

Inimitable

ASIAN HOTELS AND PROPERTIES PLC - Annual Report 2017/18



About the theme

This report's theme is inspired by the sculptural centerpiece of a butterfly "pupa" birthing 300 Ceylon Rose butterflies, which is a masterpiece by Michele Righetti; renowned designer, found in the lobby of Cinnamon Grand. Parallels have been drawn between some of the rarest species of butterfly endemic to Sri Lanka and Cinnamon Grand's ever-evolving brand of curated luxury hospitality with a distinctively Sri Lankan touch. This is apt as both of the aforesaid are truly "inimitable" in every sense of the word.



Inimitable

Ours is a brand of curated luxury hospitality that is as inimitable as it is ever-evolving. Having transformed into a city unto itself in the heart of Colombo, the best of tropical living has been infused into the Hotel's many inspiring spaces. We take a no holds barred approach to creating an eclectic mix of experiences suited to diverse tastes.

From fine dining to seafood markets, old English pubs to a Sri Lankan village within the Hotel's premises, to unique rooms and a plethora of amenities, layers of luxurious detail virtually beckon to be unravelled. We are metropolitan living at its finest; set apart by our distinctive local touch. Our journey as a hospitality trendsetter has taken wing and we will continue to soar higher with every passing year; our experiences continuously evolving with depth, warmth, vibrancy and character.

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Corporate Information - *Inner Back Cover*

About the Report

This is our first Integrated Annual Report setting out the performance for the financial year ending 31st March 2018. In pursuit of our transcendence of excellence of the corporate reporting. We resume our quest for excellence in corporate reporting this year and seek to present a balanced review of our performance through the following key elements:

Annual Report 2017/18					
A Summary	Management Discussion and Analysis			Financial Statements	Corporate Information
About Us: An Introduction	A Planned Journey:	The Capitals Report :	Corporate Governance:	Audited Financial Statements	Notice of Annual General Meeting
Performance Highlights	This gives insights into the elements that shape our strategy and how we manage downside risks to the plan	This sets out our resources and how we have managed them to deliver sustainable value to stakeholders	Insights into how we do business and how this have shape our culture		Proxy Form
Our Leadership: Chairman's Message and an Introduction to our Board					Corporate Information

The following standards, frameworks and guidelines were used in preparing the Report to ensure regulatory compliance and incorporate best practice into our reporting processes.

Regulatory Requirements	Voluntary Frameworks
<ul style="list-style-type: none"> → Companies Act No.7 of 2007 → Continued Listing Requirements of the Colombo Stock Exchange → Sri Lanka Accounting and Auditing Standards Act No.15 of 1995 → Sri Lanka Financial Reporting Standards 	<ul style="list-style-type: none"> → Code of Best Practice on Corporate Governance 2013 → Integrated Reporting Framework → GRI G4 Guidelines "In Accordance" Option

Information set out in this report has been sourced from the following:

Information	Source
Financial statements, including accounting policies and notes to the accounts	Asian Hotels and Properties PLC
Operational and sustainability information.	Asian Hotels and Properties PLC
Information on the Global economy and market trends.	World Economic Outlook April 2018 published by the International Monetary Fund (IMF)
Information on the Sri Lankan Economy and tourism industry	The Central Bank of Sri Lanka and the Sri Lanka Tourist Development Authority

About Us

Overview

Asian Hotels and Properties PLC engages in hotel maintenance and property development and management in Sri Lanka. A workforce comprising of 1,972 employees operates its hotels Cinnamon Grand Colombo and Cinnamon Lakeside Colombo and its investment property, Crescat Boulevard.

