

The
Kandy Hotels Co.
(1938) PLC

Annual Report 2023/24

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Chairman's
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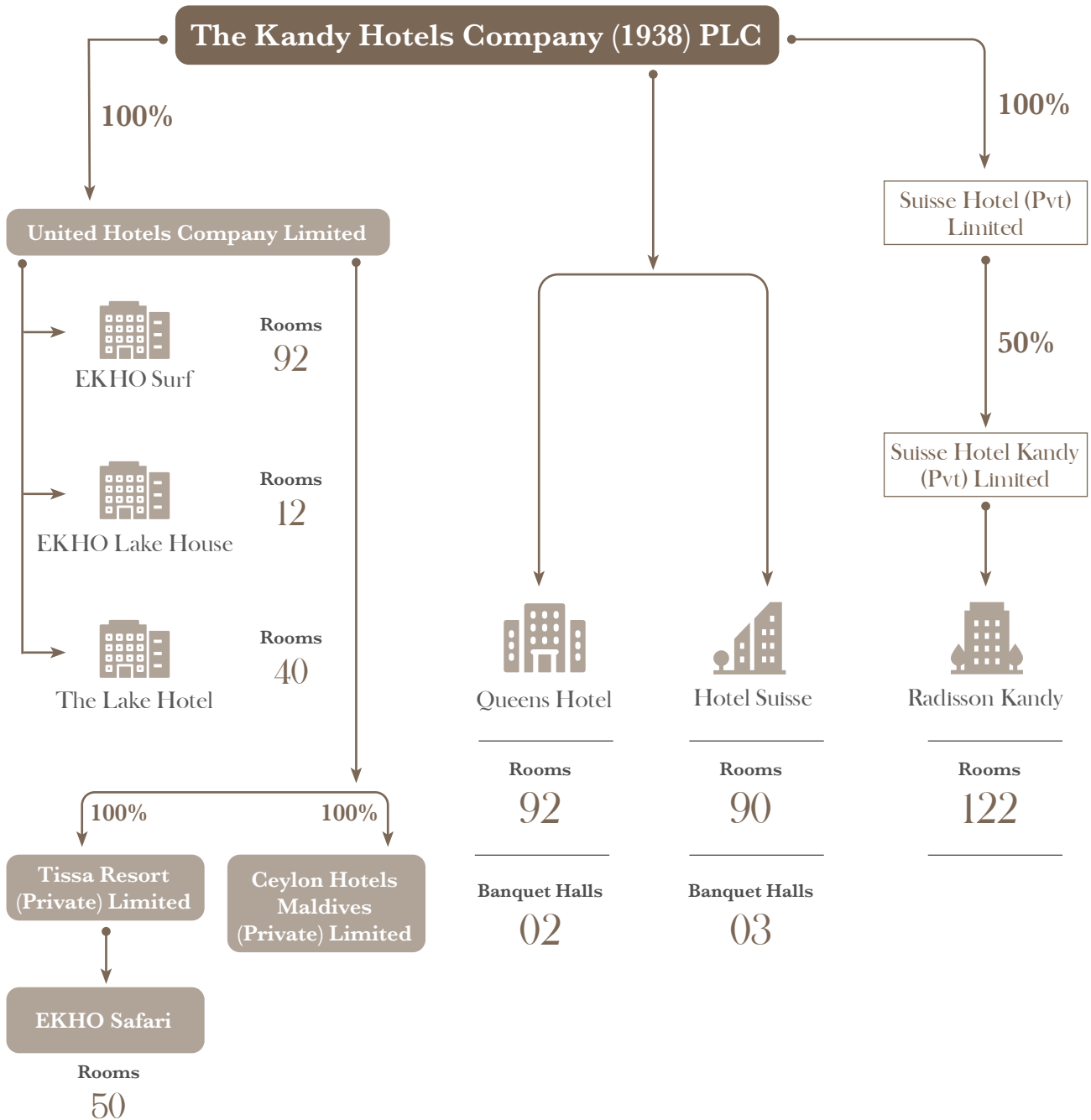
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GROUP STRUCTURE



The Kandy Hotels Co. (1938) PLC acquired the remaining 83.89% of United Hotels Co. Ltd shares in July 2023. Accordingly, United Hotels Co. Ltd has now become a fully owned subsidiary of The Kandy Hotels Co. (1938) PLC.

GROUP FINANCIAL HIGHLIGHTS

Performance for the year ended 31 March	2024	2023
	Rs.	Rs.
Revenue	1,223,258,331	309,339,828
Earnings before Interests, Depreciation & Amortization (EBITDA)	157,975,481	(7,961,308)
Profit/ (loss) before tax(PBT)	(100,396,181)	(69,080,146)
Profit/ (loss) after tax(PAT)	(119,855,724)	(20,803,451)
Earnings /(loss) per Share	(0.17)	(0.04)
Dividend per Share (Company)	-	-
Dividend Payout Ratio (Times)	-	-

Financial Position as at 31 March	2024	2023
	Rs.	Rs.
Total Assets	13,375,812,850	10,906,279,716
Total Debt	1,580,925,016	909,199,271
Total Equity	9,174,725,647	8,018,022,832
No. of Ordinary Shares Issued	754,309,253	577,500,000
Net Assets per Ordinary Share	12.16	13.88
Debt/ Equity Ratio	17.23%	11.34%
Debt/Total Assets	11.82%	8.34%

Market Shareholder Information as at 31 March	2024	2023
	Rs.	Rs.
Closing Market Price per Share	8.10	7.50
Market Capitalisation	6,109,904,949	4,331,250,000

CHAIRMAN'S REVIEW

Dear Shareholder,

I am pleased to welcome you to the 95th Annual General Meeting of The Kandy Hotels Company (1938) PLC, and to present to you the Annual Report of the Company for the year ended 31st March 2024.

Tribute to Mr. Lakshman Samarasinghe

It is with great respect and admiration that I pay tribute to Mr. Lakshman Samarasinghe, whose dedication, loyalty, and commitment have been the cornerstone of our company's success. His contributions have left an indelible mark on our organization, and we remain committed to upholding the values and standards he championed.

THE YEAR IN REVIEW

In my previous year's report to shareholders, I outlined a few key long-term-oriented steps the Company had and will embark upon, and when executed, will lay the foundation for long-term shareholder value enhancement. Primary was to strengthen the balance sheet of the Company after multiple years of stress amidst years of crises with no fault of the business model we operated.

These inward-oriented steps were aimed at de-stressing the balance sheet, propping up cash reserves, and broad-basing revenue-earning asset holdings of the Company.

The proposed acquisition of the remaining 83.89% of United Hotels Company Ltd. (UHC) was completed in July 2024. And with that, we have strategically positioned the Company to deliver higher value to shareholders over the long term in tandem with the growth of Sri Lankan tourism, paving the way for the Company to seek an upward re-rating of its share value.

The Kandy Hotels Company (1938) PLC (KHC) will now own within its umbrella a portfolio consisting of approximately 500 rooms (with the present 3 properties

in Kandy) across prime locations in the Central, Southern, and North Central Provinces, significantly broadening our tourism footprint and enabling us to cater to a wider variety of clientele.

The acquisition has also strengthened our financial position by providing access to substantial cash reserves, which are a healthy Rs. 1,887Mn as of 31st March 2024.

With the combined cash reserves, the Company and the Group will forge ahead with a prudent phased reinvestment program focused on upgrading and refurbishing our properties to capture the upside in tourism as we navigate out of the economic crisis.

The 92-room EKHO Surf Hotel at Bentota was the first to be refurbished, and the upgraded property was re-opened for guests in December 2023.

Following a thorough market assessment, we have also initiated the refurbishment of the Suisse Hotel, Kandy with a view to repositioning the property to better align with market demand.

We are committed to a disciplined investment approach, ensuring that each project meets our strict return thresholds and is aligned with the broader tourism outlook in Sri Lanka. By staggering our investments, we can remain agile and responsive to market conditions while continuing to strengthen our portfolio.

ECONOMIC AND TOURISM OUTLOOK

The Sri Lankan economy witnessed a gradual revival in 2023 from the worst economic turmoil in its post-independence history. Policy and structural reforms implemented, and the intervention of International Monetary Fund helped restore macroeconomic stability to a great extent, but not without immense hardships faced by all stakeholders.

Improved foreign exchange inflows from tourism, (underscoring the importance of a vibrant tourism industry as a key forex earner), as well as from worker remittances, helped alleviate the foreign exchange crunch. That said, the path to sustainable growth remains challenging, necessitating that we stay on course on critical reforms, fiscal discipline, transparency, and public confidence.

The Sri Lankan tourism industry, too, did well, recording an encouraging revival in 2023 with nearly 1.5 million visitor arrivals, the highest influx since 2019, which gathered momentum towards the second half of the year. India and Russia dominated the arrival statistics for 2023, with nearly 35% of the total arrival between them.

Much of these visitors, though, particularly the Russian segment, were concentrated into the southern belt of the island, with little materializing in terms of the traditional tour series that fills the hotel properties within all parts of the island. Kandy as a region depends on these vital round tours of visitors, and the low materialization during the year under review, had an impact on occupancy levels and a highly competitive industry landscape, particularly within the city where your company accounts for nearly 300 rooms.

As Sri Lanka gradually regains and aims to surpass pre-crisis arrivals, the industry must transition from a volume-based model to one that emphasizes both volume and value, to ensure greater returns and to sustain investment in the industry. To achieve this, the country's overall tourism landscape will have to be upscaled and made more competitive. To foster private investments into scaling up products and services, there is an urgent need for a cohesive national strategy that includes upgrading tourism infrastructure, enhancing safety and security, improving digital readiness, reinforcing the talent

Chairman's Review

pool, and most importantly, an effective consumer-focused global marketing campaign.

The recent issues around visa processing by a third-party foreign entity, and the increase in overall visa fees, will not help our competitive positioning vis-a-vie regional peers when they are (especially countries like Thailand) easing border restrictions to promote tourism.

FINANCIAL PERFORMANCE

The Kandy Hotels Co 1938 PLC returned to operational level profitability, recording a profit of Rs 30.39 million from operation on a revenue of Rs. 594.88 million compared to an operating loss of Rs. 74.22 million and a revenue of Rs. 309.34 million reported last year. The Queens and Suisse hotels recorded a combined occupancy of 43% during the year under review.

The overall cost of finance on the loan book of the Company was Rs. 111.63 million, compared to Rs. 101.69 million last year. Part of the purchase consideration for the acquisition of United Hotels was the setting off of the Rs.1,164.84million receivables from Ceylon Hotels Corporation PLC (the parent), and hence a nil finance income during the year under review compared to Rs. 111.22million of last year.

Consequently, the company recorded a net loss after interest and tax of Rs. 62.79 million compared to a net loss after interest and tax of Rs. 15.72 million.

Consolidated Results.

With the acquisition of UHC, the Company for the first time, is reporting consolidated financial results for the year under review.

Accordingly, the KHC Group achieved a consolidated loss from operations of Rs. 9 million for the year ended 31st March 2024, on a consolidated revenue of Rs. 1,223 million.

EKHO Surf Hotel Bentota, which is owned by UHC, was closed for most of the year under review to allow the renovation and refurbishment work to be carried out, hence was not able to contribute positively to the consolidated results reported above.

Consolidated net finance cost for the year under review was Rs. 138.17 million, mainly due to a foreign exchange translation loss of Rs. 96 million on the US Dollar- denominated cash deposits of the Group, as result of the sharp appreciation of the Sri Lankan Rupee against the US Dollar.

Consequently, the Group recorded a net loss after interest and tax of Rs. 119.86 million for the year ended 31st March 2024.

Looking ahead, we are confident that our ongoing refurbishment and re-investment efforts will position the company and the Group to capitalize on the recovering tourism market and drive long-term profitability.

As we move forward, our priorities will focus on preparing each of the properties for its revenue earning potential, carefully managing our financial resources, and leveraging the anticipated growth in the tourism sector. We have set clear goals to enhance our operational efficiency, broad base our market segments/customer base, and strengthen our competitive position. By remaining disciplined in our investment strategy and responsive to market conditions, we are confident in our ability to deliver sustained shareholder value over the long term.

In conclusion, I wish to thank my fellow Board members, the members of the Audit Committee and Remuneration Committee, for their guidance and counsel, and thank the associates of the Company for their endurance and cooperation during these very challenging times. I also would like

to thank our valued guests, travel agents, suppliers, bankers, auditors, secretaries. Finally, I would like to thank all the shareholders for their continued support.

Sincerely,



Sanjeev Gardiner

Chairman

The Kandy Hotels Company (1938) PLC

29th August 2024

PROFILE OF DIRECTORS

MR. SANJEEV GARDINER **(Chairman)**

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

He is the Chairman and Chief Executive Officer of the Galle Face Hotel Group of Companies which includes The Galle Face Hotel Co Limited, Galle Face Hotel 1994 (Pvt) Ltd, GFH Management Company (Pvt) Ltd, Gardiner Group (Pvt) Ltd, Ceylon Hotel Holdings (Pvt) Ltd (holding Company of Ceylon Hotels Corporation Group), and Ceylon Hotels Corporation PLC.

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

In addition to his work in the corporate sector, Mr. Gardiner is also a Director and Council member of Helpage Sri Lanka and a member of many other charitable institutions.

MR. CHARITHA RATWATTE **(Senior Independent Director)**

Mr. Ratwatte was appointed to the Board of The Kandy Hotels Company (1938) PLC in May 2002. An Attorney-at-Law by profession since 1972, Mr. Ratwatte possesses over 25 years of experience in Government service and has served as the Secretary to the Treasury, Secretary to the Ministries of Finance, Policy Development and Implementation, Youth Affairs and Employment, Manpower of Sri Lanka Mobilization, and Reconstruction, Rehabilitation and Social Welfare. He has also served as the Director General of Youth Affairs, Chairman of the National Youth Services Council, Vice President of the World Assembly of Youth and the Asian Youth Council. He has also served as Chief of Mission to the World Bank / UNDP Mission to Mongolia and as a Consultant to USAID and other Donor organizations. He is currently a Director of the Sri Lanka Business Development Center and serves on the Boards of several other organizations.

MR. PRIYANTHA MADDUMAGE

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

Mr. Maddumage holds a Bachelor of Commerce (Special) Degree from the University of Sri Jayewardenepura and a Master of Business Management from Edith Cowan University in Australia and counts over 29 years of Finance Management experience.

He is a fellow member of the Institute of Chartered Accountants of Sri Lanka, The National Institute of Accountants of Australia, CPA Australia and Institute of Certified Management Accountants of Sri Lanka and also a Fellow Member of Institute of Certified Professional Managers of Sri Lanka.

Mr. Maddumage serves as a Director in all subsidiary Companies of The Kandy Hotels Co. (1938) PLC. Currently, Mr. Maddumage is the Group Chief Investment Officer of the Galle Face Group of Companies.

MR. RANJITH GUNATILLEKE

Mr. Gunatilleke was appointed to the Board of The Kandy Hotels Company (1938) PLC in November 2011.

He is a Graduate of the Faculty of Engineering, University of Peradeniya and possesses a wide experience in senior management having served as the Chief Engineer of Mitsui Construction between the years of 1979 to 2003. Mr. Gunatilleke has also been serving Sanken Construction from its inception in 1984 to date.

He is a member of the Institute of Civil Engineers UK since 1979, the Institute of Engineers Sri Lanka since 1984 and the Society of Structural Engineers in Sri Lanka. Also he is in the Director Board of Construction Industry Development Authority (CIDA).

Mr. Gunatilleke presently serves as the CEO of Sanken Group and the Immediate Past President of Chamber of Construction Industry in Sri Lanka.

Profile of Directors

MR. NAHIL WIJESURIYA

Mr. Wijesuriya was appointed to the Board of The Kandy Hotels Company (1938) PLC in May 2002.

A Marine Engineer by profession, he gained his professional qualifications from the Leicester College of Technology (UK) and was the Chief Engineer of the Colombo Dockyard.

Mr. Nahil Wijesuriya is the Founding Chairman of the East West Group of Companies. Through this parent company, he founded many successful businesses including the TV broadcasting channels, ETV1 and ETV2, now known as Swarnavahini, and East West Information Systems now known as EWIS. He was also instrumental in the purchase and sale of Ceylon Continental Hotel now named by Kingsbury and the design and building of the 200 key five-star Marriott Hotel, Weligama.

MR. CHANDRA MOHOTTI

Mr. Mohotti was appointed to the Board of The Kandy Hotels Company (1938) PLC in September 2004. He has an extensive background in the hotel industry with over 46 years of management experience and is acknowledged to be one of the most senior and respected professionals in the Sri Lankan hotel industry.

Having had his initial training with Inter-Continental Hotels in Australia, Mr. Mohotti began his career at the Hotel Ceylon Inter-Continental; the first 5-star hotel in Colombo and proceeded to hold several Senior Management positions at the Hotel until 1983. Subsequently, he joined the Meridian International chain and received exposure to many Hotel disciplines in several countries. When the Marriott succeeded the Meridian in Colombo, Mr. Mohotti was retained as its Executive Assistant Manager.

Mr. Mohotti thereafter held the position of General Manager of Galadari Hotels (Lanka) PLC for a period of 10 years. Subsequently, he also went on to be the General Manager at the Galle Face Hotel.

He has held many prestigious Government-related positions among which were Chairman of the Ceylon Hotels Corporation PLC, Chairman of the Sri Lanka Institute of Tourism & Hotel Management, Chairman of the Tourism and Hospitality Industry Skills Council, and Chairman of Waters Edge.

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

MR. PRADEEP NILANGA DELA

Mr. Nilanga Dela was appointed to the Board of The Kandy Hotels Company (1938) PLC in July 2006 and has served as a Non-Executive Director of the Company for 17 years.

He is the present Diyawadana Nilame or Chief Custodian of Sri Dalada Maligawa and 19th Diyawadana Nilame.

The highlights of his career include aiding and supporting numerous temples and Damma schools around the island that are in need.

Mr. Nilanga Dela has been awarded several titles in recognition of his religious and social services, among them are the “Nalanda Keerthi Sri” by Nalanda College, Colombo, “Buddha Sasana Bandu” by the Syamopali Maha Nikaya and the “Sabaragamu Sarasavi Abhiramya” by the Sabaragamu University.

MR. SHALIKE KARUNASENA

Mr. Shalike Karunasena presently serves as the Group Chief Financial Officer of the Galle Face Hotel Group of Companies. He also serves as a Board member of several subsidiaries of the Group.

Mr. Karunasena is also a Board member and serves as the Chairman of the Board Audit Committee of Dankotuwa Porcelain PLC.

Mr. Karunasena has 25 years of experience in Financial Management, Treasury and Strategy in the fields of Commodities Trading, Overseas Plantations, Refining & Manufacturing and Leisure/ Hospitality with nearly 20 years of Senior Management experience, functioning within the South- East Asian Region. He is a Fellow of the Chartered Institute of Management Accountants, UK.

MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMIC ENVIRONMENT

In 2023, the Sri Lankan economy experienced a recovery, marking the end of its most severe economic downturn since gaining independence. This improvement was evidenced by a notable reduction in inflation, stabilization of the exchange rate, growth in gross official reserves, enhanced external resilience, improved fiscal balances, and stability within the financial system. Additionally, the long-standing twin deficits in the government budget and the external current account began to show signs of improvement.

Controlled Inflation through Rapid Disinflation

In September 2022, inflation in Sri Lanka reached an unprecedented peak of 69.8%. However, this was followed by a swift decline, bringing inflation down to single-digit levels. Factors contributing to this stabilization included strict monetary policies, improved domestic supply conditions, a decrease in global commodity prices, and the appreciation of the Sri Lankan Rupee.

Despite occasional fluctuations, inflation is anticipated to stabilize near the target level of 5% in the medium term, bolstered by effective policy measures. Additionally, in the latter half of 2023, policy interest rates were significantly cut by 6.5%. This reduction was a result of a more accommodating monetary policy, influenced by the substantial moderation in inflation, stable inflation expectations, weak economic activity due to subdued domestic demand, and easing external sector pressures.

Reinforcement of Exchange Rate Stability

In 2023 and early 2024, the Sri Lankan Rupee saw an increase in value, supported by a more flexible exchange rate system that allowed market forces to play a greater role and the gradual easing of restrictions on foreign exchange transactions.

External Buffers to augment International Resilience

In 2023, significant improvements were observed in the external sector. Stability in this sector was supported by increased foreign exchange inflows and a better balance of payments. The current account achieved a surplus, driven by a reduced trade deficit, higher revenue from tourism, and increased workers' remittances. By the end of 2023, reserves had more than doubled, thanks to net foreign exchange purchases by the Central Bank, funds from the IMF's Extended Fund Facility (EFF), and financing from the World Bank and ADB.

The narrowing of the trade deficit was attributed to a substantial reduction in imports, prompted by restrictions on non-essential goods, weakened economic activity, and stringent monetary and fiscal policies. The trade deficit for 2023 fell to its lowest level since 2010. Additionally, the Sri Lankan Rupee saw a sharp appreciation in 2023 due to a market-based exchange rate policy.

Gross Domestic Product (GDP)

In 2023, the Central Bank of Sri Lanka noted a gradual recovery in the economy. The GDP contraction was moderated to 2.3%, a significant improvement from the 7.8% decline observed in 2022. This recovery was supported by enhanced macroeconomic stability, characterized by lower interest rates and reduced external sector pressures. The country's real GDP decreased by 2.3% to USD 84.4 billion, with the industrial sector experiencing a 9.2% decline. In contrast, the agricultural sector saw a growth of 2.6%, marking a rebound from the severe economic downturn of 2022. The GDP per capita in Sri Lanka was recorded at USD 3,968.68 in 2023, representing 31% of the global average.

Sovereign Debt Crisis

Throughout the Covid-19 pandemic, global national debt levels surged dramatically, drawing significant international focus to Sri Lanka's ongoing sovereign debt crisis. Economic stabilization efforts were primarily centered on fiscal consolidation.

In 2023, the central government's debt as a percentage of GDP decreased, primarily due to substantial growth in nominal GDP and the effects of currency appreciation on foreign debt. Despite this decline in the debt-to-GDP ratio, total debt service payments rose in 2023, largely because of increased domestic interest payments.

To effectively address the economy's vulnerability to external shocks, it was essential to combine fiscal consolidation with strategic expenditure policies that correct the long-standing bias against tradable sectors. However, the Sri Lankan economy's robust recovery depends on maintaining the reforms already in place, with key aspects including the successful continuation of the IMF-EFF program and the completion of the debt restructuring process.

Establishing a robust institutional framework and legal structure will facilitate the economic transition to a new normal. Achieving a broad political and social consensus on economic reforms is crucial for permanently addressing structural obstacles, preventing repeated policy reversals and economic setbacks, and enhancing public welfare through sustained growth.

INDUSTRY ENVIRONMENT

Global Tourism

Following a robust performance in 2023, foreign tourism is projected to fully return to pre-pandemic levels by 2024, with preliminary estimates suggesting a 2% increase over 2019 figures. According to

Management Discussion and Analysis

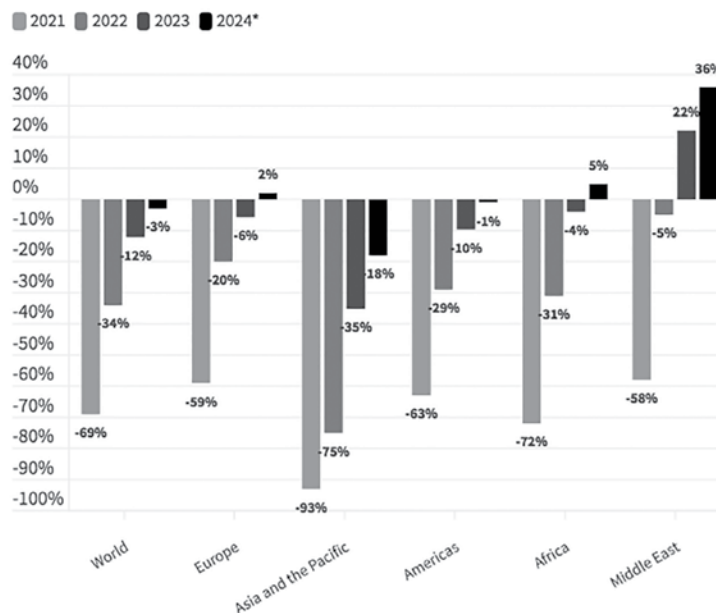
the UNWTO World Tourism Barometer, international tourism ended 2023 at 88% of pre-pandemic levels, while foreign arrivals (overnight visitors) reached 97% of 2019 levels in the first quarter of 2024. Anticipated factors such as the release of remaining pent-up demand, improved air connectivity, and a stronger rebound in Asian markets are expected to drive a full recovery by the end of 2024.

The Middle East demonstrated the highest relative growth in visitor numbers, while Africa and Europe surpassed their pre-pandemic statistics. Europe, the world's most visited region, attained 94% of its 2019 visitor levels, driven by strong intra-regional travel and arrivals from the United States. Africa recovered 96% of its pre-pandemic visitor numbers, and America reached 90%. Asia and the Pacific achieved 65% of their pre-pandemic levels following the reopening of several markets and destinations. However, performance varied: South Asia rebounded to 87% of 2019 levels, while North-East Asia remained around 55%.

The UN World Tourism Barometer for the quarter ending March 31, 2024, reports that total export revenues from international tourism, including both receipts and passenger transport, reached USD 1.7 trillion in 2023, about 96% of pre-pandemic levels in real terms. In 2023, Tourism Direct GDP (TDGDP) recovered to pre-pandemic levels, estimated at USD 3.3 trillion, which equates to 3% of global GDP, supported by vigorous domestic and international tourism activity.

The latest UN Tourism Confidence Index survey reflects a positive outlook for the period from May to August 2024. Nonetheless, persistent economic and geopolitical challenges continue to present significant barriers to the complete recovery of international tourism and overall confidence.

International Tourist Arrivals, World and Regions



Source : UNWTO

SRI LANKA TOURISM

Sri Lanka, endowed with a wealth of natural and cultural attractions across the island, boasts a vibrant and varied Tourism and Leisure sector, making it the third largest foreign exchange earner for the economy. Consequently, the government has emphasized tourism as a key economic pillar, aiming for a revival driven by rising tourist numbers.

In 2023, the nation's tourism sector experienced a resurgence after a three-year hiatus, welcoming over 1.4 million visitors, which marks a significant 106% increase. Looking ahead, it is projected that this growth trend will continue, with an expected arrival of 2 million tourists in 2024.

Monthly Tourist Arrivals

Month	2023	2024	% Change 2023/24
January	102,545	208,253	103.08
February	107,639	218,350	102.09
March	125,495	209,181	66.68
April	105,498	148,867	41.10
May	83,309	112,128	34.60
June	100,388	113,470	13.03
July	143,039	187,810	31.30
August	136,405		
September	111,938		
October	109,199		
November	151,496		
December	210,352		
Total	1,487,303	1,198,059	

Source - SLTDA

As per a publication by Sri Lanka Tourism Development Authority, the anticipated global economic slowdown is likely to diminish disposable income and spending on international travel, which could negatively affect global travel demand. Although a decrease in global headline inflation is predicted, ongoing food price inflation may increase expenses for tourists, impacting their travel budgets. Despite these difficulties, strong economic growth in India and South Asia could present opportunities for drawing tourists from these regions to Sri Lanka.

Notably, the substantial increase in tourists from countries such as India, Australia, the USA, and the Maldives significantly boosted overall tourist numbers for 2023. However, it's important to point out that arrivals from the United Kingdom, France, Germany, and Canada did not show significant growth compared to the previous year. This indicates changing travel preferences and patterns from these countries.

Top 10 markets to Sri Lanka, January to December 2023

Rank	Country of Residence	Tourist Arrivals (Jan – Dec 2023)	Tourist Arrivals (Jan - Dec 2022)
1	India	302,844	123,004
2	Russian Federation	197,498	91,272
3	United Kingdom	130,088	85,187
4	Germany	102,539	55,542
5	China	68,789	4,715
6	Australia	67,436	30,942
7	France	56,251	35,482
8	United States	46,344	22,230
9	Canada	43,944	26,845
10	Maldives	37,328	18,880
11	Others	434,242	225,897
	Total	1,487,303	719,978

Source - SLTDA

The factors outlined below underscore the intricate environment in which the Sri Lankan tourism sector functions, highlighting the need for strategic management and adaptation to address their impacts effectively.

- Increased taxes and administrative changes could influence tourist choices and spending. Additionally, a decrease in the purchasing power of locals might reduce domestic tourism, impacting local businesses.
- Economic fluctuations and geopolitical tensions related to upcoming elections might also deter potential visitors those concerned about safety, thus affecting overall tourism numbers.
- Furthermore, climate-related risks, such as extreme weather events, have the potential to disrupt travel plans and infrastructure, which can negatively impact tourist arrivals and their experiences.

OVERVIEW OF FINANCIAL AND OPERATIONAL PERFORMANCE

The Kandy Hotels Company (1938) PLC ('KHC' or 'The Company') owns both the Queens Hotel and Hotel Suisse. The Group holds a joint venture in the Radisson Hotel, Kandy, through its subsidiary, Suisse Hotel Kandy (Pvt) Limited.

HIGHLIGHTS FOR THE YEAR

During the year under review, KHC fully acquired United Hotels Company Limited ('UHC') and its subsidiaries, enhancing its consolidated position. Prior to July 2023, KHC owned just 16.11% of UHC. After a restructuring, the Company obtained the remaining shares via a share swap in July 2023.

The Company's revenue grew by 92% YoY to Rs. 595 million and EBITDA increased by Rs.111 million in tandem with the country's economic rebound and positive outlook on the tourism sector.

Revenue

KHC recorded a 92% increase in revenue, totaling Rs 595 million for the financial year ending 31st March 2024, compared to Rs 309 million for the previous financial year. This growth was supported by higher occupancy levels, driven by increased tourist arrivals to Sri Lanka and improved flow through from room rates.

Room revenue rose to Rs 251 million in FY 2023/24, marking a 134% increase from Rs 107 million in FY 2022/23, while food and beverage revenue grew to Rs 308 million from Rs 171 million. However, the appreciation of the Rupee against the US Dollar partially offset this revenue growth.

The Group's reported consolidated revenue reached Rs 1.22 billion, three times higher than the previous year, significantly boosted by the acquisition of the UHC group and improved occupancy rates. The renovated Surf Hotel of UHC relaunched its operations during the year under review, contributing to the Group's remarkable increase in revenue.

Management Discussion and Analysis

Operating Performance

KHC's gross profit increased from Rs. 191 million in 2022/2023 to Rs. 403 million in the current year, with the gross profit margin rising from 62% to 68% due to decreased inflationary pressures.

