a silver lining.**

## **Dear Stakeholder**

The year gone by was one in which, the resilience, perseverance and mettle of our nation was put to the ultimate test by a myriad of unprecedented challenges that unfolded and I am truly awed by the grace with which The Kingsbury team evolved in response to them. Notwithstanding such hardships, the year saw The Kingsbury's Purpose revitalised under the theme "Curating Happiness", rallying our passionate team and impeccable processes towards creating joyous memories for our customers. It is my pleasure to present to you The Kingsbury PLC's inaugural Integrated Annual Report for the financial year 2022/23 together with audited financial statements. Our Integrated Annual Report presents a balanced account of how we navigated the rapidly evolving challenges presented by the operating landscape, drawing inspiration from our fundamentals and wholesome values, firmly guided by our conviction that every dark cloud illuminates a silver lining.

## **OPERATING LANDSCAPE**

### **Global tourism on a strong recovery path**

Having borne the brunt of the COVID-19 pandemic over 2020 and 2021, global tourism demonstrated stronger than expected results in the calendar year of 2022, attributable to the release of pent-up demand and relaxation of travel restrictions across the globe. Over 900 million tourists travelled internationally in 2022, which translated to a 63% recovery compared to pre-pandemic levels in 2019. Middle Eastern and European regions led the pace of recovery at 83% and 80% respectively, whilst Asia and the Pacific regions posted a more moderate recovery at 23%, owing to stronger pandemic-related restrictions. The year also saw a strong rebound in tourism spending, with income across many destinations recovering to pre-pandemic levels

### **Navigating the operating landscape**

Meanwhile in Sri Lanka, tourist arrivals gradually picked up from mid-2021 due reflecting easing restrictions for vaccinated travellers and the global increase in vaccination rates. The trend continued through the first three months of 2022, peaking in March 2022 with the arrival of 106,500 tourists. Ambitious sights were set on one million tourist arrivals in 2022 with a revenue generation target of USD 1.8 Bn. However, the industry was deeply affected from April 2022, as Sri Lanka experienced significant macro-economic vulnerabilities, which in turn had cascading effects all sectors of the economy.

Inflation rose to unprecedented levels fueled by both supply side effects and demand side pressures, adversely affecting spending capacities of individuals. This resultantly led to reduced demand for leisure and related services. The weakening rupee against the US dollar for most part of the year added on to inflationary pressure. The tightening monetary policy adopted by the Central Bank of Sri Lanka set market interest rates also moving significantly up. This propelled us to revisit our capital expenditure and investment plans, and curtail them only to spend for essentials to manage our cost of funds. The acute shortage of foreign currency funds and the resultant restrictions imposed on a wide number of imported goods also affected tourism and leisure. Economic hardships inevitably led to social unrest which lasted for several months ultimately leading to a change in political leadership.

Albeit this setback, renewed hope gradually surfaced with political stability, numerous policy interventions and finalisation of an

Extended Fund Facility (EFF) from the International Monetary Fund (IMF), signalling the country's slow but encouraging path of recovery. Tourism sector with its characteristic agility as demonstrated through many hardships over the years, was swift in rebounding with tourist arrivals progressing during the latter part of 2022 and first quarter of 2023.

### FINANCIAL PERFORMANCE

Understandably, financial performance was adversely affected, and the Company booked in a loss of LKR 552 Mn. However, The Kingsbury Team took all measures to enhance revenue, optimise costs and mitigate losses throughout the year. The collective prowess of the Management team and all other staff members stood us in good stead in navigating the challenges. A more detailed analysis of the financial performance is found in the Managing Director's Review on pages 12 to 14.

### INNOVATIVE AND RESILIENT LEADERSHIP

The Kingsbury PLC continued to be led by an effective leadership team at the Board level as well as the Management level functioning in sync to navigate the Company through the many turbulences of the year. The Company's strong governance framework, perfected over the years through full compliance with all applicable regulations and voluntary adoption of best practices proved as a valid blueprint in staying resilient amidst the complexities. The Board of Directors spent considerable time in evaluating how the operating landscape evolved on socio, economic and political fronts and was swift in guiding the team on implementing prudent responses to safe-guard the interest of the Company and all connected stakeholders.

The dynamism, diversity and versatility of the Board was further enhanced during the year with the appointments of Ms. Brindhini Perera and Mr. Timothy Speldewinde as Non-Executive Directors to the Board. We look forward to their valuable insights as we progress in to the future.

### DELIVERING VALUE TO ALL OUR STAKEHOLDERS

With stakeholder satisfaction deeply embedded in our ethos, we aligned all our efforts in ensuring their well-being despite the challenges that defined the year. Our vision to be the most preferred leisure service provider in Sri Lanka continued to inspire us in delivering the best experience to our customers. Our employees who are integral in the Company's success were treated with extra care, given the multitude of challenges they faced with potential impact on their physical, emotional and financial well-being. The industry was plagued by an exodus of staff, with a similar situation at The Kingsbury. Our timely HR strategies ensured that our team remained intact in terms of size and skill levels required to deliver The Kingsbury promise.

### OUR COMMITMENT TO ESG PRIORITIES

The Company remained fully committed to its environmental, social and governance priorities throughout the year. Guided by our parent company Hayleys PLC's ESG Roadmap, the "Hayleys LifeCode," we continued our ESG priorities unabated amidst the external shocks. Energy saving drive across The Kingsbury premises with the aim of reducing the Company's carbon footprint and "Carriage of Hope" project via which we donated 25,000 school books to 2,500 school children across all 25 administrative districts of the country are two of the key initiatives we rolled out during the year.

### FUELING SRI LANKA'S ECONOMIC GROWTH

We at The Kingsbury PLC are cognisant of the mammoth potential the tourism industry possesses in fueling Sri Lanka's economic growth. As one of the largest contributors to the country's foreign reserves, the sector can be the game changer in guiding the country out of its present debacle. The Kingsbury PLC remains deeply committed in its role as a leading hotel in Sri Lanka in this mission. We are confident that the remarkable guest experience we offer, with warm hospitality, state-of-the-art amenities and world class service standards will take the name of our island nation across the globe.

### PROSPECTS

Globally, tourism is set to return to pre-pandemic levels in 2023 in some of the regions. The recent lifting of COVID-19 related travel restrictions in China, the world's largest outbound market in 2019, will auger well in the recovery of the tourism sector in Asia and the Pacific and worldwide. The sector will continue to face challenges stemming from economic and geopolitical tensions. Nevertheless, one can be cautiously optimistic about the sector in 2023 and beyond. Sri Lanka has set ambitious targets of luring 2 million tourists to the country, which would exceed the arrivals recorded in 2019. It is imperative that the country remains politically and economically stabilised for the tourism sector to thrive. We are hopeful that the current recovery trend of the economy will continue, particularly with the finalisation of the Extended Fund Facility (EFF) from the International Monetary Fund (IMF), and related policy reforms to be implemented which will address chronic issues that ail the economy.

In such a backdrop The Kingsbury PLC is confident of tapping its fullest potential as one of Sri Lanka's premier hotels, and making solid contributions to the country's economic revival.

### ACKNOWLEDGEMENTS

As we reflect on the tumultuous year that we braved with our innate positivity, I wish to extend my appreciation to my fellow Board members for their valuable counsel in ensuring that The Kingsbury PLC remained in its glory amidst the adversities. I join them in thanking three of our outgoing Directors - Mr. Dhammika Perera who was also the Co-Chairman, Mr. Lalit Wijeyeratne and Ms. Kawshi Amarasinghe for their invaluable insights and guidance over the years. I, together with the fellow Board members appreciate the relentless focus and commitment of the Managing Director of The Kingsbury PLC, Mr. Rohan Karr and the entire Kingsbury team for their passion, dedication and trust placed in us. I also wish to thank our shareholders for placing confidence in us and our customers who continue to inspire us in creating not simply satisfied customers, but delighted fans of The Kingsbury experience. Our tour operator partners, suppliers and all other stakeholders also deserve our gratitude for partnering us and supporting us achieve our vision.



**Mohan Pandithage**  
Executive Chairman

15th May 2023

# MANAGING DIRECTOR'S REVIEW



**The Company focused on prudent revenue enhancing mechanisms under which pricing was revised in a timely manner based on market outlook as well as in response to inflation levels of the economy. Our focus on resource efficiency ensured that we maintained uncompromised quality with lesser resource usage. Energy consciousness and waste reduction augured well for us when fuel and electricity were in short supply.**

## **Dear Stakeholder**

It gives me immense pleasure to pen this Review to you, in reflection of what undoubtedly was a year shrouded with many challenges. More strikingly it was a year in which our unwavering positivity enabled us to look beyond the gloom and melancholy and set ourselves forth on a journey of renewed hope, whilst delicately preserving the interest of our stakeholders.

## **AN AGILE STRATEGY AT WORK**

As elaborated in the Reflections from the Chairman on pages 10 to 11, the operating environment within which we functioned shifted drastically, invalidating predetermined plans that businesses were pursuing. The emerging challenges demanded tactical changes in strategy in form of swift actions in order to remain relevant and sustain operations. The agility of The Kingsbury's strategy enabled us to respond and adjust to such evolving conditions. The Company focused on prudent revenue enhancing mechanisms under which pricing was revised in a timely manner based on market outlook as well as in response to inflation levels of the economy. Given the heavy depreciation of the Sri Lankan Rupee, we adopted an optimum mix of Rupee working capital funding whilst closely monitoring the exchange rate movement. We also resorted to billing in foreign currency wherever possible, whilst being fully compliant with applicable regulations. Cost rationalisation continued through 2022/23 as an ongoing measure. Focus on resource efficiency ensured that we maintained uncompromised quality with lesser resource usage. Energy consciousness and waste reduction augured well for us when fuel and electricity were in short supply.

## **CHALLENGED FINANCIAL PERFORMANCE**

The Kingsbury PLC reported an increase in turnover by 89% to LKR 1.8 Bn. for the financial year under review ended 31st March 2023. Although an increase over the prior year, reduced spending capacities of individuals on account of high inflation and new taxes slowed down the growth in turnover. The Company also saw several booking cancellations during the height of peaceful protests and violence that followed, given the fact that protest sites were in close proximity to the iconic Kingsbury premises in Colombo 01. Cost of sales doubled over the previous financial year by 55%. All other expenses such as administrative, marketing and finance expenses also increased exponentially, wiping out prospects of profits and leading to a post-tax loss of LKR 552 Mn for the financial year. Finance expenses alone saw an 182% increase to LKR 383 Mn on account of high interest rates. A number of measures were taken to reduce the impact of rising interest rates and manage liquidity. Fixing the interest of short-term working capital loans for a longer period based on money market conditions and prioritising essential capital expenditure

through a strategic assessment were key. We also consciously minimised borrowings by reducing credit periods offered to the customers whilst encouraging advance payments, thereby improving the liquidity. Furthermore, continuous control and monitoring measures were taken to improve the recoveries from debtors.

### **CARING FOR OUR PEOPLE**

Our people continued to be a prime factor that enabled The Kingsbury to sustain momentum amidst the continuous challenges. The economic crisis of Sri Lanka exerted excessive pressure on our staff members in multiple forms. The rising cost of living, challenges in getting to work amidst severe fuel shortages and disrupted transportation services, the emotional stresses were a few to name. Staying true to the spirit of caring for our people right across the Hayleys group, the Company heightened its care for the team at the time of need. This was featured in a hardship allowance paid to the most deserving employees, and a one-off economic relief allowance paid to all employees during the financial year.

It is with great satisfaction that we note that The Kingsbury PLC has upheld its commitment to maintaining the welfare of its employees amidst unprecedented challenges. Despite the cascading effects of the Easter Sunday attacks in 2019, the global pandemic, and the economic turbulence of 2022, which have had a significant impact on our financial performance, we have not resorted to any measures such as lay-offs or salary reductions for our workforce, including those employed on a contractual basis. In fact, we have taken proactive steps by implementing salary hikes and market rate adjustments to ensure fair and equitable compensation for all staff members.

### **GEARING FOR GROWTH**

Notwithstanding the prevailing economic conditions, our marketing and business development teams remain steadfast in all their efforts to explore new business avenues. Internally we are reshaping our standard operating procedures for an enhanced experience for our customers and more streamlined and efficient processes. We are also up-skilling and re-skilling our teams particularly as a considerable percentage of our team has joined us within the past 12 months, due to mass migrations of skilled labour the country experienced, which was true at The Kingsbury as well. We continue to uplift the grandeur of The Kingsbury property through prioritised capital expenditure as previously mentioned. These measures will position us favourably for robust growth as the country gradually emerges from the present crisis.

**Staying true to the spirit of caring for our people right across the Hayleys group, the Company heightened its care for the team at the time of need. This was featured in a hardship allowance paid to the most deserving employees, and a one-off economic relief allowance paid to all employees during the financial year.**

### **ENHANCED REPORTING**

Affirming continuous improvement across the board at The Kingsbury, from this year on we have aligned with the global best practice for non-financial reporting as per the International Integrated Reporting (<IR>) Framework issued by the Value Reporting Foundation. This shift in reporting will enable us to better relate our value creation process to all our stakeholders with greater clarity and transparency.

### **PROSPECTS**

The global tourism sector is set for a strong year despite the diverse challenges including the economic situation and continued geopolitical uncertainty. In recent times, considerable increases in international tourism receipts have been recorded across most destinations, at times surpassing growth in arrivals. This is attributable to the increase in average spending per trip due to extended stay periods, the willingness by travellers to spend more in their destination and higher travel costs due to inflation. That being said, it is also possible that on account of the economic conditions, tourist may adopt a more cautious attitude towards travel in 2023, that could potentially translate in to reduced spending, shorter trips and travel closer to home. Staycations also gained traction in Sri Lanka during 2022 as air travel became exorbitantly expensive. We will continue to monitor these emerging trends in travel and tourism and recalibrate our propositions to optimise on the opportunities.

# Managing Director's Review

## ACKNOWLEDGEMENT

As we look to the future with a renewed sense of positivity, I wish to express my sincere gratitude to the Chairman Mr. Mohan Pandithage and the Board of Directors for their counsel and guidance in navigating through what was undoubtedly the most challenging year in post independent Sri Lanka. I consider myself privileged to lead The Kingsbury Team, including my Management Team whose passion, unwavering team spirit and perseverance have been the key factors of our success. It is my firm belief that one of Kingsbury's strongest advantages is having the right people at the right place, all the time. My deep appreciation goes to all our customers for choosing The Kingsbury and affording us the inspiration to continually do better. I also wish to thank our parent company Hayleys PLC, our shareholders, our operating partners and all other stakeholders for powering us to be the best versions of ourselves.



**Rohan Karr**  
Managing Director

15th May 2023



# BOARD OF DIRECTORS

## **Mohan Pandithage**

*Executive Chairman*

(Appointed on 23rd April 2010)

Mr. Mohan Pandithage currently serves as the Chairman and Chief Executive of Hayleys PLC, a position he has held since his appointment in July 2009.

As an accomplished industry veteran and respected leader in the field of transportation and logistics, he was honoured with the prestigious 'Best Shipping Personality' Award by the Institute of Chartered Shipbrokers, in recognition of his outstanding contributions to the industry. Additionally, he was presented with a Lifetime Achievement Award by the Seatrade-Sri Lanka Ports, Trade and Logistics (SLPTL). He was the first Sri Lankan to be awarded the Pinnacle Lifetime Award by the Chartered Institute of Logistics and Transport (CILT). He was also inducted as a 'Legend of Logistics' by the Sri Lanka Logistics and Freight Forwarding Association, in acknowledgement of his invaluable services to Sri Lanka's logistics industry.

Mr. Pandithage serves as Honorary Consul of the United Mexican States (Mexico) to Sri Lanka. He is a Fellow of the Chartered Institute of Logistics and Transport United Kingdom (UK) and a Member of the Advisory Council of the Ceylon Association of Shipping Agents (CASA). He also serves as a Council Member of the Employers' Federation of Ceylon.

As an Executive Chairman of multiple companies within the Hayleys Group, Mr. Pandithage possesses extensive leadership experience across a broad spectrum of industries. Presently, he holds the position of Executive Chairman at Dipped Products PLC, Haycarb PLC, Hayleys Fibre PLC, Talawakelle Tea Estates PLC, Kelani Valley Plantations PLC, Horana Plantations PLC, Alumex PLC, Hayleys Fabric PLC, Regnis (Lanka) PLC, Singer (Sri Lanka) PLC, Singer Industries (Ceylon) PLC, Hayleys Leisure PLC, and Unisyst Engineering PLC. He also serves on the Board of Diesel & Motor Engineering PLC.

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## **Rohan Karunarajah (Rohan Karr)**

*Managing Director*

(Appointed on 01st June 2019)

Mr. Rohan Karr serves as the Managing Director of the Hayleys Leisure sector which includes The Kingsbury PLC, Hayleys Leisure PLC and its subsidiaries Amaya Resorts & Spas. Mr. Karr holds a Masters in Hospitality and Business Studies from the United Kingdom (UK) and is a veteran in the hospitality industry with over 40 years' experience. He has held senior positions such as

Executive Vice President / Sector Head / General Manager at leading hotels in both Sri Lanka and in United Kingdom (UK). He has also served as Regional Director - Revenue Management of Marriott Hotels for Whitbread Hotel Company - UK, as General Manager of Bristol Marriott Hotel - UK and Marriott Marble Arch - London UK before his return to Sri Lanka. He was instrumental in revitalising standards for the entire domestic hospitality sector through his groundbreaking work as Executive Vice President of John Keells Holdings, overlooking the Cinnamon City Hotels and Resorts chain and as Head of Brand Development for Cinnamon.

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## **Sarath Ganegoda**

*Non-Executive Director*

(Appointed on 22nd April 2010)

Mr. Sarath Ganegoda rejoined Hayleys in March 2007. Appointed to the Group Management Committee in July 2007. Appointed to the Board in September 2009. 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.

Mr. Ganegoda 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, Hayleys Leisure PLC and Horana Plantations PLC.

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## **Niranjan Deva Adithya**

*Independent Non-Executive Director*

(Appointed on 16th February 2009)

Mr. Niranjan Deva Adithya DL FRSA, Member of Parliament (1992-1997) and MEP - Member of European Parliament (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 is the publisher and President of the Global Media Platform Home - Commonwealth Union. He is the publisher and President of the Global Media Platform Home - Commonwealth Union.

Mr. Deva Adithya was the Chairman of the European Union (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 United Nations General Assembly.

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

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### **Ramani Ponnambalam**

*Independent Non-Executive Director*  
(Appointed on 30th July 2010)

Ms. Ramani Ponnambalam has held several Senior Management positions in large private sector entities.

Ms. Ponnambalam has served as the Chairperson of Alliance Finance Co PLC, as a Director of McLarens Holdings Limited & GAC Shipping Limited. She currently serves as Director of Hayleys Leisure PLC, Macbertan Holdings (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 Jt. Head of Governance Pillar of the Women's Chamber of Industry & Commerce.

### **Johann Wijesinghe**

*Non-Executive Director*  
(Appointed on 22nd April 2010)

Mr. Johann 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.

Mr. Wijesinghe currently serves as a Non-Executive Director on the Boards of Hayleys Aviation & Projects (Private) Limited, Unisyst Engineering PLC, Hayleys Leisure PLC, S&T Interiors (Private) Limited, Summer Seasons Limited and Greener Water (Private) 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 (CIM UK).

Additionally, Mr. Wijesinghe has served as the Chairman of Litro Gas Lanka Limited. He also has in excess of 5 years of senior management experience in the hospitality industry.

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### **Jan Van Twest**

*Independent Non-Executive Director*  
(Appointed on 09th November 2012)

Mr. Van Twest counts over 45 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 from the Carl Duisburg Centre in Munich, Germany in Advanced Hotel and Catering Operations. He is also a graduate of the Technical University of Munich, Germany and a Certified Hotel Trainer with the Chamber of Commerce for Munich and Upper Bavaria. He presently is a board member of The Fortress PLC & The Summer Seasons Limited.

## **Isabel Jamaldeen**

*Independent Non-Executive Director*

(Appointed on 15th March 2017)

Ms. Isabel 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.

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## **Timothy Speldewinde**

*Independent Non-Executive Director*

(Appointed on 01st July 2022)

Mr. Timothy Speldewinde is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and also a Fellow of the Chartered Institute of Management Accountants UK.

Mr. Speldewinde is a Consultant to the Board of MAS Holdings (PVT) Ltd and has been an integral member of the MAS Holdings group. He also serves on the Boards of Wealth Trust Securities Limited and Contemporary Ceylon (Pvt) Ltd and is the Chairman of the Audit Committee of WealthTrust Securities Limited.

## **Brindhiini Perera**

*Non-Executive Director*

(Appointed on 19th October 2022)

Ms. Brindhiini Perera has earned a Masters in Mechanical Engineering from Imperial College London. Her studies included comprehensive coverage of subjects such as Manufacturing Technology and Management, Entrepreneurship, Corporate Finance, Statistics, and Mathematics.

Ms. Perera serves as a Non-Executive Director in several companies listed on the Colombo Stock Exchange including Vallibel One PLC, Royal Ceramics Lanka PLC, Lanka Tiles PLC, Lanka Walltiles PLC, Haycarb PLC, Dipped Products PLC, Hayleys Fabric PLC, Hayleys Leisure PLC, and Singer (Sri Lanka) PLC. She also serves on the Board of Eurocarb Products Ltd (UK), Delmege Limited, Otwo Biscuit (Private) Limited, The Canbury Biscuit Company Limited, Manatee Clothing Company (Pvt) Ltd and Dhammika & Priscilla Perera Foundation.



*Operating Landscape and Value Creation*  
18- 29

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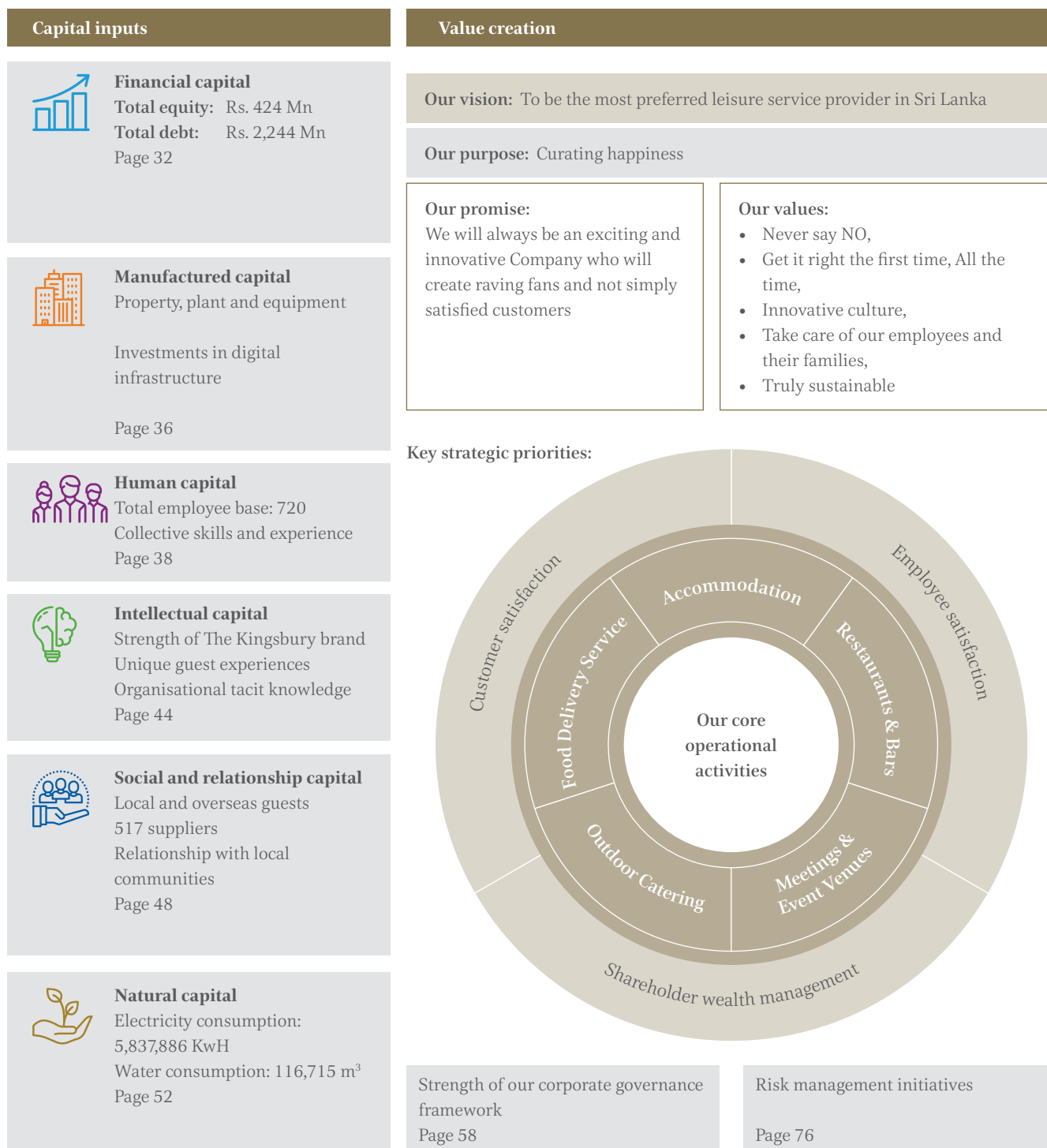









## **Thriving Momentum**

As we move forward, we remain dedicated to staying agile, embracing emerging opportunities, and maximising value creation across all facets of our business. Our commitment to excellence has allowed us to create value, not only for our stakeholders, but also for the communities in which we operate.

# VALUE CREATION MODEL

The Value Creation Model depicted in graphical form below demonstrates how The Kingsbury PLC deployed its resources and relationships in generating value to all our stakeholders. The Model is developed based on the six capitals prescribed by the Integrated Reporting Frameworks, and depicts how these capital inputs are transformed through the Company’s core strategic priorities and operations in to tangible stakeholder value.