Our Business

Company

- 501 Rooms
- 14 Restaurants
- Banquets
- Crescat Boulevard

<O>

Subsidiaries

Trans Asia Hotels PLC

<O>

Group

Asian Hotels and Properties PLC

Key Numbers (Group)



<O>

1,972
Employees



<O>

Rs. 41,148 Mn
Total Assets



<O>

Rs. 32,879 Mn
Property, Plant
& Equipment



<O>

2,469 Mn
Profit Before Tax



42%
Group Market
Share

Operational Excellence



<O>

> 90%
TripAdvisor
Ratings



<O>

> 60%
Occupancy
Ratings

Booking.com

<O>

> 8
Ratings



98%
Positive reviews on
RezT Guru

Relevance to Economy (Company)



<O>

Rs. 5,900 Mn
Value Added



<O>

Rs. 3,525 Mn
Purchases from
local suppliers



<O>

Rs. 1,295 Mn
Taxes Paid



> Rs. 1,867 Mn
Value to
Employees

Performance Highlights

Financial Performance - Group

	2017/18	2016/17	Change %
Financial Performance (Rs'000)			
Total Revenue	8,628,053	9,066,959	-4.84%
Gross Profit	4,897,099	5,506,001	-11.06%
Finance Income	143,006	221,817	-35.53%
Change in Fair Value of Investment Property	577,738	399,161	44.74%
Profit Before Taxation	2,468,602	3,086,103	-20.01%
Income Tax	282,856	306,987	-7.96%
Profit After Taxation	2,185,746	2,779,116	-21.35%
Financial Position (Rs'000)			
Shareholders' Funds	31,737,902	33,108,798	-4.14%
Market Capitalisation	22,227,320	24,574,029	-9.55%
Net Cash flow from Operating Activities	2,068,528	3,079,628	-32.83%
Cash & Cash Equivalents	755,739	2,059,243	-63.30%
Non Current Assets	38,863,818	35,786,692	8.60%
Current Assets	2,284,129	3,405,078	-32.92%
Current Liabilities	1,805,411	1,774,606	1.74%
Information Per Ordinary Share (Rs.)			
Earnings	3.81	5.12	-25.59%
Dividends	3.00	4.00	-25.00%
Market Price	50.20	55.50	-9.55%
Highest Market Price	63.00	63.00	-
Lowest Market Price	54.00	46.50	16.13%
Net Assets	71.68	74.78	-4.15%
Key Performance Indicators			
Group Occupancy (%)	64%	69%	-7.25%
P/E Ratio (Times)	13.18	10.85	21.47%
Dividend Pay-out Ratio (Times)	0.79	0.78	1.28%
Current Ratio (Times)	1.27	1.92	-33.85%

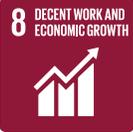
Performance Highlights

Other Capitals - Company

	Key Indicators	Unit	2017-18	2016-17
Human and Intellectual Capital	No of Employees	Nos	1227	1220
	Retention Rate	%	79.9	87.38
	Investment in Training and Development	Rs. Mn	7.3	5.1
	Gender Diversity Ratio (Male: Female)	N/A	1:0.110	1:0.109
	Average Years of Service	Nos	6.97	7.23
	Employee Productivity (Revenue per Employee)	Rs. Mn	4.4	4.8
Manufactured Capital	Total Rooms	Nos.	501	501
	Restaurants	Nos.	14	14
	Investment in CAPEX	Rs. Mn	242	271
	Net Book Value of PPE	Rs. Mn	29,194	26,742
Natural Capital	Energy Consumption	KWH	12,493,657	12,831,707
	Carbon Footprint	Kg	10,672	10,522
	Water Footprint	M3	207,291.00	209,622
	Solid waste recycled	KG	77,664.80	66,501.44

Commitment to Sustainable Development Goals - Cinnamon Grand

Our operations impact the UN Sustainable Development Goals and here we report on our impact on those goals which are most relevant to our operations ranked according to relevance. Three goals have been grouped together as the initiatives impact all three goals.