The surge in the Group's gross profit to Rs. 887 million was primarily due to the acquisition of the UHC group, along with an improved gross profit margin that rose from 62% to 73%, thanks to continued stringent cost control measures and controlled inflation.

The Group reported an operating profit of Rs. 9 million in FY 2023/24, while KHC reported an operating profit of Rs. 30 million in FY 2022/23, compared to an operating loss of Rs. 74 million recorded by KHC in the previous year. The Group and the Company reported net losses for the year under review of Rs. 120 million and Rs. 63 million, respectively (compared to net losses of Rs. 20 million and Rs. 16 million, respectively, in 2023).

Finance Income, Finance Costs and Net Foreign Exchange Gain/(Loss)

During the year, the Company reported finance costs of Rs. 112 million, which was Rs. 11 million higher than the previous year. In KHC, finance costs increased due to increased interest expenses on loans due to cessation of moratorium facilities despite a reduced utilization of overdraft facilities.

KHC's finance income significantly decreased following the settlement of intercompany borrowings as a part of purchase consideration with the acquisition of UHC. However, the Group's finance income increased due to interest income from the savings accounts of Ceylon Hotels Maldives (Pvt) Limited ('CHML'), acquired through UHC.

Exchange Differences on Translation of Foreign Operations

The Group reported an exchange loss of Rs. 96 million in the Statement of Comprehensive Income due to the

translation of USD-denominated deposits of a subsidiary into the reporting currency. This loss occurred because the Rupee appreciated against the US Dollar, rising from Rs. 327.29 on March 31, 2023, to Rs. 301.18 on March 31, 2024.

Taxation

KHC's effective tax rate was 22%. Nevertheless, the Group incurred a tax charge of Rs. 19 million despite reporting a loss of Rs. 100 million for the year. This tax charge mainly results from the reversal of deferred tax assets associated with tax losses carried forward from prior years, which cannot be utilized within the specified regulatory deadlines.

FINANCIAL POSITION

The Group's total assets reached Rs. 13.38 billion, at the year's end up from Rs. 10.9 billion as of March 31, 2023, primarily due to the acquisition of the UHC Group.

Fair Value Assessment of Land and Buildings

The Company did not perform a property valuation as of March 31, 2024. Nonetheless, The Group commissioned an independent Chartered Valuer to carry out a valuation of land and buildings as of March 31, 2024. This resulted in a revaluation loss net of tax of Rs. 7.6 million, which was recorded in the Statement of Other Comprehensive Income. The value of freehold lands and buildings remained unchanged compared to the last revaluation.

Borrowings

As of March 31, 2024, the Company's total interest-bearing borrowings were Rs. 783.5 million, down from Rs. 909 million in the previous financial year. The positive cash flow from operations and debt servicing payments throughout the year led to a reduction in the Group's net debt position despite a slight increase in the overdraft facility used to support operations.

The Company paid Rs 145 million as capital and Rs 101 million as interest during the year. Nevertheless, the Group's interest-bearing borrowings totaled Rs. 1.58 billion, which includes the loan liabilities of the UHC Group. The Company opted for debt restructuring and consolidations while securing the favourable terms already enjoying.

Our ability to negotiate and secure significantly lower interest rates saved a substantial amount that we would otherwise have had to pay or accrue on these loans. This advantage allowed the Company to service the interest payments without fail.

Net Assets/ Shareholder's Funds

Shareholders' funds of the Company grew by Rs. 2.58 billion, increasing from Rs. 7.88 billion to Rs. 10.46 billion by the end of the 2023/24 financial year, mainly due to the issuance of new shares for acquiring the UHC Group.

Performance Analysis of Subsidiary - United Hotels Company Limited

The United Hotels Company Limited owns EKHO Surf, EKHO Lake House and the Lake Hotel. For the financial year under review, UHC reported total revenue of Rs. 442 million, up from Rs. 382 million in the previous year. The Company experienced an operating loss of Rs. 36 million for the year ending March 31, 2024, an improvement from the Rs. 54 million operating losses reported the previous year.

RISK MANAGEMENT

The Company aims to maximize shareholder value while minimizing potential adverse effects on its business plans, brand reputation, and financial performance through its overall risk management strategy.

The risk management framework is embedded within the business planning process and is managed by key business teams who focus on early risk identification, prevention, and capitalizing on opportunities. The Board of Directors ensures the framework's effectiveness and prudence in evaluating and handling risks, while the Audit Committee assists in the review process.

In the tourism sector, risk management involves a proactive and strategic approach to anticipate, prepare for, respond to, and recover from unexpected events that could impact tourist safety, travel plans, and overall satisfaction. This process includes identifying, assessing, and prioritizing potential risks related to hotel operations and implementing strategies to mitigate these risks, with an emphasis on sustainable development. It also ensures that risks associated with the group's diverse operations are managed effectively to enhance and preserve stakeholder value.

The Board of Directors and the Audit Committee oversee the risk management processes for both the Company and its hotel group, ensuring risks are managed within acceptable limits and mitigating any potential issues. There are ongoing efforts to enhance the risk management governance structure to comply with the updated listing rules of the Colombo Stock Exchange.

TOURISM INDUSTRY

The tourism sector is influenced by a range of macro environmental factors, including economic conditions, political climates, socio-cultural trends, technological advancements, and sustainability concerns.

Tourism growth can be affected by various disruptions such as natural disasters, major accidents, terrorism, warfare, economic crises, and pandemics. These events can impact tourism differently, affecting their duration, intensity, and geographic scope. Disruptions like natural disasters, health crises (e.g., pandemics), political unrest, and security issues can all interfere with travel plans and influence the tourism industry.

Economic downturns and fluctuations in global, national, and regional conditions—particularly in our primary source markets, as well as globally can affect the number of international travelers and the industry's growth.

In Sri Lanka, factors that may dampen international travel sentiment include political and economic instability, emerging health risks (such as dengue outbreaks), potential or actual acts of terrorism or conflict, violence, and natural or man-made disasters. Additionally, increased taxation and administrative changes could raise costs for tourists, influencing their travel decisions and spending habits. A decrease in purchasing power among locals may also reduce domestic tourism, impacting local businesses and attractions.

The industry's competitiveness poses another challenge, as it may limit our success compared to other hotels and home-sharing or rental services. With

numerous hotel brands, independent hotels, and regional home-sharing options available, our ability to attract and retain both business and leisure travelers hinges on delivering exceptional experiences, having strategically located hotels, maintaining guest loyalty, offering good value for money, and ensuring efficient service. This competitive environment affects our capacity to improve operating margins and is shaped by overall supply and demand dynamics in the tourism sector.

OUR BUSINESS

Our business depends significantly on the quality and reputation of our company and its brands. Any decline in these aspects could negatively affect our market share, reputation, financial health, or operational results. Various factors can impact our reputation, including the quality of service, food safety, the safety of guests and employees, health and cleanliness standards, environmental and social practices, and community support. Social media amplifies public feedback, which can influence how our brand and hotels are perceived. Managing negative publicity, regardless of its accuracy, can be challenging. A significant drop in our brand's reputation or perceived quality could harm our market share, reputation, business performance, financial condition, and operational results.

Attracting, developing, and retaining talented leadership is essential for our success. We compete with other organizations both within and outside our industry for skilled personnel. Failure to recruit, train, develop, and retain sufficient talented employees could lead to increased

Risk Management

staff turnover, decreased guest satisfaction, low employee morale, inefficiency, or lapses in internal controls. A shortage of skilled employees could also impede our business growth and expansion. Furthermore, the effectiveness and performance of our senior executives are crucial for maintaining our competitive edge and driving future growth. The departure of key executives could pose challenges to our business strategy execution and have other detrimental effects.

Our revenues have been adversely affected by natural and man-made disasters. We've seen a decline in travel and reduced lodging demand due to events such as 'Acts of God,' man-made disasters, and disease outbreaks in areas where we operate. A terrorist attack or other acts of violence involving our properties could significantly reduce demand for these assets, further impacting our revenue and profitability. Nonetheless, we maintain adequate insurance coverage to protect against property and consequential losses.

PROPERTY / INVESTMENT VALUATION RISK

The Company's property and investment valuations are reported at fair value, as determined by independent professional valuers. Key factors influencing these valuations include the market discount rate, which is beyond the Company's control.

Although we take appropriate measures to manage the aspects of valuation that we can control, external environmental factors and industry fluctuations can result in variations in the fair value of investments reported in our financial statements.

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

The Board of Directors ('the Board') of The Kandy Hotels Co. (1938) PLC has the pleasure of presenting the Annual Report together with the Audited Consolidated financial statements of the Company and its subsidiaries (collectively referred to as 'the Group') for the year ended 31st March 2024. The details set out herein provide the pertinent information required by the Companies Act No.07 of 2007 and its amendments ('Companies Act'), the Listing Rules of the Colombo Stock Exchange (CSE) and is guided by recommended practices on Corporate Governance.

1. FORMATION

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

2. PRINCIPAL ACTIVITY OF THE COMPANY AND ITS SUBSIDIARIES

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

The Company also has 100% stake in its subsidiary Suisse Hotel (Pvt) Ltd, which owns a 50% stake in Suisse Hotel Kandy

(Pvt) Ltd, which owns Radisson Hotel Kandy (formerly known as OZO Hotel-Kandy).

The Company acquired 83.89% stake in United Hotels Company Limited ('UHC') on July 14, 2023. UHC has two wholly owned subsidiaries: Tissa Resort (Pvt) Limited and Ceylon Hotels Maldives (Pvt) Limited.

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

3. ANNUAL REPORT

The Board of Directors on 29 August 2024, approved the Company's audited financial statements together with the reviews which form part of the Annual Report.

The appropriate number of copies of the Report would be submitted to the Colombo Stock Exchange, Sri Lanka Accounting and Auditing Standards Monitoring Board and the Registrar General of Companies within the given time frames to meet the deadlines.

4. REVIEW OF THE YEAR

The Chairman's Review and the Management Discussion and Analysis on pages 3 to 4 and 7 to 10 describes the Company's affairs and highlights important events that occurred during the year, and up to the date of this report. The Group Financial Highlights on page 2 summarises

the financial results. These reports together with the audited financial statements reflect the state of affairs of the Company.

5. FINANCIAL PERFORMANCE OF THE COMPANY

The financial statements include statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and the notes to the financial statements of the Company & Group for the year ended 31st March 2024 and are prepared in compliance with the Sri Lanka Accounting Standards (SLFRS and LKAS) laid down by the Institute of Chartered Accountants of Sri Lanka and the requirements of Section 151 of the Companies Act No. 07 of 2007 are given on pages 40 to 115 in this annual report.

The aforementioned financial statements for the year ended March 31, 2024, are duly signed by the Financial Controller and two other Directors of the Company.

6. FINANCIAL RESULTS

The net loss before tax of the Company was Rs. 80,810 Mn on a turnover of Rs. 595 Mn for the year ended 31st March 2024 compared to a net loss before tax Rs. 64 Mn on a turnover of Rs. 309 Mn in 2022/2023.

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

For the year ended 31st March	Group		Company	
	2024 Rs (000)	2023 Rs (000)	2024 Rs (000)	2023 Rs (000)
Profit / (loss) for the year	(119,856)	(20,803)	(62,789)	(15,719)
Profit brought forward from the previous year	871,265	818,040	1,181,494	1,123,185
Other comprehensive income	(120,086)	(630,173)	(998)	(948,684)
Dividends (preference dividend)	(38)	(94)	(38)	(94)
Transfer of excess depreciation on revaluation	89,187	73,707	73,707	73,707
Retained earnings carried forward	838,749	871,265	1,323,118	1,181,494

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

7. AUDITORS' REPORT

The Independent Auditors of the Company are Messrs. Ernst & Young, Chartered Accountants. E&Y carried out the audit of the financial statements of the Company for the year ended 31st March 2024 and their report on the financial statements is set out on pages 37 to 39 of this Annual Report.

8. SIGNIFICANT ACCOUNTING POLICIES

The details of the accounting policies adopted by the Company in preparation of the financial statements and the impact thereon, of changes in the Sri Lanka Accounting standard made during the year are disclosed on pages 45 to 64 of the Annual Report. There were no changes in accounting policies adopted by the Company during the year under review other than those disclosed in the financial statements.

9. RESPONSIBILITIES OF DIRECTORS AND AUDITORS FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the financial statements so that they present a true and fair view of the state of affairs of the Company. The Directors are of the view that these financial statements have been prepared in conformity with the requirements of Sri Lanka Accounting Standards Companies Act, the Sri Lanka Accounting and Auditing Standard Act and the Continuing Listing Rules of the Colombo Stock Exchange.

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

10. STATED CAPITAL AND RESERVES

The Company's stated capital as of 31st March 2024 was Rs.2,661,816,425/- represented by 754,309,253 ordinary shares and 50,000 preference shares @15%.

As at 31st March 2024, there were 1971 registered ordinary shareholders. The Company has ensured at all times that all shareholders are treated fairly and equitably.

The Company has issued 176,809,253 ordinary voting shares on July 14, 2023, for total consideration of Rs. 2,645,066,425/- for the following entities.

Ceylon Hotels Corporation PLC - 127,093,724 ordinary shares

Ceylon Hotels Investment (Pvt) Ltd - 49,715,471 ordinary shares

Ceylon Hotel Holdings (Pvt) Ltd - 29 ordinary shares

Estate of the Late Don Simon Gunasekara - 29 ordinary shares

The total number of shares in issue has increased to 754,309,253 (March 31, 2023: 577,500,000). The stated capital has been enhanced to Rs. 2,661,816,425/- (March 31, 2023: Rs. 16,750,000). The total capital and reserves for the Group stood at Rs. 9,175 Mn as at 31st March 2024. (2023 : Rs. 8,018 Mn).

a) Minimum Public Holding Requirement

The percentage of shares held by the public as of 31 March 2024 was 15.95%, in the hands of 1,957 shareholders.

The Company is not compliant with the Minimum Public Holding requirement in relation to a Company listed on the Main Board, as per Rule 7.13.1 (a) of the Listing Rules of the Colombo Stock Exchange ('CSE'). Accordingly, the Company was transferred to the Second Board on 29 February 2024.

11. SHAREHOLDERS' FUND

The total reserves of the Company as of 31st March 2024 was Rs. 7,801 Mn (2023: Rs.7,865 Mn) comprising of retained earnings of Rs. 1,323 Mn (2023: Rs. 1,181 Mn) and other reserves of Rs. 6,478 Mn (2023: Rs.6,683 Mn). Total reserves

combined with Stated Capital as of 31st March 2024 was Rs. 10,463 Mn (2023: Rs.7,882 Mn) The movements are shown in the Statement of Changes in Equity given on pages 42 to 43.

12. DIVIDEND

The Board of Directors have not recommended a final dividend for the year ended 31st March 2024.

13. SOLVENCY TEST

Since there is no recommendation for payment of a dividend for the year ended 31st March 2024, it is not required to prepare a solvency statement in accordance with Section 56 of the Companies Act, No.07 of 2007.

14. GOING CONCERN

The Directors, after making necessary inquiries and reviews including the reviews of the budget for the ensuing year, capital expenditure requirements, future prospects and risks, cash flows and such other matters required to be addressed under the Code of Best Practice issued by the Institute of Chartered Accountants of Sri Lanka are satisfied that the Company has adequate resources to continue operations in the foreseeable future.

Accordingly, the Directors consider that it is appropriate to adopt the going concern basis in preparing the financial statements.

15. PROPERTY PLANT AND EQUIPMENT

The Group has incurred capital expenditure of Rs. 333 Mn during the year under review (2022/2023 - Rs. 5.9 Mn). The movements in property, plant and equipment during the year are set out in Note 14 to the financial statements.

16. MARKET VALUE OF PROPERTIES

Leasehold Buildings of the Group were revalued by an independent professional valuer as of 31 March 2024. The valuation basis/techniques and the assumptions used therein have been deliberated and agreed

by the Management. The carrying value of land and buildings (freehold and leasehold) reflected in the financial statements as at 31st March 2024 is Rs. 10,201 Mn (2023 – Rs. 8,361 Mn).

The details of land and buildings (freehold and leasehold) valuation are given in Note 14 on pages 72 to 78 to the financial statements.

17. INVESTMENTS IN SUBSIDIARIES

Details of long-term Investments held by the Company are given in Note 18 to the financial statements on pages 82 to 84

- UHC was a subsidiary of Ceylon Hotels Corporation PLC with 67.51% stake until July 2023. The Company had 16.11% stake in UHC.
- Pursuant to a market announcement and shareholder circulars made, the Company's Board of Directors recommended to its shareholders the acquisition of 83.89% of the issued share capital of UHC through a share swap. The shareholders approved it on May 31, 2023, and the SEC approved it on July 4, 2023.
- Consequent to the approvals, the proposed allotment and share transfer took place on July 14, 2023. The new shares were listed on the CSE on July 20, 2023. The Company has issued 176,809,253 ordinary shares for a consideration of Rs. 2,645,066,425/-. The balance Rs. 1,164,835,549/- of the purchase consideration was settled via the settlement of intercompany interest-bearing loan that the Company had with Ceylon Hotels Corporation PLC.
- The total number of ordinary shares in issue has increased to 754,309,253 (March 31, 2023: 577,500,000). The stated capital has now been enhanced to Rs. 2,661,816,425/- (March 31, 2023: Rs. 16,750,000). The aforementioned restructure resulted in UHC and its subsidiaries becoming fully owned subsidiaries of the Company.

- A merger reserve was created to reflect the difference between the purchase consideration and net equity acquired in respect of the acquisition under common control as described in Note 18.3.

18. IMPAIRMENT TESTING

All asset classes have been tested for impairment and the Group/ Company has made the provisioning where necessary, and disclosures have been made in the financial statements.

19. STATUTORY PAYMENTS

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

20. CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

The contingent liabilities as at 31st March 2024 are given in Note 34 to the financial statements. There were no capital commitments made on account of capital expenditure as at 31 March 2024 as disclosed in Note 35 to the financial statements.

21. OUTSTANDING LITIGATION

In the opinion of the Directors, the Company's lawyers have established that litigation currently pending against the Company will not have a material impact on the reported financial results or future operations of the Company. There were no outstanding litigations as at the reporting date other than those disclosed in Note 34.

22. ENVIRONMENTAL PROTECTION

The Company makes every endeavor to comply with the relevant environmental laws, regulations and best practices applicable in the country. After making

adequate inquiries from the management, the Directors are satisfied that the Company operates in a manner that minimizes the detrimental effects on the environment and provides products and services that have a beneficial effect on customers and the communities within which the Company operates.

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

23. POST BALANCE SHEET EVENTS

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

24. DIRECTORS AS AT 31 MARCH 2024

The Board of Directors of The Kandy Hotels Company (1938) PLC comprise 08 Directors with wide commercial knowledge and experience and 04 of them serve as Independent Non- Executive Directors. The qualification and experience of the Directors are given on pages 5 to 6 of the Annual Report.

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

The names of the Directors who held office during the year under review are as follows:

The names of the Directors who held office during the year under review are as follows:

Name of the Director	Status
Mr. Sanjeev Gardiner (Chairman)	Non-Independent, Executive

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

Name of the Director	Status
Mr. Charitha Ratwatte (Senior Independent Director)	Independent, Non-Executive & Senior Independent Director
Mr Lakshman Samarasinghe (demised)	Non-Independent, Executive
Mr Priyantha Maddumage	Non-Independent, Executive
Mr Ranjith Gunatilleke	Independent, Non-Executive
Mr Nahil Wijesuriya	Independent, Non-Executive
Mr Chandra Mohotti	Non-Independent, Non-Executive
Mr. Pradeep Nilanga Dela	Independent, Non-Executive

24.1 Changes in the Directorate

Mr. Shalike Karunasena, ceased to be an Alternate Director to Mr. Priyantha Maddumage with effect from 31st of December 2023 in terms of Section 9.9 of the Listing Rules of the Colombo Stock Exchange.

Mr. Charitha Ratwatte has been appointed as Senior Independent Director (SID) on November 16, 2023.

Mr. Lakshman Samarasinghe's tenure concluded with his demise on April 10, 2024.

Mr. Shalike Karunasena was appointed as a Director with effect from 2nd August 2024 pursuant to Article 95a of the Articles of Association of the Company.

Mr. Nahil Wijesuriya has resigned from the board with effect from 16th August 2024.

24.2 Directors to retire by rotation

In terms of Article 91 and 93 of the Articles of Association of the Company, shareholder approval is sought to re-elect Mr Priyantha Pushpakumara Maddumage, who retire by rotation and, being eligible offer himself for re-election.

In terms of Rule 9.7.2. of the Listing Rules of the Colombo Stock Exchange the Board has ensured that Mr. Maddumage is fit and proper based on the 'Fit and Proper Criteria' stipulated in the Listing Rules.

24.3 Re-election of Mr. Chaminda Shalike Karunasena

In terms of Article 95a of the Articles of Association, shareholder approval was sought when re-electing Mr Chaminda Shalike Karunasena, who was appointed to the Board on 2nd August 2024.

24.4 Re-appointment of Directors who are over seventy years of age

Mr. Jayampathy Charitha Ratwatte, a Director who was over seventy years of age was re-appointed as a Director of the Company in terms of Section 210 of the Companies Act No.07 of 2007 at the AGM held on 26th September 2023 for a period of one year commencing from the conclusion of the said AGM, i.e. till 26th September 2024.

In terms of Rule 9.7.2 of the Listing Rules of the Colombo Stock Exchange, the Board has ensured that Mr. Jayampathy Charitha Ratwatte is fit and proper based on the 'Fit and proper criteria' stipulated in the Listing Rules.

Accordingly, Mr. Jayampathy Charitha Ratwatte who is over seventy years of age was re-appointed as a Director of the Company for a further period of one year from the conclusion of the Annual General Meeting and the age limit stipulated in Section 210 of the Companies Act No.07 of 2007 shall not be applicable to them.

The names of the Directors of Subsidiary companies as at March 31, 2024 are given below.

Name of the Company	Name of the Directors
Suisse Hotel (Pvt) Limited	Mr. Sanjeev Gardiner
	Mr. Lakshman Samarasinghe (demised)
	Mr. Priyantha Maddumage
	Mr. Lalith Rodrigo
United Hotels Company Limited	Mr. Sanjeev Gardiner
	Mr. Lakshman Samarasinghe (demised)
	Mr. Priyantha Maddumage
	Mr. Kuvera De Zoysa
	Mr. Mangala Boyagoda
	Mr. Revantha Devasurendra
Tissa Resort (Pvt) Limited	Mr. Shalike Karunasena (Alternate Director to Mr. Priyantha Maddumage)
	Mr. Lakshman Samarasinghe (demised)
	Mr. Priyantha Maddumage
	Mr. Shalike Karunasena (Alternate Director to Mr. Priyantha Maddumage)
Ceylon Hotels Maldives (Pvt) Limited	Mr. Sanjeev Gardiner
	Mr. Lakshman Samarasinghe (demised)
	Mr. Priyantha Maddumage
	Mr. Shalike Karunasena

The Company obtained an annual declaration from the Directors as per Rule 9.7.3 and 9.7.4. of the Listing Rules of the Colombo Stock Exchange (CSE) confirming that they have continuously satisfied the specified Fit and Proper Assessment Criteria set out in the Rules during the financial year and as at the reporting date. Therefore, no Director was identified as a person who has failed to fulfil the required assessment criteria during the year under review.

Each of the Independent Directors of the Company has submitted a signed declaration on Independence / Non – Independence as per Rule 9.8.5 of the Listing Rules of the Colombo Stock Exchange (CSE). The signed declarations were received from the Directors in order to enable the Board of Directors to determine the Independence / Non-Independence of each of the Independent Directors, in terms of Rule 9.8.3. of the Listing Rules of the CSE.

- 1). Mr Chandra Mohotti has served as a Director for over 9 aggregate years and the Board has determined that since he does not exert control over the Company and is able to make unfettered judgements and act impartially, he is nevertheless independent.
- 2). Mr Charitha Ratwatte has served as a Director for over 9 aggregate years and the Board has determined that since he does not exert control over the Company and is able to make unfettered judgements and act impartially, he is nevertheless independent.

The names of the directors eligible for re-election are included in the Notice of the Annual General Meeting.

25. DIRECTORS' MEETINGS

No board meetings were held during the year ending 31 March 2024.

Due to the subdued level of activity of the Company in the recent past, there were four meetings with Non-Executive Directors to discuss the progress of ongoing matters, along with the recoupment of industry trends. Circular resolutions were adopted as permitted by the Articles of Association.

26. BOARD SUBCOMMITTEES

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

In line with the Corporate Governance Standards of Listing Rules and industry best practices the following three board sub committees of the parent company, Ceylon Hotels Corporation PLC (listed entity) oversee the functions of the Company.

The composition and functions of each subcommittee are given on pages 22 to 28 of the Corporate Governance section of this Annual Report.

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

26.1 Audit Committee

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

1. Mr. Kuvera De Zoysa (Chairman) - Independent, Non-Executive Director
2. Mr. Mangala Boyagoda - Independent, Non-Executive Director
3. Mr. Kamantha Amarasekara - Independent, Non-Executive Director
4. Mr. Ranil Pathirana - Non-Independent, Non-Executive Director

The report of the Audit Committee on pages 30 to 31 set out the manner of compliance by the Company in accordance with the requirements of the Rule 9.13.5(1) of the Rules of the Colombo Stock Exchange on Corporate Governance.

26.2 Remuneration Committee

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

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

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

The report of the Remuneration Committee is given on page 34 on this Annual Report.

26.3 Related Party Transactions Review Committee

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

1. Mr. Kuvera De Zoysa (Chairman) - Independent, Non-Executive Director
2. Mr. Mangala Boyagoda - Independent, Non-Executive Director
3. Mr. Kamantha Amarasekara - Independent, Non-Executive Director
4. Mr. Ranil Pathirana - Non-Independent, Non-Executive Director

The committee met four (04) times during the financial year 2023/2024.

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The Related party transactions review committee report is given on pages 32 to 33 on this Annual Report.

26.3.1 Non-Recurrent Related Party Transactions

The disclosure pertaining to non-recurrent related party transactions, was duly made in Note 33.6 to the financial statements. This was made as required by the Colombo Stock Exchange Listing Rule 9.14.8(1) and the Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

26.3.2 Recurrent Related Party Transactions

All the Recurrent Related Party Transactions which in aggregate exceeds 10% of the revenue of the Company as per audited financial statements of 31st March 2024 are disclosed under Note 33 on pages 104 to 107 to the financial statements, as required by Colombo Stock Exchange listing Rule 9.14.8(2) and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

26.3.3 Directors' Declaration on Related Party Transactions

The Directors declare that they are in compliance with Rule 9 of the listing rules of the CSE pertaining to Related Party Transactions during the financial year ended 31st March 2024.

The Directors of the Company declare that there were no related party transactions required to be disclosed under the listing rules of the CSE other than disclosed in the financial statements. The report of the Related Party Transactions Review Committee is given on pages 32 to 33 in the Annual Report.

27. DIRECTORS' DEALINGS WITH THE SHARES OF THE COMPANY

Directors' shareholding in the company as at 31st March 2024 are as follows

Name of the Director	Ordinary shares	Preference Shares
Mr. Sanjeev Gardiner	87,500	9,500
Mr. Charitha Ratwatte	175,000	Nil
Mr. Lakshman Samarasinghe (demised)	5,500	Nil
Mr. Nahil Wijesuriya	Nil	Nil
Mr. Chandra Mohotti	Nil	Nil
Mr. Priyantha Maddumage	Nil	Nil
Mr. Ranjith Gunatilleke	43,611	Nil
Mr. Nilanga Dela	Nil	Nil

28. INTEREST REGISTER

In terms with the Companies Act No.07 of 2007, the company maintained an Interest Register and the entries have been made therein. All related party transactions during the period are recorded in the Interest Register.

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

29. REMUNERATION OF DIRECTORS

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

30. DIRECTORS INTEREST IN CONTRACTS

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

The Directors have no direct or indirect interest in contracts and proposed contracts, other than disclosed in Note 33 to the financial statements.

31. DIRECTORS DECLARATION

The Board of Directors declares as follows:

- The Company has not engaged in any activity which contravenes laws and regulations.
- All material interests in contracts involving the Company were disclosed and any interested party refrained from voting on matters in which they were materially interested.
- The Company has made all endeavours to ensure the equitable treatment of shareholders.
- The business is a going concern, with supporting assumptions or qualifications as necessary; and they have conducted a review of the internal controls, covering financial, operational and compliance controls and risk management, and have obtained reasonable assurance of their effectiveness and successful adherence therewith.

32. CORPORATE GOVERNANCE

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

33. SUBSTANTIAL SHAREHOLDING

Names of the twenty largest shareholders and the percentages of their respective holdings as at 31st March 2023 and 31st March 2024, are given in the section on “Investor Information” on pages 116 to 118.

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

Information relating to earnings, dividend, net assets and market value per share is given in “Financial Highlights” on page 2. Information on the shares traded and movement in the number of shares represented by the stated capital of the company is given in the section on “Investor Information” on pages 116 to 118.

35. CONTRIBUTIONS TO CHARITY

The sum of contributions made to charities by the Group during the financial year ended 31 March 2024 does not exceed Rs. 237,562/- (2023: Rs. 94,978/-).

36. RISK MANAGEMENT

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

The Directors of the Company have taken reasonable steps to safeguard the financial operation of the Company to prevent and detect fraud and any other irregularities. For this purpose, the Directors consider that the system of internal controls is appropriately designed for identifying, recording, evaluating, and managing the

significant risks faced by the Company throughout the year and it is being regularly reviewed by the Board of Directors. The Directors further confirm that an on-going process to identify, evaluate and manage significant business risk is in place.

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

The Company assesses the importance and impact of each employee and accordingly relevant managerial actions are implemented. Being in the leisure sector, the company has wider stakeholder groups who can be significantly affected by its business activities. The company gives important considerations to its relations with employees and other stakeholder groups within the market place. Accordingly material issues that can substantially affect the Company and its sustainability over the short, medium and long terms are determined through a process and actions are taken accordingly.

38. AUDITORS RELATIONSHIP

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

The fees paid to auditors are disclosed in Note 10 to the financial statements.

Based on the declaration provided by Messrs. Ernst & Young and as far as the Directors are aware, the auditors do not have any relationship (other than that of an auditor) with the Company other than those disclosed above. The auditors also do not have any relationship or interest in the Company or its Group Companies other than those disclosed above which may reasonably be thought to have a bearing on their independence in accordance with the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka.

39. NOTICE OF THE ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on 26th September 2024 at 10.00 a.m. via audio visual technology. The Notice of Meeting is given on page 120 of the Annual Report.

40. ACKNOWLEDGEMENT OF THE CONTENT OF THE REPORT

As required by Section 168(1) (k) of the Companies Act No. 07 of 2007, the Board of Directors do hereby acknowledge the content of this Annual Report.