Outputs	Outcomes	Stakeholders impacted
Total revenue: Rs. 3,817 Mn EBITDA: Rs. 158.4 Mn	Earnings per share: Rs. (1.14) Share price movement: 24%	  Shareholders Employees
Investments in upgrades to the property: Rs. 79.6 Mn	Well preserved grandeur of The Kingsbury property	  Customers Employees
Investment in training & development: Rs. 908,450	Salaries and benefits to employees: Rs. 640 Mn Attrition rate: 41.3%	 Employees
Increase in brand rating in Trip Advisor: No. 3	Average length of service of employees: 4.7 years	   Customers Employees Shareholders
Beneficiaries of CSR initiatives: 2,700	Customer satisfaction as per Trip Advisor rating: 4.5/5 Investment in community empowerment initiatives: Rs. 8.2 Mn	  Customers Communities
Carbon footprint: 5,811 TCO <sub>2</sub> e	Energy intensity reduce by 28%	 Communities

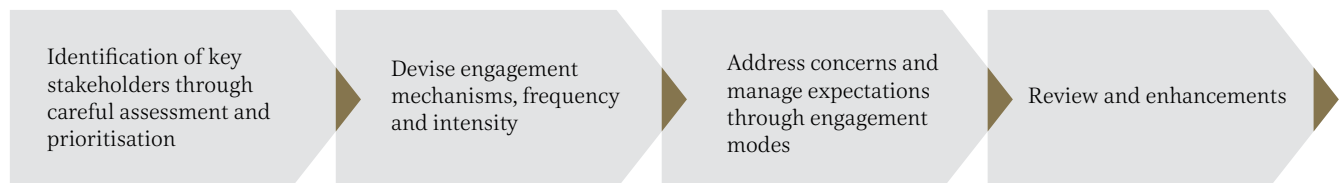
# STAKEHOLDER DYNAMICS

## Our stakeholder universe



Amongst the multitude of stakeholders that we interact with in our value creation process, we engage with those who we believe can impact our value creation and the pursuit of our strategic aspirations. We are cognisant of the competing interests of our stakeholder and we strive to design our engagement platforms in a bid to ensure all their concerns are met to the best extent possible.





We follow the following blueprint in ensuring sound relationships with our key stakeholders.





Stakeholder group	Profile/ Extended target groups	How we engaged them	Key concerns during the period	How we responded
 <p><b>Shareholders</b></p>	<ul style="list-style-type: none"> <li>• 4,588 public shareholders representing 59.08% of the total shares</li> <li>• Prospective investors</li> <li>• Investment analysts</li> <li>• Stock brokers</li> <li>• Financial media</li> </ul>	<ul style="list-style-type: none"> <li>• Annual General Meetings</li> <li>• Extra-ordinary General Meetings</li> <li>• Other continuous one-on-one investor meetings on a needs basis</li> <li>• Periodic publication               <ul style="list-style-type: none"> <li>~ Annual report (print and online version)</li> <li>~ Quarterly financial statements</li> <li>~ Announcements made to the Colombo Stock Exchange</li> </ul> </li> <li>• Corporate websites of The Kingsbury PLC and our parent company Hayleys PLC               <ul style="list-style-type: none"> <li><a href="https://www.thekingsburyhotel.com/">https://www.thekingsburyhotel.com/</a></li> <li><a href="https://www.hayleys.com/leisure/">https://www.hayleys.com/leisure/</a></li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Impact of the socio, political and economic challenges on the business operations</li> <li>• Continuity of operations as per the Company's standards despite scarcity of resources, other challenges</li> <li>• Generation of shareholder returns amidst high tax, high inflation conditions</li> <li>• Resilience of the governance and risk management framework</li> <li>• Competency of the Board and Management in navigating through challenges</li> <li>• Integration to environmental, social and governance aspects</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic realignment in response to external environmental shocks to ensure continued operations and loss mitigation</li> <li>• Strengthening governance</li> <li>• Building Risk Management Framework</li> </ul>
 <p><b>Customers</b></p>	<ul style="list-style-type: none"> <li>• Local and international guests</li> </ul>	<ul style="list-style-type: none"> <li>• Customer relationships/ first-hand customer interactions at our properties</li> <li>• Direct customer feedback on social media platforms including online travel sites</li> <li>• Feedback received via channel partners</li> <li>• Corporate websites of The Kingsbury and Hayleys PLC</li> <li>• Customer satisfaction surveys</li> <li>• Brochures, itineraries, magazines and other publications</li> </ul>	<ul style="list-style-type: none"> <li>• Quality of product and service delivery</li> <li>• Escalation in prices</li> <li>• Safety and privacy</li> <li>• Integration to sound ESG practices</li> </ul>	<ul style="list-style-type: none"> <li>• Pricing strategy closely connected with enhanced value for money permitted under the current conditions</li> <li>• Realignment of processes and resources to ensure maximum guest comfort and satisfaction</li> <li>• Continued commitment to significant ESG aspects powered</li> </ul>

# STAKEHOLDER DYNAMICS

Stakeholder group	Profile/ Extended target groups	How we engaged them	Key concerns during the period	How we responded
 <p><b>Employees</b></p>	<p>720 staff members 12% female staff members</p>	<ul style="list-style-type: none"> <li>• Training and development initiatives</li> <li>• Employee recognition programmes</li> <li>• Periodic staff meetings</li> <li>• Structured grievance handling process</li> <li>• Employee volunteerism linked to corporate sustainability initiatives</li> <li>• Staff recreation activities</li> <li>• News letters, intranet, closed/ open social media groups</li> </ul>	<ul style="list-style-type: none"> <li>• Job security and financial security</li> <li>• Additional support and care given the unique challenges faced</li> <li>• Continued investments in training and development</li> <li>• Career advancement opportunities in a year of subdued performance</li> <li>• Diversity and inclusion</li> <li>• Work life balance</li> </ul>	<ul style="list-style-type: none"> <li>• Exceptional care extended to our team with zero layoffs, no salary cuts and no benefit curtailments</li> <li>• Upward revisions to salary levels to be at par with market median</li> <li>• Specialised support extended including economic hardship allowance and Company arranged transportation</li> <li>• Continued investments in training and development</li> </ul>
 <p><b>Business partners</b></p>	<p>Channel partners, suppliers, tour operators, online travel agents, suppliers</p>	<ul style="list-style-type: none"> <li>• First hand interactions through physical or virtual meetings</li> <li>• Visits to business partners</li> <li>• Contractual agreements</li> <li>• Periodic seminars, workshops or forums</li> </ul>	<ul style="list-style-type: none"> <li>• Undisrupted business relationships</li> <li>• Timeliness of payments and payment terms</li> <li>• Fair pricing</li> <li>• Understanding of limitation prevalent, professionalism of engagement</li> <li>• Revised terms and conditions in response to the external challenges</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthened relationships with all business and channel partners through the entire value chain</li> <li>• Mutual support and understanding in response to the challenges</li> <li>• Enhanced governance in fair pricing and deciding terms and conditions</li> </ul>
 <p><b>Government</b></p>	<p>Government and related bodies such as the Sri Lanka Tourism Promotion Bureau</p>	<ul style="list-style-type: none"> <li>• Direct engagements in matters concerning the industry</li> <li>• Timely reporting to relevant regulatory bodies, and payment of taxes</li> </ul>	<ul style="list-style-type: none"> <li>• Expeditious recovery of the sector as a critical contributor in the national economic revival</li> <li>• Contribution to the national economy through tourism income, job creations and keeping connected sectors/ communities live through continued demand</li> <li>• Job security of the tourism sector</li> <li>• Contribution to fiscal revenue through timely and accurate tax payments</li> <li>• Environmental preservation and communities upliftment</li> </ul>	<ul style="list-style-type: none"> <li>• Timely payment of corporate taxes</li> <li>• Continued collaboration with the Sri Lanka Tourism Development Authority in promoting Sri Lanka in the global tourism market</li> <li>• Active dialogue with Government authorities in devising strategies to propel the recovery and growth of Sri Lanka's tourism</li> </ul>
 <p><b>Community</b></p>	<p>The communities in which the Company has its presence.</p>	<ul style="list-style-type: none"> <li>• Meetings with Beneficiaries of our corporate social responsibility (CSR) endeavours</li> <li>• Various Publications on our CSR initiatives in the annual report, corporate website, press, social media, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Contribution to needy segments of the community in facing the challenges caused by the economic crisis</li> <li>• Generation of employment opportunities</li> <li>• Collaboration in combatting climate related issues</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate social responsibility initiatives</li> <li>• Conceptualisation and implementation of CSR initiatives in response to critical social issues , with high impact on beneficiaries.</li> </ul>

# OPERATING ENVIRONMENT

## Global tourism sector performance



### Key statistics

- Total international travels - Over 900 Mn tourists
- Recovery versus pre-pandemic levels - 63%
- Regional performance

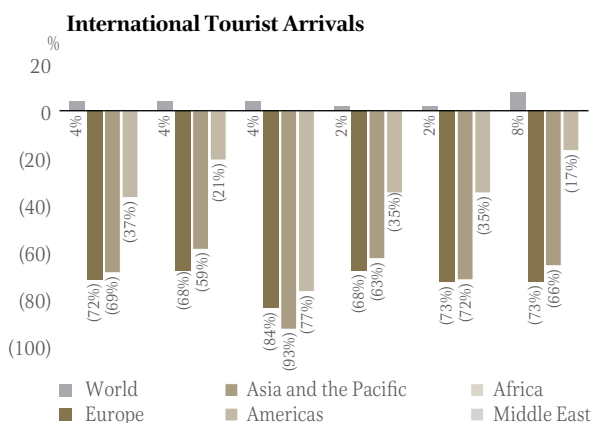
Middle East - Strongest relative increase with 83% recovery versus pre-pandemic level

Europe - 585 million arrivals with 80% recovery versus pre-pandemic level

Africa and the Americas - Approximately 65% recovery

Asia and the Pacific - Lowest recovery rate at 23% attributable to stronger pandemic-related restriction

International Tourist Arrivals, World and Regions



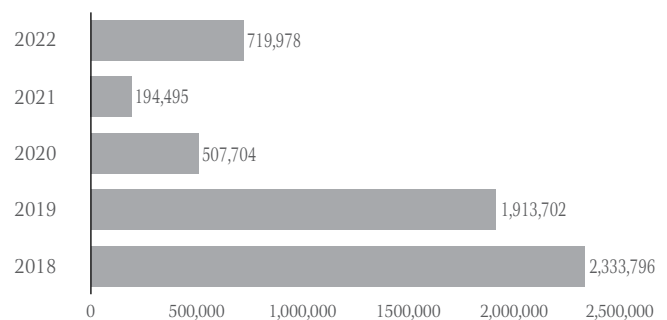
## Sri Lankan tourism sector performance



### Key statistics

- Total tourist arrivals during calendar year (CY) 2022 - 719,978  
Compared to original target of one million for the year
- Total tourist arrivals Jan - Mar 2023 - 335,679
- Total tourism revenue - USD 1.2 Bn

### Tourist arrivals - Sri Lanka



## Macro-economic challenges in Sri Lanka and its impact on the Sri Lankan tourism sector

### Macro-economic challenges

#### Sovereign downgrade to Restricted Default

Sri Lanka's credit rating was subject to successive downgrades since 2020 given the country's various economic imbalances. The Government of Sri Lanka (GoSL) discontinued servicing its international debt in April 2022 given severely depleted foreign currency reserves which was a result of continued external debt servicing, sharp downturn in tourism earnings triggered by the pandemic, and reduced inflow of worker remittances through formal banking channels given the controlled exchange rate. With the lapse of a one month's grace period available for debt servicing, the country was downgraded to Restricted Default in May 2022.

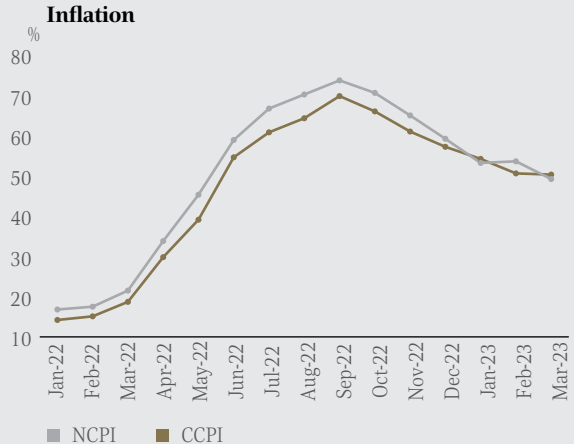
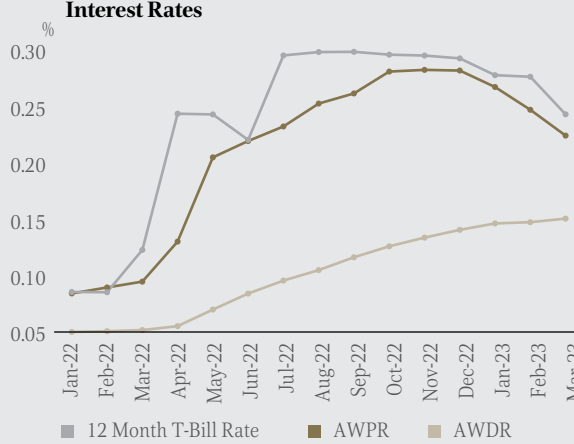
#### Negative GDP growth

Sri Lanka's economy recorded a negative growth of 7.8% for 2022, with quarterly growth rates for 2022 ranging from negative 0.5% to 12.4%. This meant slowdown in almost all sectors of the economy, including tourism and connected industries. Negative GDP affected employment and income levels across the economy, with the discontinuation of many self-employed and SME business ventures.

### Impact on the tourism sector

- Reduced access to international funding in form of equity and debt investments affecting the country's development projects such as infrastructure
- Negative outlook in global markets for Sri Lanka
- Resultant hardships and unconducive environment in the country directly affecting tourist arrivals
- Reduced demand levels

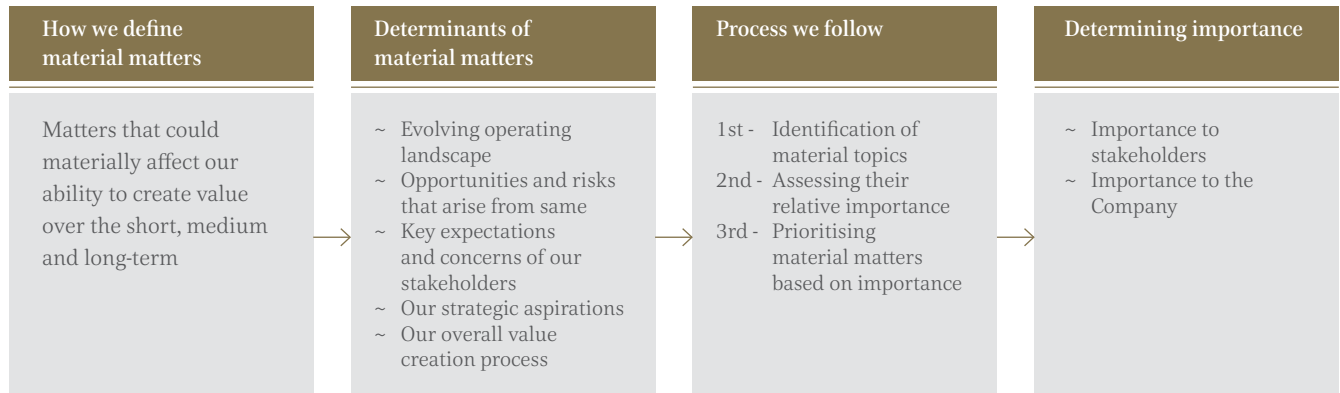
## Macro-economic challenges in Sri Lanka and its impact on the Sri Lankan tourism sector

Macro-economic challenges	Impact on the tourism sector
<p><b>Inflation</b></p> <p>Inflation increased since March 2022, fueled by both supply side shocks and demand side pressures. Official numbers peaked in September 2022, before gradually reducing.</p>  <p><b>Inflation</b></p> <p>■ NCPI ■ CCPI</p>	<ul style="list-style-type: none"> <li>• Exorbitant increases in prices of all inputs.</li> <li>• Upward revisions required to pricing policies which affected customer demand in an environment where customer spending capacities were already diminishing.</li> <li>• Adverse impact on profitability.</li> </ul>
<p><b>Exchange rate movement</b></p> <p>The Central Bank of Sri Lanka (CBSL) abandoned a peg of LKR 200/- against the USD in March 2022, allowing the exchange rate to be decided by market factors. This saw the Sri Lankan Rupee depreciating by over 80% in 2022. The Rupee has appreciated by over 9% since end 2022 to the end of first quarter of 2023, as a result of the policy measures taken to manage the various economic imbalances.</p>	<ul style="list-style-type: none"> <li>• Import restrictions imposed to maintain external rupee stability leading to scarcity of inputs and disrupting operations.</li> <li>• Escalation of cost of imported input.</li> <li>• Upside on revenue from foreign currency denominated pricing, which were not optimised given the reduced demand.</li> </ul>
<p><b>Market interest rates</b></p> <p>In response to spiralling inflation, the CBSL increased policy rates, the highest ever seen in the country's history. This led to considerable upward movement in market rates across the board.</p>  <p><b>Interest Rates</b></p> <p>■ 12 Month T-Bill Rate ■ AWPR ■ AWDR</p>	<ul style="list-style-type: none"> <li>• Hike in interest expenses.</li> <li>• Adverse impact on profitability.</li> <li>• Discouraged further borrowings for business expansions and developments.</li> </ul>

**Macro-economic challenges in Sri Lanka and its impact of the Sri Lankan tourism sector**

Macro-economic challenges	Impact on the tourism sector
<p><b>New tax regime</b></p> <p>In its attempt to enhance fiscal revenue and address the chronic issue of Government budget deficit, the GoSL revised its tax policy in the latter part of 2022.</p> <p>Corporate income tax rate of 24% increased to 30% with effect from October 2022.</p> <p>Value added tax increased to 15%.</p> <p>Withholding tax on interest income of 5%.</p>	<ul style="list-style-type: none"> <li>• Impact on profitability and retained earnings to be deployed as capital for business expansions and developments.</li> </ul>
<p><b>Exodus of skilled labour</b></p> <p>Given the hardships faced, many Sri Lankans resorted to migrating to the developed world. This led to an acute skill gap across many sectors.</p>	<ul style="list-style-type: none"> <li>• One of the most severely affected industries in terms of skilled labour migration.</li> <li>• Attrition of around 41.3% at The Kingsbury PLC.</li> </ul>

# MATERIAL MATTERS

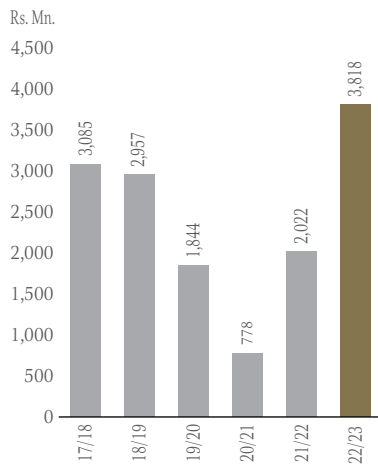


#	Material topic	Impact on the Company	Impacted stakeholders	Impact on the stakeholder
1	Macro-economic developments	High	Shareholders, Customers, Employees, Business partners	High
2	Socio-political developments	High	Shareholders, Customers, Employees, Business partners	High
3	Business continuity	High	Shareholders, Employees	High
4	Generating sound financial returns	High	Shareholders, Employees	High
5	Service standards and customer satisfaction	High	Customers	High
6	Employee satisfaction and well-being	High	Employees	High
7	Employee retention	High	Employees	High
8	Upkeep and upgrade of The Kingsbury property	High	Customers	Medium
9	The Kingsbury brand strength	High	Employees	Medium
10	Procurement processes	High	Business partners	Medium
11	Support to communities	Medium	Communities	High
12	Carbon footprint	High	Customers, Communities	High
13	Energy and water usage	High	Customers, Communities	High
14	Impact on eco-systems and bio diversity	High	Customers, Communities	High
15	Strong governance and risk management	High	Shareholders, Employees	High

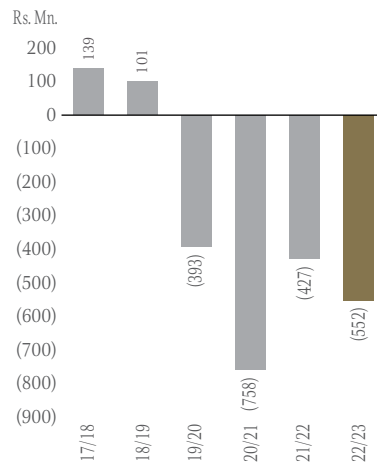
## Materiality Matrix

Impact on the Stakeholder	High		10	1.2.3.4.5.6 7.8.9 12.13.14.15
	Medium			11
	Low			
		Low	Medium	High
		Impact on the Company		

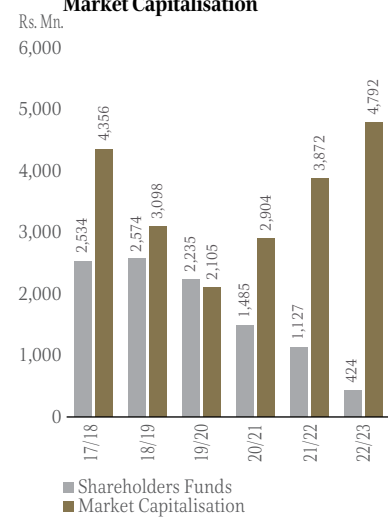
### Revenue



### Net Profit/(Loss)



### Shareholders Funds and Market Capitalisation



# MANAGEMENT DISCUSSION & ANALYSIS



## *Management Discussion & Analysis* 32- 55

Financial Capital	32
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## Strategic Insights

Serving as a crucial tool for our stakeholders to gain a comprehensive understanding of our performance and strategy, this section offers a deep dive into the factors influencing our business operations and the actions taken by our management team to drive sustainable growth and value creation.

# MANAGEMENT DISCUSSION & ANALYSIS

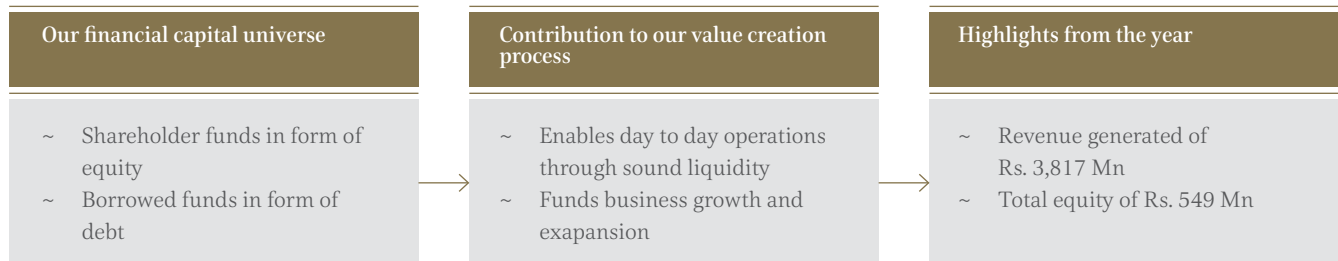
Creating new opportunities



## Financial Capital



As a leading hospitality establishment, we recognise that superior guest experiences are integral to our financial success. As such, we have remained steadfast in our commitment to optimise our resources to deliver value. This has not only increased guest satisfaction, but also contributed to higher occupancy rates, allowing us to generate robust revenue streams and maximise profitability.



## Financial performance analysis

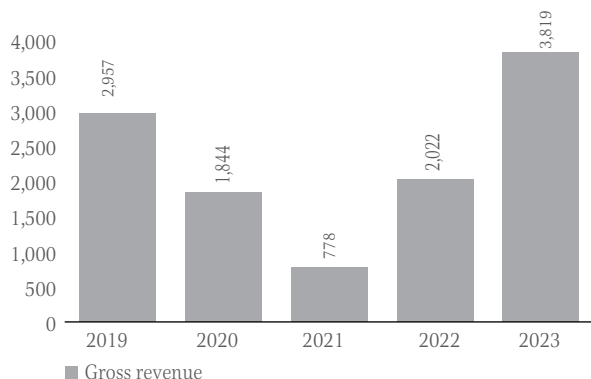
The financial performance of the Company was understandably affected by the socio, political and economic challenges that shaped the year as elaborated under the Operating Environment chapter. Reduced foreign tourist arrivals and dampened demand from local customers on account of eroded spending capacity and escalated prices of our products and services weighed down on profitability, leading to the Company posting a post-tax loss for the fourth consecutive year.

### Revenue

Rs. Mn	2023	2022	Year on Year (YoY) change
Revenue	3,818	2,022	89%
Cost of sales	(2,398)	(1,544)	55%
Gross profit	1,419	477	197%

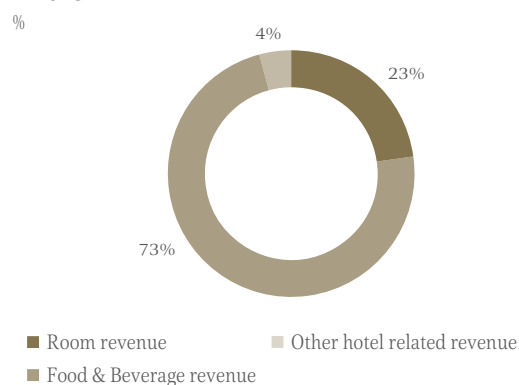
Total revenue for the year was Rs. 3,818 Mn, up by 89% over the prior year (year on year/ YoY growth). In our efforts to manage lesser demand and severe impact on revenue, we resorted to billing in USD where possible, within applicable guidelines. The increase in revenue is mostly reflective of the increase in our pricing which was mandated by the exorbitantly high costs that prevailed through the year. Food and beverage revenue comprised the larger portion of revenue generated at 73%, which is a reversal of our revenue composition prior to 2019 which marked the beginning of profound challenges on the Sri Lankan tourism sector. Under conducive environments, the predominant contribution to revenue came from room revenue. The Kingsbury PLC's pioneering value proposition of online order and delivery of five-star cuisine under "The Kingsbury Indulgence" also supported revenue from the food and beverage category.

