



The GRAND HOTEL NUWARA ELIYA

THE NUWARA ELIYA HOTELS COMPANY PLC. ESTD. 1891
NUWARA ELIYA - SRI LANKA
Company Registration No. PG101
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08th June 2020.

Mr. Renuke Wijeyawardhane
Chief Regulatory Officer,
Colombo Stock Exchange,
04-01, West Block,
World Trade Centre,
Colombo 01.

Dear Sir,

Disclosure on Impact of Covid-19

This has reference to your circular issued by you on 20th April 2020 and subsequent circular on 04th May 2020 regarding the disclosure on impact of Covid-19 to be made by Listed Companies.

The impact, response and the recovery process of The Nuwara Eliya Hotels Co. PLC in relation to the global pandemic – Covid-19 is given below.

The impact of Covid-19 pandemic on the Company

The “Grand Hotel” is owned and managed by The Nuwara Eliya Hotels Co. PLC.

A new business/operational risk has emerged as a result of the global pandemic Covid-19 to most companies worldwide especially in tourism, travel and hotel industries which are highly sensitive to such calamities. Various travel restrictions have been imposed by almost all countries around the world including the most lucrative markets of the “Grand Hotel” such as UK, European, Middle Eastern, Chinese and Indian. As a result of these travel restrictions a drastic drop in revenue and occupancy had already taken place and is expected to continue until the pandemic is controlled and the travel restrictions are removed.

Travel and Tourism sector is one of the leading foreign exchange earner for Sri Lanka and Tourism sector being the fourth largest contributor. The burden it would create on the balance of payments and on the economy is enormous. In addition to this, there would be ripple effects of this impact on the tourism sector which would roll on to many other industries such as agriculture, farming, transportation and services etc.

Funding and Liquidity

The company's cash flow is being affected by the drastic drop in the revenues and occupancy levels. However, several cost management measures have been initiated by the company to maintain the

liquidity. Temporarily suspending the capital expenditure, managing the staffing effectively to reduce the staff cost whilst adhering to the Government regulations, limiting the advertisement and promotional expenses, energy saving by closely monitoring the daily usage of water and electricity and taking measures to ensure minimum lighting and heating are some of the key measures being taken to manage the cost and liquidity of the company.

Internal Operations

Internal operations of hotel are carried out in order to continue the necessary maintenance work of the property with minimum number of in house staff complying with the Covid-19 health and safety measures recommended by the relevant authorities.

Business Continuity

Currently the "Grand Hotel" is operating without any guests at the hotel. The hotel has initiated a delivery service in order to ensure that our staffs are engaged in some operational activity and to maintain the employee morale while ensuring that necessary health and safety measures are put in place in the hotel.

Supply Chain Management

The company is focused in maintaining the relationships with its suppliers. We strive to ensure that all the supplier payments are made on a time without any undue delays and we intend to continue obtaining supplies from our registered suppliers.

Further, we have already taken measures to ensure that our suppliers follow the newly introduced health and safety guidelines in supplying goods from now on.

Human Resource

We do not intend in laying off any of our permanent staff members in an environment where a global pandemic is spreading rapidly, with airport closures, curfews and lockdowns being imposed and above all we are constantly focused in ensuring the health and wellbeing of our employees.

The response of "Grand Hotel" to the impact of Covid-19

We at "Grand Hotel" fully understand the safety measures taken by the Government to control the spread of this pandemic by imposing curfew and the closure of the international airport resulting in the current stagnation period.

The management has understood the importance of keeping up the motivation and commitment levels of the employees and in this period has taken the initiative to provide extensive training for the employees so that they are well equipped and ready for an ambitious start once the operations recommence when the economy recovers from the pandemic.

Routine maintenance programme will be continued without any disruption during this period to upkeep the standards of the property. However investments in new capital assets have been temporarily halted as a measure to manage the cash flow.

In addition to this the management has formulated a contingency strategy to face the future developments in the global pandemic. Cost management and liquidity control are two main concerns while ensuring the sustainability of the company.

However, since the global pandemic is spreading at an increasing rate in most of the countries around the world and with the possibility of multiple waves occurring in the spread of virus, we are not in a position at the moment to assess the short term or long term impact of Covid-19.

"Grand Hotel's" expectation on the future impact of Covid-19

We believe that there would be many changes on the operations of the business even after the pandemic is over such as increase in health and safety standards, compliance requirements to provide hospitality services and working from home are some of the changes that would impact our industry and business.

However, with the proactive responses taken by the Government, we have an optimistic view on the future of the tourism industry as Sri Lanka could be at a competitive advantage of being recognized as country with reliable health services and a safe destination for the tourists to travel.

With several decades of experience and focus on the industry we are working through our contingent strategy to gradually open our doors to our guests based on the reopening of the airport and the uplifting of the curfew completely. The Directors, Management and staff would continue to extend our support to our stakeholders, communities and small and medium enterprise to overcome the crisis situation and survive through the impacts of Covid-19.

Yours Faithfully,

The Nuwara Eliya Hotels Co. PLC



Gerard G. Ondaatjie
Deputy Chairman