Signed in accordance with the resolution of the Board of Directors.

For and on behalf of the Board

(Sgd.)

Sanjeev Gardiner
Chairman

(Sgd.)

J. Charitha Ratwatte
Senior Independent Director

(Sgd.)

Deloitte Corporate Services (Pvt) Limited,

Company Secretaries
29th August 2024

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR PREPARATION OF FINANCIAL STATEMENTS

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

In terms of Sections 150 (1), 151, 152 and 153 (1) & (2) of the Companies Act No. 07 of 2007, the Directors of the Company are responsible for ensuring that the Company keeps proper books of account of all the transactions and prepare financial statements that give a true and fair view of the financial position of the Company and its subsidiaries, as at the end of each financial year and of the financial performance of the Company for each financial year and places them before a general meeting.

The financial statements comprise:

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

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

- (a) the financial position of KHC as at the reporting date; and
- (b) the financial performance of KHC for the financial year ended on the Reporting date.

In terms of Section 150(1)(b) and Section 152(1)(b) of the Companies Act these financial statements of the Company have been certified by the Company's Financial Controller, the Officer responsible for their preparation. In addition, the financial

statements of the Company and the Group have been signed by two Directors of the Company on 29th August 2024 as required by the Sections 150 (1) (c) and 152 (1) (c) of the Companies Act and other regulatory requirements. In terms of Section 148 (1) of the Companies Act, the Directors are also responsible for ensuring that proper accounting records are correctly recorded and explains the Company's transactions to facilitate a proper audit of the financial statements. Accordingly, the Directors have taken reasonable steps to ensure that the Company and the Group maintain proper books of accounts and review the financial reporting system through the Audit Committee.

The Board of Directors also approves the Interim Financial Statements prior to their release to the Colombo Stock Exchange, upon a review and recommendation by the Audit Committee.

The Directors confirm that these financial statements for the year ended 31st March 2024, prepared and presented in this Annual Report are in agreement with

- a) Appropriate accounting policies have been selected and applied in a consistent manner and material departures if any have been disclosed and explained.
- b) All applicable accounting standards (SLFRS/LKAS) that are relevant, have been followed and are consistent with the underlying books of accounts.
- c) Reasonable and prudent judgments and estimates have been made so that the form and substance of transactions are properly reflected.
- d) Information required by the Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No.15 of 1995, the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Securities and

Exchange Commission of Sri Lanka (SEC) have been disclosed.

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

The external auditors, Messrs. Ernst & Young, were reappointed in terms of section 158 of the Companies Act No. 07 of 2007 and in accordance with a resolution passed at the last Annual General Meeting, were provided with every opportunity to undertake the inspections they considered appropriate. They carried out reviews and sample checks on the system of internal controls as they considered appropriate and necessary for expressing their opinion on the financial statements and maintaining accounting records. They have examined the financial statements made available to them by the Board of Directors together with all the financial records, related data and minutes of shareholders' and Directors' meetings and expressed their opinion which appears as reported by them on pages 37 to 39.

As required by Section 166(1) and 167(1) of the Companies Act, this Annual Report has been prepared and the Company has met all the requirements under Rule 7.6 on Continuing Listing Requirements of the Listing Rules of the CSE, where applicable.

The Directors are responsible for taking reasonable measures to safeguard the assets of the Company and its subsidiaries and in this regard to give proper consideration to the establishments, designation, implementation and maintenance of appropriate accounting and internal control systems with a view of preventing and detecting frauds and other irregularities relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error. In this regard, the Directors have instituted an effective and comprehensive system of internal controls comprising of internal audit function directly reporting to the Board.

The Directors are of the view that the Company has adequate resources to continue in operation and have applied the going concern basis in preparing these financial statements.

COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its subsidiaries, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and its subsidiaries as at the date of the statement of financial position have been duly paid or, where relevant, provided for, except as disclosed in Note 34 to the financial statements covering contingent liabilities.

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

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

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



Deloitte Corporate Services (Private) Limited,
Secretaries to the Company

29th August 2024

CORPORATE GOVERNANCE

At The Kandy Hotels Co. (1938) PLC, we are committed to sound Corporate Governance Practices relying on a comprehensive system of internal controls and best practices to achieve this objective.

The Company's compliance with the continuing listing rules of the CSE, Companies Act No. 07 of 2007 and the code of best practice of Corporate Governance jointly issued by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (ICASL) is described below. The Company is also a subsidiary of Ceylon Hotels Corporation PLC (CHC) and therefore the structure and policies of the Company are in conformity with those of CHC, ensuring a consistent compliance practice across the group.

Statement of Compliance with Companies Act No. 07 of 2007

Section Reference	Requirement	Annual Report Reference
168 (1) (a)	The nature of the business of the Group and the Company together with any change thereof during the accounting period	Annual Report of the Board of Directors
168 (1) (b)	Signed Financial Statements of the Group and the Company for the accounting period completed	Financial Statements
168 (1) (c)	Auditors' Report on Financial Statements of the Group and the Company	Independent Auditors' Report
168 (1) (d)	Accounting Policies and any changes made during the accounting period	Notes to the Financial Statements
168 (1) (e)	Particulars of the entries made in the Interests Register during the accounting period	Annual Report of the Board of Directors
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period	Notes to the Financial Statements
168 (1) (g)	Corporate donations made by the Company during the accounting period	Notes to the Financial Statements
168 (1) (h)	Information on the Directorate of the Company and its Subsidiaries during and at the end of the accounting period	Annual Report of the Board of Directors
168 (1) (i)	Amounts paid/payable to the external auditor as audit fees and fees for other services rendered during the accounting period	Notes to the Financial Statements
168 (1) (j)	Auditors' relationship or any interest with the Company and its Subsidiaries	Annual Report of the Board of Directors
168 (1) (k)	Acknowledgement of the contents of this Report and Signatures on behalf of the Board	Annual Report of the Board of Directors

BOARD OF DIRECTORS

The Board of Directors of The Kandy Hotels Co. (1938) PLC takes responsibility for good corporate Governance of the Company. The Board sets out the Company's strategic direction and oversees business and connected affairs of the Company and it also formulates the policy framework for the Company.

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

Board composition and Director's Independence as of 31st March 2024

Name of the Director	Type	Shareholding
Mr. Sanjeev Gardiner (Chairman)	Non-Independent, Executive	Yes
Mr. Charitha Ratwatte- Senior Independent Director	Independent, Non-Executive	Yes
Mr. Lakshman Samarasinghe (demised)	Non-Independent, Executive	Yes
Mr. Priyantha Maddumage	Non-Independent, Executive	No
Mr. Ranjith Gunatilleke	Independent, Non-Executive	Yes
Mr. Nahil Wijesuriya	Independent, Non-Executive	No
Mr. Chandra Mohotti	Non-Independent, Non-Executive	No
Mr. Nilanga Dela	Independent, Non-Executive	No

There were no changes to the composition of the Board of Directors during the year under review, except for the following changes were made to the composition of the Board of Directors in accordance with the amended Corporate Governance Rules of the CSE.

- Mr. Charitha Ratwatte has been appointed as Senior Independent Director (SID) on November 16, 2023.
- Mr. Shalike Karunasena ceased to be the Alternate Director to Mr. Priyantha Maddumage effective December 31, 2023.

The Board of Directors comprises of 08 Directors of which 05 are Non-Executive Directors. 04 of them are Independent Non-Executive Directors. The Board represents extensive industry expertise.

Profiles of the Directors are given on pages from 5 to 6.

The Board of Directors has determined that all the directors are satisfied with the 'Fit and Proper Assessment Criteria' set out in the amended Corporate Governance Rules.

THE CHAIRMAN OF THE BOARD

The Chairman's primary role is to lead the Board to ensure that it effectively functions in achieving the strategic decisions.

Currently, the company does not have a Chief Executive Officer (CEO), and Chairman plays an executive role. The Chairman ensures that there is a proper balance between Non-Executive Directors and Executive Directors. The hotels of the group are managed and operated by Galle Face Group (Pvt) Ltd., an affiliate of the Company.

MANAGING CONFLICT OF INTEREST

All Directors are expected to act in good faith and maintain transparency regarding matters that could potentially be in conflict of interest. Directors are excused from meetings if an agenda item refers to a

matter in which they have an interest, allowing the board to deliberate on the matter without the undue influence.

BOARD MEETINGS AND ATTENDANCE

The Board meets regularly to discuss company's performance and evaluate its strategic direction. There was no board meeting held during the year under review.

Due to the subdued level of activity of the Company in the recent past, there were 4 meetings with Non- Executive Directors to discuss the progress of ongoing matters, along with the recoupment of industry trends. Circular resolutions were adopted as permitted by the Articles of Association.

The Board of Directors demonstrates independent judgement on aspects related to Company's corporate strategy, performance and financial evaluation. All the Directors are given fair treatment at board meetings and encourage them to express their views at Board meetings.

The Annual Board Meeting and Subcommittee Meeting Calendar is circulated to the Board well in advance. Board papers are circulated to the Board in advance, enabling board members to dedicate adequate time and effort in studying the papers. Board members are free to request any additional information on matters that are being discussed at board level.

The Senior Management of the Company provides the Board of Directors with all necessary information for decision-making. When appropriate, the Directors seek independent opinions from legal and accounting professionals to gain broader perspectives on significant matters.

SENIOR INDEPENDENT DIRECTOR

The Board has appointed Mr. Charitha Ratwatte as the Senior Independent Director (SID) due to the Chairman holding an executive role, in accordance

with the amended Corporate Governance Rules of the CSE. The justification for the Chairman's executive role was communicated to the CSE along with the SID appointment.

This position aims to enhance the independent element of the Board of Directors, ensuring that board members maintain independent judgment and objectivity in all deliberations and that decisions are made in the best interest of the company. The profile of the SID is provided on page 5, and the explanatory report by the SID demonstrating the effectiveness of his duties is on page 29.

DIRECTORS' REMUNERATION

In terms of CSE regulations, remuneration committee of Ceylon Hotels Corporation PLC functions as the remuneration committee of the company. The remuneration committee report is given on page 34 of the Annual Report.

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

SHAREHOLDER RELATIONS

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

ACCOUNTABILITY AND AUDIT

The Board has the task of presenting a balanced and understandable assessment of the Company's performance, financial position and outlook. Directors declaration on the preparation of financial statements are given on pages 20 to 21 of this report. The Board of Directors accepts the responsibility for the preparation of the

Corporate Governance

financial statements, maintaining adequate records for safeguarding the assets of the Company, and preventing and detecting fraud and/or other irregularities.

The Board of Directors also confirms that the applicable Sri Lanka Accounting Standards have been adhered to, subject to any material departures being disclosed and explained in the Notes to the financial statements.

The Board of Directors further confirms that suitable accounting policies consistently applied and supported by reasonable and prudent judgment and estimates, have been applied in the preparation of the financial statements.

They further confirm that all known statutory payments have been paid up to date and all retirement gratuities have been provided for in the financial statements. At the same time, all payments made to related parties have been reflected in the financial statements.

At all Audit Committee meetings and Board meetings, statutory compliance statements showing extent to which the Company is compliant with the rules and regulations are circulated among the Directors for information of the Board. All the Board members have access to the advice of the Company Secretary, Deloitte Corporate Services (Private) Limited who acts as the registered Company Secretaries to the Company.

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

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

BOARD SUB COMMITTEES

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

Audit Committee

The composition of the Audit Committee and the committee’s report is detailed out in pages 30 to 31 of the Annual Report.

Audit Committee Reviews the financial reporting process, internal controls and external audit function to ensure the integrity and quality of the financial statements. Audit Committee ensures the independence of external auditors, timely delivery of the audited financial statements and reviews the effectiveness of internal audit procedures. The Audit Committee tries to meet at least once in every quarter with the Management to review quarterly financial statements prior to release to shareholders and meet with the Internal Auditors to review the internal audit reports and findings. The Audit Committee also meets external auditors to discuss the external audit programme, plan prior to commencement of the external audit and meets with the auditors post completion of the audit to discuss the financial statements and key Audit Findings.

Audit Committee has access to both external auditors as well as Internal Auditors.

Remuneration Committee

The composition of the Remuneration Committee and the committee’s report is detailed out in page 34 of the Annual Report.

Related Party Transactions Review Committee

The composition of the Related Party Transactions Review Committee and the committee report is detailed out in pages 32 to 33 of the Annual Report.

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

The Committee updates the Board on the related party transactions of the Group on quarterly basis.

The Board encourages shareholders to participate at Annual General Meetings (AGM) and make effective dialogue with the Board, and use their voting rights. Shareholders are free to raise any queries on agenda items listed in the notice of AGM.

In addition, the Board is also conscious of its relationship with all stakeholders including the community within which it operates with sustainable and eco-friendly practices. The hotels enhance and uplift staff standards and morale through regular training and improved facilities.

This facilitates improvement in service levels, thereby enriching guest experience. Satisfied guests, apart from providing repeat business, also act as ambassadors for the hotels.

Statement of Compliance under Section 7.6 of the Listing Rules of the Colombo Stock Exchange (CSE) on Annual Report Disclosure

Requirement	Reference
(i) Name of persons who were Directors of the Entity	Page 22
(ii) Principal activities of the entity and its subsidiaries during the year, and any changes therein	Page 13
(iii) The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	Page 118
(iv) The public holding percentage	Page 117
(v) As statement of each Director's holding and Chief Executive Officer's holding in shares of the Entity at the beginning and end of each financial year	Page 116
(vi) Information pertaining to material foreseeable risk factors of the Entity and Details of material issues pertaining to employees and industrial relations	Note No. 37 of Annual Report of the Board of Directors
(vii) Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties	Pages 76 to 78, 81
(viii) Number of shares representing the Entity's stated capital	Pages 91 to 92
(ix) A distributions schedule of the number of holders in each class of equity Securities, and the percentage of their total holdings	Pages 116 to 117
(x) Financial ratios and market price information	Page 117
(xi) Significant changes in the Company's or its subsidiaries' fixed assets, and the market value of land, if the value differs substantially from the book value as at the end of the year	Pages 76 to 78
(xii) Details of funds raised through a public issue, rights issue and a private placement during the year	Note no. 18.3 in page 83
(xiii) Information in respect of Employee Share Ownership or Stock Option Schemes	N/A
(xiv) Disclosures pertaining to Corporate Governance Practices in terms of Section 9 of the Listing Rules	Pages 22 to 28
(xv) Related Party Transactions exceeding 10 percent of the equity or 5 percent of the total assets of the Entity as per audited financial statements, whichever is lower	Pages 105 to 107

Corporate Governance

Statement of compliance under Section 9 of the listing rules of the Colombo Stock Exchange (CSE) on Corporate Governance

Rule No.	Subject	Criteria	Compliance Status	Details
9.1.3.	Applicability of Corporate Governance Rules	All Listed Entities shall publish a statement confirming the extent of compliance with the Corporate Governance Rules set out herein, in the Annual Report of the Entity	Compliant	Please refer Pages 22 to 28
9.2	Policies	Policies	Not Applicable	Considering the effective date of 1st of October 2024, the Company is in the process of reviewing existing policies and establishing new policies to comply with the stipulated timeline.
9.3	Board Committees	Board Committees	Compliant	Please refer page 17
9.4.1.	Adherence to principles of democracy in the adoption of meeting procedures and the conduct of all General Meetings with shareholders	Listed Entities shall maintain records of all resolutions and information pertaining to its adoption	Compliant	Company Secretaries maintain records of all resolutions and requisite information.
9.4.2.	Communication in relation with shareholders and investors	Communication and relation with shareholders and investors	Compliant	The Company Secretaries maintained the communication in relation with shareholders.
9.5	Policy on matters relating to the Board of Directors	Policy on matters relating to the Board of Directors	Compliant	Considering the effective date of 1st of October 2024, the Company is in the process of introducing policies to comply within the stipulated timeline
9.6.1.	Chairperson and CEO	The Chairperson of every Listed Entity shall be a Non-Executive Director and the positions of the Chairperson and CEO shall not be held by the same individual	Compliant	Chairperson is an Executive Director and Senior Independent Director appointed w.e.f. 16th November 2023
9.6.2.	Chairperson and CEO	Where the Chairperson of a Listed Entity is an Executive Director and/or the positions of the Chairperson and CEO are held by the same individual, such Entity shall make Market Announcement	Compliant	Market Announcement made on 16th November 2023

Rule No.	Subject	Criteria	Compliance Status	Details
9.6.3. and 9.6.4	The Requirement for a SID	SID to be appointed in the following instances i. The position of the Chairperson and CEO are held by the same individual ii. The Chairperson is an Executive Director iii. The Chairperson and CEO Close Family Members or Related Parties	Compliant	Mr. Charitha Ratwatte appointed as the Senior Independent Director
9.7	Fitness of Directors and CEO	Fitness of Directors and CEO	Compliant	The Company obtained an annual declaration from the Directors confirming that they have continuously satisfied the specified Fit and Proper Assessment Criteria. All Directors met the fit and proper assessment criteria stipulated in the Listing Rules of the CSE
9.8.1.	Board Composition	The Board of Directors of a Listed Entity shall, at a minimum, consist of (05) Directors	Compliant	The Board had 8 Directors during the year under review.
9.8.2/ 9.8.3 and 9.8.5	Independent Directors	Minimum no. of Independent Directors / Criteria for defining independence and declaration & disclosures relating to the Directors	Compliant	Please refer Pages 15 to 16
9.9	Alternate Director	Alternate Director	Compliant	No Alternate Director were appointed to the Board throughout the reporting period
9.10.4(a) and 9.10.4(b)	Disclosure relating to Directors	Company shall publish a brief resume in the Annual Report including expertise in relevant functional areas of each Director	Compliant	Please refer the Profile of the Directors on pages 5 to 6
9.10.4.(c)	Disclosure relating to Directors	Whether either the Director or Close Family Members has any material business relationship with other Directors of the Listed Entity	Compliant	As at the conclusion of the last AGM and throughout the financial year, none of the Directors or Close Family Members have had any material business relationship with other Directors of the Company
9.10.4(d), (e), (f), (g), and (h)	Disclosure relating to Directors	Disclosure relating to Directors	Compliant	Please refer to Pages 5 to 6 & 107
9.11	Nomination and Governance Committee	Nomination and Governance Committee	Compliant	This will be complied on or before 1st October 2024

Corporate Governance

Rule No.	Subject	Criteria	Compliance Status	Details
9.12	Remuneration Committee	Remuneration Committee	Compliant	Please refer to Page 34
9.13	Audit Committee	Audit Committee	Compliant	Please refer to Pages 30 to 31
9.14	Related Party Transaction Review Committee	Related Party Transaction Review Committee	Compliant	Please refer to Pages 32 to 33
9.16.(i)	Additional Disclosures	The Board of Directors should declare all material interest in contracts involving in the Entity and whether they have refrained from voting on matters in which they were materially interested	Compliant	Directors declared that they have no material interests in contracts with the Company and there were no matters in which they were materially interested.
9.16.(ii)	Additional Disclosures	The Board of Directors should conduct a review of the internal controls covering financial, operational and compliance controls and risk management and have obtained reasonable assurance of their effectiveness and successful adherence therewith	Compliant	The Board, having reviewed the system of internal controls covering financial, operational and compliance controls and risk management, is satisfied with the Company's adherence to and effectiveness of these controls for the period up to the date of signing the financial statements.
9.16.(iii)	Additional Disclosure	The Board of Directors should make arrangements to make themselves aware of applicable laws, rules and regulations and are aware of changes particularly of Listing Rules and applicable capital market provisions	Compliant	The Board of Directors have declared that the Company and the Board of Directors have complied with applicable laws, rules and regulations and also are aware of changes particularly to the Listing Rules of the Colombo Stock Exchange including the new rules on Corporate Governance initially issued in October 2023 and all other applicable capital market provisions.
9.16.(iv)	Additional Disclosure	The Board of Directors should disclose relevant areas of any material non-compliance with law or regulation and any fines, which are material, imposed by any Government or regulatory authority in any jurisdiction where the Entity has operations	Compliant	The Board of Directors have no disclosures to be made of any material non-compliance with law or regulation and any fines, which are material, imposed by any government or regulatory authority in any jurisdiction where the Company has operations

STATEMENT BY THE SENIOR INDEPENDENT DIRECTOR

I am pleased to present my report as the Senior Independent Director of The Kandy Hotels Co. (1938) PLC. I was appointed as the Senior Independent Director (SID) of The Kandy Hotels Co. (1938) PLC, effective 16th November 2023, in accordance with Rule 9.6.3(ii) of the Listing Rules of Colombo Stock Exchange as a result of the Chairman of the Company being an Executive, Non-Independent Director. It has been a privilege to serve in this role, overseeing independent judgment and objectivity in the Board's deliberations.

ROLE AND RESPONSIBILITIES

In my role as Senior Independent Director, I am responsible for:

- Providing an independent perspective on board matters and supporting the chairman in ensuring effective governance.
- Leading the board evaluation process, overseeing the development of the board and its committees, and providing leadership to the Board as needed.
- Acting as a point of contact for shareholders who have concerns that cannot be resolved through normal channels and gaining a balanced understanding of shareholder issues and concerns.

BOARD PERFORMANCE AND EFFECTIVENESS

Over the past few months, I have been engaged in the following activities:

Independence and Conflicts of

Interest: I have monitored potential conflicts of interest and ensured that any issues were addressed promptly and transparently through the following actions:

- Ensured that all significant issues were addressed by the Board in a timely manner, considering the perspectives of Non-Executive Directors.
- Attended board discussions at The Kandy Hotels Co. (1938) PLC to ensure that decisions made during this period were in the best interests of the Company.
- Engaged in confidential discussions and served as an intermediary for Non-Executive Directors when needed, while appropriately considering the perspectives of Executive Directors.

CONCLUSION

The Company adheres to all relevant mandatory requirements while embracing voluntary guidelines and best practices in governance, thereby building stakeholder trust and ensuring integrity across all decision-making.

I believe that I have effectively discharged the duties entrusted to the SID in accordance with the Corporate Governance Guidelines.

(Sgd.)

J. Charitha Ratwatte
Senior Independent Director

The Kandy Hotels Co. (1938) PLC

29th August 2024

REPORT OF THE AUDIT COMMITTEE

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

The Audit Committee ('the Committee') is a formally constituted sub-committee of the Board of Directors ('the Board'). It reports to and is accountable to the Board.

The role, functions and composition of the Committee are defined by the provisions set out in Rule 9.13.3 and 9.13.4 of the Listing Rules of the Colombo Stock Exchange (the 'CSE Rules') and the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

COMPOSITION

The composition of the Committee is as follows. The profiles of the members are disclosed in the annual report for the year ended 31 March 2024 of the parent company, Ceylon Hotels Corporation PLC.

1. Mr. Kuvera De Zoysa – Independent, Non-Executive Director (Ceylon Hotels Corporation PLC)
2. Mr. Mangala Boyagoda – Independent, Non-Executive Director (Ceylon Hotels Corporation PLC)
3. Mr. Kamantha Amarasekara – Independent, Non-Executive Director (Ceylon Hotels Corporation PLC)
4. Mr. Ranil Pathirana - Non-Independent, Non-Executive Director (Ceylon Hotels Corporation PLC)

MEETINGS

The audit aspects of The Kandy Hotels Co. (1938) PLC are conducted within the agenda of CHCPLC – Audit Committee. CHCPLC Audit Committee held 04 meetings during the financial year to discuss matters relating to the Company.

The attendance to the Members at the Audit Committee Meetings were as follows.

	Membership status	Attendance (Attended/ Eligible to attend)
Mr. Kuvera De Zoysa	Chairman	03/04
Mr. Mangala Boyagoda	Member	04/04
Mr. Kamatha Amarasekara	Member	00/04
Mr. Ranil Pathirana	Member	03/04

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

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

ROLES AND RESPONSIBILITIES

The Committee has written Terms of Reference (TOR) and is empowered to oversee financial reporting, internal controls, and functions relating to internal and external audits.

It is regularly reviewed to ensure that new developments relating to the Committee's functions are addressed and that the same reflects the best practices of the industry at all times.

1. Financial Reporting

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

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

2. Internal Controls over Financial Reporting

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

3. Internal Audit

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

4. External Audit

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

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

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

Messrs. Ernst & Young, Chartered Accountants were re-appointed as external auditors of the Company at the Annual General Meeting held on 26th September 2023.

ACTIVITIES FOR THE YEAR ENDED MARCH 31, 2024

The following were among the activities carried out:

- Discussed with external auditors the scope of the audit, audit approach, and procedures.
- Determined that Messrs. Ernst & Young, Chartered Accountants were independent based on written representation.
- Obtained an assurance from the management that financial reports have been properly maintained and the financial statements provide true and fair view.
- Ensured that prudent accounting practices are applied to provide stakeholders with the most accurate and meaningful financial information.
- Reviewed the financial statements together with the external auditors, Messrs. Ernst & Young, prior to release to the regulators, shareholders, and the general public.
- Clarify the existing disclosures and level of compliance with financial reporting standards such as those specified under the Companies Act No. 7 of 2007 and any other relevant financial and governance reporting requirements.
- Reviewed the Letter of Representation issued to the external auditors by the Management.
- Concluded that the non-audit services obtained from the auditors do not impair the independence and objectivity of the auditors.
- Evaluated external auditors based on the audit deliverables and the quality assurance initiatives and recommendations.
- Met with the auditors to review the Management Letter and the responses from the Management. And followed up on the issues raised.
- Assessed the effectiveness of the internal audit function.

Having reviewed the effectiveness of the external auditors, the members of the Audit Committee have concurred to recommend to the Board of Directors the

re-appointment of Messrs. Ernst & Young, Chartered Accountants, as Auditors for the financial year ending March 31, 2025, subject to the approval of the shareholders at the 95th Annual General Meeting.

REPORTING TO THE BOARD

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

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

PROFESSIONAL ADVICE

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

PERFORMANCE EVALUATION OF THE COMMITTEE

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

CONCLUSION

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

On behalf of the Board Audit Committee

(Sgd.)

Kuvera De Zoysa

Chairman of the Board Audit Committee

29th August 2024

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

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

The Related Party Transactions Review Committee ('the Committee') was established by the Board of Directors ('the Board') in compliance with Section 9.14 of the listing rules of the Colombo Stock Exchange (the 'CSE Rules'), the Code of Best Practice on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka (the 'SEC Code') and the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). The Committee is a formally constituted sub-committee of the Board and reports to the Board.

COMPOSITION

The Composition of the Related Party Transactions Review Committee is as follows: The profiles of the members are disclosed in the annual report for the year ended 31 March 2024 of the parent company, Ceylon Hotels Corporation PLC.

1. Mr. Kuvera De Zoysa - Independent, Non-Executive Director (Ceylon Hotels Corporation PLC)
2. Mr. Mangala Boyagoda - Independent, Non-Executive Director (Ceylon Hotels Corporation PLC)
3. Mr. Kamantha Amarasekara - Independent, Non-Executive Director (Ceylon Hotels Corporation PLC)
4. Mr. Ranil Pathirana - Non-Independent, Non-Executive Director (Ceylon Hotels Corporation PLC)

MEETINGS

The Committee met 04 times during the financial year. Details of the attendance of the members are set out below.

	Membership status	Attendance (Attended/ Eligible to attend)
Mr. Kuvera De Zoysa	Chairman	03/04
Mr. Mangala Boyagoda	Member	04/04
Mr. Kamatha Amarasekara	Member	00/04
Mr. Ranil Pathirana	Member	03/04

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

ROLES AND RESPONSIBILITIES

The role and functions of the committee include the following.

1. Formulate and review the 'Related Party Transactions Policy' and review all proposed Related Party Transactions (RPTs) in compliance with the regulations.
2. Ensure that the regulations issued to compel all RPTs to be referred to the Committee for review.

3. To review all RPTs pertaining to transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged and making a decision if the transaction needs the approval of the Board of Directors prior to entering to the transaction.
4. Advise the Board on making immediate market disclosures and disclosures in the annual report where necessary, in respect of RPTs, in compliance with the regulatory provisions.

Accordingly, the Committee adopts the following.

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

RECURRENT RELATED PARTY TRANSACTIONS

All recurrent related party transactions, whose aggregate value exceeds 10% of the revenue of the Company as per the audited financial statements of March 31, 2024, are disclosed under Note 33 on pages 105 to 106 of the financial statements as required in Section 9.14.8.2 of the listing rules.

NON-RECURRENT RELATED PARTY TRANSACTIONS

The Company had a non-recurrent related party transaction during the year under review and the disclosure was made in the note 33.6 in page 107 to the financial statements.

The committee has reviewed the related party transactions during the year and has communicated the comments and observations to the Board of Directors.

This disclosure was required as per the Colombo Stock Exchange listing Rule 9.14.8.1 and the Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13(c) of the Security Exchange Commission Act.

REPORTING TO THE BOARD

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

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

PERFORMANCE EVALUATION OF THE COMMITTEE

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

The Company had a bono-recurrent related party transaction during the year under review and the disclosure was made in the note 33.6 in page 107 to the financial statements.

DECLARATION

Declarations are obtained from each Key Management Personal (KMP) of the Company and its subsidiaries for the purpose of identifying related parties on a quarterly and annual basis to determine Related Party Transactions and to comply with the disclosure requirements, if any. Self-declarations are obtained from each Director/KMP of the Company for the purpose of identifying parties related to them.

The Directors declare that they are in compliance with Section 9.14.8.(4) of the listing rules of the CSE pertaining to Related Party Transactions during the financial year ended 31st March 2024.

The Directors of the Company declare that there were no related party transactions required to be disclosed under the listing rules of the CSE other than those disclosed in the financial statements.

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

The Committee is aware of the new Colombo Stock Exchange Listing Rules which were initially released in October 2023 and had several deliberations on the same and on its impact to the Company. The Company is in the process of taking necessary steps to ensure compliance with Section 9.14 of the said Rules with effect from 1st October 2024. The Company is in compliance with the existing Rules pertaining to the Related Party Transactions.

On behalf of the Related Party Transactions Review Committee

(Sgd.)

Kuvera De Zoysa

Chairman of the Related Party Transactions Review Committee

29th August 2024

REPORT OF THE REMUNERATION COMMITTEE

Ceylon Hotels Corporation PLC is The Kandy Hotels Co. (1938) PLC's parent company. The Remuneration Committee of Ceylon Hotels Corporation PLC serves as the Company's remuneration committee, as permitted by Rule 9.12.6 of the Colombo Stock Exchange's Listing Rules.

The Remuneration Committee (the 'Committee') is a formally constituted sub-committee of the Board of Directors ('the Board'). It reports to and is accountable to the Board.