### Revenue trend over the past five years

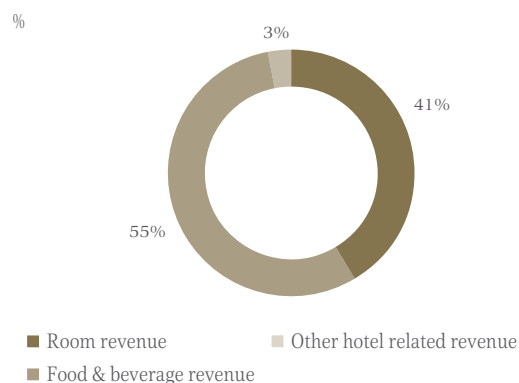


### Segmented analysis of revenue

#### 2023



#### 2019



Cost of sales was Rs. 2,398 Mn, leading to a gross profit of Rs. 1,419 Mn, a 197% YoY increase.

# Management Discussion & Analysis

## Financial Capital

### Expenses

Rs. Mn	2023	2022	YoY change
Administrative expenses	1,412	801	76%
Marketing expenses	54	48	13%
Finance expense	384	136	183%

Administrative and marketing expenses increased at 76% and 13% YoY respectively, mostly on account of the high inflation levels that prevailed through the year. We made conscious efforts to streamline our processes, enhance efficiencies and productivity, which enabled us to stem cost escalations at these levels. Finance expenses saw a surge of 183% to Rs. 384 Mn predominantly attributable to the steep rise in interest rates on our borrowings. This was driven by the market wide increase in interest rates in response to the increase in policy rates by the Central Bank of Sri Lanka by 900 bps during the financial year. Resultantly, average lending rates which were in the range of 10-11% at the beginning of the financial year escalated to around 18% by the end of the financial year.

### Profitability

Rs. Mn	2023	2022	YoY change
Profit/(Loss) before tax	(405)	(457)	11%
Net Profit/(Loss) after tax	(430)	(427)	(1%)

The Company recorded a loss for the financial year continuing the trend for the fourth consecutive year. Accordingly, loss before tax was Rs. 405 Mn versus the loss of Rs. 457 Mn reported in 2022. Loss after tax increased to Rs. 430 Mn compared to Rs. 427 Mn in 2022. EBITDA was Rs. 158.4 Mn.

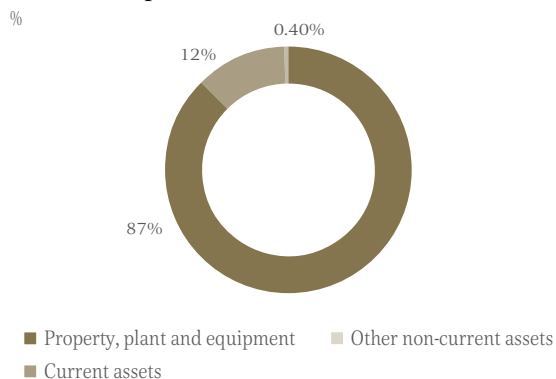
### Financial position

#### Assets

Rs. Mn	2023	2022	YoY change
Total Assets	4,443	4,304	3%
Non-Current Assets	(3,660)	(3,769)	(3%)
Property, Plant and Equipment	3,632	3,751	(3%)
Current Assets	783	535	46%

Total assets grew by 3% during the year to Rs. 4,443 Mn. Property, plant and equipment continued to comprise the majority of total assets, at Rs. 3,632 Mn. Current assets increased by 46% to Rs. 783 Mn, largely driven by increases in inventory, trade receivables and cash equivalents.

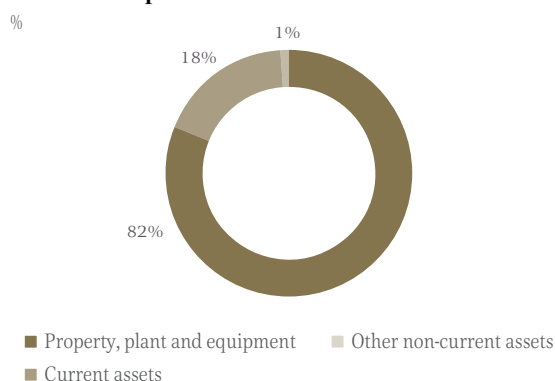
#### Assets Composition - 2022



## Balance sheet funding

Rs. Mn	2023	2022	YoY change
Total equity	549	1,127	(51%)
Non-current liabilities	1,268	1,209	5%
Current liabilities	2,626	1,969	33%

### Assets Composition - 2023



The Company's balance sheet was predominantly funded by current liabilities with 59% of the funding mix in same. Short term borrowings saw an increase of 36% to Rs. 1,326 Mn which funded liquidity needs that arose through the year. Equity stood at Rs. 549 Mn, a 51% reduction over the prior year. This was predominantly due to the erosion of retained earning with the losses reported by the Company.

## Cash flows

Rs. Mn	2023	2022
Net cash generated from operating activities	121,015	(124,904)
Net cash generated from /(used in) investing activities	(111,511)	(66,675)
Net cash generated from financing activities	175,708	241,300
Effect of exchange rate changes on Cash & cash equivalents	7,191	24,965
Net increase in cash and cash equivalents	192,399	74,686
Movement in cash and cash equivalents		
At the beginning of year	(265,224)	(339,910)
Net increase	192,399	74,686
At end of year	(72,825)	(265,224)

During the year, operating and financing activities generated positive cash flows. Net increase in cash flows amounted to Rs. 192 Mn, a considerable increase of 158% compared to the net cash generated in the prior year. Liquidity constraints, high cost of funds and stresses on working capital management demanded prudent liquidity management measures which the Company deployed effectively.



# Manufactured Capital

At Kingsbury Hotel, we have spared no effort in ensuring that our property is meticulously designed, aesthetically pleasing, and equipped with modern amenities. Our continuous commitment to maintaining and expanding our manufactured capital ensures a solid foundation for lasting relationships with our valued guests.



## The Kingsbury property

The Kingsbury Hotel building located at No 48, Janadhipathi Mawatha, Colombo 01 sprawling across 04 Acres is the pinnacle of our manufactured capital. Its grandeur, unique architecture and the full-suite of amenities fit for a star hotel, located by the Indian Ocean and close proximity to iconic attractions of Colombo have earned the reputation as one of the prime hotels in the country.

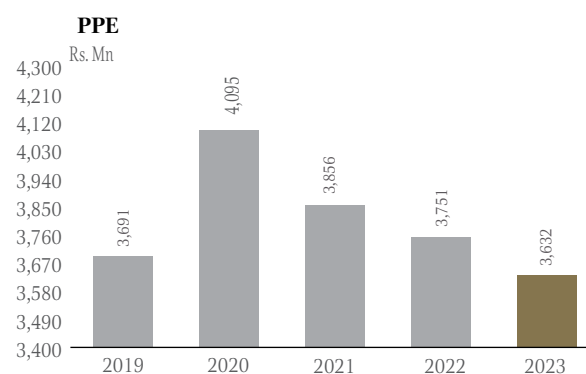
### Amenities on offer

- Superior, Deluxe, Premium and Executive rooms
- Suites and The Kingsbury Suite
- Eight restaurants and bars, each offering a unique thematic experience
- Venues for weddings, meetings and conferences
- Swimming pool
- Fitness Centre
- Spa



## Capital investments during the year

Given the challenging operating environment that prevailed during the year, together with the continued stresses since the Easter Sunday terrorist attacks in 2019 and the effects of the COVID-19 pandemic since 2020 that exerted significant pressure on our profitability, capital expenditure has been limited to meet essential requirements. During 2022/23 we invested Rs. 111 Mn as capital expenditure for the purposes of upgrading PMS. Total property, plant and equipment by the end of the year stood at Rs. 3,632 Mn.



## IT systems and digital infrastructure

During the year, The Kingsbury PLC introduced upgrades to its Property Management System (PMS) to the latest version offered by the vendor to the “Oracle Cloud version”. The Company is the only hotel in the sector, along with Hayleys Leisure PLC to function on the Cloud version, which has largely enhanced efficiency in room inventory management. We also offered a number of customer touch-points on IT and digital platforms such as online room reservations, online cuisine ordering through The Kingsbury Indulgence and QR codes used for scanning menus and placing orders. We continue to function with strong security standards, monitoring and escalation of anomalies in our IT systems to the Senior Management for corrective action and ensure full compliance with Global Data Protection Regulations (GDPR).

## Our contribution to SDGs

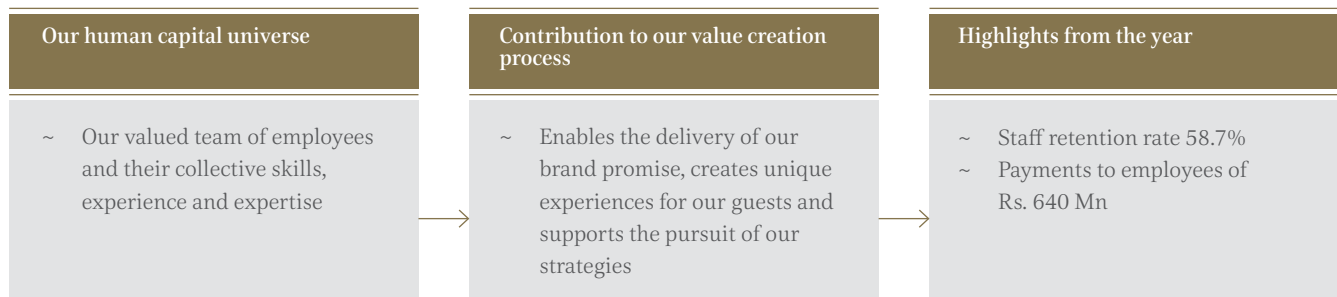




# Human Capital

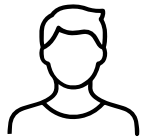


We proudly showcase the invaluable contribution of our human capital in driving our success and delivering exceptional experiences to our esteemed guests. At Kingsbury Hotel, we have fostered a culture of continuous learning and development, providing our employees with ample opportunities to enhance their knowledge, skills, and expertise.





**Our team profile**  
**2023**

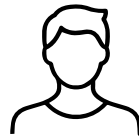


**88%**  
Male



**12%**  
Female

**2022**



**89%**  
Male

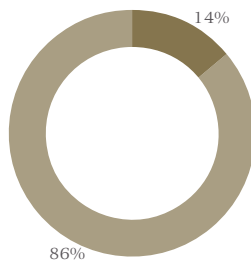


**11%**  
Female

Total employees - Gender	2023	2022	Movement
Total Staff	720	718	0%
Females	87	80	9%
Males	633	638	(1%)

Management team by Gender (In numbers)	2023	2022
Females in Management	12	13
Males in Management	75	83
Total in Management	87	96

**Gender composition of Management staff**



- Females in Management
- Males in Management

Total employees by Nationality	2023	2022
Total Staff	720	718
Sri Lankans	714	708
Other nationals	6	10
Sri Lankans %	99%	99%
Other nationals %	1%	1%

The gender composition of Management remained unchanged since 2022.

# Management Discussion & Analysis

## Human Capital

Employees by Contract and Gender (In numbers)	Male	Female	Total
Permanent	294	40	334
Contract	339	47	386
Total	633	87	720

Employees by Category and Gender (In numbers)	Male	Female	Total
Managers & Above	75	12	87
Executives	94	18	112
Non-Executives	464	57	521
Total	633	87	720

### Human resources management

Our team is one of the vital strengths of The Kingsbury PLC that enable us to remain competitive, agile and responsive in the ever evolving world of hospitality. The management approach to our team underpins our commitment to create a conducive, rewarding and motivating environment in which each employee thrives in their respective careers.

Given the challenging environment that we navigated during the year, we placed special attention on our staff well-being. The following shaped our management approach towards our staff.



## Gender diversity

We are proud of the gender diversity among our team, and we endeavour to enhance same. All employees are treated with equality at every point in their lifecycle with The Kingsbury, starting from Recruitment and through performance evaluation, rewards and recognition, career enhancements, etc. A job role is offered to the most deserving candidate based on his or her qualifications, experience and competence, with gender playing no role. Female representation at The Kingsbury is well above the industry averages as we continue to enhance this further, across all employee grades. We have female representation across a number of functions within the Company.

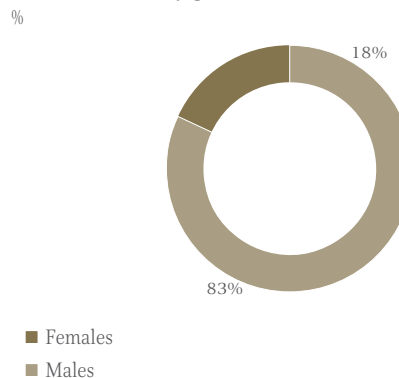
Department	Female staff composition
Administration Department	3
Engineering Department	1
Finance Department	6
Food & Beverage Department	17
Front Office Department	12
Housekeeping Department	6
Human Resources Department	5
Kitchen Department	18
Kitchen Stewarding Department	5
Laundry Department	1
Sales & Marketing Department	8
Security Department	5

## Attrition and New Recruitments

Attrition was one of the most pronounced challenges the hotels and leisure sector faced during the year. Attrition rose to very high levels, as skilled staff migrated overseas in search of better prospects given the dire living conditions that unfolded with the economic crisis. Staff also moved within the country given the new vacancies that were created in the sector. The same situation was true in The Kingsbury. The resultant attrition rate for the year is 41.3%.

Turnover by age	Number	Percentage
18-30 years	13	37%
31-55 years	21	60%
55 years and above	1	3%
Total	35	

## New recruits by gender



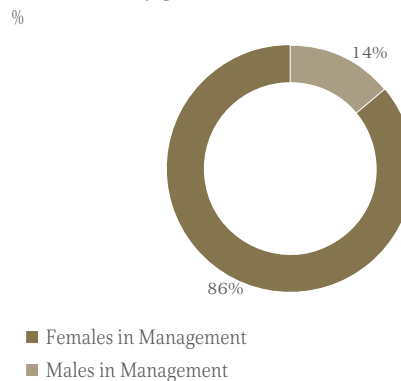
## Recruitments

Swift recruitments ensured that we continued the strength, caliber and competence of our team.

## Profile of new recruits

New recruits by age	Number	Percentage
18-30 years	13	37%
31-55 years	21	60%
55 years and above	1	3%
Total	35	

## Turnover by gender 2023



# Management Discussion & Analysis

## Human Capital

### Training and development

T&D	2023	2022
Investment in Rs.	908,450	361,294
Training hours - total	2,958	3,795
Training hours - per employee	4.1	5.75

Average training hours per category	2023	2022
Managers & above	122	407
Executives	223	921
Non-Executives	2,614	2,468

Training hours per gender	2023
Per male	3.5
Per female	8

Training scope Job profile	Training scope
All Front Office Staff	Customer service, Lobby hosting
Front Office - Call Center	Product knowledge covering our entire customer propositions, SOP
Departmental trainers	Train the Trainer programmes, presentation and PowerPoint skills
Middle management - Operational	People management skills
All Staff	Speakers Club - English language skills improvement
Operational Staff	Curator training

Notwithstanding the challenges that prevailed through the year, the Company continued to upskill its employees through relevant and timely training and development. The following are key features of The Kingsbury PLC's training and development initiatives;

- Department based training needs - Each Head of Department identifies the training needs at the beginning of the year. Periodic assessments are carried out to ensure emerging needs. Training needs are met through internal and external trainers
- Training by Technical Experts - The Kingsbury, and its sister company Hayleys Leisure PLC have Technical Experts identified for each area of operations and this resource is shared amongst the leisure sector of Hayleys PLC
- Projects based On the Job Training - Team members are deployed in special projects taking place in The Kingsbury as well as in Hayleys Leisure PLC resorts and spas. These exposures provide on the job training with fresh perspective and experience
- Hayleys Leisure Training Institute spear-headed by the Hayleys Leisure PLC

The Hayleys Leisure Training Institute (HLTI) is driven with the objective of grooming young talent in to professionals in the hotel and leisure sector. Launched in 2022, the HLTI conducted its inaugural onboarding and training programme centering the Group's property in the Hayleys Leisure PLC resort in Kandy - Amaya Hills. Accordingly, 60 youngsters selected through a competitive evaluation process from over 160 applicants were afforded full sponsored training spanning six months. The training covered both in-class theoretical knowledge and practical experience across key operations at Amaya Hills. The trainees were provided accommodation, food and an allowance as well. At the end of the six months the first batch graduated and has been absorbed to the Group's team.

Far reaching impact of HLTI

- Helps build the talent pipeline for the Hayleys leisure sector
- Creates talent with the flexibility to pursue career paths with any employer of choice, thereby benefiting the overall tourism sector

## Performance management, rewards and staff recognition

At The Kingsbury, Performance Development Plans (PDP) are implemented for all staff from Assistant Manager and above. All staff are recognised based on their performance which is evaluated on a quarterly basis, with feedback shared for development and improvements. Remuneration is continually calibrated with industry medians to ensure that our employees are paid in line with the industry standards. Highest level of transparency and equality are maintained in deciding remuneration, as guided by our HR Policy.

We also have an ‘Employee of the Quarter’ recognition programmes where staff members are nominated for this title based on the level of team work they demonstrate, attitude, attendance and overall performance aspects. Nominees are then put to a confidential vote, where each voter is eligible to cast two votes, one for a nominee representing the voter’s own department and a second for a nominee from a different department. The nominee who secures the highest number of votes is recognised as the Employee of the Quarter, a runner up is also recognised.

Our team looks forwards to this as same acts as an inspiration and motivation for them.

## Special relief to our staff members in response to the challenges brought by the pandemic

In a year which brought about unique challenges to our employees, we took efforts over and above those we would take in a normal year, in ensuring all round well-being of our employees. In the context where we represent one of the hardest hit industries, which has been under continued stresses for many years, our prime focus was on giving our staff the confidence of job security. We believed that this alone contributed significantly towards ensuring the physical, mental and financial well-being of our staff members.



## Staff engagement initiatives

A number of staff engagement initiatives are conducted through the year in keeping our staff engaged. These are often linked to festivals and religious events and include other initiatives as well. The Carriage of Hope – corporate social responsibility initiative conducted by our staff is an example. Engagement initiatives have been a vital source of motivation and togetherness which drive the sense of belonging to the Kingsbury Team, particularly through the year under review which was marked by many hardships.

## Work place safety

The Company places significant importance on work place health and safety (H&S). This is driven via the policies and procedures for H&S and also through a safety conscious culture. Work place related accidents and injuries are duly reported, for corrective action and learnings for future. There were no work related accidents or serious injuries reported at the Company for 2023 or 2022.



# Intellectual Capital

We have fostered a culture that encourages knowledge sharing, collaboration, and professional development. We actively engage with industry experts, consultants, and thought leaders to stay abreast of emerging trends and to benchmark our performance against global standards. Our intellectual capital is not only a source of competitive advantage, but also a catalyst for continuous improvement and innovation.



## Powering our intellectual capital

As our intellectual capital is critical in our value creation process, efforts around this continued through the year, amidst the challenges

- Continued training for staff members in driving organisational tacit knowledge
- Revised Standard Operating Procedures in response to the many challenges that affected our processes
- Promotion of related brands linked to our value added propositions. E.g. The Kingsbury Indulgence



### The Kingsbury brand

The Kingsbury is the flagship city hotel brand of the leisure sector of Hayleys PLC, Sri Lanka's largest and most diversified conglomerate. It offers a unique guest experience combining the ethos of Hayleys leisure sector's brand promise of Curating happiness, the locational advantage of being situated at the heart of Colombo with numerous iconic sites in its close proximity and diverse proposition on offer for both stays and events.



### The Kingsbury Indulgence

The Company was one of the first five-star hotels to offer customers with the facility of online ordering and delivery of star-class cuisine. Branded as The Kingsbury Indulgence, this innovative solution launched during the aftermath of the COVID-19 pandemic gained much traction and inspired many more city hotels to follow course. The proposition continues to date, and offers a wide range of cuisine options to select from, enabling our customers the convenience, luxury and confidence of safely prepared and delivered food.

#### Safety

Stringent protocols are followed in food preparation and handling

#### Personalised

Deliveries are made safely by Hotel staff members

#### Highlights from the year

Five-star quality and service

# Management Discussion & Analysis

## Intellectual Capital

### The versatility of our restaurants brands

The unique Kingsbury experience is fortified by the innovative guest experiences we have curated through our concept-driven restaurants. What each restaurant offers is carefully thought out by our skilled team and elevated by the ambience, menus on offer and entertainment. Our restaurant brands are synonymous with unforgettable experiences, which drive the overall brand strength of The Kingsbury.



#### TENKU

The Kingsbury Colombo's authentic Japanese restaurant



#### YUE CHUAN

For a delectable voyage to exotic China with a side of Sri Lanka



#### KINGS STEAKBAR

For relaxed nights of grand comforts, great food & live music



#### OCEAN

For a delicious spread of seafood



#### HARBOUR COURT

For an unforgettable, gastronomic adventure of international cuisine



#### SKY LOUNGE

For a chique rooftop bar experience with views of the city and coastline below



#### HONEY BEACH CLUB

For wondrous food & cocktails by the pool



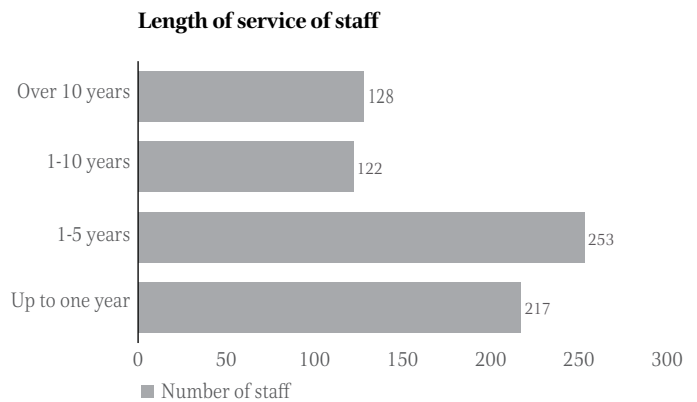
#### CHURROS

For varied tastes of gourmet patisserie and fresh brews

### Organisational tacit knowledge

The collective experience, expertise and property specific knowledge of our team drive our tacit knowledge pool. This knowledge pool continually upgrades and enhances with training and development offered to our staff members and revisions we introduce to our Standard Operating Procedures as the external environment evolves as was seen with the outbreak of the COVID-19 pandemic and the economic crisis in Sri Lanka. Organisational tacit knowledge has been one defining factor that sharpens our resilience and enables us to withstand unforeseen shock, as seen in the recent past.

One indicator that demonstrates our tacit knowledge is the length of service of our staff.





## Systems and processes

The Company's operations are guided by a clearly established Standard Operating Procedure (SOPs) manual, which provides clarity to all staff members on how we function. The SOPs cover all key functions such as F&B, Front Office and Housekeeping and our staff members are duly apprised of same. SOPs are continually updated in response to evolving external conditions, which enable us to remain relevant, and help us maintain the excellence in service our brand promises to our customers.

## Certifications covering our processes

ISO 22000 : 2018

## Industry collaborations

The Company is a part of the following governmental and non-governmental entities committed to uplift the tourism industry.

Sri Lanka Tourism Development Authority

The Ceylon Chamber of Commerce

The Employers' Federation of Ceylon

The Hoteliers' Association of Sri Lanka

The Environmental Management System Users and Promoters Association

Business and Biodiversity Platform

Responsible Tourism Partnership

The Pacific Asia Travel Association

## The Kingsbury culture

The Kingsbury culture is driven by the Hayleys Leisure sector vision to be the most preferred leisure service provider in Sri Lanka. Our core values shape our culture namely, Never say no, Get it right the first time, Innovative culture, Take care of our employees and their families and Truly sustainable. The culture also unifies each Kingsbury team member towards customer excellence and our shared purpose of curating happiness to all those customers who place confidence with The Kingsbury brand.

## Our commitment to SGDs





## Social and Relationship Capital

By fostering a culture of hospitality and attentiveness, we have not only garnered loyal and satisfied guests, but have also created a dedicated workforce that is passionate about delivering exceptional service and contributing to the success of our organisation. Looking ahead, we remain committed to prioritising guest satisfaction, employee engagement, and community involvement, ensuring that we create a foundation for long-term success, sustainable growth, and shared value creation for all our people.



## Customer relations

Our customers and their satisfaction are our priority. Given the intense competition in the city hotels segment, the differentiated value proposition combining an exclusive customer experience has been our strength over the years. Given the challenges of the year, and also owing to the fact that the hotel property was in close proximity to the Galle Face Green where public protests were taking place we faced reduced demand from customers and event cancellations. Keeping up with our spirit of innovation and resilience, we calibrated our services to customers, also embedding customer concerns around escalated prices in to our decision making. Bring your own bar, in response to escalation in liquor prices is one classic example. We conducted a number of promotional initiatives through out the year such as celebration of New Year's Eve, Mothers Day, etc. and promotions in collaboration with banks.



# Management Discussion & Analysis

## Social and Relationship Capital

### Customer satisfaction and feedback

We gather customer feedback via multiple points such as guest feedback at our property and through social media platforms. We are also accessible on a host of online travel platforms which reflect what our customers think of us. Customer feedback is treated with exceptional importance and is used as input in continually upgrading our proposition to them.



### Customer satisfaction and feedback

- 4.5 Excellent Rating
- 4.6 for Location
- 4.4 for Cleanliness
- 4.2 for Service
- 4.1 for Value
- 4,489 reviews
- 3,889 Excellent and Very Good ratings

### Our guest reminiscences

#### Great Service and Food

- “Kingsbury Harbour Court is the best place. There were many cuisines. With friendly service. The buffet setup is really nice to meets good standards with delicious food.”

#### Good Food and Customer Service

- “The Hotel is very nice, they have many facilities and it is very well kept. The food here is also very good, so we enjoyed the breakfast. And also the service is great.”