Sustainability Development Goal	Initiatives Implemented	Our Impact in 2017/18
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<p>We employ 729 permanent employees and 498 contract employees who are provided opportunities to realise their potential through implementation of a comprehensive HR policy and related initiatives</p>	<ul style="list-style-type: none"> → Employee remuneration Rs. 656 Mn → Investment in training Rs. 7.3 Mn → Zero industrial actions → Zero employee grievances → Improved levels of employee health and safety with a decrease in injuries by 3 compared to 2016/17
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<p>Reduce the usage of polythene and plastics</p>	<p>Suspended the usage of Lunch Sheets in the hotel - 450 sheets per month</p> <p>Replaced plastic cups with paper cups for water dispensers, saving 14420 plastic cups per month</p>
	<p>Comply with 20 + micron regulation</p>	<p>All polythene items purchased are above the 20 microns as tested and verified by a third party lab.</p>
	<p>Sorting of dry garbage as bio-degradable and non-bio degradable</p>	<p>Waste segregated - 995,506 Kg in 2017/18</p> <p>95% of garbage is recycled and reused</p>
	<p>Increasing awareness of employees on responsible consumption</p>	<p>ISO 14001 Internal Auditor Training</p>
 <p>3 GOOD HEALTH AND WELL-BEING</p>	<p>Educate all employees on Health and Safety Practices</p>	<ul style="list-style-type: none"> → Conducted 4,965 hours of training covering: <ul style="list-style-type: none"> → Basic food hygiene → First aid and life saving → Fire awareness and emergency evacuation → Chemical product knowledge and safety → Chemical storage and handling → Dengue epidemic awareness → Training on environmental laws → Food allergies and food poisoning awareness → Awareness of food hygiene → Haccp training → Occupational safety and health → Use of personal protective equipment → Cancer Prevention Month - Associate awareness video campaign. → AIDS awareness - 736 hours of training

Performance Highlights

Commitment to Sustainable Development Goals - Cinnamon Grand

Sustainability Development Goal	Initiatives Implemented	Our Impact in 2017/18
	<p>Creating awareness on sustainable practices</p>	<ul style="list-style-type: none"> → Awareness poster campaigns reaching 1,427 Associates <ul style="list-style-type: none"> → Preservation of Ozone Layer Day → World Tourism Day → World Food Day → Awareness poster and video campaigns reaching 1,427 associates <ul style="list-style-type: none"> → World Wetland Day → Plastic cycle Project 2018 → World Wetland Day seminar by Mr. Jagath Gunawardana for all associates highlighting the importance of urban wetlands to humans and it's benefits and species which live in urban wetlands.
	<p>Electricity reduction by 2 % compared to the last financial year</p>	<p>Replacement of CFL bulbs and FTL bulbs with LED bulbs saving 217,415.08 KWH</p>
	<p>English Knowledge Training</p>	<ul style="list-style-type: none"> → Regular training provided to ensure Associates ability to converse in English to support their career progression in the hospitality industry → A total of 2800 English Training Hours were completed during the year
	<p>Donation of necessities for Meethotamulla garbage dump victims</p>	<ul style="list-style-type: none"> → Provision of 200 packets of lunch and 200 bottles of water on day after garbage collapse → Provision of immediate necessities for victims such as clothing, bedding and shaving kits etc
	<p>Donation of necessities for Kalutara flood victims</p>	<ul style="list-style-type: none"> → Provision of bedding items for flood victims
	<p>Providing necessities for elders home</p>	<ul style="list-style-type: none"> → Monthly Dry Rations → Medicine and Stationary Items
	<p>A fun day out for orphaned boys</p>	<ul style="list-style-type: none"> → Breakfast/ Lunch/Dinner and Snacks at Cinnamon Grand → Stationary, School Bags, Shoes and Medicinal Items for 39 Boys → A fun day out for orphaned boys at Don Bosco Home
	<p>A helping hand to Mother Theresa's orphanage</p>	<ul style="list-style-type: none"> → Providing supplies for Mother Theresa's orphanage

Chairman's Message

Dear Stakeholder,

I am pleased to present the Integrated Annual Report and Financial Statements of Asian Hotels & Properties PLC (AHP) for the year ended 31st of March 2018.

Asian Hotels & Properties recorded a group profit of Rs. 2.4 billion for the financial year ended 31st March 2018, a decrease of 20 per cent over the previous year reflecting pressure on margins and a marginal decline in occupancy at both city hotels belonging to the Group. Cinnamon Grand and Cinnamon Lakeside continue to be the highest ranked 5 star city hotels on Tripadvisor, bearing testimony to the high standards maintained and a finely honed service culture that differentiates us in an intensely competitive industry. Additionally, five restaurants in the AHP Group are included in the 10 highest ranked restaurants in Colombo including the top slot which is occupied by Cinnamon Grand's newly conceptualized Tao Chinese restaurant.