COMPOSITION

The Composition of the Remuneration Committee is as follows: The composition meets the requirements stipulated in Rule 9.12.6(2) of the listing rules of the Colombo Stock Exchange (the 'CSE Rules'). The profiles of the members are disclosed in the annual report for the year ended 31 March 2024 of the parent company, Ceylon Hotels Corporation PLC.

1. Mr. Kuvera De Zoysa – Independent, Non-Executive Director (Ceylon Hotels Corporation PLC)
2. Mr. Mangala Boyagoda – (Independent, Non-Executive Director Ceylon Hotels Corporation PLC)
3. Mr. Ranil Pathirana - Non – Independent, Non-Executive Director (Ceylon Hotels Corporation PLC)

MEETINGS

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

No remuneration paid to the directors of the Company during the financial year under review.

ROLES AND RESPONSIBILITIES

The Committee has the power to evaluate, decide, and recommend to the Board of Directors any items relevant to the

Company's human resource management, which shall explicitly include the following.

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

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

Summary of activities during the year

- Determined and recommended the annual salary increments, adjustments and the performance bonus payable.
- Approval for appointment of Key Management Personnel.
- Review of the Organization Structure.
- Continued to oversee the succession planning process.

REPORTING TO THE BOARD

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

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

PERFORMANCE EVALUATION OF THE COMMITTEE

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

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

On behalf of the Remuneration Committee

(Sgd.)

Kuvera De Zoysa

Chairman - Remuneration Committee

29th August 2024

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INDEPENDENT AUDITOR'S REPORT



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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of The Kandy Hotels Company (1938) PLC (“the Company”) and the consolidated financial statements of the Company and its subsidiaries (“the Group”), which comprise the statement of financial position as at 31 March 2024, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2024, and their financial

performance and their cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most

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

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

Key audit matters common to both Group and Company

Key audit matter	How our audit addressed the key audit matter
<p>Business combination under common control</p> <p>As disclosed in Note 18 to the financial statements, the Company acquired of 83.39% of the issued share capital of one its affiliates, United Hotels Company Ltd (UHC) for a consideration of Rs. 3,809,901,974/- during the year. This resulted in UHC and its subsidiaries becoming fully owned subsidiaries of the Company. The parent of both entities was Ceylon Hotels Corporation PLC, and this remains unchanged after the restructuring.</p> <p>As the transactions are common control transactions, accounting for business combination has been carried out based on pooling of interests method as disclosed in Note 4.4 and 18.3 to the financial statements.</p>	<p>Our audit procedures included the following key procedures;</p> <ul style="list-style-type: none"> Reviewed the circular to shareholders and related documents to obtain an understanding of the terms and conditions of the transaction. Obtained basis for management conclusion for accounting business combinations and evaluated application of pooling of interest method as detailed in the accounting policies. Reviewed the approval for the transaction and related valuation of transacted value to evaluate proper values have been captured for accounting. Reviewed whether the values of asset and liabilities are agreed to financial statements and accounting records of UHC and its subsidiaries.

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

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Independent Auditor's Report



Key audit matter	How our audit addressed the key audit matter
<p>Business combination under common control was a key audit matter due to:</p> <ul style="list-style-type: none"> The materiality of the transaction, and The degree of management judgement and assumptions used in estimating the value of assets and liabilities when determining the transacted value, as disclosed in Note 4.4 and 18.3. to the financial statements. <p>Assessment of fair value of land and buildings</p> <p>Property, Plant and Equipment include land and buildings carried at fair value. The fair values of land and buildings were determined by an external valuer engaged by the Group.</p> <p>This was a key audit matter due to:</p> <ul style="list-style-type: none"> the materiality of the reported fair value of land and buildings which amounted to Rs. 10,201 Mn representing 76% of the Group's total assets as of the reporting date; and the degree of assumptions, judgements and estimation uncertainties associated with fair valuation of land and buildings. <p>Key areas of significant judgments, estimates and assumptions used in the valuation of the land and buildings included the following:</p> <ul style="list-style-type: none"> Estimate of per perch value of the land Estimate of the per square foot value of the buildings as disclosed in Note 4.13.1 and 14.4 to the financial statements. 	<ul style="list-style-type: none"> Assessed the adequacy of the disclosures made in Note 4.4 and 18 to the financial statements. <p>Our audit procedures included the following key procedures:</p> <ul style="list-style-type: none"> Assessed the competence, capability and objectivity of the external valuers engaged by the Group. Read the external valuer's report and understood the key estimates made and the valuation approaches taken by the valuer in determining the valuation of each property. Assessed the reasonableness of significant assumptions, judgements and estimates made by the valuer such as per perch value, per square foot value, depreciation rate, discount rate and valuation techniques as relevant in assessing the fair value of each property. We also assessed the adequacy of the disclosures made in Note 4.13.1 and 14.4 to the financial statements.

Other Information included in the 2024 Annual Report of the Company

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

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

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

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

Responsibilities of the Management and those charged with governance

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's ability to continue as a going

concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect



a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's

report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these

matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 4106.

Kandy, Sri Lanka

29th August 2024

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2024	Note	Group		Company	
		2024	2023	2024	2023
		Rs.	Rs.	Rs.	Rs.
Revenue	6	1,223,258,331	309,339,828	594,884,827	309,339,828
Cost of sales		(336,225,388)	(118,563,396)	(191,418,170)	(118,563,396)
Gross profit		887,032,943	190,776,432	403,466,657	190,776,432
Other operating income	7	36,304,651	891,036	14,832,667	891,036
Administrative expenses		(844,577,286)	(254,925,818)	(359,156,513)	(249,851,288)
Selling and marketing expenses		(70,090,040)	(16,038,739)	(28,750,418)	(16,038,739)
Other operating expenses	8	327,928	-	-	-
Operating profit/(loss)		8,998,196	(79,297,089)	30,392,393	(74,222,559)
Finance income	9.1	227,586,279	111,226,335	542,472	111,226,335
Finance costs	9.2	(269,757,974)	(101,699,345)	(111,634,517)	(101,689,274)
Net foreign exchange gain/(loss)		(96,002,711)	689,953	(110,493)	689,953
Share of profit of equity-accounted investees (net of tax)	19	28,780,029	-	-	-
Loss before income tax	10	(100,396,181)	(69,080,146)	(80,810,145)	(63,995,545)
Income tax (expense)/ reversal	11.1	(19,459,543)	48,276,695	18,021,089	48,276,695
Loss for the year		(119,855,724)	(20,803,451)	(62,789,056)	(15,718,850)
Other comprehensive income/(loss) (OCI)					
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):					
Revaluation of property, plant and equipment	14.3	(10,894,191)	-	-	-
Deferred tax on revaluation	29	3,268,257	-	-	-
Deferred tax impact on revaluation of land on income tax rate changes		-	(1,080,840,298)	-	(1,080,840,298)
		(7,625,934)	(1,080,840,298)	-	(1,080,840,298)
Remeasurement gain/(loss) defined benefit plans	30	(2,584,244)	238,048	(1,425,339)	238,048
Deferred tax on defined benefit plans	29	775,273	(71,414)	427,602	(71,414)
Deferred tax impact on defined benefit plans on income tax rate changes		-	247,877	-	247,877
		(1,808,971)	414,511	(997,737)	414,511
Other comprehensive income that are or may be reclassified to profit or loss in subsequent periods (net of tax):					
Equity investments designated at FVOCI - net change in fair value	20.1	-	131,741,321	-	131,741,321
Equity - accounted investees - share of change of other comprehensive income	19	(110,650,632)	318,510,978	-	-
Other comprehensive income/(loss) for the year, net of tax		(120,085,537)	(630,173,488)	(997,737)	(948,684,466)
Total comprehensive income/(loss) for the year, net of tax		(239,941,261)	(650,976,939)	(63,786,793)	(964,403,316)
Total comprehensive income/(loss) attributable to:					
Equity holders of the parent		(239,941,261)	(650,976,939)		
Non-controlling interests		-	-		
		(239,941,261)	(650,976,939)		
Basic/Diluted loss per share	12	(0.17)	(0.04)	(0.09)	(0.03)


The accounting policies and notes set out in pages 45 to 115 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2024	Note	Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Non-current assets					
Property, plant and equipment	14	10,593,518,606	8,511,705,269	8,462,050,559	8,511,705,269
Intangible assets	15	2,040,024	8,357,689	724,609	8,357,689
Right-of-use assets	16.1	108,333,072	-	-	-
Investment in subsidiaries	18	-	-	4,718,064,472	176,421,177
Investment in joint venture	19	236,640,375	318,510,978	-	-
Financial assets at fair value through other comprehensive income	20	-	731,741,321	-	731,741,321
		10,940,532,077	9,570,315,257	13,180,839,640	9,428,225,456
Current assets					
Inventories	21	101,974,658	36,674,936	48,917,316	36,674,936
Trade and other receivables	22	357,723,033	27,028,597	78,968,608	27,028,597
Advances and prepayments	23	26,442,210	18,196,697	15,448,749	18,196,697
Amounts due from related companies	33.1	61,823,201	1,248,411,528	39,184,491	1,254,005,074
Cash and cash equivalents	24	1,887,317,671	5,652,701	3,349,585	5,652,701
		2,435,280,773	1,335,964,459	185,868,749	1,341,558,005
Total assets		13,375,812,850	10,906,279,716	13,366,708,389	10,769,783,461
EQUITY AND LIABILITIES					
Equity					
Stated capital	25	2,661,816,425	16,750,000	2,661,816,425	16,750,000
Other capital reserves	26.2	6,790,803,259	7,130,008,277	6,477,982,237	6,683,430,755
Merger reserve	27	(1,116,643,528)	-	-	-
Retained earnings		838,749,491	871,264,555	1,323,118,205	1,181,493,980
Total equity		9,174,725,647	8,018,022,832	10,462,916,867	7,881,674,735
Non-current liabilities					
Interest-bearing loans and borrowings	28	1,043,121,002	483,769,786	447,232,011	483,769,786
Employee benefit payables	30	15,738,570	4,076,483	4,687,336	4,076,483
Lease Liability	16.2	107,993,762	-	-	-
Deferred tax liabilities	29	2,083,802,544	1,876,923,268	1,847,510,373	1,876,923,268
		3,250,655,878	2,364,769,537	2,299,429,720	2,364,769,537
Current liabilities					
Trade and other payables	31	337,932,169	81,261,298	112,032,836	81,169,691
Contract liabilities	32	7,248,877	5,436,820	7,248,877	5,436,820
Interest-bearing loans and borrowings	28	537,804,014	425,429,485	336,312,992	425,372,934
Lease Liability	16.2	19,207,910	-	-	-
Amounts due to related companies	33.2	44,227,302	6,466,384	148,767,097	6,466,384
Income tax liabilities	11.6	4,011,053	4,893,360	-	4,893,360
		950,431,325	523,487,347	604,361,802	523,339,189
Total equity and liabilities		13,375,812,850	10,906,279,716	13,366,708,389	10,769,783,461
Net assets per share (Rs.)		12.16	13.88	13.87	13.65

The accounting policies and notes as set out in pages 45 to 115 form an integral part of these financial statements.

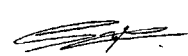
I certify that these financial statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.



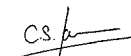
Hasuni Gayasha
Financial Controller

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Approved and signed for and on behalf of the Board of Directors,



Sanjeev Gardiner
Chairman



Shalike Karunasena
Director

29 August 2024
Colombo

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2024	Note	Other capital reserves			Merger reserve	Retained earnings	Total equity
		Stated capital	Fair Value Reserve of Financial Assets at FVOCI	Revaluation reserves			
Group		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01 April 2022		16,750,000	-	7,834,303,473	-	818,040,049	8,669,093,522
Total comprehensive income							
Loss for the year		-	-	-	-	(20,803,451)	(20,803,451)
Other comprehensive income							
Actuarial loss on defined benefit obligation (net of tax)	30	-	-	-	-	414,511	414,511
Revaluation of property , plant and equipment (net of tax)	14	-	-	(1,080,840,298)	-	-	(1,080,840,298)
Equity investments designated at FVOCI - net change in fair value	20.1	-	131,741,321	-	-	-	131,741,321
Total comprehensive income for the year		-	131,741,321	(1,080,840,298)	-	(20,388,941)	(969,487,918)
Transactions with owners of the Company							
Dividends-(15% Cumulative preference shares)		-	-	-	-	(93,750)	(93,750)
Transfer of excess depreciation on revaluation		-	-	(73,707,197)	-	73,707,197	-
Total transactions with owners of the Company		-	-	(73,707,197)	-	73,613,447	(93,750)
Share of other comprehensive income attributable to joint venture		-	-	318,510,978	-	-	318,510,978
Balance as at 31 March 2023		16,750,000	131,741,321	6,998,266,956	-	871,264,555	8,018,022,833
Total comprehensive income							
Loss for the year		-	-	-	-	(119,855,724)	(119,855,724)
Other comprehensive income							
Actuarial loss on defined benefit obligation (net of tax)	30	-	-	-	-	(1,808,971)	(1,808,971)
Revaluation of property , plant and equipment (net of tax)	14	-	-	(7,625,934)	-	-	(7,625,934)
Total comprehensive income for the year		-	-	(7,625,934)	-	(121,664,695)	(129,290,629)
Transactions with owners of the Company							
Issue of share capital	25	2,645,066,425	-	-	-	-	2,645,066,425
Dividends (15% Cumulative preference shares)		-	-	-	-	(37,500)	(37,500)
Transfer of excess depreciation on revaluation		-	-	(89,187,131)	-	89,187,131	-
Business combination under common control	27	-	(131,741,321)	-	(1,116,643,528)	-	(1,248,384,849)
Total transactions with owners of the Company		2,645,066,425	(131,741,321)	(89,187,131)	(1,116,643,528)	89,149,631	1,396,644,076
Share of change of other comprehensive income attributable to joint venture		-	-	(110,650,632)	-	-	(110,650,632)
Balance as at 31 March 2024		2,661,816,425	-	6,790,803,259	(1,116,643,528)	838,749,491	9,174,725,647

The accounting policies and notes set out in pages 45 to 115 form an integral part of these financial statements.

Year ended 31 March	Company	Note	Other capital reserves			Retained earnings	Total equity
			Stated capital	Fair Value Reserve of Financial Assets at FVOCI	Revaluation reserves		
			Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01 April 2022			16,750,000	-	7,706,236,929	1,123,184,871	8,846,171,800
Total comprehensive income							
Loss for the year			-	-	-	(15,718,850)	(15,718,850)
Other comprehensive income							
Actuarial loss on defined benefit obligation (net of tax)	30		-	-	-	414,511	414,511
Revaluation of property , plant and equipment (net of tax)	14		-	-	(1,080,840,298)	-	(1,080,840,298)
Equity investments designated at FVOCI - net change in fair value	20.1		-	131,741,321	-	-	131,741,321
Total comprehensive income for the year			-	131,741,321	(1,080,840,298)	(15,304,339)	(964,403,316)
Total transactions with owners of the Company							
Dividends-(15% Cumulative preference shares)			-	-	-	(93,750)	(93,750)
Transfer of excess depreciation on revaluation			-	-	(73,707,197)	73,707,197	-
Total transactions with owners of the Company			-	-	(73,707,197)	73,613,447	(93,750)
Balance as at 31 March 2023			16,750,000	131,741,321	6,551,689,434	1,181,493,980	7,881,674,735
Total comprehensive income							
Loss for the year			-	-	-	(62,789,056)	(62,789,056)
Other comprehensive income							
Actuarial loss on defined benefit obligation (net of tax)	30		-	-	-	(997,737)	(997,737)
Total comprehensive income for the year			-	-	-	(63,786,793)	(63,786,793)
Transactions with owners of the Company							
Issue of share capital	25		2,645,066,425	-	-	-	2,645,066,425
Dividends-(15% Cumulative preference shares)			-	-	-	(37,500)	(37,500)
Transfer of excess depreciation on revaluation			-	-	(73,707,197)	73,707,197	-
Business combination under common control	26.2		-	(131,741,321)	-	131,741,321	-
Total transactions with owners of the Company			2,645,066,425	(131,741,321)	(73,707,197)	205,411,018	2,645,028,925
Balance as at 31 March 2024			2,661,816,425	-	6,477,982,237	1,323,118,205	10,462,916,867

The accounting policies and notes set out in pages 45 to 115 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

Year ended 31 March 2024	Note	Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Cash flows from/(used in) operating activities					
Loss before income tax from operations		(100,396,181)	(69,080,146)	(80,810,145)	(63,995,545)
Adjustments for:					
Depreciation of property, plant and equipment	14.1.2	136,027,699	66,603,158	75,611,875	66,603,158
Amortization of intangible assets	15	7,752,665	4,732,696	7,633,080	4,732,696
Amortization of right of use assets	16.1	5,196,921	-	-	-
Provision for obsolete and slow moving stock		566,761	-	-	-
Exchange loss		96,002,711	(689,953)	110,493	(689,953)
Interest income	9.1	(227,586,279)	(111,226,335)	(542,472)	(111,226,335)
Interest costs	9.2	269,757,974	101,699,345	111,634,517	101,689,274
Provision/ write off for bad and doubtful debts		2,306,647	-	-	1,229,495
Provision for amounts due from related companies		(3,201,336)	-	-	-
Write back of payables		(14,352,220)	-	(14,352,220)	-
Share of results of equity-accounted investee	19	(28,780,029)	-	-	-
Provision for employee benefit obligations	30	3,951,350	1,012,879	1,266,345	1,012,879
Operating profit/ (loss) before working capital changes		147,246,683	(6,948,356)	100,551,472	(644,331)
(Increase)/decrease in inventories		(35,583,150)	(2,990,253)	(12,242,380)	(2,990,253)
(Increase)/decrease in trade and other receivables		(107,278,897)	(6,378,310)	(52,050,503)	(6,378,310)
(Increase)/decrease in advances and prepayments		(8,245,513)	(7,340,842)	2,747,948	(7,340,842)
(Increase)/decrease in amount due from related parties		217,479,447	(80,495,678)	50,508,760	(87,318,718)
Increase/(decrease) in trade and other payable		124,339,452	(4,111,805)	46,989,923	(4,094,413)
Increase/(decrease) in other current liabilities		-	(632,201)	-	(632,201)
(Increase)/decrease in amount due to related parties		(61,764,602)	(9,020,926)	142,300,713	(8,663,405)
Cash generated from/ (used in) operations		276,193,420	(117,918,371)	278,805,933	(118,062,474)
Interest paid		(76,451,847)	(17,059,260)	(19,322,365)	(17,049,189)
Income taxes paid		(15,933,182)	(18,956,954)	(15,857,564)	(18,956,954)
Employee benefit obligations paid	30	(2,931,020)	(500,389)	(2,080,831)	(500,389)
Net cash generated from/ (used in) operating activities		180,877,371	(154,434,974)	241,545,173	(154,569,005)
Cash flows from/ (used in) investing activities					
Interest income received		89,834,499	111,226,335	18,746	111,226,335
Purchase of property, plant and equipment	14	(333,351,286)	(5,937,801)	(25,957,164)	(5,937,801)
Purchase of intangible assets		(1,435,000)	(1,004,816)	-	(1,004,816)
Acquisition through business combinations		2,320,706,604	-	-	-
Net cash from/(used in) investing activities		2,075,754,817	104,283,718	(25,938,419)	104,283,718
Cash flows from/ (used in) financing activities					
Repayment of borrowings		(431,720,548)	(82,883,969)	(226,984,659)	(82,883,969)
Payment of lease liabilities		(33,594,316)	-	-	-
Net cash generated used in financing activities		(465,314,864)	(82,883,969)	(226,984,659)	(82,883,969)
Net decrease in cash and cash equivalents		1,791,317,324	(133,035,225)	(11,377,905)	(133,169,255)
Cash and cash equivalents at the beginning of the year		(119,979,924)	13,055,301	(119,923,373)	13,245,882
Cash and cash equivalents at the end of the year (Note a)	24	1,671,337,400	(119,979,924)	(131,301,278)	(119,923,373)

Note a

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

Year ended 31 March 2023	Note	Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Cash in hand and cash at bank		1,887,317,671	5,652,701	3,349,585	5,652,701
Bank overdrafts		(215,980,271)	(125,632,625)	(134,650,863)	(125,576,073)
		1,671,337,400	(119,979,924)	(131,301,278)	(119,923,373)

The accounting policies and notes set out in pages 45 to 115 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 General

The Kandy Hotels Company (1938) PLC (“the Company”) is a public limited Company incorporated and domiciled in Sri Lanka of which shares are listed on the Colombo Stock Exchange and publicly traded. The registered office of the Company is located at 327, Union Place, Colombo 02, and the principal places of business are situated at Hotel Suisse No. 30, Sangaraja Mawatha, Kandy and Queens Hotel, No. 04, Dalada Veediya, Kandy.

1.2 Consolidated financial statements

The consolidated financial statements of the Group for the year ended 31 March 2024 comprise the Company and its Subsidiaries (together referred to as “the Group”) refer to The Kandy Hotels Company (1938) PLC, Suisse Hotel (Pvt) Ltd, United Hotels Company Ltd (“UHC”), Tissa Resort (Pvt) Ltd (“TRL”), Ceylon Hotels Maldives (Pvt) Ltd (“CHML”) and the Group’s interest in equity-accounted investees. Suisse Hotel Kandy (Pvt) Ltd is a joint venture for the Group.

The consolidated financial statements of the Group for the year ended 31 March 2024 were authorized for issue in accordance with a resolution of the Board of Directors on 29th August 2024.

1.3 Principal Activities and nature of operations

During the year, the principal activities of the Company and Group were the provision of food, beverage, lodging and other hospitality industry-related activities.

1.4 Parent entity and ultimate parent entity

The Group’s parent undertaking is Ceylon Hotels Corporation PLC. In the opinion of the Directors, the Company’s ultimate parent undertaking and controlling party

is The Galle Face Hotel Co. Ltd., which is incorporated in Sri Lanka.

The financial statements of the subsidiaries in the Group are prepared for a common financial year, which ends on 31 March.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, which requires compliance with Sri Lanka Accounting Standards, which comprise Sri Lanka Financial Reporting Standards (SLFRS), Sri Lanka Accounting Standards (LKAS), relevant interpretations of the Standing Interpretations Committee (“SIC”) and International Financial Reporting Interpretations Committee (“IFRIC”) and with the requirements of the Companies Act No. 7 of 2007.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis; except for the Property, Plant and Equipment that are recognised at cost at the time of the acquisition and subsequently measured under revaluation model and the investments in unquoted shares that are recognised at fair value through OCI.

Where appropriate, the specific policies are explained in the succeeding Notes.

No adjustments have been made for inflationary factors in the financial statements.

2.3 Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in Sri Lanka Rupee (Rs.),

which is the Company’s and the Group’s functional and presentation currency.

2.4 Comparative information

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

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

2.5 Materiality and aggregation

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

2.6 Going Concern

When preparing the financial statements, the Board of Directors made an assessment of the Group’s ability to continue as a going concern considering all the current internal and external environmental factors, including the business impact of the overall tourism industry and they do not intend either to liquidate or to cease trading.

3. NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ADOPTED IN THE FINANCIAL YEAR

The following amendments and improvements are not expected to have a significant impact on the Group’s financial statements.

- (i) Amendments to IAS 1 ‘Presentation of Financial Statements’ replace all instances of the term ‘significant accounting policies’ with ‘material accounting policy information’. Accounting policy information is

Notes to the Financial Statements

material if, when considered together with other information included in an entity's financial statements, it can be reasonably expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendment did not result in any changes to the accounting policies themselves.

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

- (ii) The amendment to LKAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' replaces the definition of a change in accounting estimates, with a definition of accounting estimates. Under the new definition, accounting estimates are 'monetary amounts in the financial statements that are subject to measurement uncertainty'. The definition of a change in accounting estimates was deleted.

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

- (iii) Amendment to LKAS 12. 'Income tax' update applicable when an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Following the amendments to LKAs 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in LKAS 12.

4 SUMMARY OF MATERIAL ACCOUNTING POLICES

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

4.1 Basis of consolidation

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

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

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

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when

the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

Profit or loss and each component of Other Comprehensive Income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

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

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

4.2 Subsidiary

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

Subsidiary	2024	2023	Nature of the Operations
Suisse Hotel (Private) Limited	100%	100%	Operation of Small Luxury Hotel
United Hotels Company Ltd	100%	-	Business of Hotel Services
Tissa Resort (Pvt) Ltd	100%	-	Business of Hotel Services
Ceylon Hotels Maldives (Pvt) Ltd	100%	-	Activities of Holding Company

The financial statements of the subsidiaries are prepared in compliance with the Group's accounting policies, unless stated otherwise.

Investment in subsidiaries are carried at cost, less impairments (if any) in the separate financial statements.

4.3 Business Combination and Goodwill

The cost of an acquisition of business combinations accounted for using the acquisition method is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of SLFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the Statement of Profit or Loss in accordance with SLFRS 9. Other contingent consideration that is not within the scope of SLFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in the Statement of Profit or Loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of

net assets acquired over the aggregate consideration transferred, then the gain is recognised in the Statement of Profit or Loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in this circumstance is measured based on the relative values of the disposed operation and the portion of the cash generating unit retained.

The profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the parent, directly or indirectly through subsidiaries, is disclosed separately under the heading "Non-controlling Interest".

4.4 Business combinations under common control

Option of adopting either acquisition method or pooling of interests method is available for accounting for a business combination under common control only when the business combination has a substance for the combining parties.

The criteria to determine whether business combination has a substance are:

- The purpose of the transaction

Notes to the Financial Statements

- The involvement of outside parties in the transaction, such as non-controlling interests or other third parties
- Whether or not the transaction is conducted at fair value
- The existing activities of the entities involved in the transaction
- Whether or not it is bringing entities together into a reporting entity that did not exist before

If there is no substance to the transaction, the pooling of interests method is the only method that can be applied to the business combination transaction.

The pooling of interests method is considered to involve the following:

- The assets and liabilities of the combining parties are reflected at their carrying amounts.
- No 'new' goodwill is recognized as a result of the combination, instead difference between consideration and book value of net assets recorded in equity.
- The income statement reflects the results of the combining parties.
- Intangible assets and contingent liabilities are recognised only to the extent that they were recognised by the acquiree.
- any non-controlling interest is measured as a proportionate share of the book values of the related assets and liabilities.

4.5 Investment in joint venture

A joint venture is a jointly controlled entity whereby the Group and other parties have a contractual arrangement that establishes joint control over the economic activities of the entity. The arrangement requires unanimous agreement for financial and operating decisions among the ventures.

The Group's investment in joint ventures is accounted for using the equity method of accounting. A joint venture is an entity in which the Group has significant influence and which is neither a subsidiary nor an associate.

Under the equity method, the investment in the joint venture is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the joint venture. Goodwill relating to a joint venture is included in the carrying amount of the investment and is not amortized. The income statement reflects the share of the results of operations of the joint venture. Where there has been a change recognized directly in the equity of the joint venture, the Group recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity. Profits and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

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

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

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

Joint venture	2024	2023	Nature of the Operations
Suisse Hotels Kandy (Pvt) Ltd	50%	50%	Operation of Small Luxury Hotel

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

4.6 Transactions eliminated on consolidation

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

4.7 Foreign currency translations

Transactions in foreign currencies are initially recorded by the Group at the functional currency rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are recognized in the statement of Profit or Loss.

4.8 Current versus non-current classification

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

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when it is:

- Expected to be settled in a normal operating cycle
- Held primarily for the purpose of trading
- Due to be settled within twelve months after the reporting period, or
- It does not have a right at the reporting date to defer the statement of the liability by the transfer of cash or other assets for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

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

4.9 Accounting for leases where the Group and the Company are the lessee

Leases are recognised as right-of-use ('ROU') asset and a corresponding liability at the date on which the leased asset is available for use by the Group and the Company (i.e. the commencement date)

Contracts may contain both lease and non-lease components. The Group and the Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in SLFRS 16.

4.9.1. As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of properties the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(a) ROU assets

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove

the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group and the Company is reasonably certain to exercise purchase option, the ROU asset is depreciated over the underlying asset's useful life. The ROU assets are adjusted for certain measurement of the lease liabilities. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

(b) Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise of the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and

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- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

Lease payments are discounted using the interest rate implicit in the lease. If the rate cannot be readily determined, which is generally the case for leases in the Group and the Company, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured if there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit and loss over the lease period so as to produce a constant rate of return on the remaining balance of the liability for each period.

Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-

of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'right-of-use asset' and 'lease liabilities' in the statement of financial position.

4.9.2. Short-term leases and leases of low-value assets

Short-term leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture. The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. Payments associated with short-term leases of low value assets are recognised on a straight-line basis as an expense in profit or loss.

4.9.3. Lease modifications

The Group shall account for a lease modification as a separate lease if both:

- a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification the Group shall:

- a) allocate the consideration in the modified contract
- b) determine the lease term of the modified lease

- c) remeasure the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

For a lease modification that is not accounted for as a separate lease, the Group shall account for the remeasurement of the lease liability by:

- a) decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The lessee shall recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.
- b) making a corresponding adjustment to the right-of-use asset for all other lease modifications.

4.10 Investment property

Investment Property, principally comprise leasehold land and buildings held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognized in profit or loss.

The cost includes expenditures that are directly attributable to the acquisition of the investment property. The cost of self-constructed investments property includes the cost of materials and direct labour, any other costs directly attributable to bring the investment property to a working condition for its intended use and capitalized borrowing costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Investment Property is carried at its fair value determined annually by an independent valuer. A gain or loss arising from a change in the fair value of investment property is recognized in profit or loss for the period in which it arises.

4.11 Statement of Profit or Loss

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

4.11.1 Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods and services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services.

Goods and services deliverable under contracts with customers are identified as separate performance obligations ('obligations') to the extent that the customer can benefit from the goods or services on their own or together with other resources that are readily available to the customer and that the separate goods and services are considered distinct from other goods and services in the agreement.

Where individual goods and services do not meet the criteria to be identified as separate performance obligations they are aggregated with other goods and/or services in the agreement until a separate performance obligation is identified.

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

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

a) Room Revenue

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

b) Food and beverage revenue

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

c) Interest income

For all financial instruments measured at amortised cost, interest income is recognized using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying

amount of the financial asset or liability. Interest income is included in finance income in the statement of profit or loss.

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

d) Rental income, other income and gains

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

Contract balances

• Contract Liabilities

Contract liabilities are considered to be the hotel's obligation to transfer goods and services to a customer for which the Group and the Company have received consideration from the customer. If a customer pays consideration before the entity transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Short-term advances include in the contract liabilities which is received to render certain services. Contract liabilities of the Group/Company have been disclosed in other current liabilities Note 32.

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

• Contract Cost Assets

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

A contract asset is initially recognised for revenue earned from room sales because the consideration is receiving at the

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departure of the guests. Upon departure of guests, the amount recognised as contract assets is reclassified to trade receivables.