#### Luxury comfortable hotel

- “Great hotel. Good breakfast, good location staff very helpful especially the room is clean we are happy to come back and will recommend to our friends.”

Source: tripadvisor

### Customer privacy

Customer privacy is safeguarded at the highest level at The Kingsbury across all points that customer data are accessed. The following measures ensure that there is zero compromise in this aspect.

- Training, development and awareness to all staff members on the importance of and how to maintain customer privacy and protection of customer data
- Robust IT security systems and protocols
- Compliance with the European Union regulation on data protection - General Data Protection Regulation (GDPR)

## Suppliers

### Our supplier profile

- 517 registered local suppliers
- Rs. 2,244 Mn paid to local during the financial year
- 28 Suppliers onboarded this FY 2022/23

The Kingsbury PLC relies on a wide range of local and international suppliers for a number of inputs that are critical in the value we create to our customers. These range from perishables to high value plant and equipment and also IT systems and related services. We calibrated our relationships with suppliers during the year in response to the very challenging conditions that evolved affecting both the Company and the suppliers alike. Following were the key focus areas in ensuring a mutually beneficial and sound relationship with our suppliers.

- Flexibility in delivery terms and conditions
- Timely settlement of customer dues
- Sourcing from local suppliers to manage transportation costs and overcome the challenge of scarcity of imported goods

### Governance based sourcing

All purchases of the Company are governed by a Procurement Policy duly approved by the Board of Directors of The Kingsbury PLC. All sourcing happens in accordance with the highest levels of environmental, social and governance aspects. The Policy sets out factors to be considered in evaluating suppliers which enables the Company to engage ethical, operationally sound and sustainable suppliers who are able to generate mutual value. Fair treatment to all suppliers, transparent pricing, zero tolerance for bribery and corruption, upholding confidentiality are some of the core aspects that shape our procurement process.

### Community relations

We continually endeavour to support our communities through various initiatives. “Carriage of Hope” was The Kingsbury’s flagship initiative for 2022/23, conceptualised and delivered through the volunteerism of our own talented, passionate and empathetic staff members.

## The Carriage of Hope

Scope/ objective: Donation of stationary items to deserving school children

Reach: 2,500 school children from 25 schools representing all 25 districts of the country

Impact: Essential support to the children in continuing their education undisrupted, who are deserving of such support, particularly under challenged economic conditions

How the project evolved: Launched on 27th of November, The Carriage of Hope in physical sense was a state-of-the-art Christmas horse carriage, designed and assembled by the Engineering Team of The Kingsbury and displayed within the hotel premises during the festive season. The carriage contained all donation goods, which were ceremoniously handed over to the school children at an event organised at the hotel premises, with the presence of the Hayleys PLC Chairman Mohan Pandithage, other representatives from The Kingsbury, principals, teachers and students from the beneficiary schools.

The Project was fully funded by the Company for the Community.

Way forward: To be continued in 2023/24 and beyond

### Our contribution to SDGs





# Natural Capital

We firmly believe that our commitment to natural capital not only aligns with our core values, but also enhances our brand reputation and attracts environmentally-conscious guests. Our dedication to energy-efficient systems, renewable resources, and waste reduction initiatives is successfully aligned with our commitment to environmental stewardship and corporate social responsibility.



Water consumption	In m3	Per guest night
2021	5,264	0.62
2022	110,161	2.72
2023	116,715	1.67

Electricity consumption	In Kwh	Per guest night
2021	4,925,289	584.05
2022	5,740,712	141.91
2023	5,837,886	83.28

Key initiatives conducted during the year in reducing our energy and resource usage

- Section wise shutting down of electricity
- Shutting off of individual geysers
- Installation of LED bulbs
- Turning off minibars in unoccupied rooms
- Turning off chillers during low occupancy and cold days
- Swimming pool pump running time reduced during low occupancy periods
- Bathroom amenities were replaced from plastic bottles to ceramic bottles

### Our commitment to environmental sustainability

As a responsible corporate and as a part of Hayleys PLC, The Kingsbury PLC is deeply committed to preserving the environment every step of the way. Our actions are continually scrutinised and aligned right through our value creation process in ensuring the preservation of the environment.

### Our contribution to SDGs



# WAY FORWARD

## Expectations on the macro-economy

The Sri Lankan economy is demonstrating signs of gradual recovery. The finalisation of the Extended Fund Facility of USD 3 Bn in March 2023 increased the confidence on the country's recovery for considerable extents. Although still away from conducive levels, a lot of the macroeconomic indicators such as inflation, exchange rate and interest rates are on the gradually improving direction. This reflects the effectiveness of the tightening monetary policy stance adopted by the Central Bank of Sri Lanka.

Macro-economic indicator	As of March 2022	As of December 2022	As of April 2023
Inflation - CCPI Headline	18.70%	57.20%	35.30%
USD exchange rate - Rs.	299.00	363.11	321.65
Government T-Bills 365 days	12.00%	29.77%	23.00%
AWPR	9.47%	28.19%	21.80%

## Expectations on the Sri Lankan tourism sector

The Sri Lankan tourism and leisure sector is ambitious for a year of growth in 2023/24 and beyond. The tourist arrival target for the calendar year 2023 is 2 Mn, up from the initial 1.5 Mn, given the positive trend demonstrated over the first three months of the year. Tourist arrivals have exceeded 100,000 per month from January to March 2023 for three consecutive months, this being the first instance of such arrivals since 2019.

Some factors that will drive inbound tourists

- Easing off air ticket prices
- Lifting of pandemic related restrictions in China
- Sri Lanka's national carrier commencing increased flights to China per week, and Chinese airlines also operating higher flights, boosting Chinese arrivals
- Sri Lanka's focused tourism campaigns targeting multiple countries, including in China and India
- Gradual recovery of the Sri Lankan economic conditions

### Short term

- Ensuring undisrupted services at highest quality to our guests within the prevailing challenges
- Focus on cost optimisation and revenue maximisation, towards driving financial performance to profitability
- Rationalisation of capital expenditure with focus on only essential spends
- Ensuring well-being of our staff members and preserving staff retention rates

### Medium term

- Make capital investments that will enhance our hotel property, IT systems, etc.
- Enter in to related diversification and augmentation of propositions on offer
- Potential venturing in to new localities within Sri Lanka

### Long term

- To be the most preferred leisure service provider in Sri Lanka



## Opportunities

- Increased growth potential with the revival of the tourism industry and the envisaged gradual recovery of the Sri Lankan economy
- Greater alignment to responsible tourism with augmented ESG commitment thereby enjoy enhanced customer patronage
- Strengthening our team through the Hayleys Leisure Training Institute, an endeavour rolled out by our sister company within the Hayleys leisure sector
- Leverage the strength of the parent company Hayleys PLC - Sri Lanka's most diversified conglomerate

## Risks

- Pressure from stressed economic conditions in the near term
- High attrition of skilled labour
- Intensifying competition
- Impact of climate change affecting the quality of tourist seasons
- Increased scrutiny and call for action from the sector for better environmental practices
- Elevated cyber risk with greater reliance on IT systems

# CORPORATE GOVERNANCE AND RISK MANAGEMENT



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## **Fortifying Foundations**

We emphasise the paramount importance we place on upholding strong practices and strive to maintain a resilient business model that can withstand various challenges and uncertainties. Our commitment to rigorous compliance standards ensures a culture of integrity and responsibility throughout our organisation.

# CORPORATE GOVERNANCE

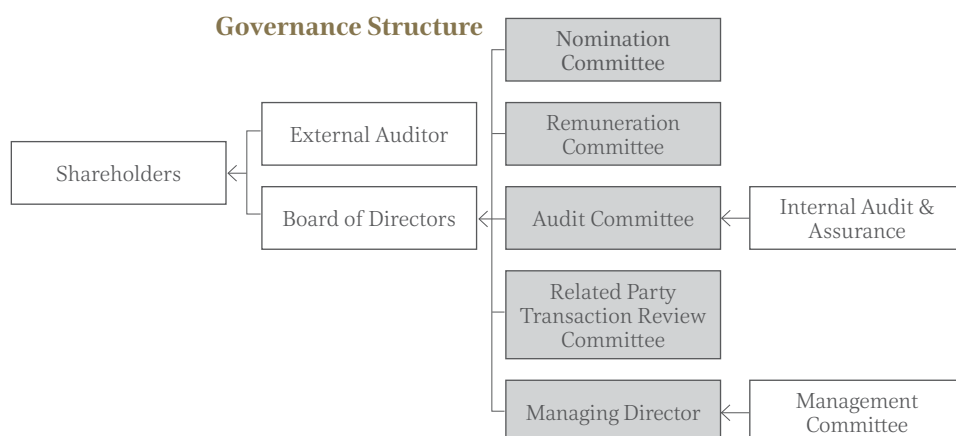
The Kingsbury PLC operates within a well-defined governance structure adhering to regulatory requirements. Corporate Governance refers to the structures and processes that are built on an established organisational structure in accordance with the company's mission, values and vision for the direction and control of the organisation. It comprises the five core principles, the leadership provided by the Board, Effectiveness of the board and its committee having the appropriate balance of skills, knowledge and expertise, accountability where the board presents a balanced assessment of the company's position and future prospects, remuneration aligned with the long-term success of the company and the relationship between the Board of Directors, Shareholders, Management and Other Stakeholders. A strong corporate culture and ethics are vital for the survival and profitability of an organisation in a highly competitive market.

This section of the report is the proof for the afore mentioned facts. The company complies with the requirements set out in the Code of Best practice for the Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and Rules of Corporate Governance set out in the Listing Rules of the Colombo Stock Exchange.

## Board Meetings and Attendance

The Board of The Kingsbury PLC met once every quarter. The Directors' attendance during the financial year is shown in the table below.

Name of Director	Executive / Non-Executive / Independent Non-Executive	Attendance
Mr. A. M. Pandithage - Chairman	Executive	04/04
Mr. Dhammika Perera * - Co-Chairman resigned w.e.f. 10th June 2022	Non-Executive	Please refer the note below
Mr. R. J. Karunarahah - Managing Director	Executive	04/04
Mr. N. J. De S. Deva Aditya	Independent Non-Executive	03/04
Mr. S. C. Ganegoda	Non-Executive	03/04
Mr. S. J. Wijesinghe	Non-Executive	04/04
Ms. R. N. Ponnambalam	Independent Non-Executive	04/04
Mr. J. P. Van Twest	Independent Non-Executive	03/04
Ms. I. Jamaldeen	Independent Non-Executive	04/04
Mr. T. A. B. Speldewinde	Independent Non-Executive	03/03
Ms. K. A. D. B Perera	Non-Executive	02/02
Mr. L. N. De S. Wijeyeratne resigned w.e.f. 30th June 2022	Independent Non-Executive	01/01
* Ms. A. A. K. Amarasinghe (Alternate Director to Mr. Dhammika Perera) - ceased w.e.f. 10th June 2022	Non-Executive	00/01



## SECTION 1: CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

Code of Best Practice Issued by the Institute of Chartered Accountants of Sri Lanka (CASL)

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2022/23	
<b>A. DIRECTORS</b>				
<b>A.1 The Board</b>				
<p>The Company is headed by an effective Board of Directors with local and international experience. The Board of Directors of the Company consists of professionals in the fields of Accounting, Management, Economics, Marketing and Business Leaders. All Directors possess the skills and experience and knowledge complemented with a high sense of integrity and independent judgment. The Board gives leadership in setting the strategic direction and establishing a sound control framework for the successful functioning of the Company. The Board's composition reflects a sound balance of independence and anchors Shareholder commitment. Profiles of Directors are given on pages 15 to 17.</p>				
1.	Board Meetings	A.1.1	Compliant	The Board usually meets at quarterly intervals, but also meets more frequently when needed. The Board met four (04) times during the year under review. Scheduled Board meetings were arranged well in advance, and all Directors were expected to attend each meeting. Any instances of non-attendance of Board meetings were generally related to prior business, personal commitments or illness. The attendance at Board meetings held is set out on page 58.
2.	Board Responsibilities	A.1.2	Compliant	The Board is responsible to the Shareholders for creating and delivering long-term sustainable Shareholder value through the business. The Board ensures the formulation and implementation of a sound business strategy. The Board has put in place a Corporate Management team with the required skills, experience and knowledge necessary to implement the business strategy of the Company. The Board also ensures effective systems are in place to secure integrity of information, internal controls and risk management. The Board ensures that the Company's values and standards are set with an emphasis on adopting appropriate accounting policies and fostering compliance with financial regulation.
3.	Compliance with Laws and access to independent professional advice	A.1.3	Compliant	The Board collectively, and Directors individually must act in accordance with the laws as applicable to the Company. The Company had complied with all applicable laws and regulations during the year. A procedure has been put in place for Directors to seek independent professional advice in furtherance of their duties, at the Company's expense. This will be coordinated through the Company or the Board Secretary when requested.

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2022/23
4.	Company Secretary	A.1.4	<p>Compliant</p> <p>Secretaries, Hayleys Group Services (Private) Limited 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 (Private) Limited consists of competent qualified professionals with 01 Attorney at Law and 04 Chartered Secretaries.</p> <p>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".</p>
5.	Independent judgment	A.1.5	<p>Compliant</p> <p>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 and make sure there is no conflict of interest held.</p> <p>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.</p>
6.	Dedication of adequate time and effort by the Board and the Company	A.1.6	<p>Compliant</p> <p>All Directors of the Company dedicate adequate time and effort to fulfil their duties as Directors of the Company (both before and after the Board Meetings), in order to ensure that the duties and responsibilities owed to the Company are satisfactorily discharged.</p>
7.	Calling for a Resolution:	A.1.7	<p>Compliant</p> <p>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.</p>
8.	Training for Directors:	A.1.8	<p>Compliant</p> <p>The Board regularly reviews and agrees on the training and development needs of the Board members, to ensure Directors are capable to make appropriate decisions with regard to the current and future performance of the business.</p>

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2022/23
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### A.2 Chairman and Chief Executive Officer (CEO)

There should be a clear division of responsibilities between the Chairman and Chief Executive Officer in order to ensure a balance of power and authority, in such a way that any individual has no unfettered powers of decision-making. The roles of the Chairman and Chief Executive Officer function separately in the Company. The Chairman's main responsibility is to lead, direct and manage the work of the Board in order to ensure that it operates effectively and fully discharges its legal and regulatory responsibilities. The Managing Director, who performs the role of the Chief Executive Officer, is responsible for the day-to-day operations of the Company.

9.	Division of responsibilities of the Chairman and Managing Director (CEO)	A.2	Compliant	The positions and functions of the Chairman and the Managing Director have been separated; the role of the Managing Director is to manage the day-to-day running of the Company. The Board has delegated this responsibility to the Managing Director and he then leads the Corporate Management team in making and executing operational decisions. The Managing Director is also responsible for recommending strategy to the Board.
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### A.3 Chairman's Role

The Chairman leads and manages the Board, ensuring that it discharges its legal and regulatory responsibilities effectively and fully preserves order and facilitates the effective discharge of the Board functions. The profile of the Chairman is given on page 15.

10	Role of the Chairman	A.3.1	Compliant	<p>The Chairman is as an outstanding business leader, provides leadership to the Board, controls and preserves order at Board meeting and provides the Board with strategic direction and guidance in managing the affairs of the Company.</p> <p>The Chairman maintains close contact with all Directors and, where necessary, holds meetings with Non-Executive Directors without Executive Directors being present.</p> <p>The Chairman is also responsible for:</p> <ul style="list-style-type: none"> <li>• Ensuring the new Board members are given an appropriate induction, covering terms of appointment</li> <li>• The effective participation of both Executive and Non-Executive Directors. All Directors are encouraged to make an effective contribution, within their respective capabilities, for the benefit of the Company</li> <li>• A balance of power between Executive and Non-Executive Directors is maintained</li> <li>• The views of Directors on issues under consideration are ascertained</li> <li>• Ensuring that the agenda for board meetings is developed in consultation with the Managing Director, Finance Director and the Company Secretary taking into consideration of the matters relating to strategy, performance, resource allocation, risk management and compliance.</li> </ul>
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Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2022/23
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**A.4 Financial Acumen**

The Code requires that the Board comprises members with sufficient financial acumen and knowledge in order to offer guidance on matters on finance. The Board of the Company has met the above requirement as the Chairperson of the Audit Committee is a qualified Accountant having professional qualifications and equipped with sufficient financial acumen and knowledge to offer guidance on matters of finance.

11.	Financial acumen and knowledge	A.4	Compliant	<p>The Board includes two senior Chartered Accountants (CA Sri Lanka &amp; CIMA UK) one of whom serves as the Chairman of the Audit Committee.</p> <p>These Directors add substantial value and independent judgment on the decision-making of the Board on matters concerning finance and investment.</p>
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Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2022/23
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**A.5 Board Balance**

The Code requires that a balance is maintained between the Executive and Non-Executive Directors (NEDs) so that no individual or a small group of individual Directors are able to dominate the Board's decision-making. The Board consists of Two (02) Executive Directors and Eight (08) Non-Executive Directors. Each of them brings to the Board, wide experience and the ability to exercise independence and judgment when taking informed decisions.

12.	Presence of Non- Executive Directors	A.5.1	Compliant	As at 31st March 2023, the Board consisted of 10 Directors comprising of: Executive Directors (ED) - 02, Non-Executive Directors (NED) - 03, Independent Non-Executive Directors - 05 (NED/ID)
13.	Criteria to evaluate Independence of Non- Executive Directors	A.5.3	Compliant	Refer Section A.5.5 below. The Board considers Non-Executive Director's independence on an annual basis. For a Director to be deemed 'independent', such a Director should be independent of management and free of any business or any other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment.
14.	Signed declaration of independence by the Non- Executive Directors	A.5.4	Compliant	Every Non-Executive Director of the Company has made a written submission as to their independence against the specified criteria.



Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2022/23	
15.	Determination of independence of the	A.5.5	Compliant	<p>The Board has determined the independence of Directors based on the declarations submitted by the Non-Executive Directors, as to their independence as a fair representation and will continue to evaluate their independence on this basis annually. No circumstances have arisen for the determination of independence by the Board, beyond the criteria set out in the Code. Independent Non-Executive Directors are:</p> <ul style="list-style-type: none"> <li>• Mr. N. J. De S. Deva Adithya</li> <li>• Ms. R. N. Ponnambalam</li> <li>• Mr. J. P. Van Twest</li> <li>• Ms. I. Jamaldeen</li> <li>• Mr. T. A. B. Speldewinde</li> </ul> <p>The Board believes the independence of Mr. N. J. De S. Deva Adithya, Ms. R. N. Ponnambalam and Mr. J. P. Van Twest are not compromised by being members for more than 9 years.</p>
16.	Alternate Directors	A.5.6	Compliant	No alternate Director has been appointed by any of the Board Member.

#### A.6 Supply of Information

Management should provide time-bound information in a format that is appropriate and which enables the Board to discharge its duties. Financial and non-financial information is analysed and presented to the Board to make informed and accurate decisions.

17.	Obligation of the Management to provide appropriate and timely information to the Board	A.6.1	Compliant	The Board was provided with timely and appropriate information by the management by way of Board papers and proposals. The Board sought additional information as and when necessary. The Chairman also ensured all Directors were properly briefed on issues arising at Board meetings.
18.	Adequate time for effective Board meetings	A.6.2	Compliant	The Minutes, Agenda and papers required for Board meeting are provided in advance to facilitate its effective conduct.

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2022/23
<b>A.7 Appointments To The Board</b>			
The Code requires having a formal and transparent procedure in place for the appointment of new Directors to the Board.			
18.	Nomination Committee	A.7.1 & A.7.2	Compliant
			<p>The Nomination Committee of the parent Company, Hayleys PLC, acts as the Nomination Committee for the Company and makes recommendations to the Board on all new Board appointments.</p> <p>The Nomination committee of Hayleys PLC consists of following members:</p> <ul style="list-style-type: none"> <li>• Mr. A. M. Pandithage (ED) - Chairman</li> <li>• Dr. H. Cabral, PC (IND/NED)</li> <li>• Mr. Dhammika Perera (NED) - resigned w.e.f. 10th June 2022</li> </ul> <p>ED - Executive Director NED - Non-Executive Director IND/NED - Independent Non-Executive Director</p> <p>* Mr. Aravinda Perera (appointed to the Committee w.e.f. 21st April 2023)</p> <p>The Board annually assesses the Board composition to ascertain whether the combined knowledge and experience of the Board matches the strategic demands facing the Company.</p>
19.	Disclosure of New appointments	A.7.3	Compliant
			A brief resume of the Directors, nature of his/her experience and names of the companies he/she holds the directorship and the independence is informed to the Colombo Stock Exchange and disclosed in the Annual Report on pages 15 to 17.
<b>A.8 Re-election of Directors:</b>			
All Directors should be required to submit themselves for re-election at regular intervals at least once in every three years.			
20.	Re-election of Directors:	A.8.1 & A.8.2	Compliant
			<p>The provisions of the Company's Articles of Association 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.</p> <p>The Articles of Association 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</p>

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2022/23
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#### A.9 Appraisal of Board Performance

The Board should periodically appraise its own performance against the present targets in order to ensure that the Board responsibilities are satisfactorily discharged.

21.	Annual performance evaluation of the Board and its Committees	A.9.1 & A.9.2	Compliant	<p>The Chairman and the Remuneration Committee evaluate the performance of the Executive Directors periodically.</p> <p>The Board undertakes an annual self-evaluation of its own performance and of its committees. The Board evaluated its performance and effectiveness in the current year.</p>
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Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2022/23
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#### A.10 Disclosure of Information in Respect of Directors

Details in respect of each Director should be disclosed in the Annual Report for the benefit of the Shareholders.

22.	Details in respect of Directors	A.10.1	Compliant	<p>The following details pertaining to each Director are disclosed as follows:</p> <p>(a) Brief profile with expertise and experience - pages 15 to 17</p> <p>(b) Directors' Interest in Contracts - page 81</p> <p>(c) Detail of Board Meetings and Committee meetings held during the year - pages 58, 85 to 88</p>
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#### A.11 Appraisal of Managing Director (CEO)

The Board of Directors should annually assess the performance of the Managing Director who performs the role of the Chief Executive Officer.

23.	Targets for Managing Director	A.11.1	Compliant	<p>Prior to the commencement of each financial year, the Board sets reasonable financial and non-financial targets which are in line with short, medium and long-term objectives of the Company, achievement of which should be ensured by the Managing Director.</p>
24.	Evaluation of the performance of the Managing Director	A.11.2	Compliant	<p>The performance is evaluated by the Board at each Board meeting and the overall evaluation at the end of each fiscal year in order to ascertain whether the targets set by the Board have been achieved and if not, whether the failure to meet such targets was reasonable in the circumstances.</p>

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2022/23
<b>B. DIRECTORS' REMUNERATION</b>			
<b>B.1 Remuneration Procedure</b>			
<p>This principle ensures that the Company has a well-established, formal and transparent procedure in place for developing an effective remuneration policy for both Executive and Non-Executive Directors where no Director is involved in deciding his/her own remuneration in order to avoid potential conflict of interest.</p>			
25.	Establishment of remuneration committee	B.1.1, B.1.2, B.1.3, B.1.4 & B.1.5	<p>Compliant</p> <p>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 Executive Director(s) and sets guidelines for the remuneration of management staff within the Company. The Board makes the final determination after considering such recommendation. The Remuneration Committee comprise of following members:</p> <ul style="list-style-type: none"> <li>• Dr. H. Cabral, PC (IND/NED) - Chairman</li> <li>• Mr. Dhammika Perera (NED) - resigned w.e.f. 10th June 2022</li> <li>• Mr. M. Y. A. Perera (IND/NED)</li> <li>• Mr. M. H. Jamaldeen (IND/NED)</li> </ul> <p>IND/NED - Independent Non- Executive Director, NED - Non-Executive Director</p> <p>*Mr. Gamini Gunaratne Independent Non-Executive Director was appointed to the Committee w.e.f. 21st April 2023.</p> <p>Payment of remuneration to Directors is disclosed in page 80 of this report.</p>

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2022/23
<b>B.2 The Level and Make up of Remuneration</b>			
<p>The level of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain the Directors needed to run the Company successfully. A proportion of Executive Directors' remuneration should be structured to link rewards to the corporate and individual performance.</p>			
26.	Level of Remuneration	B.2.1, B.2.2, B.2.3 & B.2.4	<p>Compliant</p> <p>The Remuneration Committee structures the remuneration package to attract, retain and motivate the Directors needed to run the company successfully but avoid paying more than is necessary for this purpose. The remuneration levels relative to other companies and performance of the Directors are taken in to account when considering the remuneration levels of the Directors.</p>

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2022/23
27. Levels of Remuneration of Non-Executive Directors	B.2.10	Compliant	Remuneration for Non-Executive Directors reflects the time commitment and responsibilities of their role, taking into consideration market practices.

### B.3 Disclosure of Remuneration

The Code requires the Company to disclose in its Annual Report the details of the Remuneration paid and the Remuneration Policy.

28. Disclosure of Remuneration	B.3.1	Compliant	Please refer page 85 for the total Directors' remuneration.
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### C. RELATIONS WITH SHAREHOLDERS

#### C.1 Constructive use of the Annual General Meeting (Agm) and Conduct of General Meetings

The Code requires the Board to use the AGM which is a major event in the Company's calendar to communicate with Shareholders and encourage their active participation. In this regard, all Shareholders of the Company receive the Notice of Meeting within the statutory due dates.

29. Adequate Notice of AGM	C.1.1, C.1.2 and C.1.3	Compliant	<p>A Copy of the Annual Report including Financial Statements is posted on corporate website as well as CSE website. Notice of meeting and the Form of Proxy are sent to shareholders 15 working days prior to the date of the Annual General Meeting (AGM) as required by statutes in order to provide the opportunity to all the shareholders to attend the AGM.</p> <p>The Company proposes a separate resolution at the AGM on each substantially separate issue.</p> <p>Further, the adoption of the Annual Report of the Board of Directors on the affairs of the Company and Audited Financial Statements together with the Report of the Auditors thereon are considered as a separate resolution.</p> <p>The Company has in place an effective mechanism to count all proxies lodged on each resolution, and the balance for and against the resolution, after it has been dealt with on a show of hands, except where a poll is called.</p>
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Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2022/23
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#### C.2 Communication With Shareholders

The Code requires that the Board should implement effective communication with Shareholders.