Global Tourism

International tourist arrivals grew by 7 per cent in 2017 according to the United Nations World Tourism Organisation (UNTWO) recording the highest worldwide growth in seven years. Growth was broadly distributed with Europe and Africa recording 8 per cent growth, a 6 per cent growth in Asia Pacific and a growth of 5 per cent in the Middle East. Sustained growth in destinations which were negatively impacted in previous years was a key feature in 2017. Growth was driven by increased demand for outbound tourism from traditional source markets and emerging source markets. China continues to be the highest spender in outbound tourism recording an increase of 5 per cent, followed by the USA, Germany, UK and France. Destinations that were negatively impacted in 2016 posted strong recovery this year, reflecting robust outbound demand. Based on the current trends, the UNWTO projects international tourist arrivals to grow at a rate of 4.5 per cent in 2018.

Sri Lanka Tourism

The Sri Lankan tourism industry experienced a challenging year, with growth in arrivals moderating to 3.2 per cent (compared to 14 per cent in 2016) due to unfavourable weather conditions, outbreak of dengue fever and the three-month partial closure of the Bandaranaike International Airport. The fourth quarter however, saw a rebound with arrivals growing by 17.1 per cent indicating improved prospects for the next financial year. In terms of source markets, Western Europe continues to be largest contributor accounting for 32 per cent of arrivals into the country followed by South Asia. India is the largest single source market accounting for 18 per cent of arrivals, while East Asia recorded a 4.5 per cent year on year growth in arrivals supported by China. Earnings from tourism during 2017 stood at USD 3.93 billion an increase of 11.6 per cent from the USD 3.52 billion recorded a year ago.

2017/18

PBT Rs. 2.4 Bn (Group)

20% ↓

International Tourist arrivals

7% ↑

Asia Pacific

6% ↑

Sri Lanka Tourism: Arrivals 2.1 Mn

3.2% ↑

Cinnamon Hotels & Resorts was ranked the No.1 hospitality brand in Sri Lanka by Brand Finance. A plethora of industry related awards set out in this annual report support high levels of commitment to excellence by the two city hotels

Chairman's Message

Group Performance

Group revenue of Rs. 8.6 billion reflects a decline of 5 per cent for the year due to a marginal decline in occupancy at both city hotels stemming from the combined effect of a moderation in growth of tourist arrivals in Sri Lanka with the increase in supply of rooms. Cinnamon Grand and Crescat Boulevard accounted for 62 per cent of Group revenue while Cinnamon Lakeside accounted for 38 per cent of the same. It is noteworthy that Cinnamon Grand achieved a higher share of rooms sold of 25 per cent, 5 - star city hotel capacity against a fair share of 23 per cent according to room availability, affirming the high ratings of the hotel. Despite intense competition rental income from Crescat Boulevard remained static.

Profit before tax was Rs. 2,469 million, recording a decline of 20 per cent as inflation and enhanced service standards exerted pressure on gross margins which declined from 61 per cent to 57 per cent. A decrease of 39 per cent in net finance income also contributed to the decline in PBT which is attributable to reduced finance income mainly due to refurbishment work carried out in Cinnamon Grand.

Building Brand Value

Cinnamon Hotels & Resorts was ranked the No.1 hospitality brand in Sri Lanka by Brand Finance. A plethora of industry related awards set out in this annual report support high levels of commitment to excellence by the two city hotels. Guest reviews on social media and in-house surveys bear testimony to our delivery of high service standards adding luster to the brand.

Cinnamon Grand and Cinnamon Lakeside continue to promote Colombo as a destination for tourists and as an entertainment hub together with Cinnamon Life, hosting events ranging from thought leadership on Tourism to gala events with celebrity chefs.

A Positive Outlook

Tourist arrivals are forecast to grow to 2.5 million in 2018 in line with the government's forecast with India expected to account for 450,000 tourist arrivals to the island. Appeal of the country is expected widen with the country's engagement of expertise from New Zealand to develop the islands adventure tourism segment. The Sri Lanka Tourist Development Authority (SLTDA) has also initiated efforts to carry out global advertising campaigns to increase the visibility of the destination to support growth in arrivals. Additionally, the Sri Lanka Tourism Promotion Bureau (SLTPB) has also increased its efforts to raise global awareness of the country by focusing on promoting film tourism, destination wedding, MICE segments, religious and Pilgrimage Tourism, placing Sri Lanka as a 'destination for all seasons'.