4.11.2 Expenses

All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year.

Repairs and renewals are charged to the statement of Profit or Loss in the year in which the expenditure is incurred.

4.11.3 Finance income and Finance costs

Finance income comprises interest income on funds invested in fixed deposits, saving accounts and intercompany loans. Interest income is recognised as it accrues in the statement of Profit or Loss based on EIR.

Finance costs comprise interest expense on loans and borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

4.11.4 Tax expense

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

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

The Subsidiaries, being Companies engaged in the promotion of tourism is liable for tax at a standard rate of 30% in terms of the Inland Revenue Act No. Act No. 45 of 2022 and its amendments thereto.

The income tax payable for the year of assessment 2022/23 is calculated separately for two periods at the rates of 14% & 24% up to 30 September 2022 and at a standard rate of 30% thereafter in terms of the Inland Revenue Act No. 24 of 2017 and its amendments thereto.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss.
- In respect of taxable temporary differences associated with investments in the subsidiary and the joint venture when the timing of the reversal of the temporary differences can be controlled, and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiary and joint venture deferred tax assets, they are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction, either in other comprehensive income or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed.

Tax withheld on dividend income from the subsidiary is recognised as an expense in the consolidated statement of Profit or Loss at the same time as the liability to pay the related dividend is recognised.

Sales tax

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

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

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

4.11.5 Value added Tax

Revenues, expenses and assets are recognised net of the amount of VAT except where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authorities in which case the VAT is recognised as a part of the cost of the asset or part of the expense items as applicable and receivable and payable that are stated with the amount of VAT included. The amount of VAT recoverable or payable in respect of taxation authorities is included as a part of receivable and payable in the statement of financial position.

Value Added Tax rate has increased to 18% from being 15% with effect from 1 January 2024.

4.11.6 Social Security Contribution Levy (SSCL)

Social Security Contribution Levy shall be paid by any person carrying on the business of supplying financial services, on the liable turnover specified in the second schedule of the Social Security Contribution Levy Act No 25 of 2022, at the rate of 2.5%, with effect from 1st October 2022.

A bill to amend the Social Security Contribution Levy Act No 25 of 2022 was issued on 4th January 2024 reducing the registration threshold to Rs. 15 million per quarter or Rs. 60 million for a period of consecutive four quarters with effect from 1 January 2024.

4.11.7 Segment Reporting

A segment is a distinguishable component of an enterprise that is engaged in either providing products or services (Business Segment) or in providing products or services within a particular economic environment (Geographical Segment), which is subject to risks & rewards that are different from those of the segment. However, there are no distinguishable components to be identified as segments for the Company or Group.

4.11.8 Earnings per share

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

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

4.12 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement

date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability Or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group measures Land and Buildings and investment in equity shares at fair value. Fair value related disclosures for financial and non-financial assets that are measured at fair value are summarised in the following notes:

- Land and Buildings under revaluation model Note 14
- Investments in unquoted equity shares Note 20

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

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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for recurring fair value measurement, such as for lands and buildings and Investments in unquoted equity shares.

4.13 Assets and bases of their valuation

4.13.1 Property, plant and equipment

4.13.1.1 Recognition and measurement

(a) Cost and revaluation

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits

associated with the item will flow to the Group and the cost of the item can be measured reliably.

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

All other repair and maintenance are charged to the statement of profit or loss during the reporting period which they are incurred.

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

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus.

An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

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

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

(b) Depreciation and residual value

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

The estimated useful lives of property, plant and equipment have been revised with effect from 1st April 2023 and necessary adjustments to financial statements have been made prospectively.

Revised estimated useful lives of significant items of Property, Plant and Equipment are as follows:

	Estimated useful life (in years)	
	From 1st April 2023	Before 1st April 2023
Buildings	50	50
Sewerage plant	20	10
Equipment	8	12.5
Furniture and fittings	15	12.5
Motor vehicles	05	05
Computer equipment	03	03
Air conditioners	05	05
Generators	20	10
Solar power hot water system	20	10

As a result of the change in estimated useful lives of Property, Plant and Equipment, the decrease in the Group's depreciation expenses for the year 2023/2024 is Rs. 15.55 Mn.

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

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

(c) Impairment

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

(d) Gains or losses on disposals

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

(e) Asset exchange transaction

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

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

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

(f) Repairs and maintenance

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

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

4.13.2 Intangible assets

4.13.2.1 Basis of Recognition

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

4.13.2.2 Basis of measurement

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

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

The useful life of intangible assets is assessed as finite.

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

The useful life of intangible asset is as follows;

Computer Software	Over 5 Years
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Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss under the administrative expense category consistent with the function/nature of the intangible asset. Amortisation was commenced when the assets were available for use.

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

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

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

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

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of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

4.13.3 Investment on subsidiaries

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

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

4.13.4 Inventories

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

4.13.5 Trade and other receivables

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

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

4.13.6 Cash and cash equivalents

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

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

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

4.13.7 Impairment of non-financial assets

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

4.13.8 Calculation of recoverable amount

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

4.13.9 Impairment/ reversal of impairment

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in statement of Profit or Loss. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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

4.14 Financial instruments – initial recognition and subsequent measurement

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

4.14.1 Financial Assets

Initial recognition and measurement

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

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

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

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

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

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

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

Subsequent measurement

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

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

(i) Debt Instruments

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

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

measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to comprehensive income and recognised in other income/ (losses). Interest income from these financial assets is included in finance income using the effective interest rate method.

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

Financial assets at amortised cost (debt instruments)

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

The Group's financial assets at amortised cost includes cash and bank balances, trade receivables, advances and prepayments.

Financial assets at fair value through OCI (debt instruments)

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

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

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

(ii) Equity Instruments

The Group and the Company subsequently measure all equity instruments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to comprehensive income following the derecognition of the investment. Dividends from such investments continue to be recognised in comprehensive income as other income when the Group's right to receive payments is established. Changes in the fair value of financial assets at FVTPL are recognised in other gains/ (losses) in the statement of comprehensive income as applicable.

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

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

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

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

Financial assets at fair value through profit or loss

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

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

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

Derecognition

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

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

Or

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

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

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

Impairment of financial assets

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

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

The measurement of ECL reflects:

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

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

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

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

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

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

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

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

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

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

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

4.14.2 Financial liabilities

Initial recognition and measurement

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

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

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

The Group's financial liabilities include trade and other payables, other current liabilities and Bank loans included in interest-bearing loans and borrowings and bank overdrafts.

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Subsequent measurement

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

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

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

This category generally applies to interest bearing loans and borrowings.

Derecognition

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

4.14.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is presented in the statement of financial position when there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

4.15 Stated Capital

(a) Classification

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

(b) Dividends to shareholders of the Company

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

4.16 Trade payables

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

4.17 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred.

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

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

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

(a) Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. General and specific borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset.

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

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

4.18 Employee benefits

a) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Provident and Trust Funds covering all employees are recognised as an employee benefit expense in statement of Profit or Loss in the periods during which services are rendered by employees.

The Group contributes 12% and 3% of gross emoluments to employees as provident fund and trust fund contribution respectively, of basic or consolidated wage or salary of each eligible employee. The contributions are recognised as employee benefit expense when they are due. The Group and the Company have no further payment obligation once the contributions have been paid. The Company and the employees are members of these defined contribution plans.

b) Defined benefit plans

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

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

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

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

Recognition of actuarial gains or losses

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

c) Short term benefits

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

4.19 Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation

and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

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

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

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

4.20 Contingent assets and contingent liabilities

The Group and the Company do not recognise contingent assets and liabilities but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of

Notes to the Financial Statements

one or more uncertain future events beyond the control of the group and the Company or present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

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

Capital commitments and contingent liabilities of the Group are disclosed in the respective notes 35 and 34 to the financial statements respectively.

4.21 Critical accounting estimates and judgements

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

The Group and the Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and underlying assumptions are reviewed on an ongoing

basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period and any future periods.

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

a) Fair value of land and buildings

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

The land was valued by reference to transactions involving properties of a similar nature, location and condition. The Group engaged an independent valuation specialist to determine the fair values of land and buildings as of 31 March 2024 and the valuer has confirmed that the fair value is not materially deviated from the carrying value of land and buildings as at the reporting date.

b) Estimated useful lives of PPE and intangible assets.

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

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

Judgement is involved in determining the Company's and the Group's provision

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

d) Recognition of deferred income tax assets

1. Taxes

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised.

This involves significant Management judgement regarding future financial performance is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

e) Impairment of non-financial assets

The Group and the Company test annually the indicators to ascertain whether non-financial assets (including intangibles) have suffered any impairment, in accordance with the accounting policy stated in Note 18.4 to the financial statements. These calculations require the use of estimates.

f) Estimation of the defined benefit obligations

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions.

The assumptions used in determining the net cost (income) for defined benefit plan include the discount rate, future salary

increase rate, mortality rate, withdrawal and disability rates and retirement age. Any changes in these assumptions will impact the carrying amount of defined benefit plan. The Group and the Company determine the appropriate discount rate at the end of each financial reporting period. This is the interest rate that should be used to determine the present value of estimated future cash outflows, expected to be required to settle the defined benefit plan. In determining the appropriate discount rate, the Group and the Company consider the interest yield of long-term government bonds that are denominated in the currency in which the benefit will be paid, and that have terms to maturity approximating the terms of the related defined benefit plan. Other key assumptions for defined benefit plan are based in part on current market conditions as disclosed in Note 30 to the financial statements.

g) Estimation of provisions

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

h) Estimation of contingent liabilities

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

i) Impairment of financial assets

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

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. Management considered 100% ECL for debtors aged more than 180 days in determining the provision matrix for ECL.

The provision matrix is initially based on the Group's historical observed default rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

5 NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT EFFECTIVE AS AT REPORTING DATE

The new and amended standards and interpretations that are issued up to the date of issuance of the Group financial statements but are not effective for the current annual reporting period, are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. The amendments are not expected to have a material impact on the Group's financial statement.

5.1 Classification of Liabilities as Current or Non-current - Amendment to LKAS 1

Amendments to LKAS 1 relate to classification of liabilities with covenants as current or non-current. The amendments clarify that if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants only at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. The requirements apply only to liabilities arising from loan arrangements.

The amendments are effective for annual periods beginning on or after 1 January 2024.

5.2 Disclosures: Supplier Finance Arrangements - Amendments to LKAS 7 and SLFRS 7

The amendments clarify the characteristics of supplier finance arrangements and require an entity to provide information about the impact of supplier finance arrangements on liabilities and cash flows, including terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those arrangements.

The amendments are effective for annual periods beginning on or after 1 January 2024.

5.3 Lease Liability in a Sale and Leaseback - Amendment to SLFRS 16

The amendments to SLFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction,

Notes to the Financial Statements

to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. A seller-lessee applies the amendment retrospectively in accordance with LKAS 8 to sale and leaseback transactions entered into after the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2024.

5.4 SLFRS S 1 – Sustainability Disclosure Standard – General Requirements for Disclosure of Sustainability-related financial information

The objective of SLFRS S1 General Requirements for Disclosure of Sustainability related Financial Information is to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.

An entity shall apply this standard in preparing and reporting sustainability related financial disclosures in accordance with SLFRS Sustainability Disclosure Standards.

An entity may apply SLFRS Sustainability Disclosure Standards irrespective of whether the entity's related general purpose financial statements (referred to as 'financial statements') are prepared in accordance with Sri Lanka Accounting Standards or other generally accepted accounting principles or practices (GAAP).

5.5 SLFRS Sustainability Disclosure Standard – Climate-related disclosures

The objective of SLFRS S2 Climate-related Disclosure is to require an entity to disclose information about its climate-

related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.

The standard applies to:

- a) Climate-related risks to which the entity is exposed, which are:
 - (i) Climate-related physical risks; and
 - (ii) Climate-related transition risks; and
- b) Climate-related opportunities available to the entity

Climate-related risks and opportunities that could not reasonably be expected to affect an entity's prospects are outside the scope of this standard.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group and the Company in the current or future reporting periods and on foreseeable future transactions.

6 REVENUE

Year ended 31 March	Group		Company	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Revenue from contracts with customers (Note 6.1)	1,223,258,331	309,339,828	594,884,827	309,339,828
	1,223,258,331	309,339,828	594,884,827	309,339,828

6.1 Disaggregation of revenue from contracts with customers

The companies in the Group are primarily involved in hoteliering and generate revenue from provision of accommodation, food, beverages and other related services to customers.

Year ended 31 March	Group		Company	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Business lines				
Room revenue	602,373,692	107,411,382	250,935,822	107,411,382
Food and Beverage revenue	582,860,834	171,536,274	308,896,057	171,536,274
Other revenue	38,023,805	30,392,172	35,052,948	30,392,172
Total Revenue	1,223,258,331	309,339,828	594,884,827	309,339,828
Timing of revenue recognition				
Products and services transferred over time	602,373,692	107,411,382	250,935,822	107,411,382
Products and services transferred at a point in time	620,884,639	201,928,446	343,949,005	201,928,446
Total Revenue	1,223,258,331	309,339,828	594,884,827	309,339,828

7 OTHER OPERATING INCOME

Year ended 31 March	Group		Company	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Sundry income	36,304,651	891,036	14,832,667	891,036
	36,304,651	891,036	14,832,667	891,036

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

8 OTHER OPERATING EXPENSES

Year ended 31 March	Group		Company	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Provision for obsolete and slow moving stocks	566,761	-	-	-
Reversal of Impairment provision on amounts due from related company	(3,201,336)	-	-	-
Provision for trade and other receivables	2,306,647	-	-	-
	(327,928)	-	-	-

Notes to the Financial Statements

9 FINANCE INCOME AND COSTS

Year ended 31 March	Group		Company	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
9.1	Interest income on:			
Savings accounts/ Fixed deposits	141,920,850	31,724	18,746	31,724
Short term instruments	58,220,371	-	-	-
Intercompany loans	27,445,058	111,194,611	523,726	111,194,611
Finance income	227,586,279	111,226,335	542,472	111,226,335
9.2	Interest expenses on:			
Bank overdrafts	74,601,518	25,099,273	18,447,482	25,099,273
Bank loans	176,743,404	75,569,970	92,312,153	75,569,970
Leases	16,562,724	-	-	-
Bank charges	1,850,328	1,030,102	874,882	1,020,030
Finance costs	269,757,974	101,699,345	111,634,517	101,689,274

10 PROFIT/(LOSS) BEFORE TAX

Year ended 31 March	Group		Company	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Profit/(Loss) before income tax is stated after charging all expenses including the following:				
Auditors' remuneration				
- Statutory audit	2,519,000	1,406,432	1,170,000	1,098,166
- Non audit services	360,000	313,043	360,000	313,043
Staff costs (Note 10.1)	257,767,628	69,300,603	100,367,431	69,300,603
Depreciation on property, plant and equipment	136,027,699	66,603,158	75,611,875	66,603,158
Amortization of intangible assets	7,752,665	4,732,696	7,633,080	4,732,696
Amortization of Right-of-use assets	5,196,921	-	-	-
Donations	237,562	94,978	-	94,978
Management fees	60,792,313	15,879,398	29,593,224	15,879,398
Professional fees	2,162,898	1,144,841	695,644	1,144,841
Legal fees	10,961,968	834,376	304,301	834,376
Provision for impairment of trade receivables	2,306,647	1,229,495	-	1,229,495
10.1 Staff costs				
- Wages, salaries and staff expenses	167,050,144	47,109,492	65,666,128	47,109,492
- Defined contribution plans - EPF and ETF	15,231,458	5,054,935	6,930,837	5,054,935
- Defined benefit obligation cost-Retiring gratuity	3,951,350	1,012,879	1,266,345	1,012,879
- Other staff expenses	71,534,676	16,123,297	26,504,121	16,123,297
	257,767,628	69,300,603	100,367,431	69,300,603

11 INCOME TAX EXPENSE/ (REVERSALS)

11.1 Amounts recognized in Profit or Loss

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

Year ended 31 March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Current tax				
Income tax expense for the year (Note 11.4)	5,947,558	15,857,564	-	15,857,564
Under provision in respect of previous years	11,932,103	-	10,964,204	-
	17,879,661	15,857,564	10,964,204	15,857,564
Deferred tax				
Deferred tax charge/ (reversal) for the year (Note 29)	1,579,882	(64,134,258)	(28,985,293)	(64,134,258)
Income tax charge/ (reversals) for the year	19,459,543	(48,276,694)	(18,021,089)	(48,276,694)

11.2 Amounts recognized in Other Comprehensive Income

Deferred tax				
Deferred tax charge/ (reversal) for the year (Note 29)	(4,043,530)	1,080,663,835	(427,602)	1,080,663,835
	(4,043,530)	1,080,663,835	(427,602)	1,080,663,835

11.3 Deferred Tax Charged to;

Profit or loss	1,579,882	(64,134,258)	(28,985,293)	(64,134,258)
Other Comprehensive Income				
- On revaluation (gain) / loss	(3,268,257)	1,080,840,298	-	1,080,840,298
- On actuarial (gain) / loss	(775,273)	(176,463)	(427,602)	(176,463)
Total Deferred tax charge/ (reversal)	(2,463,648)	1,016,529,577	(29,412,895)	1,016,529,577

Applicable Income Tax Rates

- The income tax provision of The Kandy Hotels Company (1938) PLC, its subsidiaries, and equity-accounted investees which are resident in Sri Lanka is calculated in accordance with the Inland Revenue Act No. 24 of 2017 amendment Act No. 45 of 2022 and its amendments thereto.
- The Subsidiaries, being Companies engaged in the promotion of tourism is liable for tax at a standard rate of 30% in terms of the Inland Revenue Act No. Act No. 45 of 2022 and its amendments thereto.
- The income tax payable for the year of assessment 2022/23 is calculated separately for two periods at the rates of 14% & 24% up to 30 September 2022 and at a standard rate of 30% thereafter in terms of the Inland Revenue Act No. 24 of 2017 and its amendments thereto.

Notes to the Financial Statements

11.4 Reconciliation between accounting profit and income tax on current year profit

Year ended 31 March	Group		Company	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Accounting loss before income tax	(100,396,181)	(69,080,146)	(80,810,145)	(63,995,545)
Share of loss of joint venture	(28,780,029)	-	-	-
Other consolidation adjustments	(7,963,954)	-	-	-
	(137,140,164)	(69,080,146)	(80,810,145)	(63,995,545)
Less: Non business income	(542,472)	(111,226,335)	(542,472)	(111,226,335)
Less: Non Taxable income	(204,783,964)	-	(13,870,190)	-
Add: Adjustment on disallowed expenses	323,076,689	79,835,516	85,789,646	74,936,986
Less: Adjustments on allowable expenses	(165,926,925)	(16,542,590)	(17,193,943)	(16,542,590)
Taxable loss for the period	(185,316,836)	(117,013,555)	(26,627,104)	(116,827,483)
Adjustment of tax losses incurred	205,142,028	-	-	-
Taxable income/ (loss) for the year	19,825,192	(117,013,555)	(26,627,104)	(116,827,483)
Other sources of income				
Interest income	542,472	111,226,335	542,472	111,226,335
Less: Unrelieved losses	(542,472)	(45,153,153)	(542,472)	(45,153,153)
Taxable other income	-	66,073,182	-	66,073,182
Income tax provision for the year is made up of the following:				
- Income tax @ 24%	-	15,857,564	-	15,857,564
- Income tax @ 30%	5,947,558	-	-	-
Current income tax expense	5,947,558	15,857,564	-	15,857,564
11.5 Movement of brought forward tax losses				
Tax losses brought forward	269,077,132	200,567,821	267,445,439	200,558,162
Acquisition through business combinations	1,340,907,474	-	-	-
Adjustments to prior years	11,100,875	(1,876,419)	-	(3,312,381)
Tax losses utilized during the year	(54,881,671)	(45,153,153)	(542,472)	(45,153,153)
Tax losses expired during the year	(509,146,443)	-	-	-
Loss written off	-	(1,474,672)	-	(1,474,672)
Tax losses incurred during the year	239,656,035	117,013,555	26,627,104	116,827,483
Tax losses carried forward	1,296,713,402	269,077,132	293,530,071	267,445,439

11.6 Income Tax Liability

As at 31 March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Balance at the beginning of the year	4,893,360	7,992,750	4,893,360	7,992,750
Acquisition through business combinations	(1,306,668)	-	-	-
Income tax charge/ (Reversal) during the year	5,947,557	15,857,564	-	15,857,564
Under provision in respect of previous years	10,964,204	-	10,964,204	-
Payments made during the year	(15,933,181)	(18,956,954)	(15,857,564)	(18,956,954)
Adjustment of tax refund	(554,219)	-	-	-
Balance at the end of the year	4,011,053	4,893,360	-	4,893,360

12 LOSS PER SHARE AND DIVIDENDS

(a) Basic loss per share

Basic loss per ordinary share has been calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

As at 31 March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Amount used as the numerator				
Loss attributable to equity holders of the Company	(119,855,724)	(20,803,451)	(62,789,056)	(15,718,850)
Less : Preference dividend	(37,500)	(93,750)	(37,500)	(93,750)
Loss attributable to ordinary shareholders	(119,893,224)	(20,897,201)	(62,826,556)	(15,812,600)
Amounts used as the denominator :				
Weighted average number of ordinary shares	703,585,287	577,500,000	703,585,287	577,500,000
Basic loss per share (Rs.)	(0.17)	(0.04)	(0.09)	(0.03)

(b) Diluted loss per share

Diluted earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year after adjustment for the effects of all dilutive potential ordinary shares.

As at 31st March 2024 & as at 31st March 2023 there were no dilutive potential ordinary shares. Hence diluted earnings per share is same as basic earnings per share.

(c) Dividends

The Company has not declared dividends for the financial year.

Notes to the Financial Statements

13 FAIR VALUE MEASUREMENT

13.1 Group

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

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

	Date of valuation	Total	Fair value measurement using		
			Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value:					
As at 31 March 2024					
Non financial assets					
Land and Buildings (Note 14)	31 March 2024	10,200,804,365	-	-	10,200,804,365
Non financial assets as at 31 March 2024		10,200,804,365	-	-	10,200,804,365
Financial assets					
Financial assets at fair value through OCI					
Investment in unquoted equities (Note 20)	30- June 2022	-	-	-	-
Financial assets as at 31 March 2024		-	-	-	-
As at 31 March 2023					
Non financial assets					
Land and Buildings (Note 14)	31 March 2022	8,360,615,517	-	-	8,360,615,517
Non financial assets as at 31 March 2023		8,360,615,517	-	-	8,360,615,517
Financial assets					
Financial assets at fair value through OCI					
Investment in unquoted equities (Note 20)	30- June 2022	731,741,321	-	-	731,741,321
Financial assets as at 31 March 2023		731,741,321	-	-	731,741,321

13.1.1 Buildings on leasehold land of the Group were revalued by an independent professional valuer Mr. S. Sivaskantha, F.I.V. (Sri Lanka) of Perera Sivaskantha & Company, Incorporated valuers, on the basis of Market Approach as at 31st March 2024. There was no significant change in the value of freehold lands and buildings compared to the last revaluation.

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

13.2 Company

	Date of valuation	Total	Fair value measurement using		
			Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value:					
As at 31 March 2024					
Non financial assets					
Land and Buildings (Note 14)	31 March 2022	8,319,225,847	-	-	8,319,225,847
Non financial assets as at 31 March 2024		8,319,225,847	-	-	8,319,225,847
Financial assets					
Financial assets at fair value through OCI					
Investment in unquoted equities (Note 20)	30-June 2022	-	-	-	-
Financial assets as at 31 March 2024		-	-	-	-
As at 31 March 2023					
Non financial assets					
Land and Buildings (Note 14)	31 March 2022	8,360,615,517	-	-	8,360,615,517
Non financial assets as at 31 March 2023		8,360,615,517	-	-	8,360,615,517
Financial assets					
Financial assets at fair value through OCI					
Investment in unquoted equities (Note 20)	30-June 2022	731,741,321	-	-	731,741,321
Financial assets as at 31 March 2023		731,741,321	-	-	731,741,321

13.2.1 The value of investment in unquoted equities amounted to Rs. 731,741,321/- has been transferred to investment in subsidiaries subsequent to the restructure took place during the year.

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

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

Financial liabilities

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

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

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

Notes to the Financial Statements

14 PROPERTY, PLANT AND EQUIPMENT

14.1 Group

14.1.1 Gross carrying amounts

	Balance as at 01.04.2023 Rs.	Acquisition through business combinations Rs.	Additions	Disposals/ transfers Rs.	Revaluation	Transfers from investment property	Balance as at 31.03.2024 Rs.
At cost or valuation							
Freehold land	6,235,000,004	-	-	-	-	-	6,235,000,004
Freehold buildings	2,170,100,000	-	2,584,230	-	-	-	2,172,684,230
Building on leasehold land	-	1,689,021,863	129,665,103	(2,324,900)	(107,548,979)	193,963,000	1,902,776,087
Furniture and fittings	109,840,829	98,419,415	33,792,666	(2,002,210)	-	-	240,050,700
Equipment	95,239,101	98,787,521	38,347,390	(5,522,807)	-	-	226,851,205
Computer equipment	30,615,437	15,254,178	6,733,666	(2,276,477)	-	-	50,326,804
Sewerage plant	22,124,262	-	-	-	-	-	22,124,262
Plant and machinery	57,601,931	72,779,248	103,448,249	(1,622,000)	-	-	232,207,428
Motor vehicles	464,000	-	-	-	-	-	464,000
Total value of depreciable assets	8,720,985,564	1,974,262,225	314,571,304	(13,748,394)	(107,548,979)	193,963,000	11,082,484,720
In the course of construction							
Capital work-in-progress	-	-	18,779,982	-	-	-	18,779,982
Total gross carrying amount	8,720,985,564	1,974,262,225	333,351,286	(13,748,394)	(107,548,979)	193,963,000	11,101,264,702

14.1.2 Accumulated Depreciation

	Balance as at 01.04.2023 Rs.	Acquisition through business combinations Rs.	Depreciation charge for the year	Disposals/ transfers Rs.	Revaluation	Transfers from investment property	Balance as at 31.03.2024 Rs.
Freehold buildings	44,484,487	-	43,973,900	-	-	-	88,458,387
Buildings on leasehold land	-	76,991,998	43,185,259	(2,324,900)	(96,654,788)	-	21,197,569
Furniture and fittings	50,360,110	54,703,694	13,657,217	(2,002,210)	-	-	116,718,811
Equipment	33,357,631	87,549,135	23,692,373	(5,459,976)	-	-	139,139,163
Computer equipment	28,761,178	11,296,529	3,858,526	(2,276,476)	-	-	41,639,757
Sewerage plant	13,274,550	-	2,212,425	-	-	-	15,486,975
Plant and machinery	38,578,340	42,237,095	5,447,999	(1,622,000)	-	-	84,641,434
Motor vehicles	464,000	-	-	-	-	-	464,000
Total accumulated depreciation	209,280,296	272,778,451	136,027,699	(13,685,562)	(96,654,788)	-	507,746,096

14.1.3 Net book value

Year ended 31 March	2024 Rs.	2023 Rs.
Freehold land	6,235,000,004	6,235,000,004
Freehold buildings	2,084,225,843	2,125,615,513
Buildings on leasehold land	1,881,578,518	-
Furniture and fittings	123,331,889	59,480,719
Equipment	87,712,042	61,881,470
Computer equipment	8,687,047	1,854,259
Sewerage plant	6,637,287	8,849,712
Plant and machinery	147,565,994	19,023,591
Motor vehicles	-	-
	10,574,738,624	8,511,705,269
In the course of construction		
Capital work-in-progress	18,779,982	-
Net book value	10,593,518,606	8,511,705,269

- 14.1.4** During the financial year, the Group acquired property, plant and equipment to the aggregate value of Rs. 333,351,286/- (2023 - Rs. 5,937,801/-).
- 14.1.5** Based on the assessment carried out internally, it has been identified that there is no permanent impairment of property, plant and equipment which requires provision in the financial statements based on reassessment as at 31 March 2024.
- 14.1.6** There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year (2022/2023 - nil).
- 14.1.7** There were no restrictions on the title of the Property, Plant and Equipment as at 31 March 2024.
- 14.1.8** There were no items of Property, Plant and Equipment pledged as security as at 31 March 2024 other than disclosed in Note 28.4.
- 14.1.9** At 31 March 2024, property, plant and equipment includes fully depreciated assets that are still in use, the cost of which amounted to Rs. 155,503,379/- (2022/2023 - Rs. 29,603,401/-).

Notes to the Financial Statements

14.2 Company

14.2.1 Gross carrying amounts

	Balance as at 01.04.2023 Rs.	Additions Rs.	Disposals/ transfers Rs.	Balance as at 31.03.2024 Rs.
At cost or valuation				
Freehold land	6,235,000,004	-	-	6,235,000,004
Freehold buildings	2,170,100,000	2,584,230	-	2,172,684,230
Furniture and fittings	109,840,829	-	-	109,840,829
Equipment	95,239,101	1,663,489	-	96,902,590
Computer equipment	30,615,437	1,561,463	-	32,176,900
Sewerage plant	22,124,262	-	-	22,124,262
Plant and machinery	57,601,931	1,368,000	-	58,969,931
Motor vehicles	464,000	-	-	464,000
Total value of depreciable assets	8,720,985,564	7,177,182	-	8,728,162,746
In the course of construction				
Capital work-in-progress	-	18,779,982	-	18,779,982
Total gross carrying amount	8,720,985,564	25,957,164	-	8,746,942,728

14.2.2 Accumulated Depreciation

	Balance as at 01.04.2023 Rs.	Depreciation Charge for the Year Rs.	Disposals/ transfers Rs.	Balance as at 31.03.2024 Rs.
Freehold buildings	44,484,487	43,973,900	-	88,458,387
Furniture and fittings	50,360,110	6,178,928	-	56,539,038
Equipment	33,357,631	20,168,115	-	53,525,746
Computer equipment	28,761,178	1,896,540	-	30,657,718
Sewerage plant	13,274,550	2,212,425	-	15,486,975
Plant and machinery	38,578,340	1,181,967	-	39,760,307
Motor vehicles	464,000	-	-	464,000
Total accumulated depreciation	209,280,296	75,611,875	-	284,892,171

14.2.3 Net book value

Year ended 31 March	2024 Rs.	2023 Rs.
Freehold land	6,235,000,004	6,235,000,004
Freehold buildings	2,084,225,843	2,125,615,513
Furniture and fittings	53,301,791	59,480,719
Equipment	43,376,845	61,881,470
Computer equipment	1,519,182	1,854,259
Sewerage plant	6,637,287	8,849,712
Plant and machinery	19,209,624	19,023,591
Motor vehicles	-	-
	8,443,270,577	8,511,705,269
In the course of construction		
Capital work-in-progress	18,779,982	-
Net book value	8,462,050,559	8,511,705,269

14.2.4 During the financial year, the Company acquired property, plant and equipment to the aggregate value of Rs. 25,957,164/- (2023 - Rs. 5,937,801/-).