30. Channel to reach all Shareholders	C.2.1	Compliant	<p>The main mode of communication between the Company and the Shareholders is the AGM. Shareholders are provided with the information prior to the AGM.</p> <p>Further, financial and other announcements are promptly submitted to CSE to publish in the CSE website.</p>
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Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2022/23
31. Policy methodology for communication with shareholders.	C.2.2	Compliant	The Company proposes a separate resolution at the AGM on each substantially separate issues.  An open-door policy is in place, which enables Shareholders to keep in constant touch, visit and obtain information from the Company Secretary and engage in dialogue.
32. Implementation of the policy and methodology for communication with Shareholders.	C.2.3 & C.2.7	Compliant	Please refer C.2.4 and C.2.5 for the implementation of the policy and methodology.
33. Contact person for communication	C.2.4 & C.2.6	Compliant	Details of contact persons are disclosed in the back inner cover of the Annual Report and Quarterly Financial Statements.
34. Process to make Directors aware of major issues and concerns of Shareholders	C.2.5	Compliant	The Company Secretary maintain a record of all correspondence about all major issues and concerns of the Shareholders.
35. Process for responding Shareholder matters	C.2.7	Compliant	Covered under the Section C.2

**D. ACCOUNTABILITY AND AUDIT**

**D.1 Financial and Business Reporting (The Annual Report)**

The Board should present a balanced and understandable assessment of the Company's financial position, performance and prospects.

36. Board's responsibility for Statutory and Regulatory Reporting	D.1.1	Compliant	The Board has recognised the responsibility to present regulatory and statutory reporting in a balanced and understandable manner.  When preparing Quarterly and Annual Financial Statements, the  Company complied with the requirements of the Companies Act No. 07 of 2007 and prepared and presented them in accordance with Sri Lanka Accounting Standards. The Company has complied with the reporting requirements prescribed by the Colombo Stock Exchange.
37. Declaration by Directors' report in the Annual Report	D.1.4	Compliant	The Directors have made all required declarations in the "Annual Report of the Board of Directors" and appears on pages 80 to 83.
38. Statement of Directors' and Auditor's	D.1.5	Compliant	The "Statement of Directors' Responsibilities" is given on page 84. See the "Auditors' Report" on page 93 to 95 for the reporting Responsibility of Auditors.
39. Disclosure of related party transactions	D.1.8	Compliant	Refer the "Related Party Transaction Review Committee" report on page 85.

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2022/23	
<b>D.2 Risk Management and Internal Control</b>				
The Board should have a sound system of internal controls to safeguard Shareholders' investments and the Company's assets. The Board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives.				
40.	Annual evaluation of the internal controls system and Risk Management	D.2.1	Compliant	The Board is responsible for the Group's internal control 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 covers all controls, including financial, operational and compliance controls and risk management. It is important to state, however, that any system can ensure only reasonable, and not absolute, assurance that errors and irregularities are prevented or detected within a reasonable time. The Hayleys Management Audit & System Review Department (MASRD) plays a significant role in assessing the effectiveness and successful implementation of existing controls and strengthening these and establishing new controls where necessary. The MASRD's reports are made available to the Chairman and Managing Director and the Chairman of the Audit Committee. The Board has reviewed the effectiveness of the system of financial controls for the period up to the date of signing the accounts. There is a direct channel of communication between the Head of MASRD and the Chairman of the Audit Committee without the interference of any Directors or Executives.
41.	Availability of internal audit function and disclosure in annual report.	D.2.2 & D.2.3	Compliant	Please refer Internal Control and Risk Management Report on pages 76 to 79.
42.	Review of the process and effectiveness of risk management and internal controls.	D.2.4	Compliant	The Audit Committee reviews internal control issues and risk management measures and evaluates the adequacy and effectiveness of the risk management and internal control systems including financial reporting.

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2022/23
<b>D.3 Audit Committee</b>			
<p>The Board should have formal and transparent arrangements in selecting and applying the accounting policies, financial reporting and internal control principles and maintaining an appropriate relationship with the Company's External Auditor. Mr. T. A. B. Speldewinde is 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.</p> <p>It helps the Company to strike the proper balance between conformance and performance.</p>			
43.	Composition of the Audit Committee	D.3.1	<p>Compliant</p> <p>Audit Committee consists of Three (03) Independent Non-Executive Directors</p> <ul style="list-style-type: none"> <li>• Mr. T. A. B. Speldewinde - Chairman</li> <li>• Ms. R. N. Ponnambalam - Member</li> <li>• Mr. J. P. Van Twest - Member</li> </ul> <p>The Company Secretary serves as its Secretary. The Chairman, Managing Director, Head of Internal Audit and the Head of Finance and Hayleys Group CFO are invited to attend meetings as required. The input of the Statutory Auditors and the Group Internal Auditor is obtained where necessary. The Audit Committee is required to assist the Company to achieve a balance between conformance and performance.</p>
44.	Terms of reference of the Audit Committee	D.3.2	<p>Compliant</p> <p>Terms of Reference of the Board Audit Committee is clearly defined in the Charter of the Audit Committee approved by the Board of Directors. This clearly explains the purpose of the Committee, its duties and responsibilities together with the scope and functions of the Committee. The Committee is required mainly to deal with the matters pertaining to statutory and regulatory compliance in financial reporting, matters with regard to the External Auditors, Internal Audit and Risk Management procedures of the Company. Refer Audit Committee report on pages 88 to 89.</p>
45.	Disclosures of the Audit Committee	D.3.3	<p>Compliant</p> <p>The names of the members of the Audit Committee are given under section D.3.1 of this Code. Refer the Audit Committee report on page 88 to 89.</p>



Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2022/23
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#### D.4 Related Party Transactions Review Committee

The Board should establish a procedure to ensure that the Company does not engage in transactions with "related parties" in a manner that would grant such parties "more favourable treatment" than that accorded to third parties in the normal course of business.

46.	A related party and related party transactions will be as defined in LKAS 24.	D.4.1	Compliant	Hayleys PLC, the parent Company's Related Party Transactions Review Committee function as the Related Party Transactions Review Committee of the Company in compliance with the regulatory requirements. Please refer Related Party Transaction Review Committee Report on page 85.
47.	Establishment of Related Party Transaction Review Committee and composition.	D.4.1	Compliant	Please refer Related Party Transaction Review Committee Report on page 85.
48.	Written terms of reference of Related Party Transaction Review Committee.	D.4.3	Compliant	Please refer Related Party Transaction Review Committee Report on page 85.

The Board should periodically appraise its own performance against the present targets in order to ensure that the Board responsibilities are satisfactorily discharged.

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2022/23
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#### D.5 Code of Business Conduct and Ethics

The Company should develop a Code of Business Conduct and Ethics for Directors and members of the Senior Management team and must promptly disclose any waivers of the Code for Directors or others.

49	Code of Business Conduct and Ethics	D.5.1	Compliant	The Company has developed a Code of Conduct for its employees. This Code addresses conflict of interest, corporate opportunities, confidentiality of information, fair dealing, protection and proper use of the Company's assets, compliance with laws and regulations and encouraging the reporting of any illegal or unethical behaviour etc.
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#### D.6 Corporate Governance Disclosure

Directors of the Company disclose annually the Company's adherence to the Code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka.

50.	Disclosure of corporate governance	D.6.1	Compliant	This requirement is met through the presentation of this report.
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The Board should periodically appraise its own performance against the present targets in order to ensure that the Board responsibilities are satisfactorily discharged.

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2022/23	
<b>E. INSTITUTIONAL INVESTORS</b>				
Institutional shareholders have the responsibility to make considered use of their votes and should be encouraged to ensure their voting intentions are transacted into practice.				
<b>E.1 Shareholders' Voting</b>				
51.	Communication with Shareholders	E.1.1	Compliant	In order to avoid conflicts of interest by nurturing the mutual understanding, the Board carries out dialogues with its Shareholders at general meetings. In this regard, the AGM of the Company plays a critical role. Voting by the Shareholders is crucial in carrying a resolution at the AGM. The Chairman, who plays the role of the agent, communicates the views and queries of the Shareholders to the Board and the senior management, in order to ensure that the views are properly communicated to the Company.
<b>F. OTHER INVESTORS</b>				
52.	Investing/Divesting Decision	F.1 & F.2	Compliant	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 72.
<b>G. INTERNET OF THINGS &amp; CYBER SECURITY</b>				
The Board should have a process to identify how the business models, IT devices within and outside the organisation can connect to the organisation's network to send and receive information and the consequent cybersecurity risks that may affect the business.				
53.	Internet of Things & Cyber Security	G.1	Compliant	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.

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2022/23
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## H. ENVIRONMENT, SOCIETY AND GOVERNANCE (ESG)

The process of recognizing, managing measuring and reporting ESG

54.	ESG Reporting	H.1	Compliant	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.
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## SECTION 2 : COLOMBO STOCK EXCHANGE LISTING RULES

### Statement of Compliance

This section covers The Kingsbury PLC's extent of adherence to the requirements of the Continuing Listing Requirements of Section 7.10 on Corporate Governance Rules for Listed Companies issued by the Colombo Stock Exchange.

Rule No.	Subject	Extent of Adoption	Compliance Status	Reference in this Report
7.10.1(a)	Non-Executive Directors (NED)	Eight (08) out of the Ten (10) Directors were Non-Executive Directors.	Compliant	Corporate Governance
7.10.1(b)	Basis of Calculation of Total Number of Non-Executive Directors	Based on the number as at the conclusion of the immediately preceding AGM.	Compliant	Corporate Governance
7.10.2 (a)	Independent Directors (ID)	Five (05) of the Eight (08) Non-Executive Directors were Independent.	Compliant	Corporate Governance
7.10.2 (b)	Independent Directors	All Non-Executive Directors have submitted their confirmation of independence as per the criteria set by the CSE rules, which is in line with the regulatory requirements.	Compliant	Corporate Governance
7.10.3 (a)	Disclosure relating to Directors	The Board assessed the independence declared by the Directors and determined the Directors who are independent and disclosed same in item A.5.5 of the CASL Code table.	Compliant	Corporate Governance
7.10.3 (b)	Disclosure relating to Directors	The Board assessed the independence declared by the Directors and determined the Directors who are independent and disclosed same in item A.5.5 of the CASL Code table.	Compliant	Corporate Governance
7.10.3 (b)	7.10.3 (b) Disclosure relating to Directors	The Board has determined that Four (04) Non-Executive Directors satisfy the criteria for "independence" set in the Listing Rules as in item A.5.5 of the CASL code table.	Compliant	Corporate Governance

Rule No.	Subject	Extent of Adoption	Compliance Status	Reference in this Report
7.10.3 (c)	Disclosure relating to Directors	A brief resume of each Director should be included in the Annual Report including the Director's areas of expertise.	Compliant	Profiles of the Board of Directors
7.10.3 (d)	Disclosure relating to Directors	Forthwith provide a brief profile of new Director appointed to the Board with details specified in 7.10.3 (a), (b) and (c) to the Exchange.	Compliant	Corporate Governance
7.10.5	Remuneration Committee	A listed company shall have a Remuneration Committee	Compliant	Corporate Governance
7.10.5 (a)	Composition of Remuneration Committee	The Remuneration Committee of Hayleys PLC which functions as the Remuneration Committee of the Company comprises Three (03) Independent Non-Executive Directors.	Compliant	Corporate Governance
7.10.5 (b)	Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of the Managing Director and the Executive Directors.	Compliant	Corporate Governance
7.10.5 (c)	Disclosure in the Annual Report relating to Remuneration	Names of Remuneration Committee members are given in section B.1 of the CASL code table. The disclosure of the Remuneration Committee is given on page 66 and the remuneration paid to Directors is given in the Note 6 to the Financial Statement on page 114.	Compliant	Corporate Governance and Notes to the Financial Statements
7.10.6 (a)	Composition of Audit Committee	Shall comprise of NEDs, a majority of whom will be independent. The Committee comprises three Independent Non-Executive Directors.	Compliant	Report of the Audit
7.10.6 (b)	Audit Committee Functions	Audit Committee functions are stated in the Audit Committee Report on pages 88 to 89.	Compliant	Corporate Governance and Report of the Audit Committee
7.10.6 (c)	Disclosure in Annual Report relating to Audit Committee	The names of the Audit Committee members given on page 88. The basis of determination of the independence of the Auditor is also given on pages 88 to 89.	Compliant	Corporate Governance and Report of the Audit Committee
7.13.1	Minimum Public Holding	As a listed Company in the Main Board, the Company maintained the minimum public holding under specified criteria.	Compliant	Share and Investor Information
This section covers The Kingsbury PLC's extent of adherence to the requirements of the Code of Best practice on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka and Section 9 of the Listing Rules of the Colombo Stock Exchange:				
9.2.1 & 9.2.3	Related Party Transactions Review Committee (RPTRC)	The RPTRC of the Parent Company, Hayleys PLC, a listed entity, functions as the RPTRC Committee for the Company. The functions of the Committee are stated in Related Party Transactions Review Committee report on page 85.	Compliant	Related Party Transactions Review Committee Report

Rule No.	Subject	Extent of Adoption	Compliance Status	Reference in this Report
9.2.2	Composition of the Related Party Transactions Review Committee	The RPTRC consists of following Directors: <ul style="list-style-type: none"> <li>• Dr. H. Cabral PC - Chairman (Independent Non-Executive Director - Hayleys PLC)</li> <li>• Mr. M. Y. A. Perera - (Independent Non-Executive Director - Hayleys PLC)</li> <li>• Mr. S. C. Ganegoda - (Executive Director - Hayleys PLC)</li> </ul>	Compliant	Annual Report of Board of Directors and Related Party Transactions Review Committee Report
9.2.4	Related Party Transactions Review Committee-Meetings	The committee met four (04) times during the financial year of 2022/23	Compliant	Annual Report of Board of Directors
9.3.2 (a)	Disclosure - Nonrecurrent Related Party Transactions	Company did not have any Non-recurrent related party transactions with aggregate value exceeding 10% of the equity or 5% total assets whichever is lower. No disclosures required.	Compliant	Related Party Transactions Review Committee Report

# RISK MANAGEMENT

## RISK MANAGEMENT FRAMEWORK

### OVERVIEW

Risk landscapes have continued to evolve at a rapid pace, necessitating proactive and robust risk management frameworks and practices. Our company’s pursuit of financial stability and performance depends on effective risk management structures, which incorporates best practices into the company’s strategy, decision-making and risk culture. Our Company’s risk management strategy is distinguished by clear governance structures, stringent policy frameworks, and clearly articulated mandates through a “5-step Risk Management Framework”.

Throughout the risk management process, effective communication and consultation with stakeholders is crucial. This involves sharing risk information, seeking input from relevant parties, and ensuring that risk-related decisions are well understood and supported.

By following a structured risk management framework, we can systematically identify, evaluate, and address risks, thereby reducing potential losses, enhancing decision-making, and improving overall organizational resilience.

### Strategic Objectives for Leveraging Manufactured Capital



1. Risk Identification - It is necessary to identify risks that are reassuringly predictable and might potentially have an impact on the organisation.
2. Risk Assessment - Exploring the strengths and weaknesses of existing systems and processes designed to help control the risk.
  - Identifying the existing controls
  - Assess the likelihood and consequences
  - Rate the level of risk (Risk Matrix)
  - PESTEL, SWOT & Benefit/Fault Tree Analysis are used as a techniques
3. Risk Evaluation - A Risk Management Module acts as a foundation to evaluate the identified risk based on the level of rating.

### RISK MANAGEMENT MODULE

A risk management module has been implemented to proactively identify, assess, and mitigate risks. It streamlines the risk management process, improves visibility, and facilitates collaboration among stakeholders, ultimately enabling the organisation to make informed decisions.

High	Close monitoring required	Requires monitoring and control	Intense monitoring and control
	Risk may be accepted but requires monitoring	Monitor and control recommended	Monitor and control required
	Acceptable risk	Risk acceptable, requires regulation	Control by existing procedures if required
Medium			
Low			
	Low	Medium	High

4. Risk Monitoring and Control - it is essential to continuously monitor and review the effectiveness of the measures. This includes tracking changes in risk exposures, evaluating the performance of control measures, and updating risk assessments as needed. Controls measures are definite post risk evaluation. Where risk treatment is necessary, it entails choosing one or more choices for risk modification i.e. accept, transfer, mitigate and avoid.
5. Risk Reporting - Regular reporting on risk management performance to senior management and relevant stakeholders helps ensure transparency and accountability.

## RISK LANDSCAPE

The Company's risk landscape shifted considerably during the year, reflecting the country's economic vulnerabilities, political instability and social unrest. The Kingsbury regularly evolves and analyses developing risks that have the potential to impact its financial performance, sustainability, business continuity, technological infrastructure and human capital

Economical Risk	Geopolitical Risk	Health & Safety	Human Capital	Compliance Risk	Technology & Data Risk
<ul style="list-style-type: none"> <li>• Interest rate Risk</li> <li>• Forex Risk</li> <li>• Credit Risk</li> <li>• Liquidity Risk</li> </ul>	<ul style="list-style-type: none"> <li>• Concentration Risk</li> <li>• Civil Riot, Terrorism and War</li> <li>• Competitor Risk</li> <li>• Supply chainrisk</li> <li>• Environmental Risk</li> </ul>	<ul style="list-style-type: none"> <li>• Food &amp; Hygiene Safety</li> <li>• Pandamic related risks</li> </ul>	<ul style="list-style-type: none"> <li>• Brain drain</li> </ul>	<ul style="list-style-type: none"> <li>• Theft &amp; Fraud</li> <li>• Regulatory Risk</li> </ul>	<ul style="list-style-type: none"> <li>• Cyber Security</li> <li>• Data Privacy</li> <li>• Innovation risk</li> </ul>

Risk	Rating	Risk Response	Risk Mitigation Strategy
Interest rate risk	High	<ul style="list-style-type: none"> <li>- Impact on profitability through higher cost of borrowing, potentially reducing profitability and limiting investment opportunities.</li> <li>- Increased inventory holding costs</li> </ul>	<ul style="list-style-type: none"> <li>- Continuous monitoring of interest rate trends</li> <li>- Timely adjustments of pricing and marketing strategies</li> <li>- Restructure of bank rate policies</li> </ul>
Brain drain	High	<ul style="list-style-type: none"> <li>- Skilled migration due to adverse political challenges prevailing</li> </ul>	<ul style="list-style-type: none"> <li>- Salary and benefits benchmarked to industry</li> <li>- Constant offering of training and development programs</li> <li>- Defined, structured career paths for key employees</li> </ul>

Risk	Rating	Risk Response	Risk Mitigation Strategy
Forex risk	High	<ul style="list-style-type: none"> <li>- Direct implications of exchange rate fluctuations on Revenue and Profitability</li> <li>- Cost escalations in imported raw materials</li> <li>- Impact in operating costs due to interrupted supply chain and paucity of imported goods in the market</li> </ul>	<ul style="list-style-type: none"> <li>- Monitor exchange rate movements and economic indicators</li> <li>- Effective cost management</li> <li>- Proactive relationships with banks</li> <li>- Timely repricing strategies</li> </ul>
Credit risk	High	<ul style="list-style-type: none"> <li>- Risk of defaults with possible losses</li> <li>- Negative cash flows impact operational working capital</li> </ul>	<ul style="list-style-type: none"> <li>- Robust credit policy and procedures which includes setting credit limits, defining payment terms, and regularly reviewing customer creditworthiness</li> <li>- Payment Systems and Security monitoring</li> <li>- Negotiating favourable payment terms with suppliers</li> </ul>
Liquidity risk	High	<ul style="list-style-type: none"> <li>- Insufficient cash flow position leads to not being able to meet financial obligations</li> <li>- Additional interest and penalties on statutory obligations</li> <li>- Liquidity constraints lead to financial insecurity/ instability</li> </ul>	<ul style="list-style-type: none"> <li>- Effective working capital management</li> <li>- Business contingency planning</li> <li>- Regular cash flow forecasting models to project future cash inflows and outflows</li> </ul>
Concentration risk	High	<ul style="list-style-type: none"> <li>- Market Segment Concentration leads to market share division due to intense competition of new hotel chains emergence</li> <li>- Dependency on Intermediaries or Distribution Channels</li> <li>- Supplier Concentration</li> </ul>	<ul style="list-style-type: none"> <li>- Attractive marketing strategies in place to allure customers</li> <li>- Product and Service Innovation</li> <li>- Regularly assess the financial health of key partners</li> <li>- Creation of supplier Pool</li> </ul>
Civil Riot, Terrorism & War	High	<ul style="list-style-type: none"> <li>- Implementation of Travel Advisories and Restrictions which leads to less tourists inbound</li> <li>- Create an atmosphere of uncertainty and insecurity</li> </ul>	<ul style="list-style-type: none"> <li>- Implementation of security protocols and emergency response system</li> <li>- Crisis management plans</li> <li>- Comprehensive insurance coverage</li> </ul>



Risk	Rating	Risk Response	Risk Mitigation Strategy
Supply chain risk	High	<ul style="list-style-type: none"> <li>- Seasonality and Demand Fluctuations leading to potential shortages, delivery delays, or increased costs</li> <li>- Failure to meet regulatory requirements or product safety standards leading to customer dissatisfaction</li> </ul>	<ul style="list-style-type: none"> <li>- Regularly assess supplier capabilities and their financial stability</li> <li>- Supplier chain mapping (P2P) including all tiers of suppliers and dependencies</li> </ul>
Food & Hygiene Safety	High	<ul style="list-style-type: none"> <li>- Foodborne Illnesses</li> <li>- Failure to meet regulation standards for food &amp; hygiene safety leading to reputational damage</li> </ul>	<ul style="list-style-type: none"> <li>- Allergen Management</li> <li>- Comply with updated licenses, ISO certifications and permits</li> </ul>
Pandemic related health risks	High	<ul style="list-style-type: none"> <li>- Re-emergence of COVID 19 variants globally leading to re-introduction of additional safety protocols deterring potential customers</li> </ul>	<ul style="list-style-type: none"> <li>- Monitor global health &amp; safety regulations</li> </ul>
Theft & Fraud	Medium	<ul style="list-style-type: none"> <li>- Potential damage to brand leading to loss of business opportunity</li> </ul>	<ul style="list-style-type: none"> <li>- Enforced robust security surveillance</li> <li>- Comprehensive Whistle Blowing Policy</li> </ul>
Regulatory risk	Medium	<ul style="list-style-type: none"> <li>- Enforcing new taxation policies affecting the pricing and competitiveness of the business</li> <li>- Imposing new environmental regulations to reduce e-waste</li> </ul>	<ul style="list-style-type: none"> <li>- Price adjustments to accounting to new tax policies</li> <li>- Implementation of e-waste management system</li> </ul>
Cyber Security	Medium	<ul style="list-style-type: none"> <li>- Fishing scams/attacks on networks</li> </ul>	<ul style="list-style-type: none"> <li>- Implemented OneDrive &amp; SharePoint mechanism to safeguard critical documents</li> <li>- Creating awareness on e-scams for staffs</li> </ul>
Data Privacy	Medium	<ul style="list-style-type: none"> <li>- Hacking of personal &amp; clientele data</li> </ul>	<ul style="list-style-type: none"> <li>- Closely follow international data protection law</li> </ul>
Innovation risk	Medium	<ul style="list-style-type: none"> <li>- Rapid IT infrastructure progress globally</li> </ul>	<ul style="list-style-type: none"> <li>- Research and development of new IT infrastructure facilities</li> </ul>

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

The Directors of The Kingsbury PLC are pleased to present their report on the affairs of the Company together with the audited Financial Statements of the Company, for the year ended 31st March 2023.

The details set out herein provide the pertinent information required by the Companies Act No. 07 of 2007 (the Companies Act), the Listing Rules of the Colombo Stock Exchange (Listing Rules of CSE), the Code of best practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka. The Financial Statements were reviewed and approved by the Board on 15th May 2023.

## Review of the business

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 which operates The Kingsbury Hotel, Colombo.

The Directors to the best of their knowledge and belief confirm that the Company has not engaged in any activities which contravene laws and regulations.

## Financial statements

The Financial Statements of the Company are given on pages 92 to 100.

## Auditors' report

The Auditor's Report on the Financial Statements is given on pages 93 to 95.

## Accounting policies

The Accounting Policies adopted in preparation of Financial Statements are given on pages 101 to 110.

Changes made to the Accounting Policies during the accounting period are described under Note 3 of the Financial Statements.

## Interest register

The Company, in compliance with the Companies Act, 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.

## Directors' Interests in Transactions

The Directors of the Company have made the general disclosure 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 2023 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 2023 is Rs. 74,619,333 The total remuneration of Non-Executive Directors for the year ended 31st March 2023 is Rs. 5,623,000/- 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.

## Remuneration committee

The Remuneration Committee of the Parent company Hayleys PLC functions as the Remuneration Committee of the Company and conforms to the requirements of the Listing Rules of CSE.

The names of the members of the Committee and their attendance at the

Meetings are given on the Remuneration Committee Report on page 86.

## 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 Section 09 of the Listing Rules of CSE.

The names of the members of the Committee and their attendance at the Meetings are given on the Related Party Transaction Review Committee report on page 85.

Related Party Transaction Review Committee met 04 times during the financial year 2022/23. Related party transactions are given in Note 30.4 in the notes to the Financial Statements

## Board nomination committee

The Nomination Committee of the Parent company Hayleys PLC functions as the Nominations Committee of the Company and conforms to the regulatory requirements.

The names of the members of the Committee and their attendance at the Meetings are given on the Nomination Committee Report on page 87.

## Corporate donations

No donations were made during the year

## Directors of the company as at 31st March 2023

The names of the Directors who served during the year are given below and their brief profiles appear on pages 15 and 17 of the Report.