Increasing bed capacity in both formal and informal sectors will continue to be a key challenge for the Group. We will enhance focus with Online Travel Agents and the Brand Site which is to be relaunched to drive occupancy, while also focusing on traditional source markets.

We expect an increasingly competitive landscape due to the forecast increase in room inventory. Forecast growth in tourist arrivals and increased business activity are expected to increase demand supporting growth of the sector in 2018, easing competitive pressures.

Outlook

International Tourist arrivals

4-5% 

Sri Lanka **2.5** Mn
forecast tourist arrivals

Planned CAPEX

Rs. **191** Mn

We are confident that we will be able to maintain our pole position leveraging our finely-honed service culture and a uniquely differentiated brand.

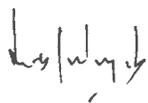
We will strengthen marketing and promotions while enhancing our value proposition to drive positive guest experiences that support our brand equity. Innovative promotions for significant markets such as India and China will play a key role to enhance our penetration in these markets. Focus on our digital marketing strategy is expected to drive growth in key European markets such as the United Kingdom, France and Germany who account for a significant share of tourist arrivals. Consequently, we are optimistic about our ability to deliver growth and profitability in the year that has commenced.

Conclusion

The Board joins me in expressing our sincere appreciation to our guests for their continued patronage, and our business partners for their support. We commend our team at AHP Group who continue to raise the bar as the trendsetter in hospitality in the country.

On behalf of the Board, I extend our sincere appreciation of the valuable contributions made by Mr. Ajit Gunewardene and Mr. Ronnie Peiris who retired from their positions in December 2017. We also welcome Mr. Gihan Cooray and Mr. Jitendra Gunaratne who joined the Board of Directors with effect from January 2018 who bring considerable skills and experience to the Board. I take this opportunity to sincerely thank my colleagues on the Board for their contributions and diligent oversight.

We are grateful to our valued shareholders for the confidence placed in the AHP Group to deliver sustainable value, and count on their continued support in the year ahead.



Susantha Ratnayake

Chairman

25th May 2018

Directors' Profile

Susantha Ratnayake

Chairman

Susantha Ratnayake was appointed as the Chairman and CEO of John Keells Holdings PLC (JKH) in January 2006 and has served on the JKH Board since 1992/1993. He has 39 years of management experience, all of which is within the John Keells Group. He is a past Chairman of the Sri Lanka Tea Board, the Ceylon Chamber of Commerce and the Employers' Federation of Ceylon.

Krishan Balendra

Director

Krishan Balendra is the Deputy Chairman of John Keells Holdings PLC and is responsible for Leisure and Transportation industry groups, John Keells Stock Brokers and John Keells Office Automation. He also serves as the Chairman of Nations Trust Bank PLC and is the Hon. Consul General of the Republic of Poland in Sri Lanka. He is a former Chairman of the Colombo Stock Exchange (CSE). Krishan started his professional career at UBS Warburg, Hong Kong, in investment banking, focusing primarily on equity capital markets. After a four year stint in Hong Kong, he continued his career in Corporate Finance at Aitken Spence and Company PLC, prior to joining JKH. Krishan holds a Law degree (LLB) from the University of London and a MBA from INSEAD.

Gihan Cooray

Director

Gihan Cooray is the Group Finance Director and bears overall responsibility for the Group's Finance and Accounting, Taxation, Corporate Finance and Strategy, Treasury and Information Technology functions (including John Keells IT) and John Keells Research. He is a Director of several companies in the John Keells Group and a Non- Executive Director of Nations Trust Bank PLC. Gihan holds an MBA from the Jesse H. Jones Graduate School of Management at Rice University, Houston, Texas. He is an Associate member of the Chartered Institute of Management Accountants, UK, a Certified Management Accountant of the Institute of Certified Management Accountants, Australia and has a Diploma in Marketing from the Chartered Institute of Marketing, UK. He serves as a Committee Member of the Ceylon Chamber of Commerce.