14.2.5 Based on the assessment carried out internally, it has been identified that there is no permanent impairment of property, plant and equipment which requires provision in the financial statements based on reassessment as at 31 March 2024.

14.2.6 There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year (2022/2023 - nil).

14.2.7 There were no restrictions on the titles of the property plant and equipment as at 31 March 2024.

14.2.8 There were no items of Property, Plant and Equipment pledged as security as at 31 March 2024 other than disclosed in Note 28.4.

14.2.9 At 31 March 2024, property, plant and equipment includes fully depreciated assets that are still in use, the cost of which amounted to Rs. 40,763,965/- (2022/2023 - Rs. 29,603,401/-).

Notes to the Financial Statements

14.3 Revaluation of property, plant and equipment

Buildings on leasehold land of the Group were revalued by an independent professional valuer Mr. S. Sivaskantha, F.I.V. (Sri Lanka) of Perera Sivaskantha & Company, Incorporated valuers, on the basis of Market Approach as at 31st March 2024. There was no significant difference in the value of freehold lands and buildings compared to the last revaluation. Note 4.12 to the financial statements describes the valuation process of the Group.

Refer to Note 13 for the fair value measurement hierarchy of Group's non-financial assets.

Revaluation deficit for the year ended 31 March 2024		Buildings Rs.
United Hotels Company Limited and Tissa Resort (Pvt) Ltd		
Carrying Amount Prior to Revaluation		1,882,019,191
Add: Gain on Revaluation recognize in equity		(10,894,191)
Carrying Amount After the Revaluation		1,871,125,000

14.4 Valuation techniques and significant unobservable inputs

Name of the Company	Non financial assets	No. of Buildings/Land	Location	Valuation Technique	Property Valuer and Qualification	Significant unobservable inputs	Sensitivity of the input to the fair value
The Kandy Hotels (1938) PLC	Freehold Land	02	Kandy	Open market value method	S. Sivaskantha, Fellow Member of Institute of Valuation, Incorporated valuer.	Price per perch of land Rs. 7,000,000/- to Rs. 15,000,000/-	Estimated fair value would increase/ (decrease) if ; - Price per perch increases/ (decreases)
	Building	02	Hotel Suisse at 30, Sangaraja Mawatha, Kandy Hotel Queens at 04, Dalada Veediya, Kandy.	Depreciated replacement cost method	S. Sivaskantha, Fellow Member of Institute of Valuation, Incorporated valuer	Price per sq. Ft Rs. 9,000/- to Rs. 21,000/-	Estimated fair value would increase/ (decrease) if ; - Price per square feet increases/ (decreases)
United Hotels Co. Ltd	Building	01	EKHO Lake House hotel at Parakrama Samudraya Pedesa, Polonnaruwa	Investment Method	S Sivaskantha, Fellow Member of Institute of Valuation of Sri Lanka, Incorporated valuer	Range Rs. 32,000/- per sq. ft Depreciation rate - 42.5% Rate of Return - 13%	Estimated fair value would increase/ (decrease) if ; - Price per square feet increases/ (decreases)
	Building	01	Ekho Surf at Beach Road, Bentota	Investment Method	S Sivaskantha, Fellow Member of Institute of Valuation of Sri Lanka, Incorporated valuer	Range Rs.8,500/- to Rs. 32,000/- per sq. ft. Depreciation rate - 35% Rate of Return -13%	Estimated fair value would increase/ (decrease) if ; - Price per square feet increases/ (decreases)
	Building	01	The Lake - Polonnaruwa	Investment Method	S Sivaskantha, Fellow Member of Institute of Valuation of Sri Lanka, Incorporated valuer	Range Rs.12,000/- to Rs.30,000/- per sq. ft Depreciation rate - 45% Rate of Return -13%	Estimated fair value would increase/ (decrease) if ; - Price per square feet increases/ (decreases)

Name of the Company	Non financial assets	No. of Buildings/ Land	Location	Valuation Technique	Property Valuer and Qualification	Significant unobservable inputs	Sensitivity of the input to the fair value
Tissa Resort (Pvt) Ltd	Building	01	Ekho Safari at Kataragama Road, Tissamaharama	Depreciated replacement cost method	S Sivaskantha, Fellow Member of Institute of Valuation of Sri Lanka, Incorporated valuer	Range Rs. 9,000/- Rs. 26,500/- per sq. ft. Depreciation rate - 47.5% Rate of Return - 17.5%	Estimated fair value would increase/ (decrease) if ; - Price per square feet increases/ (decreases)

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

Open Market Value

The Open Market Value Method of valuation is a real estate appraisal approach used to determine the price a property would likely achieve if sold on the open market. This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of property being revalued. This involves evaluation of recent active market price of similar assets, making appropriate adjustments for difference in size, nature and location of the property. This method assumes that the property is sold under normal market conditions, where both the buyer and seller are motivated but not under any undue pressure to complete the transaction.

Depreciated replacement cost method

The Depreciation Replacement Cost Method of valuation is a real estate valuation approach used to estimate the value of a property based on the cost to replace or reproduce the property, minus depreciation. The Depreciated replacement cost method works on the basis that property's value can be equated to its cost, Valuer assesses the cost of the building if it would have constructed in the current year, and deduct margin for usage of the property based on the respective year of construction. This method is particularly useful for valuing properties where there might not be a reliable market or income-based valuation, such as unique or specialized properties.

Investment Method (Income approach, Income capitalization approach)

The Investment Method of Valuation, also known as the Income Approach or Income Capitalization Approach, is a real estate valuation method that determines the value of a property based on its ability to generate income. This approach is commonly used for income-producing properties like rental buildings, office spaces, or commercial real estate.

Notes to the Financial Statements

- 14.5 The carrying amount of revalued assets that would have been included in the financial statements, had the assets been carried at cost less accumulated depreciation is as follows:

Year ended 31 March	2024			2023
	Cost	Accumulated depreciation	Carrying value	Carrying value
	Rs.	Rs.	Rs.	Rs.
Group				
Freehold land	1,956,262,500	-	1,956,262,500	1,956,262,500
Freehold buildings	642,309,252	386,777,876	255,531,376	265,793,331
Buildings on leasehold land	1,668,314,572	41,707,864	1,626,606,708	-
Total	4,266,886,324	428,485,740	3,838,400,584	2,222,055,831

Year ended 31 March	2024			2023
	Cost	Accumulated depreciation	Carrying value	Carrying value
	Rs.	Rs.	Rs.	Rs.
Company				
Freehold land	1,956,262,500	-	1,956,262,500	1,956,262,500
Freehold Buildings	642,309,252	386,777,876	255,531,376	265,793,331
Total	2,598,571,752	386,777,876	2,211,793,876	2,222,055,831

14.6 Value of Land and building ownership

Name of the Company	Location	Property	Ownership	Extent	Carrying value as at 31 March 2024
The Kandy Hotels (1938) PLC	Hotel Suisse - No.30, Sangaraja Mawatha, Kandy	Land	Freehold	429.85 Perches	3,008,950,004
		Building	Freehold	80.861.5 Sq.ft.	1,010,075,900
	Hotel Queen's - No.04, Dalada Vidiya, Kandy	Land	Freehold	215.07 Perches	3,226,050,000
		Building	Freehold	114,885.5 Sq.ft.	1,074,149,943
United Hotels Co. Ltd	Ekho Lake House Hotel, Parakrama Samudraya Pedesa, Polonnaruwa	Building	Leasehold	15,344 Sq.ft.	107,000,000
		Building	Leasehold	89,487 Sq.ft.	1,292,000,000
		Building	Leasehold	31,533 Sq.ft.	172,125,000
Tissa Resort (Pvt) Ltd	Ekho Safari at Kataragama Road, Tissamaharama	Building	Leasehold	48,497.5 sq.ft.	300,000,000

15 INTANGIBLE ASSETS

Year ended 31 March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Computer software (Note 15.1)	2,040,024	8,357,689	724,609	8,357,689
	2,040,024	8,357,689	724,609	8,357,689

15.1 Computer software

Balance at the beginning of the year	35,723,574	34,718,759	35,723,574	34,718,759
Acquisition through business combinations	13,624,760	-	-	-
Acquired during the year	1,435,000	1,004,816	-	1,004,816
Balance at the end of the year	50,783,334	35,723,574	35,723,574	35,723,574
Accumulated amortization				
Balance at the beginning of the year	(27,365,885)	(22,633,189)	(27,365,885)	(22,633,189)
Acquisition through business combinations	(13,624,760)	-	-	-
Amortization charge for the year	(7,752,665)	(4,732,696)	(7,633,080)	(4,732,696)
Balance at the end of the year	(48,743,310)	(27,365,885)	(34,998,965)	(27,365,885)
Net book value	2,040,024	8,357,689	724,609	8,357,689

16 LEASES

16.1 Right of use assets

As at 31 March	Group	
	2024 Rs.	2023 Rs.
Cost		
Balance at the beginning of the year	-	-
Acquisition through business combinations	124,394,899	-
Remeasurement	5,788,047	-
Balance at the end of the year	130,182,946	-
Amortization		
Balance at the beginning of the year	-	-
Acquisition through business combinations	16,652,953	-
Amortization for the year	5,196,921	-
Balance at the end of the year	21,849,874	-
Carrying amount		
As at 31 March	108,333,072	-

Notes to the Financial Statements

Right-of-use assets are in respect of following properties, which are currently on lease with Sri Lanka Tourism Development Authority.

EKHO Surf - Bentota

EKHO Safari - Tissamaharamaya

The Lake - Polonnaruwa

EKHO Lake House - Polonnaruwa

16.2 Lease liabilities

As at 31 March	Group	
	2024 Rs.	2023 Rs.
Balance at the beginning of the year	-	-
Acquisition through business combinations	150,942,907	-
Interest expense	16,562,724	-
Less: Payments made during the year	(33,594,316)	-
Transferred to other payables	(6,709,643)	-
Balance at the end of the year	127,201,672	-
Current	19,207,910	-
Non - current	107,993,762	-
	127,201,672	-

16.3 Amounts Recognised in Statement of Profit or Loss

Interest expense	16,562,724	-
	16,562,724	-

16.4 Amounts Recognised in Statement of Cash Flows

Total cash outflow for leases	(33,594,316)	-
	(33,594,316)	-

16.5 Maturity Analysis - Contractual Undiscounted Cash Flows

Less than one year	18,163,739	-
One to five years	104,801,619	-
More than five years	298,634,855	-
	421,600,213	-

17 INVESTMENT PROPERTY

Year ended 31 March	Group	
	2024 Rs.	2023 Rs.
Balance at the beginning of the period	-	-
Acquisition through business combinations	193,963,000	-
Reclassified to property, plant and equipment	(193,963,000)	-
Balance at the end of the year	-	-

Reclassification

The land and buildings of The Lake Hotel were previously classified under investment property in the statement of financial position. However, management deemed it more appropriate to reclassify them under property, plant, and equipment commencing from May 2023, due to the absence of rental income from these properties in the foreseeable future.

- 17.1 Rental Income earned from Investment Property by the Group amounted to Rs.Nil.
- 17.2 Fair value of the Investment Property is ascertained by an independent valuation carried out by S. Sivaskantha, Fellow Member of Institute of Valuation of Sri Lanka.
- 17.3 The following table shows the valuation techniques used for the Group in measuring Level 3 fair values, and the significant unobservable inputs used for investment property as at 31st March 2024.

Location	Property	Valuation technique	Property valuer & Qualification	Significant unobservable inputs	Sensitivity of the input to the fair value
The Lake Hotel Pothugul Pedesa, New Town, Polonnaruwa	Building on leasehold land	Investment Method	S Sivaskantha, Fellow Member of Institute of Valuation of Sri Lanka, Incorporated valuer	Rs. 12,000 to Rs. 30,000 per sq. ft Depreciation rate - 45% Rate of Return -13%	Estimated fair value would increase/ (decrease) if; - Price per square feet increases/ (decreases)

17.4 Transfer to Property Plant and Equipment

In May 2023, the land and buildings of The Lake Hotel, previously classified as investment property and measured at fair value, were reclassified as owner-occupied property. The owners have decided to repurpose the land and buildings for direct hotel operations.

Immediately before the transfer, the Group remeasured the investment property at fair value. The remeasurement concluded that there was no change in fair value since the last revaluation on 31 March 2023. The valuation technique and significant unobservable inputs used in determining this fair value are consistent with the Note 14.4.

Notes to the Financial Statements

18 INVESTMENT IN SUBSIDIARIES

As at 31 March	No. of shares		Effective Holding %		Company	
	2024	2023	2024	2023	2024 Rs.	2023 Rs.
Direct Subsidiaries						
Suisse Hotel (Private) Limited	41,975,587	41,975,587	100%	100%	352,843,177	352,843,177
United Hotels Company Limited	297,918,001	-	100%	-	4,541,643,295	-
Sub- subsidiaries						
Tissa Resort (Pvt) Ltd	-	-	100%	-	-	-
Ceylon Hotels Maldives (Pvt) Limited	-	-	100%	-	-	-
Provision for impairment (Note 18.1)					(176,422,000)	(176,422,000)
					4,718,064,472	176,421,177

18.1 Investment in subsidiaries

As at 31 March	Company	
	2024 Rs.	2023 Rs.
Balance at the beginning of the year	176,422,000	176,422,000
Provision for the year	-	-
Balance at the end of the year	176,422,000	176,422,000

18.2 Principal Subsidiaries

The following disclosure excerpt highlights the group composition and the proportion of ownership interests as at 31st March 2024.

Company and Country of Incorporation/ Operation	Principal Activities	Class of Shares Held	As at 31 March 2024		As at 31 March 2023	
			Proportion of interest held by the Company	Group Interest (%)	Proportion of interest held by the Company	Group Interest (%)
Sri Lanka						
Suisse Hotel (Pvt) Ltd	Managers and providers of service of whatever nature to the hotel and tourism industry	Ordinary Shares	100%	100%	100%	100%
United Hotels Company Limited	Hotel Services	Ordinary Shares	100%	100%	-	-
Tissa Resort (Pvt) Ltd	Hotel Services	Ordinary Shares	-	100%	-	-
Ceylon Hotels Maldives (Pvt) Ltd	Hotel Services	Ordinary Shares	-	100%	-	-

18.3 Business combination under common control

During the year, United Hotels Company Ltd (UHC) has become a fully owned subsidiary of The Kandy Hotels Company (1938) PLC (KHC). At the beginning of the year KHC had a stake of 16.11% of the UHC and 83.89% of remaining stake was transferred to KHC during the year via a private placement worth Rs. 3,809,901,974/-.

The Company has issued 176,809,253 ordinary voting shares at a per share price of Rs. 14.96/- for a total consideration of Rs. 2,645,066,425/- to shareholders of UHC. The share swap was on the basis of 1 KHC share to every 0.9813 shares of UHC. The aforementioned restructuring resulted in UHC and its subsidiaries becoming fully owned subsidiaries of the Company. Prior to the restructuring, UHC was a direct subsidiary of Ceylon Hotels Corporation PLC (CHC). It is now a sub-subsidiary of CHC through its new parent undertaking, KHC.

In settling the purchase consideration from KHC to CHC, a related party interest-bearing loan of Rs. 1,164,835,549/- which was due from CHC was set-off against the consideration. The remaining amount of Rs. 2,645,066,425/- was settled by issuing shares.

The above transaction was a business combination under common control. Hence pooling of interests method has been applied.

Assets acquired and liabilities assumed

The book values of the identifiable assets and liabilities as at the date of acquisition were:

	Book value recognised on acquisition Rs.
Assets	
Property, plant and equipment	1,701,483,770
Right-of-use assets	113,529,992
Investment property	193,963,000
Inventories	30,283,333
Trade and other receivables	233,764,259
Amounts due from related companies	192,525,332
Income tax recoverable	2,904,403
Cash and cash equivalents	2,610,623,589
Liabilities	
Interest bearing borrowings	(885,668,892)
Employee benefits	(7,315,260)
Deferred tax liabilities	(209,342,922)
Lease Liability	(150,942,909)
Trade and other payables	(143,106,744)
Amounts due to related companies	(99,525,520)
Bank overdraft	(289,916,985)
Total identifiable net assets	3,293,258,446
Adjustment to merger reserve	1,248,384,849
Purchase consideration transferred	4,541,643,295

Notes to the Financial Statements

	Book value recognised on acquisition Rs.
Purchase consideration	
Shares issued	2,645,066,425
Settlement of interest bearing related party loans	1,164,835,549
Previously acquired UHC shares	731,741,321
Total consideration	4,541,643,295
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	2,320,706,604
Net cash flow on acquisition	2,320,706,604

Business combinations under common control are accounted for pooling of interests method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value in the acquiree.

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

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

The cash flows are derived from the most recent forecast and do not include the restructuring activities that the group is yet to commit or any significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model, revenue growth rate and the growth rate used for extrapolation purposes.

The key assumptions used in the VIU computation

Gross Margins

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

Discount Rates

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

Volume Growth

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

Occupancy and Average room rates (ARR)

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

Impairment of Investment in subsidiary - Suisse Hotel (Private) Limited in 2022/2023

The Company made an additional investment of Rs. 4,898,525/- in 2022/2023, which was fully impaired within the same year.

19 INVESTMENT IN JOINT VENTURE

Group

The Group holds 50% interest in Suisse Hotel Kandy (Private) Limited, a joint venture owning the Radisson Hotel Kandy (Previously known as OZO Hotel Kandy). The Group's interest in Suisse Hotel Kandy (Private) Limited is accounted for using the equity method in the consolidated financial statements. Summarized financial information of the joint venture and reconciliation with the carrying amount of the investment in consolidated financial statements are set out below:

Carrying value of the investment - Suisse Hotel Kandy (Pvt) Limited	2024	2023
	Rs.	Rs.
Balance at the beginning of the year	318,510,978	-
Cumulative profit/ (loss) accruing to the group net of dividend (Note 19.2)	28,780,029	(684,591,274)
Cumulative other comprehensive income accruing to the group	-	1,003,102,252
Investment made during the year	-	4,898,530
Provision for impirement	-	(4,898,530)
Share of change of other comprehensive income attributable to joint venture	(110,650,632)	-
Group's carrying amount of the investment	236,640,375	318,510,978

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

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

As at 31 March	Company	
	2024	2023
	Rs.	Rs.
Number of shares	161,961,962	161,961,962
Holding %	50	50

Notes to the Financial Statements

19.2 Summarized Financial information of joint venture - Group

As at 31 March	2024	2023
	Rs.	Rs.
Assets and liabilities		
Current assets, including cash and cash equivalents	240,359,293	136,463,034
Non current asset, including property, plant and equipment	1,745,261,252	3,911,252,269
Current liabilities, including trade and other payables	(332,689,195)	(241,143,285)
Non-current liabilities, including long-term borrowings	(2,736,655,415)	(3,214,428,991)
Equity	(1,083,724,065)	592,143,028
Group's carrying amount of the investment	236,640,375	318,510,978
For the year ended 31 March	2024	2023
	Rs.	Rs.
Summarized statement of profit or loss and other comprehensive income		
Revenue	513,399,823	232,126,552
Cost of sales	(109,353,239)	(54,771,333)
Administrative expenses, including depreciation	(310,607,466)	(301,065,470)
Marketing and promotional expenses	(30,172,301)	(19,916,936)
Net finance costs	(4,476,319)	(231,941,720)
Foreign exchange loss	(1,230,440)	(258,855,686)
Loss before income tax	57,560,058	(634,424,593)
Income tax	-	(251,833)
Profit/ (loss) for the year	57,560,058	(634,676,426)
Group's share of profit/ (loss) for the year*	28,780,029	(317,338,213)
Group's share of loss for the year	-	(317,338,213)
Brought forward unrecognised loss	-	(367,253,061)
Loss recognized during the year	-	684,591,274
Unrecognised loss	-	-

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

As at 31 March	2024	2023
	Rs.	Rs.
Other comprehensive income		
Actuarial gains and losses on defined benefit plans	-	-
Deferred tax charge on defined benefit plan	-	-
Revaluation surplus of freehold land and building	-	2,332,795,936
Deferred tax attributable to revaluation surplus	-	(326,591,431)
Other comprehensive income for the year	-	2,006,204,505
Group's share of other comprehensive income for the year	-	1,003,102,252
Summarized cash flow information		
Cash flows from/ (used in) operating activities	41,369,949	(595,772,715)
Cash flows from/ (used in) investing activities	67,774	10,259,906
Cash flows from/ (used in) finance activities	(20,689,101)	568,794,829
Net increase/ (decrease) in cash and cash equivalents	20,748,622	(16,717,980)

19.3 The joint venture had no other contingent liabilities or capital commitments as at 31 March 2024 and 2023.

19.4 Assets pledged

Suisse Hotel Kandy (Pvt) Limited		Carrying Amount Pledged	
Nature of Assets	Nature of Liability	2024	2023
		Rs.	Rs.
Assets of Suisse Hotel Kandy (Pvt) Ltd. (OZO Hotel Kandy) situated at No. 31, Saranankara Mawatha, Kandy.	Term Loans of USD 9,343,289/- Interest rate at 4.5% + 6 months LIBOR Floor rate at 5% p.a.	1,745,261,251	1,695,239,156
		1,745,261,251	1,695,239,156

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31 March	Group/Company	
	2024	2023
	Rs.	Rs.
Investments in unquoted shares (Note 20.1)	-	731,741,321
	-	731,741,321

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

This was classified as an investment in subsidiaries when United Hotels Company Limited became a subsidiary of the Company through a share swap.

Notes to the Financial Statements

20.1 Investments in unquoted shares

As at 31 March	2023		2024	2023
	No. of shares	Holding %	Rs.	Rs.
Group/Company				
United Hotels Company Limited	48,000,000	16.11%	-	600,000,000
Add: Changes in fair value			-	131,741,321
			-	731,741,321

21 INVENTORIES

As at 31 March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Food and beverage	27,427,614	7,801,265	9,207,139	7,801,265
Linen	59,177,745	19,988,548	28,087,815	19,988,548
Housekeeping and maintenance	19,842,787	8,885,123	11,622,362	8,885,123
	106,448,146	36,674,936	48,917,316	36,674,936
Less: Provision for obsolete and slow moving items	(4,473,488)	-	-	-
	101,974,658	36,674,936	48,917,316	36,674,936

22 TRADE AND OTHER RECEIVABLES

As at 31 March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Trade receivables (Note 22.1)	210,280,706	5,818,973	56,566,408	5,818,973
Other receivables (Note 22.2)	147,442,327	21,209,625	22,402,200	21,209,625
	357,723,033	27,028,597	78,968,608	27,028,597

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

22.1 Trade receivables

As at 31 March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Trade receivables	217,264,305	11,224,169	60,943,551	11,224,169
Less: ECL Provision for bad & doubtful debts (Note 22.3)	(6,983,599)	(5,405,196)	(4,377,143)	(5,405,196)
	210,280,706	5,818,973	56,566,408	5,818,973

22.2 Other receivables

As at 31 March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Other receivables	151,467,944	24,931,051	26,123,627	24,931,051
Less: ECL Provision for bad & doubtful debts (Note 22.3)	(4,025,617)	(3,721,427)	(3,721,427)	(3,721,427)
	147,442,327	21,209,625	22,402,200	21,209,625

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

As at 31 March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
ECL Provision for bad & doubtful debts				
Balance at the beginning of year	9,126,623	7,897,127	9,126,623	7,897,127
Acquisition through business combinations	603,999	-	-	-
Write-off during the year	(1,028,053)	-	(1,028,053)	-
Provision during the year	2,306,647	1,229,495	-	1,229,495
Balance at the end of the year	11,009,216	9,126,623	8,098,570	9,126,623

22.4 Impairment of debtors

The Management has carried out an impairment provision based on the simplified approach of ECL method and impairment provision of Rs. 11,009,216/- has been accounted for trade and other receivables as the ECL. (2022/2023 - Rs.9,126,623/-) .

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

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

Notes to the Financial Statements

22.5 Trade receivables by credit quality are as follows.

As at 31 March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Neither past due nor impaired	118,840,677	4,348,406	28,319,603	4,348,406
Past due but not impaired				
31-60 days	48,680,289	281,423	18,618,001	281,423
61-90 days	26,899,642	267,656	7,531,953	267,656
91-120 days	10,415,844	87,404	2,136,826	87,404
> 121 days	12,427,853	6,239,280	4,337,167	6,239,280
Impaired	-	-	-	-
Total	217,264,305	11,224,169	60,943,550	11,224,169

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

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

23 ADVANCES AND PREPAYMENTS

As at 31 March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Advances and deposits	14,138,358	1,912,990	1,924,897	1,912,990
Prepayments	13,523,852	16,283,707	13,523,852	16,283,707
Less: Provision for Advances & prepayment	(1,220,000)	-	-	-
	26,442,210	18,196,697	15,448,749	18,196,697

24 CASH AND BANK BALANCES

As at 31 March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Favorable cash and bank balances				
Cash in hand	5,198,516	3,277,271	2,499,999	3,277,271
Cash at bank	1,882,119,155	2,375,429	849,586	2,375,429
Total cash and bank balances	1,887,317,671	5,652,701	3,349,585	5,652,701
Unfavourable cash and bank balances				
Bank overdrafts	(215,980,271)	(125,632,625)	(134,650,863)	(125,576,073)
	(215,980,271)	(125,632,625)	(134,650,863)	(125,576,073)
Total cash and cash equivalents for the purpose of statement of cash flows	1,671,337,400	(119,979,924)	(131,301,278)	(119,923,373)

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

As at 31 March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Sri Lanka rupees	486,389,638	(120,705,424)	(131,548,345)	(120,648,873)
United States dollars	1,184,947,762	725,500	247,067	725,500
	1,671,337,400	(119,979,924)	(131,301,278)	(119,923,373)

25 STATED CAPITAL

As at 31 March	Group Value of shares		Company Value of shares	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Fully paid ordinary shares (Note 25.3)	2,661,566,425	16,500,000	2,661,566,425	16,500,000
Fully paid preference shares - 15% cumulative	250,000	250,000	250,000	250,000
	2,661,816,425	16,750,000	2,661,816,425	16,750,000

As at 31 March	Group Ordinary shares issued and fully paid		Company Ordinary shares issued and fully paid	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Fully paid ordinary shares (Note 25.3)	754,309,253	577,500,000	754,309,253	577,500,000
Fully paid preference shares - 15% cumulative (Note 25.1)	50,000	50,000	50,000	50,000
	754,359,253	577,550,000	754,359,253	577,550,000

25.1 Cumulative participating preference shares

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

25.2 The holders of ordinary shares are entitled to receive dividends as described from time to time.

25.3 Movement in Ordinary Shares

	Group/Company Number of shares		Group/Company Value of Shares (Rs.)	
	2024	2023	2024	2023
At the beginning of the year	577,500,000	577,500,000	16,500,000	16,500,000
Share issue during the year	176,809,253	-	2,645,066,425	-
At the end of the year	754,309,253	577,500,000	2,661,566,425	16,500,000

The company issued 176,809,253 ordinary voting shares on 14th July 2023 for a consideration of Rs. 2,645,066,425/-. The new shares were listed on the CSE on 20th July 2023.

Notes to the Financial Statements

26 OTHER CAPITAL RESERVES

26.1 Revaluation reserve

Nature and purpose of the reserve

The revaluation reserve is used to record increments and decrements in the revaluation of the lands and buildings of the Group. In the event of a sale or disposal of an asset, any balance in the reserve in relation to the asset is transferred to retained earnings.

As at 31 March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Balance at the beginning of the year	6,998,266,956	7,834,303,473	6,551,689,434	7,706,236,929
Transfer of excess depreciation on revaluation	(89,187,131)	(73,707,197)	(73,707,197)	(73,707,197)
Surplus on revaluation	(10,894,191)	-	-	-
Deferred tax on revaluation (Note 29)	3,268,257	-	-	-
Deferred tax impact on revaluation of land on income tax rate changes (Note 29)	-	(1,080,840,298)	-	(1,080,840,298)
Share of other comprehensive income attributable to joint venture	-	318,510,978	-	-
Reversal of share of other comprehensive income attributable to joint venture	(110,650,632)	-	-	-
Balance at the end of the year	6,790,803,259	6,998,266,956	6,477,982,237	6,551,689,434

26.2 Fair value reserve of financial assets at FVOCI

Nature and purpose of the reserve

Changes in the fair value arising on translation of unquoted equity investments that are classified as financial assets at fair value through OCI, are recognized in other comprehensive income and accumulated in a separate reserve within equity.

As at 31 March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Balance at the beginning of the year	131,741,321	-	131,741,321	-
Change in fair value (net of tax)	-	131,741,321	-	131,741,321
Transferred to merger reserve/retained earnings	(131,741,321)	-	(131,741,321)	-
Balance at the end of the year	-	131,741,321	-	131,741,321
Total other component of equity				
Revaluation reserve	6,790,803,259	6,998,266,956	6,477,982,237	6,551,689,434
Fair value reserve of financial assets at FVOCI	-	131,741,321	-	131,741,321
	6,790,803,259	7,130,008,277	6,477,982,237	6,683,430,755

27 MERGER RESERVE

Nature and purpose of the reserve

The Company acquired net equity of United Hotel Company Limited and its subsidiaries through an acquisition under common control at a purchase consideration as detailed in Note 18.3. The residual value of the transaction was recognised as merger reserve.