## Executive Directors

Mr. A. M. Pandithage - Executive Chairman  
Mr. R. J. Karunarahaj - Managing Director

## Non-Executive Directors

Mr. S. C. Ganegoda  
Mr. S. J. Wijesinghe  
Ms. K. A. D. B. Perera - Appointed w.e.f. 19-10-2022  
Mr. Dhammika Perera - Resigned w.e.f. 10-06-2022

## Independent Non-Executive Directors

Mr. N. J. De S. Deva Adithya  
Ms. R. N. Ponnambalam  
Mr. J. P. Van Twest  
Ms. I. Jamaldeen  
Mr. T. A. B. Speldewinde - Appointed w.e.f. 01-07-2022  
Mr. L. N. De S. Wijeyeratne - Resigned w.e.f. 30-06-2022

In accordance with Rule 7.10.2 (b) of the Listing Rules of CSE, Independent Directors have submitted a signed and dated declaration as per the specimen given in Appendix 7A of continuing Listing Rules of CSE.

Co-Chairman Mr. Dhammika Perera who served as a Non-Executive Director resigned with effect from 10th June 2022 and consequent to his resignation, his alternate director Ms. A. A. K. Amarasinghe ceased to be his alternate on the Board of the Company.

Mr. L. N. De S. Wijeyeratne resigned from the Board with effect from 30th June 2022.

In terms of the Article No. 86 of the Articles of Association of the Company Mr. S. C. Ganegoda and Ms. I. Jamaldeen retire by rotation and being eligible offer themselves for re-election at the Annual General Meeting.

Pursuant to Section 211 of the Companies Act No. 07 of 2007, an ordinary resolution will be put before the shareholders for the reappointment of Mr. A. M. Pandithage and Mr. N. De S. Deva Adithya not withstanding the age limit of seventy years stipulated by Section 210 of the Companies Act.

Mr. T. A. B. Speldewinde was appointed to the Board as an Independent Non-Executive Director on 01st July 2022 in terms of Article No. 94 of the Articles of Association of the Company, Shareholders will be requested to re-elect Mr. T. A. B. Speldewinde at the Annual General Meeting.

Ms. K. A. D. B. Perera was appointed to the Board as a Non-Executive Director on 19th October 2022 in terms of Article No. 94 of the Articles of Association of the Company, Shareholders will be requested to re-elect Ms. K. A. D. B. Perera at the Annual General Meeting.

## 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,

## Directors' shareholdings

The shareholdings of the Directors as at 31st March 2023 were as follows;

	Shareholding as at 31.03.2023	Shareholding as at 31.03.2022
Mr. A. M. Pandithage	NIL	NIL
Mr. R. J. Karunarahaj	NIL	NIL
Mr. S. C. Ganegoda	125,000	125,000
Mr. S. J. Wijesinghe	NIL	NIL
Mr. N. J. De S. Deva Adithya	NIL	NIL
Ms. R. N. Ponnambalam	NIL	NIL
Mr. J. P. Van Twest	NIL	NIL
Ms. I. Jamaldeen	NIL	NIL
Mr. T. A. B. Speldewinde	NIL	NIL
Ms. K. A. D. B. Perera	NIL	NIL
Mr. Dhammika Perera Resigned w.e.f. 10-06-2022	6,432,292	6,432,292
Mr. L.N. De S. Wijeyeratne Resigned w.e.f. 30-6-2022	NIL	NIL
Ms. A. A. K. Amarasinghe (Alternate Director to Mr. Dhammika Perera) - ceased to be an Alternate Director w.e.f. 10th June 2022	NIL	NIL

present and future Directors and Officers of the Group.

## 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.

## 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.

# Annual report of the board of directors on the affairs of the company

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

## Auditors

The Auditors of the Company during the year, Messrs. Ernst & Young, Chartered Accountants, were paid Rs. 842,270/- (2022 - Rs. 825,124/-) as audit fees by the Company. In addition, they were paid Rs. 445,537/- (2022 - Rs. 235,600/-) by the Company for non-audit related work.

The Audit Committee of the Company reviews the appointment of the Auditor, its effectiveness and the relationship with the Company including the level of audit and non-audit fees paid to the Auditors.

As far as the Directors are aware, the Auditors do not have any relationship or interest in the Company. The Auditors have confirmed that they do not have any relationship (other than that of Auditors) or interest in the Company other than those disclosed above.

Messrs. Ernst & Young Chartered Accountants, have expressed their willingness to continue in office and in accordance with the Companies Act a resolution proposing the re-appointment of Messrs. Ernst & Young, Chartered Accountants, as Auditors and to authorise the Directors to determine their remuneration is being proposed 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 2023 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.

## Reserves

Total Company reserves as at 31st March 2023 amounts to Rs. (154,635,000/-) (2022 - Rs. 291,101,684/-) 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.

## Dividends

No Dividends were declared during the Financial Year.

## Employees and industrial relations

There have been no material issues pertaining to employees and industrial relations of the Company during the Financial Year. No. of persons employed by the Company was 720.

## Investor Informations and Major Shareholders

The twenty largest shareholders of the Company as at 31st March 2023, together with an analysis are given on page 137 of the Annual Report.

The number of registered shareholders of the Company as at 31st March 2023 was 4592.

Value of net Asset per share is Rs. 1.41 (2022 - Rs. 2.33). Disclosure as per the listing Rule No.7.6.xi of CSE is given on page 137 of this annual reports.

## Public shareholding

As at 31st March 2023, 39.17% of the issued capital of the Company was held by the public comprising 4,588 shareholders.

## Exposure to risk

The Company's Board Audit Committee play a major role in the process of risk assessment. The Risk Management section of this report elaborates these practices and the risk factors of the Company.

## 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 2023 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 Hall, No. 400, Deans Road, Colombo 10 at 1.30 p.m. on 28th June 2023. The Notice of the Annual General Meeting appears on page 141 of the Annual Report.

For and on behalf of the Board

The Kingsbury PLC



**Mohan Pandithage**  
*Executive Chairman*



**Rohan Karr**  
*Managing Director*



**Hayleys Group Services (Private)  
Limited**  
*Secretaries*

15th May 2023

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible, under the Sections 150 and 151 of the Companies Act No. 07 of 2007 (the Companies Act), 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 of the Companies Act 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 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 93 to 95 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 provided where relevant.

By Order of the Board The Kingsbury PLC



**Hayleys Group Services (Private)**

**Limited**

*Secretaries*

15th May 2023

# RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

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

## Composition of the Committee, Meetings and Attendance

RPTRC of Hayleys PLC met four times during the financial year and the attendance of these meetings is given below;

Name	Category	Meeting Attendance
Dr. H. Cabral PC - Chairman	IND/NED	4/4
Mr. M. Y. A. Perera	IND/NED	4/4
Mr. S. C. Ganegoda	ED	4/4

(IND-Independent Director, NED-Non-Executive Director, ED - Executive Director)

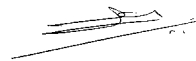
## The Duties of the Committee

- 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 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 RPTRC reviewed the related party transactions and their compliance with Hayleys Leisure PLC and communicated the same to the Board.

The RPTRC in its review process recognized 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 2023

# REMUNERATION COMMITTEE REPORT

The Remuneration Committee of the parent company Hayleys PLC functions as the Remuneration Committee to the Company in terms of the Section 7.10.5 of the Listing Rules of the Colombo Stock Exchange.

## COMPOSITION OF THE COMMITTEE, MEETINGS AND ATTENDANCE

Remuneration Committee of Hayleys PLC met two times and the attendance of these meetings is given below;

Remuneration Committee of Hayleys PLC

Name	Category	Attendance
Dr. H. Cabraal - Chairman	ED	9/9
Mr. H. Jamaldeen	IND/NED	9/9
Mr. M.Y.A. Perera -	NED	1/2

Mr. Dhammika Perera - Resigned w.e.f. 10th June 2022

\*Mr. K. D. G. Gunaratne (IND) was appointed on 21st April 2023.

(IND-Independent Director, NED-Non-Executive Director, ED - Executive Director)

## Duties Of The Remuneration Committee

The Committee vested with power to evaluate, assess, decide, and recommend to the Board of Directors on any matter that may affect Human Resources Management of the Company and the Group and specifically include -

- Determining the compensation of the Chairman and Chief Executive, Executive Directors and the Members of the Group Management Committee.
- Lay down guidelines and parameters for the compensation of all Management staff within the Group taking into consideration industry norms.
- Formulate guidelines, policies, and parameters for the compensation of all Executives staff of the Company.
- Review information related to executive pay from time to time to ensure same is on a par with the market/industry rates.
- Evaluate the performance of the Chairman and Chief Executive and Key Management Personnel against the pre-determined targets and goals.
- Assess and recommend to the Board of Directors of the promotions of the Key Management Personnel and address succession planning.
- Approving annual salary increments and bonuses.

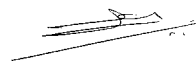
## Remuneration Policy

The remuneration policy is to attract and retain highly qualified and experienced workforce, and reward performance accordingly in the backdrop of industry norms. These compensation packages provide compensation appropriate for each business

within the Group and commensurate with each employee's level of expertise and contributions, bearing in mind the business' performance and shareholder returns.

## Activities In 2022/2023

- During the year the Committee reviewed the performance of the Chairman and Chief Executive, Executive Directors and Group Management Committee based on the targets set in the previous year and determined the bonus payable and the annual increments.
- Recommended the bonus payable and annual increments to be paid to executive and non-executive staff based on the ratings of the Performance Management System.



**Dr. Harsha Cabral, PC**  
Chairman  
Remuneration Committee

19th May 2023



# NOMINATION COMMITTEE REPORT

The Nomination Committee of the parent company, Hayleys PLC functions as the Nomination Committee for the Company in compliance with the regulatory requirements.

## Composition of the Committee, Meetings And Attendance

The Nomination Committee of Hayleys PLC met Nine times during the financial year. The attendance of these meetings is given below;

Nomination Committee of Hayleys PLC

Name	Category	Total
Mr. A.M. Pandithage	ED	9/9
Dr. H. Cabral, PC	IND/NED	9/9
Mr. Dhammika Perera	NED	1/2

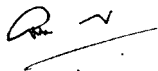
(Resigned with effect from 10th June 2022)

Mr. M. Y. A. Perera was appointed on 21st April 2023

(IND-Independent Director, NED-Non-Executive Director, ED - Executive Director)

## Duties of the Nomination Committee

- Consider the making of any new appointment to the Board or re-electing current Directors to the Board.
- Provide advice and recommendations to the Board on any such appointment.
- Review criteria such as qualifications, experience and key attributes required for eligibility to be considered for appointment to the Board and Key Management Personnel in the Company.
- Consider if a Director is able to and has been adequately carrying out his or her duties as a Director, taking in to consideration the number of Listed Company Boards on which the Director is represented and other principal commitments.
- Review the structure, size, composition and competencies of the Board and make recommendations to the Board with regard to any changes.
- Recommend the requirements of new expertise and succession arrangements for retiring Directors.
- Recommend on any matter referred by the Board of Directors.
- The Committee has recommended based on the performance and the contribution made to achieve the objectives of the Board to re-elect Mr. S. C. Ganegoda and Ms. I. Jamaldeen at the Annual General Meeting to be held on 28th June 2023.
- The Committee has recommended to reappoint Mr. A. M. Pandithage who is over seventy years of age.



**Mohan Pandithage**

Chairman

Nomination Committee of Hayleys PLC

19th May 2023

# AUDIT COMMITTEE REPORT

The Audit Committee comprises three Independent Non-Executive Directors.

The names of the members are given in this report and a brief profile of each member is given on pages 15 to 17.

Mr. L. N. De S. Wijeyeratne who was the Audit Committee Chairman, ceased to be a Director on 30th June 2022 in terms of Section 210 of the Companies Act No. 7 of 2007 and consequently vacated the post of Chairman of the Committee.

Mr. Timothy Speldewinde a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and also a Fellow of the Chartered Institute of Management Accountants UK was appointed as the Chairman of the Audit Committee of the Company on 01st July 2022.

The Committee met formally four (04) times during the financial year ended 31st March 2023. The attendance of the members at these meetings was as follows:

The Managing Director, Head of Finance, Financial Controller, Manager Finance and the Group Chief Financial Officer (CFO) of Hayleys PLC 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.

Hayleys Group Services (Private) Limited, Company Secretaries act as the Secretary to the Committee.

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, 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 the preparation and presentation of Financial Statements.

- Recommended to the Board, re-appointment of External Auditors M/s Ernst & Young 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.

The Committee met formally four (04) times during the financial year ended 31st March 2023. The attendance of the members at these meetings was as follows:

Independent Non-Executive Director	05th May 2022	02nd August 2022	01st November 2022	31st January 2023	Total
Mr. T. A. B. Speldewinde	N/A	Present	Present	Present	3/3
Ms. R. N. Ponnambalam	Present	Present	Present	Present	4/4
Mr. J. P. Van Twest	Present	Present	Excused	Present	3/4
Mr. L. N. De S. Wijeyeratne	Present	N/A	N/A	N/A	1/1

- Reviewed the management letter issued by the External Auditors.
- Discussed and finalised the nature and scope of the audit with the external auditors for the ensuing year.
- The Committee obtained and reviewed statements from the Heads of Business Sectors identifying their respective major business risks and mitigatory actions taken for management of these risks.
- The Committee obtained from the Company on the adequacy of the provisions made for possible liabilities and reviewed reports tabled by the Company certifying the compliance with relevant statutory requirements.
- Reviewed the scope, functions and resources of the internal audit department of Hayleys PLC's Group Management Audit and Systems Review Department which acts as the Internal Auditor of the Company, 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. 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 responses thereto. Followup reviews were scheduled to ascertain that audit recommendations are being acted upon.
- 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
- Noted the weak financial position of the company due to the losses incurred during the past four years. The company's gearing ratio has increased to 84.11% while its current liabilities exceeded its current assets by Rs. 1,843 Mn. The interest bearing liabilities to be settled in the ensuing financial year amounted to Rs. 1,086 Mn. The Management informed the Committee that they have commenced discussions with the company's bankers for the rescheduling of its debt. In addition the parent company has agreed to provide a letter of comfort confirming that they will extend their support in the event of a need. The parent company has also agreed to avoid calling on the settlement of its out standings until the financial position improves.

The Committee would continue to monitor the compliance with relevant Accounting Standards and keep the Board of Directors informed at regulate intervals.



**Timothy Speldewinde**  
Chairman  
Audit Committee

15th May 2023

# FINANCIAL STATEMENTS



## *Financial Statements*

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## **Triumphant Value**

Offering our stakeholders a clear and transparent picture of the hotel's financial health, this section underscores our position as a trusted and thriving entity in the hospitality landscape.

# FINANCIAL CALENDER

## Financial Calendar

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Interim Financial Statement - Quarter 1	02nd August 2022
Interim Financial Statement - Quarter 2	01st November 2022
Interim Financial Statement - Quarter 3	31st January 2023
Interim Financial Statement - Quarter 4	09th May 2023
Annual General Meeting	28th June 2023

# INDEPENDENT AUDITORS' REPORT



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

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ey.com

## 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 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31st March 2023, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditors' 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 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 Auditors' 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

#### Interest Bearing Borrowings

As of the reporting date, the Company reported total interest-bearing borrowings 51% of Total Liabilities amounting Rs. 2,004 Mn, of which Rs. 918 Mn is reported as non-current liabilities and the balance Rs. 1,085 Mn as current liabilities.

Interest bearing borrowings was a key audit matter due to:

- the magnitude of the interest-bearing borrowings and its significance to the overall financial statements.
- existence of numerous financial and non-financial covenants; and

Appropriateness of disclosures including liquidity risk management, maturity profile and current vs non-current classification of such borrowings in the notes to the financial statements

### How our audit addressed the Key Audit Matter

Our audit procedures included amongst others, the following,

- We obtained an understanding of the terms and conditions attached to external borrowings, by perusing the loan agreements,
- 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,
- We obtained management's assessment of future cash flows and its plans to meet debt service obligations as per existing contractual arrangements.

## Key Audit Matter

## How our audit addressed the Key Audit Matter

### Recognition and Measurement of Revenue

As of the reporting date, the Company reported total Revenue of Rs. 3,817 Mn, of which Rs. 2,756 Mn is reported as revenue from Food & Beverages Sales and the amount of Rs. 1,023 Mn is reported as Rooms and other revenue

Revenue was a key audit matter due to:

- The significance of the account balance coupled with the significant increase in revenue recorded by the company amounting Rs. 1,795 Mn.
- Diversity of operating segments that generated the revenue from a variety transactions and events.
- Reliance on Information Technology (IT) in the operating segments

- 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.
- We evaluated the appropriateness of significant judgments and reasonableness of assumptions used by management in its future cash flows:
- We also, assessed the adequacy of the disclosures made in 19 and 33 to the Financial Statements relating to the interest-bearing borrowings and liquidity risk aspects.

Our audit procedures amongst others included the following,

- We identified the operating segments that generated significant revenues and performed the following key procedures, where relevant.
- Performed appropriate analytical procedures to understand and assess the reasonableness of the reported revenues and checked the completeness of the revenue by performing Cut off procedures due to increase.
- Evaluated the design of internal controls and tested the operating effectiveness of relevant controls relating to sale of goods and service arrangements.
- Due to the reliance on IT in revenue recognition, we tested the general IT control environment and the key IT application controls relating to the most significant IT systems relevant to revenue recognition.
- Tested the appropriateness of revenue recognised by reviewing the relevant sales contracts and other supporting documents to determine whether the related performance obligations have been satisfied for revenue recognition.
- We also assessed the adequacy of the disclosures in respect of revenue in Note 4 to the financial statements.

### Other Information included in the Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditors' report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on

the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the management and those charged with governance 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.

### **Auditors' 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 auditors' 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 are 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 controls.
- 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 auditors' 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 auditors' 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.

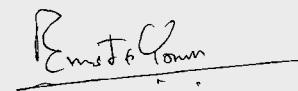
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 auditors' 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 auditors' report is 2404.



31 May 2023

Colombo`

# STATEMENT OF PROFIT OR LOSS

Year ended 31st March	Notes	2023 Rs '000	2022 Rs '000
Revenue	4	3,817,614	2,021,666
Cost of sales		(2,398,328)	(1,544,454)
<b>Gross profit</b>		<b>1,419,286</b>	<b>477,212</b>
Other income and expenses	5	7,505	25,406
Administrative expenses		(1,412,003)	(801,228)
Marketing expenses		(54,261)	(47,811)
Finance income	8	18,195	25,633
Finance expense	9	(383,574)	(135,750)
<b>(Loss) before tax</b>		<b>(404,852)</b>	<b>(456,538)</b>
Income tax (expense)/reversal	10	(147,621)	29,702
<b>Net (Loss) after tax</b>		<b>(552,473)</b>	<b>(426,836)</b>
Basic (loss) per share (Rs.)	11	(1.14)	(0.88)

The Accounting Policies and Notes on pages 101 through 135 form an integral part of the Financial Statements.

# STATEMENT OF COMPREHENSIVE INCOME

Year ended 31st March	Notes	2023 Rs '000	2022 Rs '000
<b>Loss for the year</b>		(552,473)	(426,836)
<b>Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods</b>			
Revaluation of buildings and building integrals	28.1	-	82,116
Effect on change in tax rate/revaluation on building and building integrals	28.1	(139,271)	(11,496)
		-	
Re-measurement loss on defined benefit plans	20.2	(16,200)	(5,103)
Income tax effect on other comprehensive income	21	4,860	714
<b>Other Comprehensive income for the year, net of tax</b>		(150,611)	66,231
<b>Total Comprehensive Income for the year, net of tax</b>		(703,084)	(360,605)

The Accounting Policies and Notes on pages 101 through 135 form an integral part of the Financial Statements.

# STATEMENT OF FINANCIAL POSITION


As at 31st March	Notes	2023 Rs '000	2022 Rs '000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	3,631,703	3,751,326
Intangible assets	13	16,843	5,952
Right to use asset	14	11,427	11,674
		<b>3,659,973</b>	<b>3,768,952</b>
<b>Current assets</b>			
Inventories	15	167,973	114,117
Trade and other receivables	16	374,641	178,357
Other non financial assets	17	64,849	122,202
Income tax receivable		8,431	8,431
Cash and cash equivalents	18	167,386	112,265
		<b>783,280</b>	<b>535,372</b>
<b>Total assets</b>		<b>4,443,253</b>	<b>4,304,324</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Stated capital	27	836,000	836,000
Revaluation reserve	28	731,173	870,444
Retained Loss		(1,143,155)	(579,342)
		<b>424,018</b>	<b>1,127,102</b>
<b>Non-current liabilities</b>			
Interest-bearing borrowings	19	918,580	1,036,859
Post employment benefit obligation	20	88,465	67,659
Deferred tax liability	21	365,251	83,219
Lease liability	22	19,036	19,044
Other non-current liabilities		1,600	1,820
		<b>1,392,932</b>	<b>1,208,601</b>
<b>Current liabilities</b>			
Trade and other payables	23	1,165,901	864,440
Interest-bearing borrowings	19	1,326,060	975,024
Other non financial liabilities	24	134,342	129,157
		<b>2,626,303</b>	<b>1,968,621</b>
<b>Total equity and liabilities</b>		<b>4,443,253</b>	<b>4,304,324</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 preparation & presentation of Financial Statements. These Financial Statements were authorised for issue by the Board of Directors on 15th May 2023



Mohan Pandithage - Executive Chairman



Rohan Karr - Managing Director

The Accounting Policies and Notes on pages 101 through 135 form an integral part of the Financial Statements.

15th May 2023  
Colombo

# STATEMENT OF CHANGES IN EQUITY

	Notes	Stated capital Rs '000	Revaluation reserve Rs '000	Retained earnings Rs '000	Total Rs '000
<b>Balance at 01st April 2021</b>		836,000	816,874	(167,943)	1,484,931
Net Loss for the period		-	-	(426,836)	(426,836)
Other comprehensive income		-	70,620	(4,389)	66,231
<b>Total comprehensive income</b>		<b>836,000</b>	<b>887,494</b>	<b>(599,168)</b>	<b>1,124,326</b>
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 2022</b>		<b>836,000</b>	<b>870,444</b>	<b>(579,342)</b>	<b>1,127,102</b>
Net Loss for the period		-	-	(552,473)	(552,473)
Income tax effect on building and building integrals	28	-	(139,271)	-	(139,271)
Other comprehensive income		-	-	(11,340)	(11,340)
<b>Total comprehensive income</b>		<b>-</b>	<b>(139,271)</b>	<b>(563,813)</b>	<b>(703,084)</b>
<b>Balance at 31st March 2023</b>		<b>836,000</b>	<b>731,173</b>	<b>(1,143,155)</b>	<b>424,018</b>

The Accounting Policies and Notes on pages 101 through 135 form an integral part of the Financial Statements.

# STATEMENT OF CASH FLOWS

Year ended 31st March	Notes	2023 Rs '000	2022 Rs '000
<b>Operating activities</b>			
Cash generated from operations	29	301,475	(68,444)
Interest received	8	11,004	668
Interest paid		(173,125)	(37,886)
Lease Interest paid		(2,381)	(2,388)
Employee benefit obligations	20	(15,962)	(16,854)
<b>Net cash generated from operating activities</b>		<b>121,011</b>	<b>(124,904)</b>
<b>Investing activities</b>			
Capital work in progress		(17,374)	-
Purchases of property, plant and equipment	12.1.2	(79,633)	(69,163)
Purchases of intangible assets	13	(14,503)	(882)
Proceeds from disposal of property, plant and equipment		-	3,370
<b>Net cash generated from / (used in) investing activities</b>		<b>(111,510)</b>	<b>(66,675)</b>
<b>Financing activities</b>			
Proceeds from interest-bearing borrowings	29.2	271,349	343,001
Payments on interest-bearing borrowings	29.2	(95,634)	(101,694)
Payments on lease rent		(8)	(7)
<b>Net cash generated from financing activities</b>		<b>175,707</b>	<b>241,300</b>
<b>Effect of exchange rate changes on Csh &amp; cash equivalents</b>		<b>7,191</b>	<b>24,965</b>
<b>Net increase in cash and cash equivalents</b>		<b>192,399</b>	<b>74,686</b>
<b>Movement in cash and cash equivalents</b>			
At the begining of year (Note 18.2)		(265,224)	(339,910)
Net increase		192,399	74,686
<b>At end of year</b>	18.2	<b>(72,825)</b>	<b>(265,224)</b>

The Accounting Policies and Notes on pages 101 through 135 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 2023 were authorised for issue in accordance with a resolution of the Board of Directors on 15th May 2023.

## 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

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, 15% and 3% respectively.

**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

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 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

	2023	2022
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	3 - 10 years	3 - 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 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) Det-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 notes:

**Trade Receivables:**

For trade receivables, the Company applies a simplified approach in calculating Expected Credit Losses (ECL).

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 Other Non-Financial Liabilities

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

#### 2.3.14 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.

## 2.3.15 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 3% 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.

## 2.3.16 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.

## 2.3.17 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.

### 3. Changes in accounting policies

#### 3.1 New and amended standards and interpretations

No significant impact resulted on the Financial Statements of the Company due to changes in Accounting standards and disclosures during the year.

#### 3.2 Standards Issued but not Yet Effective

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

##### 3.2.1 Definition of Accounting Estimates - Amendments to LKAS 8

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

##### 3.2.2 Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to LKAS 12

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

### 3.2.3 Disclosure of Accounting Policies - Amendments to LKAS 1 and IFRS Practice Statement 2

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

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies.
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

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

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

- What is meant by a right to defer settlement.
- That a right to defer must exist at the end of the reporting period.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- Disclosures.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.



#### 4. Revenue

The Company classifies 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	2023 Rs '000	2022 Rs '000
Gross turnover	3,817,614	2,021,666
Less: Tax	(38,109)	(20,640)
<b>Net turnover</b>	<b>3,779,505</b>	<b>2,001,026</b>

##### 4.2 Segmentation of the revenue

Year ended 31st March	2023 Rs '000	2022 Rs '000
Room revenue	879,595	390,002
Food & beverage revenue	2,756,156	1,531,936
Other hotel related revenue	143,754	79,088
<b>Total revenue</b>	<b>3,779,505</b>	<b>2,001,026</b>

#### 5. Other Income and Expenses

Year ended 31st March	2023 Rs '000	2022 Rs '000
Loss on disposal of property, plant and equipment	(1,171)	(1,052)
Sundry income	8,676	26,458
<b>Other income and expenses</b>	<b>7,505</b>	<b>25,406</b>

## Notes to the Financial Statements

### 6. Profit Before Tax

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

Year ended 31st March	Note	2023 Rs '000	2022 Rs '000
Directors' emoluments		5,659	4,158
Auditors remuneration - audit fees		842	825
- non audit fees		446	236
Depreciation on Property, Plant and Equipment	12	194,005	246,007
Amortisation of intangible assets	13	3,612	2,180
Amortisation of Right to use assets	14	247	247
Impairment allowance for trade receivables	33	5,693	(798)
Repair and maintenance expenditure		72,710	45,243
Lease rentals on property		2,381	2,382
Staff costs	7	639,726	494,369
Power and energy expenditure		275,176	139,842
Loss on disposal of property, plant & equipment		1,071	8,197
Marketing and promotional fee		54,261	60,031

### 7. Staff Costs

Year ended 31st March	Note	2023 Rs '000	2022 Rs '000
Staff costs (Includes the following)		639,726	494,369
Post employment benefit obligation	20.2	20,567	12,950
Defined contribution plan costs - EPF and ETF		70,548	55,683

### 8. Finance Income

Year ended 31st March	2023 Rs '000	2022 Rs '000
Interest income	11,004	668
Foreign exchange gain	7,191	24,965
	18,195	25,633

## 9. Finance Expenses

Year ended 31st March	2023 Rs '000	2022 Rs '000
Interest expenses	383,574	135,750
Net Finance Income	365,379	110,117

## 10. Taxation

Year ended 31st March	Note	2023 Rs '000	2022 Rs '000
<b>10.1 Current income tax</b>			
Deferred tax	21.1	147,621	(29,702)
<b>Income Tax Expense</b>		<b>147,621</b>	<b>(29,702)</b>

10.1.a The Income Tax Expense reported in the Interim Financial Statements (IFSs) (Unaudited) was based on the provisional tax computation which was later finalized with an additional charge to Deferred Tax Expenses in the Audited Financial Statements as follows;

	Rs '000
Statement of Profit or Loss	
Loss after Tax reported at IFSs	429,537
Additional Deferred Tax Expense recorded	122,936
<b>Loss after Tax as per the Audited Financial Statements</b>	<b>552,473</b>
	<b>Rs '00 0</b>
Effect on Change in tax rate on building revaluation as per IFSs	137,169
Effect on Change in tax rate on building revaluation as per Audited Financial Statements	139,271
<b>Additional Impact adjusted in the Audited Financial Statements</b>	<b>2,102</b>

## 10.2 Reconciliation of accounting profit to income tax expense

Year ended 31st March	2023 Rs '000	2022 Rs '000
Loss before tax	(404,852)	(456,538)
Disallowable expenses	606,519	272,856
Allowable expenses	(235,060)	(391,904)
Business loss during the year	(33,393)	(576,254)
Interest income	11,004	668

## 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.

As at 31st March		2023	2022
Net Loss attributable to shareholders	Rs'000	(552,473)	(426,836)
Weighted average number of ordinary shares in issue		484,000	484,000
Basic loss per share	Rs.	(1.14)	(0.88)

## 12. Property, Plant and Equipment

### 12.1

#### 12.1.1 As at 31st March 2022

	Buildings and building integrals	Plant, machinery & equipment	Furniture & fittings	Motor vehicles	Linen, cutlery, crockery & glassware	Total
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Cost/valuation						
<b>Balance as at 01st April 2021</b>	3,503,870	922,929	409,577	17,303	261,534	5,115,213
Additions	13,291	28,047	3,832	-	23,993	69,163
Disposals /breakages, losses & discards	-	(54,812)	(4,167)	-	(25,584)	(84,563)
Revaluation during the year	82,116	-	-	-	-	82,116
Adjustment on Revaluation	(388,841)	-	-	-	-	(388,841)
<b>Balance as at 31st March 2022</b>	3,210,436	896,164	409,242	17,303	259,943	4,793,088
Depreciation						
<b>Balance as at 01st April 2021</b>	302,006	536,259	223,559	8,208	189,080	1,259,112
Depreciation charge	86,835	83,192	40,839	1,452	33,689	246,007
Disposals/breakages, losses & discards	-	(53,366)	(2,412)	-	(18,738)	(74,516)
Adjustment on Revaluation	(388,841)	-	-	-	-	(388,841)
<b>Balance as at 31st March 2022</b>	-	566,085	261,986	9,660	204,031	1,041,762
<b>Net book value as at 31st March 2022</b>	3,210,436	330,079	147,256	7,643	55,912	3,751,326

### 12.1.2 As at 31st March 2023

	Buildings and building integrals	Plant, machinery & equipment	Furniture & fittings	Motor vehicles	Linen, cutlery, crockery & glassware	Total
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Cost/valuation						
<b>Balance as at 01st April 2022</b>	3,210,436	896,164	409,242	17,303	259,943	4,793,088
Additions	7,701	19,406	24,423	-	28,103	79,633
Disposals/breakages, losses & discards	-	-	-	-	(18,217)	(18,217)
Impairment adjustment	-	(23,941)	(22,245)	-	(1,389)	(47,575)
Classification change	(17,777)	(35,044)	(60,369)	-	113,190	-
<b>Balance as at 31st March 2023</b>	3,200,360	856,585	351,051	17,303	381,630	4,806,929
Depreciation						
<b>Balance as at 01st April 2022</b>	-	566,085	261,986	9,660	204,031	1,041,762
Depreciation charge	77,825	53,254	37,028	1,452	41,463	211,022
Disposals/breakages, losses & discards	-	-	-	-	(17,017)	(17,017)
Impairment adjustment	-	(23,941)	(21,072)	-	1,846	(43,167)
<b>Balance as at 31st March 2023</b>	77,825	595,398	277,942	11,112	230,323	1,192,600
<b>Net book value as at 31st March 2023</b>	3,122,535	261,187	73,109	6,191	151,307	3,614,329
<b>Capital work in progress</b>						
Balance as at 01st April 2022	-	-	-	-	-	-
Cost incurred during the year	17,374	-	-	-	-	17,374
Amount transferred to Property, Plant and Equipment	-	-	-	-	-	-
Amount reversed during the year	-	-	-	-	-	-
<b>Balance as at 31st March 2023</b>	-	-	-	-	-	17,374
<b>Total net book value as at 31st March 2023</b>	3,139,909	261,187	73,109	6,191	151,307	3,631,703

## 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 2023, the valuation of the buildings and integrals located at principal place of business, No. 48, Janadhipathi Mawatha, Colombo 1 have been determined using direct capital comparison method by using level 3 of the fair value measurement hierarchy. Approximate price per sq.ft is Rs. 16,500/- to 21,000/- (2022 -Rs.15,000/-to Rs.19,500/-). 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 Rs. '000	Accumulated depreciation Rs. '000	Net book value Rs. '000
Buildings and building integrals	3,200,361	82,128	3,118,233
	3,200,361	82,128	3,118,233

**12.4** The gross carrying amount of any fully depreciated property, plant & equipment that is still in use as at 31st March 2023 is Rs.612,819,643/- (2022: Rs.410,364,042/-)

**12.5** 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

**12.6** During the financial year, the Company acquired property, plant & equipment to the aggregate value of Rs. 97,007 (2022- Rs. 69,163). Cash payments amounting to Rs. 97,007 (2022- Rs. 69,163 ) were made during the year for the purchase of property, plant and equipment.

### 13. Intangible Assets

Year ended 31st March	2023 Rs '000	2022 Rs '000
<b>Cost</b>		
Balance as at 01st April	39,991	45,517
Additions during the year	14,503	882
Impairment	-	(6,408)
Balance as at 31st March	54,494	39,991
<b>Amortisation</b>		
Balance as at 01st April	34,039	38,267
Amortisation during the year	3,612	2,180
Impairment	-	(6,408)
Balance as at 31st March	37,651	34,039
<b>Net Book Value</b>	<b>16,843</b>	<b>5,952</b>

The intangible assets consist of computer software.

### 14 Right Of Use Assets

Year ended 31st March	2023 Rs '000	2022 Rs '000
<b>Cost</b>		
Balance as at 01st April	12,415	12,415
Balance as at 31st March	12,415	12,415
<b>Amortisation</b>		
Balance as at 01st of April	741	494
Amortisation for the period (Note 22.2)	247	247
<b>Balance as at 31st March</b>	<b>988</b>	<b>741</b>
<b>Net book value of right of use assets</b>	<b>11,427</b>	<b>11,674</b>

The Hotel building is constructed on land obtained from the Ceylon Tourist Board on a 99 years lease commencing from 09th May 1970, for which the Company pays a sum of Rs 2.5 Mn annually as operating lease rental. Remaining lease period is 46 years.

## Notes to the Financial Statements

### 15 Inventories

Year ended 31st March	2023 Rs '000	2022 Rs '000
Food, Beverages and Tobacco	125,807	88,828
Consumables	42,166	25,289
<b>Inventories</b>	<b>167,973</b>	<b>114,117</b>

### 16 Trade and Other Receivables

Year ended 31st March	2023 Rs '000	2022 Rs '000
Trade receivables	219,317	161,276
Less: Impairment Allowances (Note 33.2.C)	(6,138)	(445)
	213,179	160,831
Intercompany receivables	161,462	17,526
<b>Trade and other receivables</b>	<b>374,641</b>	<b>178,357</b>

### 17 Other Non Financial Assets

Year ended 31st March	2023 Rs '000	2022 Rs '000
Prepayments	29,229	16,899
Advances Paid	5,953	5,576
VAT receivable	-	64,580
Security deposits	17,033	17,200
Other receivables	12,634	17,947
<b>Other non-financial assets</b>	<b>64,849</b>	<b>122,202</b>

### 18 Cash and Cash Equivalents

Year ended 31st March	2023 Rs '000	2022 Rs '000
<b>18.1 Cash at bank and in hand</b>	<b>167,386</b>	<b>112,265</b>
<b>Cash and short term deposits</b>	<b>167,386</b>	<b>112,265</b>



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

Year ended 31st March	2023 Rs '000	2022 Rs '000
Cash and short term deposits	167,386	112,265
Bank overdraft (Note 19.1)	(240,211)	(377,489)
<b>Cash and Cash equivalents at the end of the period</b>	<b>(72,825)</b>	<b>(265,224)</b>

## 19. Interest-Bearing Borrowings

### 19.1 Borrowings

Year ended 31st March	2023 Rs '000	2022 Rs '000
<b>Current liabilities</b>		
Bank overdraft	240,211	377,489
Borrowings from Banks / Financial Institutions	1,085,849	597,535
	<b>1,326,060</b>	<b>975,024</b>
<b>Non-current liabilities</b>		
Borrowings from Banks / Financial Institutions	918,580	1,036,859
	<b>918,580</b>	<b>1,036,859</b>
<b>Total borrowings</b>	<b>2,244,640</b>	<b>2,011,883</b>

### 19.2 Details of Loan - Terms and conditions

Loan Amount	Bank/Financial Institution										
	BOC										
	500 Mn	250 Mn	300 Mn	25 Mn	25 Mn	31 Mn	47 Mn	254 Mn	122 Mn	138 Mn	450 Mn
Commencement date	30 Dec 2019	13 Dec 2021	16 Dec 2021	19 Jun 2020	13 Aug 2020	04 Aug 2021	13 Jan 2022	10 Oct 2021	30 Oct 2021	30 Oct 2021	10 Jul 2022
End date	30 Jun 2027	13 Dec 2025	16 Dec 2026	19 Jun 2023	13 Aug 2023	04 Aug 2023	13 Jul 2024	10 Oct 2023	30 Jun 2024	30 Jun 2025	10 Jul 2025
Grace period (Months)	18	12	12	6	3	-	8	8	8	8	6
Installment amount	8 Mn	5 Mn	6 Mn	3 Mn	3 Mn	1 Mn	2 Mn	16 Mn	5 Mn	4 Mn	2 Mn
Interest rate	AWPLR +Premium	AWPLR +Premium	AWPLR +Premium	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed
Term (Months)	90	48	60	36	36	24	30	24	32	44	36

19.3 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.

## 20 Post Employment Benefit Obligation

### 20.1 Summary

Year ended 31st March	2023 Rs '000	2022 Rs '000
As at 01st April	67,659	66,458
Charge for the year (Note 20.2)	36,768	18,055
Benefits paid	(15,962)	(16,854)
<b>As at 31st March</b>	<b>88,465</b>	<b>67,659</b>

### 20.2 Charge for the year

Year ended 31st March	2023 Rs '000	2022 Rs '000
<b>Reported in Income Statement</b>		
Current service cost	11,600	9,803
Past service cost	-	(1,661)
Interest cost	8,967	4,809
Service Cost	20,567	12,951
<b>Reported in Other Comprehensive Income</b>		
Net actuarial Loss recognised immediately to Other Comprehensive Income	16,200	5,103
<b>Charge for the year</b>	<b>36,767</b>	<b>18,054</b>

**20.3** The Company obtained an actuarial valuation from an independent professional actuary, Messrs Actuarial and Management Consultants (Pvt) Ltd, in March 2023, to ascertain the post employment benefit obligation arising in respect of Gratuity.

The principal actuarial assumptions used in determining the liability were.

Year ended 31st March	2023	2022
Discount rate (per annum)	15%	15%
Future salary increase (per annum)	13.50%	13.50%
Retiring age	60 years	60 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.

Increase / (decrease) in Discount Rate	31st March 2023 (Rs.'000)		
	Increase/ (decrease) in Salary Increment	Sensitivity Effect on Comprehensive Income increase / (decrease) in results for the year	Sensitivity Effect on Post Employment Benefit Obligation increase / (decrease) in the Liability
1%	-	(80,548)	80,548
(1%)	-	90,967	(90,967)
-	1%	91,392	(91,392)
-	(1%)	80,092	(80,092)

Increase / (decrease) in Discount Rate	31st March 2022 (Rs.'000)		
	Increase/ (decrease) in Salary Increment	Sensitivity Effect on Comprehensive Income increase / (decrease) in results for the year	Sensitivity Effect on Post Employment Benefit Obligation increase / (decrease) in the Liability
1%	-	4,277	( 4,277 )
(1%)	-	(4,775)	4,775
-	1%	(5,108)	5,108
-	(1%)	4,642	( 4,642 )

## 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.

Year ended 31st March	2023 Rs '000	2022 Rs '000
Less than or equal 1 year	9,527	3,858
Over 1 year and less than or equal 5 years	33,245	27,124
Over 5 years and less than or equal 10 years	23,549	19,628
Beyond 10 years	19,163	17,049
Total	85,484	67,659

## 20.6 The Retirement benefit Plan of the Bank was amended due to the increase in retirement age enacted by the Minimum Retirement Age of Workers Act No: 28 of 2021.

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

As on 17th November 2021, employees who have attained the age of	Retirement age
Less than 52 years	60 years
53 years	59 years
54 years	58 years
55 years	57 years

## 21 Deferred Tax Liability

### 21.1

Year ended 31st March	Statement of Financial Position		Statement of Profit or Loss		Statement of Other Comprehensive Income	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
<b>Deferred Tax Liability</b>						
Capital Allowance for tax purpose	1,185,031	428,208	617,551	21,226	139,271	8,720
	1,185,031	428,208				
<b>Deferred Tax Assets</b>						
Defined Benefit Plans	26,539	9,472	(12,207)	546	(4,860)	(714)
Net Lease Liability	2,285	1,033	(1,252)	(34)	-	-
Bad Debt Provision	1,841	62	(1,779)	112	-	-
Un-used Tax Losses	789,115	334,422	(454,692)	(51,552)	-	-
	819,780	344,989				
Effect on increase in Deferred tax rate						
<b>Net Deferred Tax Liability</b>	365,251	83,219				
<b>Deferred Tax Expense/(Benefit)</b>			147,621	(29,702)	134,411	8,006

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

Year ended 31st March	2023 Rs '000	2022 Rs '000
<b>Deferred tax assets</b>		
As at 01st April	344,989	293,347
Amount charged to Income Statement	469,931	50,928
Tax income recognized in Other Comprehensive Income	4,860	714
<b>As at 31st March</b>	819,780	344,989
<b>Deferred tax liabilities</b>		
As at 01st April	428,208	398,262
Income statement charge	495,690	21,226
	923,898	419,488
Deferred tax on revaluation gain	261,133	11,496
Deferred tax on amount transferred from revaluation reserve (Note 28.1)	-	(2,776)
<b>As at 31st March</b>	1,185,031	428,208
<b>Deferred tax liabilities (net)</b>	365,251	83,219

Deferred tax assets and liabilities as at reporting date, deferred tax charge/(release) in the income statement 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.

**21.3** The unused tax losses amounted to Rs. 2,619,375,423/- (2022: Rs.2,598,874,115/-), which shall expire during the year of assesment as follows;

Description	Year of Assessment	Amount Rs,Mn	Expiry by (Year of Assessment)
Brought forward losses from	2018/19	614	2023/24
Losses during the year	2019/20	420	2024/25
Losses during the year	2020/21	977	2025/26
Losses during the year	2021/22	574	2026/27
Losses during the year	2022/23	33	2027/28

**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 withing the next five years.

	Rs '000
Brought Forward tax loss as at 31st March 2022	(2,585,982)
Actual tax Loss for the year	(33,393)
Carried Forward tax loss as at 31st March 2023	(2,619,375)
Forecasted Taxable Income in next five years	4,206,644

Increase /(decrease)		Sensitivity Effect on taxable income increase / (decrease) Rs '000
Occupancy Rate	5%	630,586
	(5%)	248,526
Average Room Rate	5%	412,135
	(5%)	182,396
Numenr of covers	5%	565,350
	(5%)	375,298

## Notes to the Financial Statements

### 22. Lease Liability

#### 22.1 Movement of Operating Lease Liabilities

As at 31st March	2023 Rs.'000	2022 Rs.'000
Balance as at 01st April	19,050	19,055
Accretion of Interest	2,381	2,383
Payment to lease creditor	(2,388)	(2,388)
Balance as at 31st March	19,043	19,050
<b>Non Current</b>	19,036	19,044
<b>Current</b>	7	6
	19,043	19,050

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

	2023 Rs.'000	2022 Rs.'000
Depreciation expenses of right of use assets	247	247
interest expense on lease liability	2,381	2,382
<b>Total Amount recognised in profit and loss</b>	2,628	2,629

#### 22.3 Effect of the adoption of SLFRS 16 as at 1st April 2020

	2023 Rs.'000	2022 Rs.'000
<b>ASSETS</b>		
Right of Use Asset	12,168	12,168
	12,168	12,168
<b>EQUITY AND LIABILITIES</b>		
Revenue reserves	-	-
Interest bearing borrowings/Lease liability	-	-
	-	-
<b>Reconciliation of lease liability</b>		
Operating lease commitments as at April 2022	19,050	19,055
Other adjustment that increase/ decrease liability	(7)	(5)
Gross lease liabilities as at March 2023	19,043	19,050

**22.4 Following is the maturity lease liability for future periods with interest cost**

	0-3 Months	3-12 Months	1 to 5 Years	5 Year and above
Lease Liability Rs' 000	597	1,791	11,940	97,110

**23 Trade and Other Payables**

As at 31st March	Note	2023 Rs.'000	2022 Rs.'000
Trade payables		329,750	274,125
Intercompany payables	30.6	524,248	367,292
Accrued expenses		181,443	160,312
Other payables		130,460	62,711
<b>Trade and other payables</b>		<b>1,165,901</b>	<b>864,440</b>

**24 Other Non Financial Liabilities**

As at 31st March	2023 Rs.'000	2022 Rs.'000
Advances received for future reservations*	111,303	117,899
Reserve for breakages	-	1,459
Other payables	23,039	9,793
Current portion of lease liability	-	6
<b>Other non financial liabilities</b>	<b>134,342</b>	<b>129,157</b>

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

## 25. Contingencies

### Contingent liabilities

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

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 1% 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 1% of Turnover as License Duty.

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), 2019 (4689/20), 2020 (7579/21) and 2021 (11639/2022). All cases, apart from the one filed for 2021 (11639/22) have concluded in the Magistrate's Court with the Hon. Magistrate holding against the Company and fining the Company LKR 100/-, for each case, which fine has been paid, as of date. The case filed for 2021 (11639/22) judgment has been given against the company but is pending sentencing on 16th June 2023. There are no appeals pending as of date for the above Maligakanda Magistrate's Court cases.

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 1% 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 capital commitment as at the reporting date.

### (b) Tax Assesments

The Company is in the view that the above assesment will not have any material impact on the Financial Statements

## 27 Stated Capital

As at 31st March	2023		2022	
	Nos.'000	Rs.'000	Nos.'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	Note	2023 Rs. '000	2022 Rs. '000
Revaluation reserve	28.1	731,173	870,444
<b>Total</b>		<b>731,173</b>	<b>870,444</b>

### 28.1 Revaluation Reserve

The movement in the revaluation reserve is as follows.

	2023 Rs. '000	2022 Rs. '000
<b>At beginning of year</b>	<b>870,444</b>	816,874
Revaluation gain during the year	-	82,116
Deferred tax on revaluation gain	-	(11,496)
Transfer to retained earnings*	-	(19,826)
Income tax effect on building and building integrals	(139,271)	-
Deferred tax on transfers to retained earnings	-	2,776
<b>At end of year</b>	<b>731,173</b>	<b>870,444</b>

\*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.

## 29. Cash Generated From Operations

### 29.1 Reconciliation of profit before tax to cash generated from operations:

	2023 Rs. '000	2022 Rs. '000
Profit before tax	(404,852)	(456,538)
Adjustments for:		
Depreciation on Property, Plant and Equipment	194,005	246,007
Amortization on Right to use Assets	247	247
Amortisation of intangible assets	3,612	2,180
Provision for bad and doubtful debts	5,693	(798)
Interest income	(11,004)	(668)
Interest expense	383,574	135,750
Foreign exchange (gain)/loss	(7,191)	(24,965)
Loss on disposal of Property, Plant and Equipment	1,171	8,197
Post employment benefit plans (Note 20.2)	20,567	12,951
Changes in working capital:		
- Receivable and prepayments	(136,917)	(154,378)
- Inventories	(53,858)	(42,186)
- Payables	306,428	205,757
<b>Net cash generated from/(used in) operations</b>	<b>301,475</b>	<b>(68,444)</b>

## 29.2 Changes in liabilities arising from Financing activities

	Balance as at 01st April 2022	Interest converted to loan	Cash Inflows	Cash Outflows	Exchange differences and other non cash adjustments	Balance as at 31st March 2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Interest bearing Loans and Borrowings	1,634,394	137,123	271,349	(95,634)	57,197	2,004,429
Total Liabilities from Financing activities	1,634,394	137,123	271,349	(95,634)	57,197	2,004,429

	Balance as at 01st April 2021	Interest converted to loan	Cash Inflows	Cash Outflows	Exchange differences and other non cash adjustments	Balance as at 31st March 2022
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Interest bearing Loans and Borrowings	1,297,692	60,591	343,001	(101,694)	34,804	1,634,394
Total Liabilities from Financing activities	1,297,692	60,591	343,001	(101,694)	34,804	1,634,394

## 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 5% of the total assets whichever is lower of the company as per 31st March 2023 audited financial statements, which required additional disclosures in the 2022/23 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13(c) of the Security Exchange Commission Act.

### 30.2 Recurrent related party transactions:

Except for the below, there were no recurrent related party transactions which in aggregate value exceeds 10% or the revenue of the company as per 31st March 2023 audited financial statements, which required additional disclosures in the 2022/23 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under section 13(c) of the Security Exchange Commission Act.

Name of Company		2023	
Hayleys PLC	Aggregate value of Transactions during the year	Rs'000	366,165
	Aggregate value of Transactions as a percentage of Gross Revenue		9.7%

### 30.3 Parent and ultimate controlling party

Hayleys PLC holds 59.48% controlling interest of The Kingsbury PLC.

### 30.4 Transactions with the related parties during the year were as follows:

Year ended 31st March	Parent **		Fellow subsidiaries		Entities connected to KMP		Total	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Nature of Transaction								
Rooms and banquet sales	40,913	29,999	94,413	32,662	68,023	18,856	203,349	81,517
Purchase of goods / services	224,250	6,609	126,355	20,698	-	1,445	350,605	28,752
Marketing and promotional fees	-	5,298	141,966	59,780	-	-	141,967	65,078
Sectorial and administration charges	101,002	135,932	-	78,844	-	-	101,002	214,776

\*\*The Board of Directors of its Parent has affirmed its intention and ability, by way of letter dated 09th May 2022, 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 receivables balance arising from the above transactions:

Year ended 31st March	Note	2023 Rs '000	2022 Rs '000
Parent		6,308	3,575
Fellow subsidiaries		155,154	13,951
<b>Intercompany receivable</b>	16	<b>161,462</b>	<b>17,526</b>
Entities connected to KMP		12,290	1,984

### 30.6 Outstanding payable balance arising from the above transactions:

Year ended 31st March	Note	2023 Rs '000	2022 Rs '000
Parent		517,503	291,967
Fellow subsidiaries		6,745	75,325
<b>Intercompany payable</b>	23	<b>524,248</b>	<b>367,292</b>
Interest-bearing borrowings	21.1	-	0
		524,248	367,292
Entities connected to KMP		0	951

## 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	2023 Rs. '000	2022 Rs. '000
<b>a. Key Management Personnel Compensation</b>		
Short-term employee benefits	74,619	30,709
Directors employments	5,659	4,158
	<b>80,278</b>	<b>34,867</b>
<b>b. Transactions, with KMP and their close family members</b>		
- Rooms and banquet sales	68,023	39,662
<b>c. Outstanding receivable balance arising from above transactions:</b>		
	50,515	7,215

## 31. Going Concern

The Kingsbury PLC, being a leading hotel in the city of Colombo, incurred a loss before income tax of Rs. 404 Mn, despite a significant increase in revenue owing to the efforts taken by the management. In determining the basis of preparing the Financial Statements for the year ended 31st March 2023, based on available information, the management has assessed the appropriateness of the use of the going concern basis. In the view of management, there are no material uncertainties that may cast significant doubt on the Company's ability to continue operating as a going concern, despite the ongoing economic conditions affecting the country hence the tourism industry.