As at 31 March	Group	
	2024	2023
	Rs.	Rs.
Balance at the beginning of the year	-	-
Acquisition under common control (Note 18.3)	(1,248,384,849)	-
Transferred from retained earnings	131,741,321	-
Balance at the end of the year	(1,116,643,528)	-

28 INTEREST BEARING LOANS AND BURROWINGS

28.1 Interest bearing loans and borrowings - Group

	2024			2023		
	Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	Total Rs.	Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	Total Rs.
Bank Loans (Note 28.3)	321,823,743	1,043,121,002	1,364,944,745	299,796,860	483,769,786	783,566,646
Bank overdrafts (Note 24)	215,980,271	-	215,980,271	125,632,625	-	125,632,625
	537,804,014	1,043,121,002	1,580,925,016	425,429,485	483,769,786	909,199,271

28.2 Interest bearing loans and borrowings - Company

	2024			2023		
	Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	Total Rs.	Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	Total Rs.
Bank Loans (Note 28.3)	201,662,129	447,232,011	648,894,140	299,796,860	483,769,786	783,566,646
Bank overdrafts (Note 24)	134,650,863	-	134,650,863	125,576,073	-	125,576,073
	336,312,992	447,232,011	783,545,003	425,372,934	483,769,786	909,142,720

Notes to the Financial Statements

28.3 Bank loans

As at 31 March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Balance at the beginning of the year	783,566,646	778,521,106	783,566,646	778,521,106
Acquisition through business combinations	885,668,892	-	-	-
Repayments during the year	(431,720,548)	(106,753,439)	(226,984,659)	(106,753,439)
Effect of debt moratorium (capitalization of accrued interest)	-	23,869,470	-	23,869,470
Interest expense for the year	176,743,404	87,929,508	92,312,153	87,929,508
Exchange (gain)/loss	(49,313,649)	-	-	-
Balance at the end of the year	1,364,944,745	783,566,646	648,894,140	783,566,646
Current	321,823,743	299,796,860	201,662,129	299,796,860
Non-Current	1,043,121,002	483,769,786	447,232,011	483,769,786
	1,364,944,745	783,566,646	648,894,140	783,566,646
Capital Outstanding	1,339,915,675	767,762,686	630,563,852	767,762,686
Accrued Interest	25,029,070	15,803,960	18,330,288	15,803,960
	1,364,944,745	783,566,646	648,894,140	783,566,646

28.4 Interest bearing loans and borrowings- The Kandy Hotels Company (1938) PLC

Lending institution	Nature of facility	Interest rate	Collateral	Repayment terms	Carrying amount	
					2024 Rs.	2023 Rs.
Sampath Bank PLC	Long Term Loan for Investments Loan value : Rs. 517,000,000/- (Investment loan)	Fixed 12% p.a. for a period of 12 months commencing from 26-06-2022 and thereafter AWPLR +1% p.a.	Corporate guarantee of Ceylon Hotels Corporation PLC for Rs.719,630,000/-, Mortgage over shares of United Hotels Company Limited for Rs.600,000,000/ owned by The Kandy Hotels Company (1938) PLC, Negative pledge over immovable properties of the company	Capital to be repaid in 61 monthly installments of Rs. 8,300,000/- and final installment of 10,700,000/- commencing from 26-07-2023. Interest to be serviced monthly during the full tenor of the loan.	467,200,000	517,000,000
Sampath Bank PLC	Debt moratorium facility on above investment loan - Loan value Rs. 65,130,959/-.	10% p.a (fixed)		Capital and interest grace period received from April 2020 to March 2021 under Covid-19 Relief Package offered by Central Bank of Sri Lanka. Capital to be repaid in 37 monthly installments of Rs 1.7 Mn and a final installment of Rs 2.23 Mn together with interest.	34,531,142	53,230,959

Lending institution	Nature of facility	Interest rate	Collateral	Repayment terms	Carrying amount	
					2024 Rs.	2023 Rs.
Sampath Bank PLC	Saubagya Covid 19 Phase II facility Loan value : Rs. 9,800,000/-.	4% p.a (fixed)		Capital to be repaid in 9 monthly installments of Rs. 816,000/- and final installment of Rs. 824,000/-Commencing from 26th July 2022 together with the interest.	-	4,052,554
Sampath Bank PLC	Interest moratorium facility on above investment loan - Loan value Rs. 119,222,886/-	5.8% p.a (fixed)		Capital to be repaid in 23 monthly installments of Rs.4,900,000/- and final installment of 6,522,886/- commencing from 26-07-2022 together with the interest.	31,022,886	84,922,886
Commercial bank of Ceylon PLC	Long Term Loan for settlement of existing loans & accrued interest -Loan Value Rs.67,000,000/-	10% p.a (fixed)	Corporate Guarantee of Rs.100,000,000/- dated 06/09/2017 signed by Ceylon Hotel Corporation PLC. , Corporate Guarantee of Rs.14,000,000/- dated	In 35 months intatlments of Rs.1,860,000.00 & final installment of Rs.1,900,000.	50,609,824	-
Commercial bank of Ceylon PLC	Facility Under “Enterprise Sri Lanka” Loan value : Rs. 49,000,000/-.	15% p.a (fixed)	09/08/2019 signed by Ceylon Hotel Corporation PLC., Corporate Guarantee of Rs.50,000,000/- dated 23/12/2019 signed by Ceylon Hotel Corporation PLC. ,Primary floating mortgage bond No.4110 for Rs.50,000,000/- dated 10/02/2020 executed over debit & credit card sales of the total operations at Queens Hotel, Suisse Hotel and any other future locations routed through Commercial Bank’s card center.	Capital Repayments to be made from May 2023 for a period of 60 months as follows. First 12 months = Rs. 200,000/- X 12 = Rs. 2.400,000/-Next 12 months = Rs. 600,000/- X 12 = Rs. 7,200,000/-Next 12 months = Rs.1,000,000/-X 12= Rs.12,000,000/-Next 12 months = Rs.1,000,000/-X 12= Rs.12,000,000/-Next 11 months = Rs.1,280,000/-X 11= Rs.14,080,000/-Final Installment= Rs.1,320,000/- =Rs. 1,320,000/-	47,200,000	49,000,000
Commercial Bank of Ceylon PLC	Long Term Loan for Working capital purpose Loan value : Rs. 10,592,121/-				-	10,592,121
Commercial Bank of Ceylon PLC	Covid IM Loan for POD Interest (01-04-2020 to 31-03-2021)				-	38,219,285
Commercial Bank of Ceylon PLC	Covid IM Loan for POD Interest (01-04-2021 to 31-03-2022)				-	10,744,881
Accrued Interest					18,330,288	15,803,960
					648,894,140	783,566,646

*AWPLR refers to Average Weighted Prime Lending Rate.

Interest bearing loans and borrowings- United Hotels Company Limited

Lending institution	Nature of facility	Interest rate	Collateral	Repayment terms	Carrying amount
					2024 Rs.
Commercial Bank of Ceylon PLC	Term Loan- Rs.75,000,000/-	15% Fixed	Rs. 240,000 x 12 months Rs. 730,000 x 12 months Rs.1,220,000 x 24 months Rs.1,480,000 x 11 months Rs.1,550,000 x 1 month	Primary mortgage bond over leasehold rights of “The Lake House” Polonnaruwa property owned by the Sri Lanka Tourism Development Authority for Rs. 75 Mn and corporate guarantee of Rs. 75 Mn from Ceylon Hotels Corporation PLC	56,590,000
Commercial Bank of Ceylon PLC	Term Loan- Rs.20,000,000/-	15% Fixed	Rs. 60,000 x 12 months Rs. 270,000 x 12 months Rs. 380,000 x 24 months Rs. 490,000 x 11 months Rs. 553,000 x 1 month	Primary mortgage bond over leasehold rights of “The Lake House” Polonnaruwa property owned by the Sri Lanka Tourism Development Authority for Rs. 75 Mn and Corporate guarantee of Rs. 3.75 Mn from Ceylon Hotels Corporation PLC	18,460,000
Commercial Bank of Ceylon PLC	Interest Moratorium Loan- Rs.40,312,585/-	10% Fixed	35 Equal Installements of Rs. 1,150,000 and Balance by final installement of Rs.1,750,000 (commencing from June 2023)	-	32,129,879
Cargills Bank PLC	Term Loan- US\$.1,994,006	10% Fixed	(Capital USD 6,081.72 + Interest) x 12 months, (Capital USD 16,617 + Interest)x 12 months, (Capital USD 299,100.95 + Interest) x 12 months, (Capital USD 319,041.01 + Interest)x 12 months, (Capital USD 338,981.08 + Interest)x 12 months, (Capital USD 358,921.14 + Interest)x 12 Months, (Capital USD 405,580.90 + Interest)x 12 Months	Existing Primary Mortgage Bond for USD 1.5Mn , Secondary Mortgage Bond for Rs.50Mn , Corporate Guarantee by Ceylon Hotel Corporation PLC for USD 120,000 , Corporate Guarantee from Ceylon Hotel Corporation PLC for Rs.52,000,000 , Corporate Guarantee from Ceylon Hotel Corporation PLC for Rs.30,000,000 , Corporate Guarantee from Ceylon Hotel Corporation PLC for Rs.60,000,000 , Letter of Comfort/ Awareness from Galle Face Company Ltd.	573,459,629
Cargills Bank Limited - USD Interest Moratorium (Accrued Interest)					6,652,781
					687,292,289

Interest bearing loans and borrowings-Tissa Resort (Pvt) Ltd

Lending institution	Nature of facility	Interest rate	Collateral	Repayment terms	Carrying amount	
					2024 Rs.	2023 Rs.
Commercial Bank of Ceylon PLC	Term Loan -Rs.5,700,000/-	10% fixed	In 35 Monthly equal installments of Rs.160,000/- each and final installment of Rs.197,000/- together with the interest	Corporate guarantee for Rs.216,500,000/-dated 25/11/2011 signed by Ceylon Hotel Corporation PLC , Primary mortgage bond No-1831 for Rs.216,500,000/-date 22/03/2012 executed over leasehold rights of katharagama road , Tissamahara Property owned by The Sri Lanka Tourism Development Authority	4,105,562	
Commercial Bank of Ceylon PLC	Term Loan -Rs.18,500,000/-	15% fixed	First 12 months Rs.80,000*12, Next 12 Months 250,000*12, Next 24 Months 400,000*24, Next 11 Months Rs.410,000*11 and final installment of Rs.430,000/-		17,700,000	
				-	21,805,562	

Interest bearing loans and borrowings- Ceylon Hotels Maldives (Pvt) Ltd

Hatton National Bank PLC	Term Loan -Rs.15,705,924/-	Fixed 6.18%	To be repaid in 24 installements 654,414.00 X 23 654,401.57 X 1	US\$ Fixed Deposit of Rs.1,631,512/-	3,926,484	
Hatton National Bank PLC	Term Loan -Rs.16,420,761/-	Fixed 6.93%	To be repaid in 24 installements 684,200.00 X 23 684,161.31 X 1	US\$ Fixed Deposit of Rs.1,631,512/-	1,368,400	
Hatton National Bank PLC	Term Loan -Rs.6,447,464/-	Fixed 6.18%	To be repaid in 24 installements 268,645.00 X 23 268,629.16 X 1	US\$ Fixed Deposit of Rs.1,631,512/-	1,611,870	
	Accrued Interest				46,000	
					6,952,754	
	Total Group				1,364,944,745	783,566,646
					1,364,944,745	783,566,646

*AWPLR refers to Average Weighted Prime Lending Rate.

Notes to the Financial Statements

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

As at 31 March	Group		Company	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
3 months or less	346,942,931	273,901,979	224,037,992	273,845,427
3-6 months	76,779,847	44,700,000	37,425,000	44,700,000
6-12 months	114,204,847	106,827,507	74,850,000	106,827,507
1-5 year	1,042,997,390	483,769,786	447,232,011	483,769,786
	1,580,925,015	909,199,271	783,545,003	909,142,719

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

As at 31 March	Group		Company	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Sri Lankan rupees	1,001,907,779	909,199,271	783,545,003	909,142,719
United States dollars	579,017,236	-	-	-
	1,580,925,015	909,199,271	783,545,003	909,142,719

28.6 Group and the Company have complied with the financial covenants of its borrowing facilities during the years ended March 31, 2024 and 2023.

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

29 DEFERRED TAX LIABILITY

As at 31 March	Group		Company	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Balance at the beginning of the year	1,876,923,268	860,393,691	1,876,923,268	860,393,691
Acquisition through business combinations	209,342,924	-	-	-
Origination of temporary differences				
Charge/(Reversal) through statement of profit or loss	1,579,882	(64,134,258)	(28,985,293)	(64,134,258)
Recognized in other comprehensive income				
Charge / (reversal) on actuarial gain/(loss)	(775,273)	(176,463)	(427,602)	(176,463)
Deferred tax on revaluation	(3,268,257)	-	-	-
Deferred tax impact on revaluation of land on income tax rate changes	-	1,080,840,298	-	1,080,840,298
Balance at the end of the year	2,083,802,544	1,876,923,268	1,847,510,373	1,876,923,268

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

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

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

29.1.1 Deferred tax - Group

As at 31 March	Statement of financial position		Statement of profit or loss	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Deferred tax liability				
Capital allowances for tax purpose	493,675,811	206,681,103	286,994,708	(9,564,651)
Deferred tax effect on revaluation of land and buildings	853,873,588	672,758,365	-	-
Income tax rate change effect on revaluation of land and buildings	1,080,840,298	1,080,840,298	-	-
Deferred tax effect on Right-of-Use assets	32,499,922	-	32,499,922	-
	2,460,889,619	1,960,279,766	319,494,630	(9,564,651)
Deferred tax assets				
Retirement benefit obligation - Through statement of profit or loss	(3,671,568)	(948,216)	(2,723,352)	(514,197)
Retirement benefit obligation - Through other comprehensive Income	(802,126)	(26,852)	-	-
Income tax rate change effect on retirement benefit obligation	(247,877)	(247,877)	-	-
Deferred tax effect on lease liabilities	(38,160,504)	-	(38,160,504)	-
Deferred tax effect on impairment provisions	(5,099,760)	(1,899,922)	(3,199,838)	(1,899,922)
Carried forward tax loss	(329,105,240)	(80,233,632)	(248,871,608)	(52,155,489)
	(377,087,075)	(83,356,499)	(292,955,302)	(54,569,608)
Effect from acquisition through business combinations			(24,959,446)	-
Deferred tax charge/ (reversal)			1,579,882	(64,134,259)
Net deferred tax liability	2,083,802,544	1,876,923,268		

Notes to the Financial Statements

29.1.2 Deferred tax - Company

As at 31 March	Statement of financial position		Statement of profit or loss	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Deferred tax liability				
Capital allowances for tax purpose	185,806,503	206,681,103	(20,874,600)	(9,564,651)
Deferred tax effect on revaluation of land and buildings	672,758,365	672,758,365	-	-
Income tax rate change effect on revaluation of land and buildings	1,080,840,298	1,080,840,298	-	-
	1,939,405,166	1,960,279,766	(20,874,600)	(9,564,651)
Deferred tax assets				
Retirement benefit obligation - Through statement of profit or loss	(703,870)	(948,216)	244,346	(514,197)
Retirement benefit obligation - Through other comprehensive Income	(454,454)	(26,852)	-	-
Income tax rate change effect on retirement benefit obligation	(247,877)	(247,877)	-	-
Deferred tax effect on impairment provision	(2,429,571)	(1,899,922)	(529,649)	(1,899,922)
Carried forward tax loss	(88,059,021)	(80,233,631)	(7,825,390)	(52,155,489)
	(91,894,793)	(83,356,499)	(8,110,693)	(54,569,608)
Deferred tax reversal			(28,985,293)	(64,134,259)
Net deferred tax liability	1,847,510,373	1,876,923,268		

29.2 Unrecognized deferred tax assets

Deferred income tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefit through future taxable profit is probable. According to Inland Revenue Act No.24 of 2017, tax losses could be carried forward for a period of six years, to claim against taxable profits. Any carried forward tax losses prior to Year of Assessment 2018/2019 shall be treated as loss incurred in the year of assessment 2018/2019. Accordingly, deferred income tax assets of Rs. 58,675,062/- (2022/23- Rs. 489,508/-) was not recognized in respect of subsidiaries, Suisse Hotel (Pvt) Ltd and Ceylon Hotels Maldives (Pvt) Ltd in the consolidated financial statements.

30 RETIREMENT BENEFIT OBLIGATIONS

As at 31 March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Balance at the beginning of the year	4,076,483	3,802,041	4,076,483	3,802,041
Acquisition through business combinations	7,315,259	-	-	-
Gratuity transferred from other entities	742,254	-	-	-
Interest cost (Note 30.1)	2,426,799	570,306	815,296	570,306
Current service cost (Note 30.1)	1,524,551	442,573	451,049	442,573
Total amount recognized in profit and loss	3,951,350	1,012,879	1,266,345	1,012,879
Remeasurement loss /(gain) (Note 30.1)	2,584,244	(238,048)	1,425,339	(238,048)
Total amount recognized in other comprehensive income	2,584,244	(238,048)	1,425,339	(238,048)
Employee benefit obligations paid	(2,931,020)	(500,389)	(2,080,831)	(500,389)
Balance at the end of the year	15,738,570	4,076,483	4,687,336	4,076,483

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

As at 31 March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Amount recognized in profit or loss				
Interest cost	2,426,799	570,306	815,296	570,306
Current service cost	1,524,551	442,573	451,049	442,573
	3,951,350	1,012,879	1,266,345	1,012,879
Amount recognized in other comprehensive income				
Remeasurement loss /(gain) on obligations for the year	2,584,244	(238,048)	1,425,339	(238,048)
	2,584,244	(238,048)	1,425,339	(238,048)

This obligation is not externally funded.

Notes to the Financial Statements

The retirement benefit obligation of the Group is based on the actuarial valuation carried out by Messrs. Actuarial and Management Consultants (Private) Limited; a professional actuarial valuer. The key assumption used in determining above were as follows;

	Group		Company	
	2024	2023	2024	2023
Financial assumptions				
Discount rate	11%	20%	11%	20%
Future salary growth rate	15%	17%	15%	17%
Demographic assumptions				
Mortality table	A 1967/70 Mortality Table	A 1967/70 Mortality Table	A 1967/70 Mortality Table	A 1967/70 Mortality Table
Retirement age	60 Years	60 Years	60 Years	60 Years

As per the guidelines issued by the Institute of Chartered Accountants of Sri Lanka, the discount rates has been adjusted to remove the risk from the market interest rate in arriving at the discount rate for the purpose of valuing employee benefit obligations as per LKAS 19.

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

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

30.2 The defined benefit obligations' sensitivity to changes in key assumptions as at 31 March 2024 and 2023 are shown below:

Group	Salary increment rate		Discount rate	
	1% increase	1% decrease	1% increase	1% decrease
2024				
Change in present value of defined benefit obligation	433,588	(417,363)	(375,577)	397,526
2023				
Change in present value of defined benefit obligation	89,448	(86,818)	(73,492)	76,842

Company	Salary increment rate		Discount rate	
	1% increase	1% decrease	1% increase	1% decrease
2024				
Change in present value of defined benefit obligation	102,910	(99,863)	(89,259)	93,671
2023				
Change in present value of defined benefit obligation	89,448	(86,818)	(73,492)	76,842

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

30.3 Maturity Analysis of Employee benefit

The weighted average duration of the defined benefit obligation is 2 Years (2022/2023 - 2 years) The distribution of the timing of undiscounted benefit payments is as follows.

As at 31 March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Less than or equal 1 year	5,580,826	1,579,626	2,192,129	1,579,626
Over 1 year and less than or equal 2 years	2,651,378	958,989	631,225	958,989
Over 2 years and less than or equal 5 years	4,761,977	1,130,732	1,424,969	1,130,732
Over 5 years and less than or equal 10 years	2,439,108	354,048	417,731	354,048
Over 10 years	305,281	53,088	21,282	53,088
Total expected payments	15,738,570	4,076,483	4,687,336	4,076,483

31 TRADE AND OTHER PAYABLES

As at 31 March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Trade payables	153,782,133	18,260,287	66,965,305	18,260,287
Advances and deposits	6,704,374	6,973,681	4,591,510	6,973,681
Accrued expenses	22,135,198	6,060,150	1,253,535	6,060,150
Other payables	155,310,464	49,967,180	39,222,486	49,875,573
	337,932,169	81,261,298	112,032,836	81,169,691

Terms and conditions of the above financial liabilities:

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

For explanations on the Group's liquidity risk management processes, refer to Note 36.2

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

32 CONTRACT LIABILITIES

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

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

As at 31 March	Group/Company	
	2024 Rs.	2023 Rs.
Balance at the beginning of the year	5,436,820	8,401,123
Advance received during the year	32,905,090	16,507,307
Refunds due to cancellation of bookings	(266,613)	(814,938)
Realizations during the year	(30,826,420)	(18,656,672)
Balance at the end of the year	7,248,877	5,436,820

According to SLFRS 15, advances received from customers on future bookings have been reclassified from trade payables and presented separately as 'Contract Liabilities' in the statement of financial position. Accordingly, advances amounting to Rs. 7,248,877/- (2022/2023 - Rs. 5,436,820/-) have been separately presented in the statement of financial position.

Notes to the Financial Statements

33 RELATED PARTY TRANSACTIONS

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

33.1 Amount due from related companies

As at 31 March Name of the Company	Relationship	Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Loan receivable					
Ceylon Hotels Corporation PLC	Parent company	-	1,164,794,017	-	1,164,794,017
Current account balance					
Ceylon Hotels Corporation PLC	Parent company	26,759,411	77,356,987	-	77,356,987
Galle Face Hotel 1994 (Pvt) Ltd	Affiliate	276,225	-	-	-
CHC Foods (Pvt) Ltd	Affiliate	3,230,809	-	-	-
GFH Management Company (Pvt) Ltd	Affiliate	982,841	1,407,125	-	1,407,125
Galle Face Group (Pvt) Ltd	Affiliate	-	853,400	-	853,400
Suisse Hotel (Pvt) Ltd	Subsidiary	-	-	39,184,491	9,593,546
Made in Italy (Pvt) Ltd	Affiliate	2,606	-	-	-
Gardiner Group (Pvt) Ltd	Affiliate	339,225	-	-	-
Suisse Hotel Kandy (Pvt) Ltd	Joint venture	33,373,726	4,000,000	-	-
		64,964,843	1,248,411,529	39,184,491	1,254,005,075
Less: Provision for expected credit losses		(3,141,642)	-	-	-
		61,823,201	1,248,411,529	39,184,491	1,254,005,075

33.1.1 Provision for expected credit losses

Balance at the beginning of the year	-	-	-	-
Acquisition through business combinations	6,342,977	-	-	-
(Provision)/ Reversal during the year	(3,201,336)	-	-	-
Balance at the end of the year	3,141,641	-	-	-

33.2 Amount due to related companies

As at 31 March Name of the Company	Relationship	Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
United Hotels Company Ltd	Subsidiary	-	5,108,224	121,607,639	5,108,224
CHC Rest Houses (Pvt) Ltd	Other related company	83,937	-	-	-
Ceylon Hotels Corporation PLC	Parent company	1,426,546	-	-	-
Gardiner Group (Pvt) Ltd	Affiliate	-	1,358,160	-	1,358,160
Galle Face Group (Pvt) Ltd	Affiliate	315	-	-	-
GFH Management Company (Pvt) Ltd	Affiliate	4,737,424	-	3,343,898	-
Galle Face Hotel 1994 (Pvt) Ltd	Affiliate	1,615,560	-	1,115,560	-
The Galle Face Hotel Company Ltd	Affiliate	36,199,900	-	500,000	-
Ceylon Hotels Maldives (Pvt) Ltd	Sub-Subsidiary	-	-	22,200,000	-
Ceylon Hotel Holdings (Pvt) Ltd	Other related company	163,620	-	-	-
		44,227,302	6,466,384	148,767,097	6,466,384

33.3 Transactions with related parties

Name of the related party	Relationship	Nature of transactions	Terms of transactions	Aggregate value of related party transactions entered into during the period		Balance as at 31 March		Aggregate value of related party transactions as a % of revenue
				2024	2023	2024	2023	
				Rs.	Rs.	Rs.	Rs.	
a. Transactions with the parent - Recurring and non-recurring transactions								
Ceylon Hotels Corporation PLC (CHC)	Parent	Settlement of intercompany loans at the UHCL acquisition	Note C	(1,164,835,549)	-	-	1,242,151,004	-95%
		Expenses paid by CHC on behalf of the Company	Note A	-	(2,909,521)			0%
		Reimbursement of expenses paid by CHC	Note A	-	749,035			0%
		Settlements of temporary advances by CHC	Note B	(32,596,783)	(31,718,670)			-3%
		Settlement of intercompany balances	Note A	(44,718,672)	-			-4%
		Interest income on loan given from the Company	Note C	-	111,194,611			0%
		*Net trade nature movement	Note A	(251,198)	-			0%
b. Transactions with Subsidiaries - Recurring transactions								
Suisse Hotel (Pvt) Ltd (SUH)	Subsidiary	Advances given during the year	Note B	20,000,000	18,000,000	39,184,491	9,593,546	2%
		Loans granted by the Company to SUH during the year	Note C	8,850,000	-			1%
		Expenses paid by the Company on behalf of SUH	Note A	217,219	337,500			0%
		Interest income on loans granted to SUH during the year	Note C	523,726	-			0%
c. Transactions with other related companies - Recurring transactions								
United Hotels Co. Ltd (UHC)	Subsidiary	Reimbursement of expenses paid by UHC	Note A	-	405,863	(121,607,639)	(5,108,224)	0%
		Expenses paid by UHC on behalf of the Company	Note A	-	(400,677)			0%
		Temporary advances received from UHC	Note B	(116,499,415)	-			-10%
		*Net trade nature movement	Note A	(1,152,661)	-			0%
GFH Management Company (Pvt) Ltd. (GFHM)	Affiliate company	Reimbursement of expenses	Note A	5,043,223	7,944,798	(3,343,898)	1,407,125	0%
		Expenses paid by GFHM on behalf of the Company	Note A	(9,794,246)	(9,124,124)			-1%
		*Net trade nature movement	Note A	(378,914)	-			0%
Tissa Resort (Pvt) Ltd (TRL)	Sub-subsidiary	Expenses paid by TRL on behalf of the Company	Note A	-	(14,000)			0%
		Reimbursement of expenses paid by TRL	Note A	-	-			0%
CHC Rest Houses (Pvt) Ltd (CHCRH)	Other related company	Expenses paid by CHCRH on behalf of the Company	Note A	-	-		5	0%
		Reimbursement of expenses paid by CHCRH	Note A	(5)	-			0%
Galle Face Group (Pvt) Ltd (GFG)	Affiliate company	Expenses paid by GFG on behalf of the Company	Note A	-	(17,951,487)		853,400	0%
		Reimbursement of expenses paid by GFG	Note A	(1,868,327)	-			0%
		Opening balance transfer	Note A	1,014,927	20,077,312			0%
		*Net trade nature movement	Note A	(2,752,320)	-			0%

Notes to the Financial Statements

Name of the related party	Relationship	Nature of transactions	Terms of transactions	Aggregate value of related party transactions entered into during the period		Balance as at 31 March		Aggregate value of related party transactions as a % of revenue
				2024	2023	2024	2023	
				Rs.	Rs.	Rs.	Rs.	
The Galle Face Hotel Company Ltd (GFHCL)	Affiliate company	Expenses paid by GFHCL on behalf of the Company	Note A	(500,000)	(8,137,862)	(500,000)	-	0%
	Affiliate company	Reimbursement of expenses paid by GFHCL	Note A	-	7,664,341	-	-	0%
Gardiner Group (Pvt) Ltd	Affiliate company	Settlement of intercompany balances	Note A	1,358,160	(1,358,160)	-	(1,358,160)	0%
	Other related company	Expenses paid by CHCF on behalf of the Company	Note A	-	(6,330)	-	-	0%
Galle Face Hotel 1994 (Pvt) Ltd (GFH 1994)	Affiliate company	Expenses paid by GFH 1994 on behalf of the Company	Note A	(1,115,560)	-	(1,115,560)	-	0%
Ceylon Hotels Maldives (Pvt) Ltd (CHML)	Sub-subsidiary	Temporary advances received from CHML	Note B	(22,200,000)	-	(22,200,000)	-	-2%

Note A - Transactions carried out in the ordinary course of business and charge at the face value of the expenses.

Note B - Temporary advances given in the ordinary course of business and no interest is charged on the outstanding balances. Payable on demand and short term in nature.

Note C - Terms and conditions related to intercompany lendings.

* Figures in brackets indicates payables.

33.4 Terms and conditions related to intercompany borrowings/lendings

Borrower	Repayment	Interest rate
Suisse Hotel (Pvt) Ltd	On Demand	Fixed interest rate- 8% per annum
Lender	Repayment	Interest rate
United Hotels Company Limited	On Demand	AWPLR+ 1% will be charged w.e.f. 1/10/2023

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

33.5 Recurrent transactions with related parties

Recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per March 31, 2024 audited financial statements, which require additional disclosures in the 2023/24 Annual Report under Colombo Stock Exchange listing rule 9.14.8 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under section 13(c) of the Securities and Exchange Commission Act are disclosed under Note 33.3 above.

33.6 Non - recurrent transactions with related parties

Name of the related party	Relationship	Value of the related party transaction entered into during the financial year	Value of related party transaction as a % of Equity	Value of related party transaction as a % of Total Assets	Terms and conditions of related party transaction	The rationale for entering into the transaction
a. Transactions with the parent - Non recurring transactions						
Ceylon Hotels Corporation PLC (CHC)	Parent	(1,164,835,549)	-11%	-9%	Note A	Partial settlement of purchase consideration at the time of acquisition of United Hotels Company Limited (UHC)

Note A-

The Company had a related party loan receivable balance as at 14 July 2024 and interest was accrued based on following terms and conditions

Borrower	Repayment	Interest rate
Ceylon Hotels Corporation PLC (CHC)	On Demand	AWPLR + 2% for the Rs. 100 million and AWDR + 1% for the remaining

The transactions were carried out in the ordinary course of business and were at arm's length price.

At the time of the UHC acquisition, related party loan receivable from CHC was set off for the amount payable by the Company to CHC and this has been disclosed as a non recurring transaction in current financial year.

Refer to Note 18.3 for additional details regarding the transaction mentioned above.

33.7 Compensation paid to key management personnel

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

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

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

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

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

Notes to the Financial Statements

34 CONTINGENT LIABILITIES

a) Pending litigations

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

There were no material contingent liabilities for the Group other than those disclosed below, as at the balance sheet date.

The Group is pursuing or is being pursued with legal action on the following legal cases. As per the representation given by the Management, these cases are still outstanding as at 31 March 2024.

The Kandy Hotels Company (1938) PLC

Name/Institution	Nature	Case No.
H. M Dingiri Menike	Tenant	RE/2645
Pledge Holidays (Pvt) Ltd	Tenant	DMR 972/21
M.W.H. Waheed of Tourist Shopping Centre	Tenant	DMR 02743/19
Labour Department	Unpaid budgetary relief allowance	APP/07/22 - HC Kandy
Labour Department	Unpaid budgetary relief allowance	APP/73/2022 - HC Kandy

United Hotels Company Limited

Name/Institution	Nature	Case No.
Bentota Pradeshiya Sabha	Operating a SLTDA approved Hotel, without a valid License	25263/MC Balapitiya
Bentota Pradeshiya Sabha	Operating a SLTDA approved Hotel, without a valid License	34452/MC Balapitiya
Bentota Pradeshiya Sabha	Operating a SLTDA approved Hotel, without a valid License	43335/MC Balapitiya
Bentota Pradeshiya Sabha	Operating a SLTDA approved Hotel, without a valid License	51834/MC Balapitiya
Senura Entertainment (Pvt) Ltd	Action filed by the company due to Senura entertainment (Pvt) Ltd not handling over vacant position of The Lake hotel , Polonnaruwa upon the termination of the operations agreement between the parties.	633/23/SPL/DC Nugegoda

Tissa Resort (Pvt) Ltd

Name/Institution	Nature	Case No.
Labour Department	Unpaid budgetary relief allowance	SC/SPL/LA/286/2023 - Supreme Court
Labour Department	Unpaid budgetary relief allowance	SC/SPL/LA/287/2023 - Supreme Court

Although, there can be no assurance, the Directors believe, based on the information currently available, that the ultimate resolution of such legal procedures would not likely have a material adverse affect on the results of operations, financial position or liquidity of the Company. Accordingly no provision for any liability has been made in the financial statements, nor has any liability been determined by the ongoing legal cases, as at 31 March 2024.

35 CAPITAL COMMITMENTS

There were no capital commitments approved by the Board of Directors, but not yet contracted (2022/23- Nil).

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Risk management framework

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

Financial instruments held by the Group principally comprise of cash, trade and other receivables, trade and other payables, loans and borrowings. The main purpose of these financial instruments is to manage the operating, investing and financing activities of the Group.

Financial risk management of the Group is carried out based on guidelines established by its parent Group's finance department which comes under the preview of the Board of Directors.

The parent company's finance department evaluates financial risk in close co-operation with the hotel operational units. The parent Company provides guidelines for overall risk management as well, covering specific areas such as credit risk, liquidity risk, interest rate risk and foreign currency risk.

The Group has established guidelines for risk controlling procedures and for the use of financial instruments, including a clear segregation of duties with regard to financial activities, settlements, accounting and related controlling. The guide lines and systems are regularly reviewed and adjusted accordingly to changes in markets and products. The Group's Executive Directors monitor these risks primarily through its operating and financing activities.

36.1 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

36.1.1 Exposure to credit risk

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

As at 31 March	Group				Company			
	2024 Rs.	% allocation	2023 Rs.	% allocation	2024 Rs.	% allocation	2023 Rs.	% allocation
Trade and other receivables	357,723,033	16%	27,028,597	2%	78,968,608	66%	27,028,597	2%
Amount due from related parties	61,823,201	3%	1,248,411,528	98%	39,184,491	33%	1,254,005,074	98%
Cash and cash equivalents								
- Cash at bank	1,882,119,155	81%	2,375,429	0%	849,586	1%	2,375,429	0%
	2,301,665,389		1,277,815,554		119,002,685		1,283,409,100	

36.1.2 Trade and other receivables

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

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

Please refer to 22.3 for impairment of debtors and 22.5 for trade receivables by credit quality.

36.1.3 Credit risk relating to cash and bank balances

In order to mitigate concentration, settlement and operational risks related to cash and bank balances, the company limits the maximum cash amount that can be deposited with a single counterparty. In addition, the company maintains an authorized list of acceptable cash counterparties based on current ratings and economic outlook, taking into account analysis of fundamentals and market indicators. The Group held cash and bank balances of Rs. 1,887 Million at 31 March 2024 (2023 - Rs. 5.6 Million).

36.2 Liquidity Risk

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

The Group's policy is to hold cash and undrawn committed facilities at a level sufficient to ensure that the Group and company have available funds to meet its medium term capital and funding obligations, including organic growth and acquisition activities, and to meet any unforeseen obligations and opportunities. The Group holds cash and undrawn committed facilities to enable the Group to manage its liquidity risk.

The Group monitors its risk to shortage of funds using a daily cash management process. This process considers the maturity of both the Group's financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations.

36.2.1 Net (debt)/cash

As at 31 March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Cash in hand and at bank	1,887,317,671	5,652,701	3,349,585	5,652,701
Total liquid assets	1,887,317,671	5,652,701	3,349,585	5,652,701
Interest-bearing loans and borrowings	(1,364,944,745)	(783,566,646)	(648,894,140)	(783,566,646)
Bank overdrafts	(215,980,271)	(125,632,625)	(134,650,863)	(125,576,073)
Total liabilities	(1,580,925,016)	(909,199,271)	(783,545,003)	(909,142,720)
Net (debt)/cash	306,392,655	(903,546,570)	(780,195,418)	(903,490,019)

36.2.2 Liquidity risk management

The mixed approach combines elements of the cash flow matching approach and the liquid assets approach. The business units attempt to match cash outflows in each time against a combination of contractual cash inflows plus other inflows that can be generated through the sale of assets, repurchase agreement or other secured borrowing.

Maturity analysis

The table below summarizes the maturity profile of financial liabilities at 31 March 2024 based on contractual undiscounted payments.

Year ended 31 March 2024 Group	Carrying Amount Rs.	Contractual cash flows Rs.	Less than 3 months Rs.	Between 3 -12 months Rs.	More than 1 year Rs.	Total Rs.
Trade and other payables	337,932,169	337,932,169	297,251,644	37,523,968	3,156,557	337,932,169
Amounts due to related companies	44,227,302	44,227,302	-	44,227,302	-	44,227,302
Interest bearing loans & borrowings	1,364,944,745	1,542,253,651	149,033,016	242,353,207	1,150,867,428	1,542,253,651
Lease liability	127,201,672	404,183,234	4,614,328	13,842,983	385,725,923	404,183,234
Bank overdraft	215,980,271	215,980,271	215,980,271	-	-	215,980,271
	2,090,286,159	2,544,576,627	666,879,258	337,947,460	1,539,749,908	2,544,576,627

Year ended 31 March 2024 Company	Carrying Amount Rs.	Contractual cash flows Rs.	Less than 3 months Rs.	Between 3 -12 months Rs.	More than 1 year Rs.	Total Rs.
Trade and other payables	112,032,836	112,032,836	89,011,765	23,058,571	-	112,070,336
Amounts due to related companies	148,767,097	148,767,097	-	148,767,097	-	148,767,097
Interest bearing loans & borrowings	648,894,140	826,203,045	107,457,485	163,643,513	555,102,047	826,203,045
Bank overdraft	134,650,863	134,650,863	134,650,863	-	-	134,650,863
	1,044,344,936	1,221,653,841	331,120,113	335,469,181	555,102,047	1,221,691,341

Year ended 31 March 2023 Group	Carrying Amount Rs.	Contractual cash flows Rs.	Less than 3 months Rs.	Between 3 -12 months Rs.	More than 1 year Rs.	Total Rs.
Trade and other payables	81,261,298	81,261,298	20,315,324	28,441,454	32,504,520	81,261,298
Amounts due to related companies	6,466,384	6,466,384	-	-	6,466,384	6,466,384
Interest bearing loans & borrowings	783,566,646	783,566,646	148,269,353	44,700,000	590,597,293	783,566,646
Bank overdraft	125,632,625	125,632,625	125,632,625	-	-	125,632,625
	996,926,953	996,926,953	294,217,302	73,141,454	629,568,197	996,926,953

36.2.3 Management of liquidity risk

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

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

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

36.3 Market risk

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

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market prices comprise four types of risk:

- Interest rate risk
- Currency risk
- Commodity price risk
- Equity price risk

36.3.1 Interest rate risk

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

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

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

a) Exposure to interest rate risk

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

As at 31 March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Variable rate instruments				
Interest-bearing borrowings	1,364,944,745	783,566,646	648,894,140	783,566,646
Bank overdrafts	215,980,271	125,632,625	134,650,863	125,576,073
	1,580,925,016	909,199,271	783,545,003	909,142,720

b) Cash Flow sensitivity for variable rate instruments

The Group's and the Company's exposure to interest rate risk at the end of the financial year are shown in notes 24 and 28 to the financial statements.

A change of 1% in interest rates at the end of the reporting period would have increased/(decreased) profits or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

As at 31 March	Group	Company
	2024 Rs.	2024 Rs.
Variable rate instruments		
1% increase in interest rate	(15,809,250)	(7,835,450)
1% decrease in interest rate	15,809,250	7,835,450

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

36.3.2 Foreign currency risk

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

a) Exposure to currency risk

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

As at 31 March	2024		2023	
	Amount in USD	Amount in LKR	Amount in USD	Amount in LKR
Financial Assets				
Cash at bank	13,405	4,037,458	2,217	725,500
Fixed deposits	3,920,945	1,180,910,304	-	-

Closing average exchange rate as at 31st March 2024 is Rs. 301.18 (2022/2023 - Rs. 327.29)

b) Sensitivity to foreign exchange rate

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

As at 31 March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
1% change	11,849,478	7,055	2,474	7,055

c) Management of foreign exchange risk

The treasury officer analyses the market condition of foreign exchange and analyze the utilization of cash flows.

Regularly review timing of foreign currency cash inflows and outflows and takes decisions on whether to reinvest the foreign cash flows or utilize to make the foreign currency payments.

36.4 Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong financial position and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure, and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may or may not make dividend payments to shareholders, issue new shares or other instruments.

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

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

As at 31 March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Trade and other payables	337,932,169	81,261,298	112,032,837	81,169,691
Amounts due to related companies	44,227,302	6,466,384	148,767,097	6,466,384
Interest-bearing borrowings and loans	1,580,925,016	909,199,271	783,545,003	909,142,720
Less: Cash and cash equivalents	(1,887,317,671)	(5,652,701)	(3,349,585)	(5,652,701)
Debts	75,766,816	991,274,252	1,040,995,352	991,126,094
Capital (Total equity)	9,174,725,647	8,018,022,832	10,462,916,867	7,881,674,735
Capital and net debt	9,250,492,463	9,009,297,084	11,503,912,219	8,872,800,827
Gearing ratio (Debt to Total Capital) - Times	0.01	0.11	0.09	0.11

37 FINANCIAL INSTRUMENTS

a) Financial instruments by category

The Group holds the following financial instruments.

As at 31 March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Financial assets				
Financial assets not measured at fair value (amortized cost)				
Trade and other receivables	357,723,033	27,028,597	78,968,608	27,028,597
Amount due from related companies	61,823,201	1,248,411,529	39,184,491	1,254,005,075
Cash and cash equivalents	1,887,317,671	5,652,701	3,349,585	5,652,701
Financial assets measured at fair value				
Financial assets at fair value through other comprehensive income ('FVOCI')	-	731,741,321	-	731,741,321
Financial liabilities				
Financial liabilities not measured at fair value (amortized cost)				
Trade and other payables	337,932,169	81,261,298	112,032,836	81,169,691
Interest-bearing borrowings	1,364,944,745	783,566,646	648,894,140	783,566,646
Amount due to related parties	44,227,302	6,466,384	148,767,097	6,466,384
Bank overdrafts	215,980,271	125,632,625	134,650,863	125,576,073

b) Credit quality of financial assets

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

The ageing of the trade receivables that are past due not impaired is disclosed in the note 22.5 to the financial statements.

The group holds the following financial instruments.

As at 31 March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Cash at bank and in hand				
Sri Lanka rupees	702,369,909	4,927,201	3,102,518	4,927,201
United States dollars	1,184,947,762	725,500	247,067	725,500
Cash and cash equivalents	1,887,317,671	5,652,701	3,349,585	5,652,701

38 EVENTS OCCURRING AFTER THE REPORTING DATE

No circumstance have arisen since the statement of financial position date that require adjustments to, or disclosure in the Consolidated Financial Statements.

INVESTOR INFORMATION

ANALYSIS OF ORDINARY SHAREHOLDERS AS AT 31ST MARCH 2024

Share Range	No. of Shareholders	No. of Shares	Holding %
1 - 1000	1,295	277,930	0.04%
1001 - 10000	415	1,636,044	0.21%
10001 - 100000	185	6,674,883	0.88%
100001 - 1000000	54	15,426,491	2.05%
1000001 - & Above	22	730,293,905	96.82%
Totals	1,971	754,309,253	100.00%

ANALYSIS OF PREFERENCE SHAREHOLDERS AS 31ST MARCH 2024

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

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

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

a) Directors' Shareholding in the Company

Name of the Director	31st March 2024		31st March 2023	
	Ordinary Shares	Preference Shares	Ordinary shares	Preference Shares
Mr. Sanjeev Gardiner	87,500	9,500	87,500	9,500
Mr. J C Ratwatte	175,000	Nil	175,000	Nil
Mr. L Samarasinghe (demised)	5,500	Nil	5,500	Nil
Mr. M W A D J N Wijesuriya	Nil	Nil	Nil	Nil
Mr. S C Mohotti	Nil	Nil	Nil	Nil
Mr. P P Maddumage	Nil	Nil	Nil	Nil
Mr. M D R Gunatilleke	43,611	Nil	43,611	Nil
Mr. P N D Bandara	Nil	Nil	Nil	Nil

- b) Public Shareholding – 120,290,003 (2023 – 120,290,003)
c) Percentage of ordinary shares held by public - 15.95% (2023-20.83%)
d) No. of Public shareholders – 1,957 (2023 - 1,956)

The Company is not in compliance with the Minimum Public Holding requirements in relation to a Company listed on the Main Board, as per Rule 7.13.1 (a) of the Listing Rules of the Colombo Stock Exchange. The shares have been transferred to the Second Board effective 29 February 2024 due to the aforementioned non-compliance.

- e) Highest, lowest and Market value per share from 1st April 2023 to 31st March 2024

Period	Year ended 31st March 2024
Date High	8/23/2023
High Rs.	10.60
Date Low	6/6/2023
Low Rs.	6.70
Close Rs.	8.10
Trade Vol	2,944
Share Vol	3,117,356
Turnover Rs.	27,818,092.30
Last Traded date	3/28/2024
Days Traded	227

MARKET PRICE PER SHARE FOR THE PERIOD FROM 01/04/2023 TO 31/03/2024

Name of the Director	2023/24		2022/23	
	Date	Share Price Rs.	Date	Share Price Rs.
Highest Market Price	8/23/2023	10.60	9/14/2022	9.80
Lowest Market Price	6/6/2023	6.70	6/28/2022	5.10
Closing Market Price	3/28/2024	8.10	3/31/2023	7.50

MARKET CAPITALIZATION

Market capitalization of the company, which is the number of ordinary shares in issue multiplied by the closing market value of a share was Rs. 6.1 billion as at 31st March 2024 (2023 - Rs.4.33 billion).

The float adjusted market capitalisation as at 31st March 2024 was Rs. 974.53 Mn (2023 - Rs. 902.18 Mn).

Investor Information

TOP 21 SHAREHOLDERS (ORDINARY VOTING) AS AT 31ST MARCH 2024

Name	Position	No. of Shares	Holding %
1 Ceylon Hotels Corporation PLC	1	528,661,003	70.09
2 Ceylon Hotels Investment (Pvt) Limited	2	49,715,471	6.59
3 Seylan Bank PLC/Hotel International (private) Limited	3	36,890,938	4.89
4 Adiuvat Investment Fund	4	36,582,097	4.85
5 Prograss Investments Limited	5	32,863,522	4.36
6 Hotel International (Private) Limited	6	17,906,619	2.37
7 Mr. N.V.S. Saackville	7	4,368,000	0.58
8 Mr. P.R.F. Collas	8	1,965,250	0.26
9 Mr. G.C. Goonetilleke	9	1,945,755	0.26
10 Mrs. L. Ratwatte	10	1,853,000	0.25
11 Mr. P.V. Gunasekera	11	1,750,000	0.23
12 Mrs. M.F. Gunasekera	11	1,750,000	0.23
13 Mrs. A.U.R. Pethiyagoda	13	1,500,000	0.20
14 Mr. J. Laravoire	14	1,496,250	0.20
15 Mr. E. Laravoire	14	1,496,250	0.20
16 Ms. M. Chevallaz	14	1,496,250	0.20
17 Mr. P. Chevallaz	14	1,496,250	0.20
18 Mr. A. Chevallaz	14	1,496,250	0.20
19 Ms. H. Sauties	14	1,496,250	0.20
20 Mr. J.P. Sauties	14	1,496,250	0.20
21 Mr. J.F.C. Badcock	21	1,034,250	0.14
22 Mr. F.D.M. Badcock	21	1,034,250	0.14
Subtotal		730,293,905	96.84
Balance held by others		24,015,348	3.16
Total number of shares		754,309,253	100.00

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

Name	Position	No. of Shares	Holding %
1 Ceylon Hotels Corporation PLC	1	401,567,250	69.54
2 Seylan Bank PLC/Hotel International(private) Limited	2	36,890,938	6.39
3 Adiuvat Investment Fund	3	36,582,097	6.33
4 Prograss Investments Limited	4	32,863,522	5.69
5 Hotel International (Private) Limited	5	17,906,619	3.10
6 Mr. N.V.S. Saackville	6	4,368,000	0.76
7 Mr. P.R.F. Collas	7	1,965,250	0.34
8 Mr. G.C. Goonetilleke	8	1,945,755	0.34
9 Mrs. L. Ratwatte	9	1,853,000	0.32
10 Mr. P.V. Gunasekera	10	1,750,000	0.30
11 Mrs. M.F. Gunasekera	10	1,750,000	0.30
12 Mrs. A.U.R. Pethiyagoda	12	1,500,000	0.26
13 Mr. J. Laravoire	13	1,496,250	0.26
14 Mr. E. Laravoire	14	1,496,250	0.26
15 Ms. M. Chevallaz	14	1,496,250	0.26
16 Mr. P. Chevallaz	14	1,496,250	0.26
17 Mr. A. Chevallaz	14	1,496,250	0.26
18 Ms. H. Sauties	14	1,496,250	0.26
19 Mr. J.P. Sauties	14	1,496,250	0.26
20 Mr. J. F. C. Badcock	20	1,034,250	0.18
21 Mr. F.D.M. Badcock	20	1,034,250	0.18
Subtotal		553,484,681	95.84
Balance held by others		24,015,319	4.16
Total number of shares		577,500,000	100.00

5 YEAR AT A GLANCE

Year Ended	31st March 2024		31st March 2023		31st March 2022		31st March 2021		31st March 2020	
	Rs.	Company	Rs.	Company	Rs.	Company	Rs.	Company	Rs.	Company
Trading Results										
Turnover	1,223,258,331	594,884,827	309,339,828	181,218,816	181,218,816	145,045,475	410,663,517	410,663,517	410,663,517	410,663,517
Profit / (Loss) Before Tax	(100,396,181)	(80,810,145)	(63,980,146)	(155,361,865)	(223,602,228)	(167,541,616)	(52,918,653)	(65,206,318)	(65,206,318)	34,213,892
Taxation	(19,459,543)	18,021,089	48,276,695	1,081,928	1,081,928	(153,754)	(153,754)	(7,343,202)	(7,343,202)	(7,343,202)
Net Profit/(Loss) for the Year	(119,855,724)	(62,789,056)	(20,803,451)	(15,718,850)	(222,520,300)	(167,695,370)	(53,072,407)	(72,549,520)	(72,549,520)	26,870,690
Property Plant & Equipment										
Property Plant & Equipment	10,593,518,606	8,462,050,559	8,511,705,269	8,572,370,586	8,572,370,586	7,461,020,648	7,461,020,648	7,523,969,574	7,523,969,574	7,523,969,574
Intangible Assets	2,040,024	724,609	8,357,689	12,085,570	12,085,570	16,777,238	16,777,238	21,512,306	21,512,306	21,512,306
Right-of-use Assets	108,333,072	-	-	-	-	-	-	-	-	-
Investment in subsidiary	-	4,718,064,472	-	176,421,177	-	176,421,177	-	352,843,177	-	352,843,177
Investment in Joint Venture	236,640,375	-	318,510,978	-	-	107,984,127	-	222,421,100	-	222,421,100
Investment in equity securities	-	-	731,741,321	600,000,000	600,000,000	525,000,000	525,000,000	525,000,000	525,000,000	525,000,000
Non Current Assets	10,940,532,077	13,180,839,640	9,570,315,257	9,428,225,456	9,184,456,156	8,110,782,013	8,355,641,063	8,292,902,980	8,423,325,057	8,423,325,057
Current Assets										
Current Assets	2,435,280,773	185,868,749	1,335,964,459	1,253,667,043	1,253,667,043	1,195,378,431	1,195,378,431	1,144,722,117	1,144,722,117	1,144,722,117
Current Liabilities	950,431,325	604,361,802	523,339,189	377,047,343	376,390,241	293,009,238	292,520,349	154,639,418	154,639,418	154,172,052
Net Current Assets	1,484,849,448	(418,493,053)	812,477,112	876,619,700	877,276,802	902,369,193	902,858,082	990,082,699	990,082,699	990,444,419
Capital Employed	12,425,381,525	12,762,346,587	10,382,792,369	10,246,444,272	10,061,075,856	10,238,154,135	9,013,151,206	9,258,469,848	9,282,985,679	9,413,769,476
Less : Non Current Liabilities										
Interest bearing loans & borrowings	1,043,121,002	447,232,011	483,769,786	483,769,786	527,786,602	547,616,226	547,616,226	629,844,118	629,844,118	629,844,118
Deferred Tax Liabilities	2,083,802,544	1,847,510,373	1,876,923,268	1,876,923,268	860,393,691	715,767,993	715,767,993	736,754,802	736,754,802	736,754,802
Lease Liabilities	107,993,762	-	-	-	-	-	-	-	-	-
Retirement Benefit Obligations	15,738,570	4,687,336	4,076,483	4,076,483	3,802,041	4,553,721	4,553,721	4,280,891	4,280,891	4,280,891
NET ASSETS	9,174,725,647	10,462,916,867	8,018,022,832	7,881,674,735	8,669,093,522	8,846,171,801	7,741,798,836	7,987,117,479	7,910,050,001	8,040,833,800
SHARE CAPITAL & RESERVES										
Paid-up- capital	2,661,816,425	2,661,816,425	16,750,000	16,750,000	16,750,000	16,750,000	16,750,000	16,750,000	16,750,000	16,750,000
Reserves	6,512,909,222	7,801,100,442	8,001,272,832	7,864,924,735	8,652,343,522	8,829,421,801	7,725,048,836	7,970,367,479	7,893,300,001	8,024,083,800
Share Holders Funds	9,174,725,647	10,462,916,867	8,018,022,832	7,881,674,735	8,669,093,522	8,846,171,801	7,741,798,836	7,987,117,479	7,910,050,001	8,040,833,800
Ratios And Statistics										
Current Ratio	2.56	0.31	2.55	2.56	3.32	3.33	4.08	4.09	7.40	7.42
Earnings/(Losses) per Ordinary Share (Rs.)	(0.17)	(0.09)	(0.04)	(0.03)	(0.27)	(0.39)	(0.29)	(0.09)	(0.13)	0.05
Net Assets per Ordinary Share (Rs.)	12.16	13.87	13.88	13.65	15.01	15.32	13.41	13.83	13.70	13.92
Market Shareholder Information										
No of shares in issue	754,309,253		577,500,000		577,500,000		577,500,000		577,500,000	
Highest	10.60		9.80		10.2		5.9		6.5	
Lowest	6.70		5.10		4.5		4.7		4	
Market Capitalization	6,109,904,949		4,331,250,000		3,984,750,000		3,060,750,000		2,483,250,000	

NOTICE OF ANNUAL GENERAL MEETING

THE KANDY HOTELS COMPANY (1938) PLC - PQ201

NOTICE IS HEREBY GIVEN that the Annual General Meeting of The Kandy Hotels Co. (1938) PLC will be held as a Virtual Meeting assembled at the Corporate Office No.327, Union Place, Colombo 2 on 26th September 2024 at 10.00 a.m. via Audio/Video Technology for the purpose of conducting the following business.

- 1) To receive, consider and adopt the Annual Report of the Board of Directors on the affairs of the company, the Audited Accounts for the year ended 31st March 2024 and the Report of the Auditors thereon.
- 2) To re-elect Mr Pradeep Nilanga Dela who retires by rotation in terms of Article 91 and Article 93 of the Articles of Association.
- 3) To re-elect Mr Chaminda Shalike Karunasena who was appointed to the Board on 2nd of August 2024 in terms of Article 95a of the Articles of Association.
- 4) To re-appoint Mr Chandra Mohotti as a Director of the Company who is over seventy years of age and to consider and pass the following resolution if deemed fit.

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

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

“IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act, No.07 of 2007 shall not apply to Mr Jayampathy Charitha Ratwatte who has reached the age of 76 years and that he be re-appointed as a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year.

- 6) To re-appoint Messrs. Ernst & Young, Chartered Accountants, and the retiring Auditors for the ensuing Financial Year and authorize the Directors to fix their remuneration.
- 7) To authorize the Directors to determine donations for 2024/2025 and up to the next Annual General Meeting date.
- 8) To transact any other business that may properly be brought before the meeting.

By Order of the Board of
THE KANDY HOTELS COMPANY (1938) PLC



Deloitte Corporate Services (Private) Limited

Company Secretaries
Colombo, this 29th August 2024

Note:

- a. Only persons who are shareholders of the Company and whose names appear on the share register as of the AGM date will be entitled to attend the above meeting.
- b. A shareholder entitled to attend and vote at the above meeting is required to complete and submit a pre-registration form in order to ensure participation at the AGM of the Company. Only members of The Kandy Hotels Company (1938) PLC (KHC) are entitled to take part in the AGM.
- c. A Pre-registration form is enclosed for this purpose to be completed by KHC shareholders only.
- d. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote on his/her behalf. A proxy need not be a member of the Company.
- e. A form of proxy is enclosed for this purpose.
- f. The Instruments for registration and appointing a proxy must be completed and deposited at the Deloitte Corporate Services (Private) Limited, Level 03, No.11, Castle Lane, Colombo - 04, 48 hours before the meeting.
- g. For more Information on how to participate by virtual means in the above meeting, please refer to the supplementary notice to shareholders.

FORM OF PROXY

THE KANDY HOTELS COMPANY (1938) PLC- PQ 201
No. 327, Union Place, Colombo 2

I/Weof

(NIC No.)of

being a member / members of The Kandy Hotels Company (1938) PLC, hereby

..... appoint: of

Mr Sanjeev Gardiner	of Colombo	(or failing him)
Mr Jayampathy Charitha Ratwatte	of Colombo	(or failing him)
Mr Priyantha Pushpakumara Maddumage	of Colombo	(or failing him)
Mr Sarath Chandra Mohotti	of Colombo	(or failing him)
Mr Mestiyage Don Ranjith Gunatilleke	of Colombo	(or failing him)
Mr Pradeep Nilanga Dela	of Colombo	(or failing him)
Mr Chaminda Shalike Karunasena	of Colombo	

as my/our Proxy to represent and speak and vote for me/us* and on my/our behalf at the Annual General Meeting of the Company to be held on 26th September 2024 and at any adjournment thereof and at every poll which may be taken in consequence thereon.

I/We* the undersigned, hereby direct my/our* proxy to speak and vote for me/us and on my/our behalf on the resolution set out in the Notice convening the meeting, as follows:

		For	Against
1	To receive, consider and adopt the Annual Report of the Board of Directors on the affairs of the Company, the Audited Accounts for the year ended 31st March 2024 and the Report of the Auditors thereon	<input type="checkbox"/>	<input type="checkbox"/>
2	To re-elect Mr Pradeep Nilanga Dela who retires by rotation in terms of Article 91 and Article 93 of the Articles of Association and is eligible for re-election	<input type="checkbox"/>	<input type="checkbox"/>
3	To re-elect Mr Chaminda Shalike Karunasena who was appointed to the board on 2nd August 2024 in terms of Article 95a of the Articles of Association	<input type="checkbox"/>	<input type="checkbox"/>
4	To re-appoint Mr Chandra Mohotti who is over seventy years of age as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>
5	To re-appoint Mr Jayampathy Charitha Ratwatte who is over seventy years of age as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>
6	To re-appoint Messrs, Ernst & Young the retiring Auditors and authorize the Directors to fix their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
7	To authorize the Directors to determine donations for the Year 2024/2025 and up to the date of the next Annual General Meeting	<input type="checkbox"/>	<input type="checkbox"/>

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

.....
 Signature of Shareholder

Notes: * Please indicate your folio number given in the address sticker carrying this annual report pack, ** Instructions as to completion appear overleaf, ***Please indicate with an "x" in the space provided, how your Proxy is to vote on the Resolutions.

If no indication is given, the Proxy in his discretion will vote as he thinks fit.

Form of Proxy

INSTRUCTIONS FOR COMPLETION

- 1) Kindly perfect the Form of Proxy by filling in legibly your full name, address and the National Identity Card number and by signing in the space provided and filling in the date of signature.
- 2) A proxy need not be a shareholder of the Company. However, the proxy must be above 18 years of age.
- 3) The completed form of proxy must be deposited at the Deloitte Corporate Services (Private) Limited, Level 03, No:11, Castle Lane, Colombo 4, not less than forty-eight hours before the time fixed for the meeting.
- 4) If you wish to appoint a person other than the Chairman or a Director of the Company, please insert the relevant details in the space provided (above the names of the Board of Directors) on the Proxy Form.
- 5) If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should accompany the Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
- 6) If the appointor is a company/ Incorporated body, this form must be executed in accordance with the Articles of Association/ Statute.

CORPORATE INFORMATION

NAME OF THE COMPANY

The Kandy Hotels Co. (1938) PLC

COMPANY REGISTRATION NUMBER

PQ 201

LEGAL FORM

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

STOCK EXCHANGE LISTING

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

DIRECTORS

Mr. Sanjeev Gardiner - *Chairman*
Mr. Charitha Ratwatte - *Senior Independent Director*
Mr. Priyantha Maddumage
Mr. Ranjith Gunatilleke
Mr. Chandra Mohotti
Mr. Nilanga Dela
Mr. Shalike Karunasena

Mr. Nahil Wjesuriya *has resigned w.e.f. 16th August 2024*

REGISTERED OFFICE

No. 327, Union Place, Colombo 02
Tel :- 011 7657900, 011 2421847
Email : Corporateoffice@ceylonhotels.net
Corporate website : www.chcplc.com

MANAGERS OF THE QUEENS HOTEL AND HOTEL SUISSE

Galle Face Group (Pvt) Limited

HOTEL RESERVATIONS

Ceylon Hotels Corporation PLC
Regency Wing – Galle Face Hotel
No.02, Galle Road, Colombo 03
Tel :- +94 081 2233026
Email : reservations.queens@kandyhotels.lk
Website : www.queenshotel.lk , www.hotelsuisse.lk

SECRETARIES

Deloitte Corporate Services (Private) Limited (formerly known as
Accounting Systems Secretarial services (Pvt) Limited)
Level 03, No 11,
Castle Lane,
Colombo 04.
Tel :- 011 2505152/ 011-5444425

EXTERNAL AUDITORS

Messrs. Ernst & Young
Chartered Accountants
No 839/2 Peradeniya Road,
Kandy.

BANKERS

Commercial Bank of Ceylon PLC.
Nations Trust Bank PLC.
Hatton National Bank PLC.
Sampath Bank PLC

The Kandy Hotels Co. (1938) PLC

No.327, Union Place, Colombo 02.

www.queenshotel.lk

www.hotelsuisse.lk