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 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.

## 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	2023		2022	
	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000
<b>Financial assets</b>				
Cash and bank	167,386	167,386	112,265	112,265
Trade and other receivables	374,641	374,641	178,357	178,357
	<b>542,027</b>	<b>542,027</b>	<b>290,622</b>	<b>290,622</b>
<b>Financial liabilities</b>				
Trade and other payables	1,165,903	1,165,902	864,440	864,440
Interest-bearing loans and borrowings	2,244,640	2,244,640	2,011,883	2,011,883
	<b>3,410,543</b>	<b>3,410,542</b>	<b>2,876,323</b>	<b>2,876,323</b>

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

The Company has exposure to the following risks from its financial instruments;

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 creditworthiness in relations 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.

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

As at 31st March	Note	2023 Rs.'000	2022 Rs.'000
Trade and other receivables	16	374,641	178,357

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

As at 31st March	Gross Receivable		Impairment Allowance		Carrying Value	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Not due 0-30 days	140,894	109,523	-	-	140,894	109,523
<b>Past due:</b>						
Past due 31-60 days	174,779	36,989	-	-	174,779	36,989
Past due 61-90 days	33,032	16,947	-	-	33,032	16,947
Past due 90-120 days	-	6,638	-	-	-	6,638
Past due 120-180 days	17,745	5,641	-	-	17,745	5,641
More than 180 days	14,330	3,064	6,138	445	8,191	2,619
<b>Total</b>	<b>380,780</b>	<b>178,802</b>	<b>6,138</b>	<b>445</b>	<b>374,641</b>	<b>178,357</b>

### Movement in the Impairment Allowance

Year ended 31st March	2023 Rs.'000	2022 Rs.'000
<b>Balance at 01st April</b>	445	1,243
Impairment recognised	5,693	-
Written-off/reversal	-	(798)
<b>Balance at 31st March</b>	<b>6,138</b>	<b>445</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:

31st March 2023	Contractual maturities of financial liabilities			
	Carrying amount Rs.'000	Up to 3 Months Rs.'000	3-12 Months Rs.'000	1 - 5 Years Rs.'000
Trade and other payables	1,165,901	251,752	22,373	891,776
Interest-bearing borrowings	2,004,429	-	1,085,849	918,580
	3,170,330	251,752	1,108,222	1,810,356

31st March 2022	Contractual maturities of financial liabilities			
	Carrying amount Rs.'000	Up to 3 Months Rs.'000	3-12 Months Rs.'000	1 - 5 Years Rs.'000
Trade and other payables	864,440	251,752	22,373	590,315
Interest-bearing borrowings	2,011,882	524,496	450,527	1,036,859
	2,876,322	776,248	472,900	1,627,174

#### 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.

### 33. Risk Management (Cont.)

(c) If interest rate increased or decreased by 1% the effect of the same to the interest expenses and liability would be:

Year ended 31st March 2023 Increase /(decrease) in interest rate	Sensitivity Effect on Comprehensive Income increase /(decrease) in results for the year	Sensitivity Effect on borrowings liability increase/(decrease) in the Liability
1%	(19,851)	19,851
(1%)	21,351	(21,351)

Year ended 31st March 2022 Increase / (decrease) in interest rate	Sensitivity Effect on Comprehensive Income increase /(decrease) in results for the year	Sensitivity Effect on borrowings liability increase/(decrease) in the Liability
1%	(9,815)	9,815
(1%)	9,815	(9,815)

#### 33.4 Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, available for-sale investments and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as at 31 March 2023 and 2022.

The analyses exclude the impact of movements in market variables on the carrying value of Retirement Benefit obligation and provisions.



Year ended 31st March 2023	Increase / (decrease) in market rate	Sensitivity Effect on Comprehensive Income increase/(decrease) in results for the year Rs.'000
	1%	(72)
	(1%)	72
Year ended 31st March 2022	Increase / (decrease) in market rate	Sensitivity Effect on Comprehensive Income increase/(decrease) in results for the year Rs.'000
	1%	(271)
	(1%)	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.



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## **Insightful Appendices**

Offering additional details and insights to our valued stakeholders on our achievements and aspirations, we reaffirm our unwavering commitment to delivering exceptional experiences to guests while making a positive impact in our country and on the world.

# INFORMATION TO SHAREHOLDERS

## THE KINGSBURY PLC

### ORDINARY SHAREHOLDERS AS AT 31 MARCH 2023

Number of Shareholders as at 31st March 2023 - 4,592 (2022 - 4,723)

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	2,479	816,843	0.17	8	4,200	0.00	2,487	821,043	0.17
1,001 - 10,000	1,545	5,746,323	1.19	22	103,155	0.02	1,567	5,849,478	1.21
10,001 - 100,000	446	13,408,052	2.77	6	238,400	0.05	452	13,646,452	2.82
100,001 - 1,000,000	60	15,406,776	3.18	1	140,000	0.03	61	15,546,776	3.21
Over 1,000,000	25	448,136,251	92.59	-	-	-	25	448,136,251	92.59
	4,555	483,514,245	99.90	37	485,755	0.10	4,592	484,000,000	100.00
Category									
Individuals	4,401	76,294,478	15.76	37	485,755	0.10	4,438	76,780,233	15.86
Institutions	154	407,219,767	84.14	-	-	-	154	407,219,767	84.14
	4,555	483,514,245	99.90	37	485,755	0.10	4,592	484,000,000	100.00

	2023	2022
Percentage of Public Shareholding	39.17%	39.17%
Total No. of shareholders represent in the public holding	4,588	4,719
Float adjusted Market Capitalisation (Rs)	1,876,869,720	1,516,662.40
Market Capitalisation as at 31st March 2023 (Rs)	4,791,600,000	3,872,000,000

The Company complies with option 5 of the listing Rules 7.14.1(i)(a) which requires a minimum public holding of 20% for a Company having a float adjusted market capitalisation of less than Rs. 2.5 Bn.

### Market Value and Share Trading Information

	2022/23		2021/22	
	Date		Date	
Highest Price Rs.	15/09/2022	11.40	05/01/2022	12.00
Lowest Price Rs.	21/06/2022 & 12/07/2022	6.50	28/04/2021	5.60
Closing Price Rs.		9.90		8.00
No. of Transactions		4,675		18,377
No. of Shares Traded		12,834,014		74,284,971
Value of Shares Traded Rs.		114,077,042.90		694,872,320

## Information to Shareholders

### Top 20 Shareholders

	Name of Shareholder	No. of Shares as at 31.03.2023	% as at 31.03.2023	No. of Shares as at 31.03.2022	% as at 31.03.2022
1	Hayleys PLC No. 3 Share Investment Account	174,614,114	36.08	174,614,114	36.08
2	Carbotels (Pvt) Limited	113,250,000	23.40	113,250,000	23.40
3	Employee's Provident Fund	51,119,894	10.56	51,119,894	10.56
4	Mr. Gamini Weeraratna	14,308,550	2.96	14,308,550	2.96
5	Mr. Kulappu Arachchige Don Anurada Perera	13,346,626	2.76	13,346,626	2.76
6	Bank of Ceylon No. 2 A/C (BOC PTF)	10,860,351	2.24	10,860,351	2.24
7	Bank of Ceylon A/C Ceybank Unit Trust	10,779,473	2.23	10,979,473	2.27
8	Mr. Kulappuarachchige Don Harindra Perera	10,016,138	2.07	7,331,839	1.51
9	Mr. Kulappuarachchige Don Dammika Perera	6,432,292	1.33	6,432,292	1.33
10	Associated Electrical Corporation Ltd	6,008,326	1.24	4,738,326	0.98
11	Renuka Hotels PLC	4,742,600	0.98	4,742,600	0.98
12	Renuka City Hotels PLC	4,520,600	0.93	4,520,600	0.93
13	Merchant Bank of Sri Lanka & Finance PLC 01	3,875,454	0.80	3,875,454	0.80
14	Renuka Consultants & Services Limited	3,670,200	0.76	3,670,200	0.76
15	National Savings Bank	3,029,712	0.63	3,669,712	0.76
16	People's Leasing & Finance PLC / L. P. Hapangama	2,455,400	0.51	2,455,400	0.51
17	Mr. Addara Pathiranage Somasiri	2,200,000	0.45	2,200,000	0.45
18	Mr. Shiran Harsha Amarasekera	2,151,000	0.44	2,476,000	0.51
19	Cargo Boat Development Company PLC	2,020,200	0.42	2,020,200	0.42
20	Sampath Bank PLC / Mrs. Priyani Dharshini Ratnagopal	1,850,000	0.38	1,850,000	0.38
		441,250,930	91.17	438,461,631	90.58

There were no non voting shares as at 31st March 2023.

# TEN YEAR FINANCIAL SUMMARY

	2022/23 Rs'000	2021/22 Rs'000	2020/21 Rs'000	2019/20 Rs'000	2018/19 Rs'000	2017/18 Rs'000	2016/17 Rs'000	2015/16 Rs'000	2014/15 Rs'000	2013/14 Rs'000
<b>OPERATING RESULTS</b>										
Revenue	3,817,614	2,021,666	777,923	1,843,754	2,956,631	3,085,143	3,061,048	2,702,581	2,412,816	2,213,935
Cost of sales	(2,398,328)	(1,544,454)	(862,849)	(1,222,437)	(1,526,383)	(1,630,688)	(1,469,351)	(1,264,925)	(1,155,415)	(1,099,942)
<b>Gross Profit/(Loss)</b>	<b>1,419,286</b>	<b>477,212</b>	<b>(84,926)</b>	<b>621,317</b>	<b>1,430,248</b>	<b>1,454,455</b>	<b>1,591,697</b>	<b>1,437,656</b>	<b>1,257,401</b>	<b>1,113,993</b>
Other income and expenses	7,505	25,406	33,405	85,644	(28,985)	12,541	(4,503)	2,919	(3,810)	2,157
Administrative expenses	(1,412,003)	(801,228)	(702,414)	(883,719)	(1,020,714)	(1,060,184)	(919,108)	(790,370)	(737,602)	(711,723)
Marketing expenses	(54,261)	(47,811)	(45,343)	(112,583)	(150,783)	(137,734)	(129,346)	(122,454)	(86,274)	(101,512)
Finance income	18,195	25,633	652	6,309	9,281	8,765	20,905	18,393	16,192	12,711
Finance expense	(383,574)	(135,750)	(82,768)	(122,101)	(66,259)	(89,914)	(134,629)	(188,283)	(145,786)	(281,896)
<b>Profit/(Loss) before tax</b>	<b>(404,852)</b>	<b>(456,538)</b>	<b>(881,394)</b>	<b>(405,133)</b>	<b>172,788</b>	<b>187,929</b>	<b>425,016</b>	<b>357,860</b>	<b>300,121</b>	<b>33,730</b>
Income tax expense	(147,621)	29,702	123,200	12,284	(72,011)	(48,775)	(44,670)	(64,493)	(8,698)	(1,009)
<b>Net Profit/(Loss) after tax</b>	<b>(552,473)</b>	<b>(426,836)</b>	<b>(758,194)</b>	<b>(392,849)</b>	<b>100,777</b>	<b>139,154</b>	<b>380,346</b>	<b>293,367</b>	<b>291,423</b>	<b>32,721</b>
<b>ASSETS EMPLOYED</b>										
<b>Non-current assets</b>										
Property, plant and equipment	3,631,703	3,751,326	3,856,101	4,095,352	3,690,668	3,898,611	3,860,890	3,791,472	3,836,936	3,796,076
Intangible assets	16,843	5,952	7,250	11,374	17,128	21,214	25,517	24,110	24,517	23,536
Right of use asset	11,428	11,674	11,921	12,168	-	-	-	-	-	-
	<b>3,659,974</b>	<b>3,768,952</b>	<b>3,875,272</b>	<b>4,118,894</b>	<b>3,707,796</b>	<b>3,919,825</b>	<b>3,886,407</b>	<b>3,815,582</b>	<b>3,861,453</b>	<b>3,819,612</b>
<b>Current assets</b>										
Cash and cash equivalents	167,386	112,265	13,571	63,947	253,156	294,984	496,742	517,047	396,550	312,120
Current assets other than cash and cash equivalents	615,892	423,107	227,339	398,780	351,538	321,658	327,552	307,795	310,939	361,040
	<b>783,278</b>	<b>535,372</b>	<b>240,910</b>	<b>462,727</b>	<b>604,694</b>	<b>616,642</b>	<b>824,294</b>	<b>824,842</b>	<b>707,489</b>	<b>673,160</b>
<b>Total assets</b>	<b>4,443,252</b>	<b>4,304,324</b>	<b>4,116,182</b>	<b>4,581,621</b>	<b>4,312,490</b>	<b>4,536,467</b>	<b>4,710,701</b>	<b>4,640,424</b>	<b>4,568,942</b>	<b>4,492,772</b>
<b>SHAREHOLDER'S FUND</b>										
Stated capital	836,000	836,000	836,000	836,000	836,000	836,000	836,000	836,000	836,000	836,000
Reserves	731,173	870,444	816,874	833,924	826,093	904,808	940,907	905,830	930,576	952,128
Retained earnings	(1,143,157)	(579,342)	(167,943)	565,212	911,606	793,072	613,646	440,154	196,636	(117,414)
	<b>424,016</b>	<b>1,127,102</b>	<b>1,484,931</b>	<b>2,235,136</b>	<b>2,573,699</b>	<b>2,533,880</b>	<b>2,390,553</b>	<b>2,181,984</b>	<b>1,963,212</b>	<b>1,670,714</b>

## Ten Year Financial Summary

		2022/23 Rs'000	2021/22 Rs'000	2020/21 Rs'000	2019/20 Rs'000	2018/19 Rs'000	2017/18 Rs'000	2016/17 Rs'000	2015/16 Rs'000	2014/15 Rs'000	2013/14 Rs'000
<b>LIABILITIES</b>											
<b>Non-current liabilities</b>											
Non-current liabilities other than borrowings		474,353	171,742	194,573	318,876	335,880	282,418	246,327	164,366	126,412	113,635
Borrowings		918,580	1,036,859	1,049,209	574,469	550,610	510,618	942,101	1,380,820	1,702,610	2,118,411
		1,392,933	1,208,601	1,243,782	893,345	886,490	793,036	1,188,428	1,545,186	1,829,022	2,232,046
<b>Current liabilities</b>											
Current liabilities other than borrowings and overdraft		1,300,243	993,597	785,505	752,255	388,855	462,197	562,965	386,163	275,357	308,807
Current portion of borrowings and bank overdraft		1,326,060	975,024	601,964	700,885	463,446	747,354	568,755	527,091	501,351	281,205
		2,626,303	1,968,621	1,387,469	1,453,140	852,301	1,209,551	1,131,720	913,254	776,708	590,012
<b>Total equity and liabilities</b>		<b>4,443,252</b>	<b>4,304,324</b>	<b>4,116,182</b>	<b>4,581,621</b>	<b>4,312,490</b>	<b>4,536,467</b>	<b>4,710,701</b>	<b>4,640,424</b>	<b>4,568,942</b>	<b>4,492,772</b>
<b>KEY INDICATORS</b>											
Current ratio	No of Times	0.30	0.27	0.17	0.32	0.71	0.51	0.73	0.90	0.91	1.14
Net assets per share	(Rs)	0.88	2.33	3.07	4.62	10.64	10.47	9.88	9.02	8.11	6.90
Market price per share	(Rs)	9.90	8.00	6.00	8.70	12.80	18.00	15.50	15.00	16.00	12.80
Earnings per share	(Rs)	(1.14)	(0.88)	(1.57)	(0.81)	0.42	0.58	1.57	1.21	1.20	0.14
Price earnings ratio	No of Times	(8.67)	(9.07)	(3.83)	(5.36)	30.74	31.30	9.86	12.37	13.29	94.67
Gearing	%	84.11	64.09	49.68	35.93	27.48	32.70	37.81	46.21	53.51	62.56

# NOTICE OF MEETING

## THE KINGSBURY PLC

### (Company Registration No. PQ 203)

NOTICE IS HEREBY GIVEN THAT THE FIFTY FOURTH ANNUAL GENERAL MEETING OF THE KINGSBURY PLC will be held on Wednesday, 28th June 2023 at 01.30 p.m. at the Conference Hall of Hayleys PLC, No. 400, Deans Road, Colombo 10 for the following purposes:

1. To consider and adopt the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March 2023 with the Report of the Auditors thereon.
2. To re-elect as a Director Mr. S. C. Ganegoda, who retires by rotation at the Annual General Meeting in terms of Article 86 of the Articles of Association of the Company.
3. To re-elect as a Director Ms. I. Jamaldeen, who retires by rotation at the Annual General Meeting in terms of Article 86 of the Articles of Association of the Company.
4. To re-elect as a Director Mr. T. A. B. Speldewinde who has been appointed to the Board since the last Annual General Meeting, in terms of Article 94 of the Articles of Association of the Company.
5. To re-elect as a Director Ms. K. A. D. B. Perera who has been appointed to the Board since the last Annual General Meeting, in terms of Article 94 of the Articles of Association of the Company.
6. To propose the following resolution as an ordinary resolution for the re-appointment of Mr. N. J. De S. Deva Adithya in terms of Section 211 of the Companies Act No. 07 of 2007.

### Ordinary Resolution

‘That Mr. Niranjan Joseph De Silva Deva Adithya, who has attained the age of Seventy-Four years be and is hereby re-appointed as 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 him’.

7. 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.

### Ordinary Resolution

‘That Mr. Abeyakumar Mohan Pandithage, who has attained the age of Seventy-Two years be and is hereby re-appointed as 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 him’.

8. To authorise the directors to determine donations and contributions to charities for the ensuing year.
9. To re-appoint Messrs. Ernst & Young, Chartered Accountants as the Auditors of the Company for the year 2023/24 and to authorize the Directors to determine their remuneration.
10. To consider and if thought fit, to pass the following Special Resolutions to amend the existing articles in the Articles of Association of the Company, in order to be in line with the model articles provided in Schedule 1 of the Companies Act No. 7 of 2007.

### Special Resolution (1)

That the existing Article 47 be deleted in its entirety and be replaced by the following Articles 47(1), 47(2) and 47(3);

‘Article 47 - Method of Holding General Meetings

- (1) A meeting of shareholders may be held either;
  - (a) by a number of shareholders who constitute a quorum, being assembled together at the place, date and time appointed for the meeting; or
  - (b) by means of audio or audio and visual communication by which all shareholders participating and constituting a quorum, can simultaneously hear each other throughout the meeting.
- (2) The Company shall in each year hold a General Meeting as its Annual General Meeting in addition to any other meetings in that year. The Annual General Meeting shall be held not later than six months after the Balance Sheet date of the Company and not more than fifteen months shall elapse between the date of one Annual General Meeting of the Company and that of the next.

- 3) All General Meetings other than the Annual General Meeting shall be called Extraordinary General Meeting. The Directors may whenever they think fit, convene an Extraordinary General Meeting.”

### **Special Resolution (2)**

That Article 54 be deleted in its entirety and be replaced by the following Article 54;

“Article 54 - A quorum for a meeting of shareholders is present if two (02) shareholders are present in person or through audio visual communication, by themselves or by their proxy.”

### **Special Resolution (3)**

That Article 58 be deleted in its entirety and be replaced by the following Article 58 (1), 58(2) and 58(3):

“Article 58

- (1) (a) In the case of a meeting of shareholders held under paragraph (a) of Article 47(1), unless a poll is demanded, voting at the meeting shall be by whichever of the following methods as determined by the chairperson of the meeting -
- i. voting by voice; or
  - ii. voting by a show of hands
- (b) In the case of a meeting of shareholders held under paragraph (b) of article 47(1), unless a poll is demanded, voting at the meeting shall be by shareholders signifying individually their assent or dissent by voice or by any electronic means.”
- (2) A declaration by the Chairman of the meeting that a resolution is carried by the requisite majority or lost, is conclusive evidence of that fact, without proof of the number or proportion of the votes recorded in favour of or against that resolution, unless a poll is demanded in accordance with paragraph (3) of this Article.
- (3) At a meeting of shareholders, a poll may be demanded by -
- (a) the Chairman; or
  - (b) not less than five (5) shareholders having the right to vote at the meeting; or
  - (c) a shareholder or shareholders representing not less than ten per centum (10%) of the total voting rights of all shareholders having the right to vote at the meeting.”

By Order of the Board,

### **THE KINGSBURY PLC**



HAYLEYS GROUP SERVICES (PVT) LTD  
SECRETARIES

COLOMBO  
02nd June 2023

Notes to shareholders:

1. The Annual Report of the Company for 2022/23 is available on the corporate website: <https://www.thekingsburyhotel.com/annual-reports> and on the Colombo Stock Exchange website: <https://cse.lk/pages/company-profile/company-profile.component.html?symbol=SERV.N0000>
2. 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 the office of the Company Secretaries at No. 400, Deans Road, Colombo 10, Sri Lanka not less than forty-eight (48) hours before the time fixed for the Meeting.
3. For your reference, the existing Articles are available in the Colombo Stock Exchange website: [www.cse.lk](http://www.cse.lk)
4. A shareholder who requires a hard copy of the Annual Report must post or handover the duly completed 'Request Form - Annexure A' to the office of the Secretaries.



# 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

(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 and vote as indicated hereunder for me/us and on my/our behalf at the Fifty Fourth Annual General Meeting of the Company to be held on Wednesday, 28th June 2023 at 01.30 p.m 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 Statement of Accounts for the year ended 31st March 2023 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect as a Director Mr. S. G. Ganegoda, as set out in the Notice.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect as a Director Ms. I. Jamaldeen, as set out in the Notice.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect as a Director Mr. T. A. B. Speldewinde, as set out in the Notice.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect as a Director Ms. K. A. D. B. Perera, as set out in the Notice	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-appoint Mr. N. J. De S Deva Adithya, in terms of Section 211 of the Companies Act No. 07 of 2007.	<input type="checkbox"/>	<input type="checkbox"/>
7. To re-appoint Mr. A. M. Pandithage, in terms of Section 211 of the Companies Act No. 07 of 2007.	<input type="checkbox"/>	<input type="checkbox"/>
8. To authorise the Directors to determine donations and contributions to charities for the ensuing year.	<input type="checkbox"/>	<input type="checkbox"/>
9. To authorise the Directors to determine donations and contributions to charities for the ensuing year.	<input type="checkbox"/>	<input type="checkbox"/>
10. To pass the Special Resolutions to amend the Articles of Association of the Company as set out in the Notice.	<input type="checkbox"/>	<input type="checkbox"/>
Special Resolution (1)	<input type="checkbox"/>	<input type="checkbox"/>
Special Resolution (2)	<input type="checkbox"/>	<input type="checkbox"/>
Special Resolution (3)	<input type="checkbox"/>	<input type="checkbox"/>

Signed on this ..... day of ..... 2023.

.....

Signature of Shareholder

(Instructions are given overleaf)

**Instructions:**

1. The completed Form of Proxy must be deposited with the Company Secretaries, Hayleys Group Services (Private) Limited, at No. 400, Deans Road, Colombo 10, Sri Lanka not less than forty-eight (48) hours before the start of the meeting. **Delayed Proxy Forms shall not be accepted.**
2. 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.
3. Full name of Shareholder/Proxy holder and their NIC Nos. are mandatory. Your Proxy Form will be rejected if these details are not completed.
4. A Shareholder is not entitled to appoint more than one Proxy to attend on the same occasion.
5. The duly completed Proxy Form must be dated and signed by the Shareholder.
6. 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 can vote as he/she thinks fit.
7. In the case of a company/corporation the proxy must be executed in the manner prescribed by its Articles of Association or by a duly authorised Director.
8. 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.
9. 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

## **Name of Company**

The Kingsbury PLC

## **Legal Form**

A Public Limited Company  
Incorporated in Sri Lanka on 04th May 1969

## **Stock Exchange Listing**

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

## **Company Registration Number**

PQ 203

## **Directors**

Mr. A. M. Pandithage - Executive Chairman  
Mr. R. J. Karunarahah - Managing Director  
Mr. N. J. De S. Deva-Adithya  
Mr. S. C. Ganegoda  
Mr. S. J. Wijesinghe  
Ms. R. N. Ponnambalam  
Mr. J. P. Van Twest  
Ms. I. Jamaldeen  
Mr. T. A. B. Speldewinde (Appointed w.e.f. 01st July 2022)  
Ms. K. A. D. B. Perera (Appointed w.e.f. 19th October 2022)

## **Audit Committee**

Mr. T. A. B. Speldewinde - Chairman (Appointed w.e.f. 01st July 2022)  
Ms. R. N. Ponnambalam  
Mr. J. P. Van Twest

## **Related Party Transactions Review Committee**

Related Party Transactions Review Committee of the Parent Company act as the Related Party Transactions Review Committee of the Company.

## **Remuneration Committee**

Remuneration Committee of the Parent Company act as the Remuneration Committee of the Company.

## **Board Nominations Committee**

Board Nominations Committee of the Parent Company act as the Board Nominations Committee of the Company.

## **Bankers**

Hatton National Bank PLC  
Bank of Ceylon  
Nations Trust Bank PLC  
DFCC Bank PLC

## **Auditors**

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

## **Secretaries**

Hayleys Group Services (Private) Limited  
No. 400, Deans Road, Colombo 10, Sri Lanka.  
Telephone: (94-11) 2 627 650  
Facsimile: (94-11) 2 627 645  
E-mail: info.sec@hayleys.com

## **Registered Office**

The Kingsbury PLC  
No. 48, Janadhipathi Mawatha, Colombo 01, Sri Lanka.  
Telephone: (94-11) 2 421 221  
Website: www.thekingsburyhotel.com



**THE KINGSBURY**  
COLOMBO - SRI LANKA