Jitendra Gunaratne

Director

Jitendra Gunaratne is responsible for the Consumer Foods sector. Prior to his appointment as President, he oversaw the Plantations and Retail sectors. His 38 years of management experience in the Group also covers Leisure and Property. He is a Director of Ceylon Cold Stores PLC and Keells Food Products PLC and is also the President of the Beverage Association of Sri Lanka. He is a member of the Council of the Employers' Federation of Ceylon and a member of the Food Advisory Committee of the Ministry of Health.

Rohan Karunarahaj

Director

Rohan Karunarahaj, Sector Head of the Cinnamon City Hotels sector and General Manager, Cinnamon Grand, currently overlooks the management of Cinnamon Grand, Cinnamon Lakeside and Cinnamon Red, and heads the Brand Development team for the Cinnamon Brand. A career hotelier counting over 30 years, both in the local and international hospitality industry; he has held the position of General Manager in several hotels in the United Kingdom, his last position being the Marriott Marble Arch, London. He is a Director of Trans Asia Hotels PLC. He read for his Masters in Hospitality and Business Studies from the Thames Valley University, London.

Suresh Rajendra

Director

Suresh Rajendra is the President of the Property Group of John Keells Holdings PLC. He also serves as a Director in many companies of the John Keells Group. He has over 24 years of experience in the fields of finance, travel and tourism, and business development acquired both in Sri Lanka and overseas. Prior to joining the Group, he was the Head of Commercial and Business Development for NRMA Motoring and Services in Sydney, Australia and Director/General Manager of Aitken Spence Hotel Managements (Pvt) Ltd, Sri Lanka. Suresh is a Fellow of the Chartered Institute of Management Accountants, UK.

Directors' Profile

Cholmondeley Pinto

Director

Cholmondeley Pinto was appointed as a Non-Executive Director and as the Chairman of the Board Audit Committee of Trans Asia Hotels PLC in July 2011. He is a Fellow of the Institute of Chartered Accountants of Sri Lanka with 45 years of experience, in the accounting and IT industry. Before returning to Sri Lanka in 2006 after spending of 32 years overseas, he worked at SABMiller Plc for 23 years, the world's second largest multinational breweries group, holding CFO positions in its listed subsidiaries in several countries. He currently works as a beverage industry consultant and is semi-retired. He is also a Non-Executive Director of Asian Hotels and Properties PLC.

Shirani Jayasekara

Director

Shirani Jayasekara was appointed as a Director in September 2009. She has over 35 years of experience combining; Finance, IT, Audit and Risk Management in Sri Lanka, Zambia and Bahrain. She has also been responsible for regional audit assignments in Bangladesh with British American Tobacco and in Indonesia with Carsons Cumberbatch PLC. She has been selected to serve on various committees of the Institute of Chartered Accountants of Sri Lanka such as the Annual Report awards Committee (Sustainability Reporting) and Audit Committee of the Institute. She is the chairperson of LB Finance. She is a Fellow of the Institute of Chartered Accountants of Sri Lanka and a Fellow of the Chartered Institute of Management Accountants UK.

Sanjiva Senanayake

Director

Sanjiva Senanayake joined the International Finance Corp (IFC) - the World Bank's private sector financing arm in June 1998 and held the position of Country Manager for Sri Lanka and Maldives until April 2006 when he was appointed as a Senior Investment Officer overseeing Financial Markets Investments in West Africa. He held this position until his retirement in April 2009. Prior to joining IFC he served as the Assistant General Manager, Treasury and Investment Banking at National Development Bank of Sri Lanka and as Consultant, Treasury and Business Development at Commercial Bank of Ceylon. Prior to that, he held several key positions in the Citibank group in Sri Lanka and overseas. Senanayake holds a BSc degree in Electronic and Electrical Engineering from King's College, University of London and an MSc in Communication Engineering from the Imperial College of Science and Technology, University of London. He is also a Director of Sampath Bank PLC and Hemas Pharmaceuticals Ltd.

Grand living

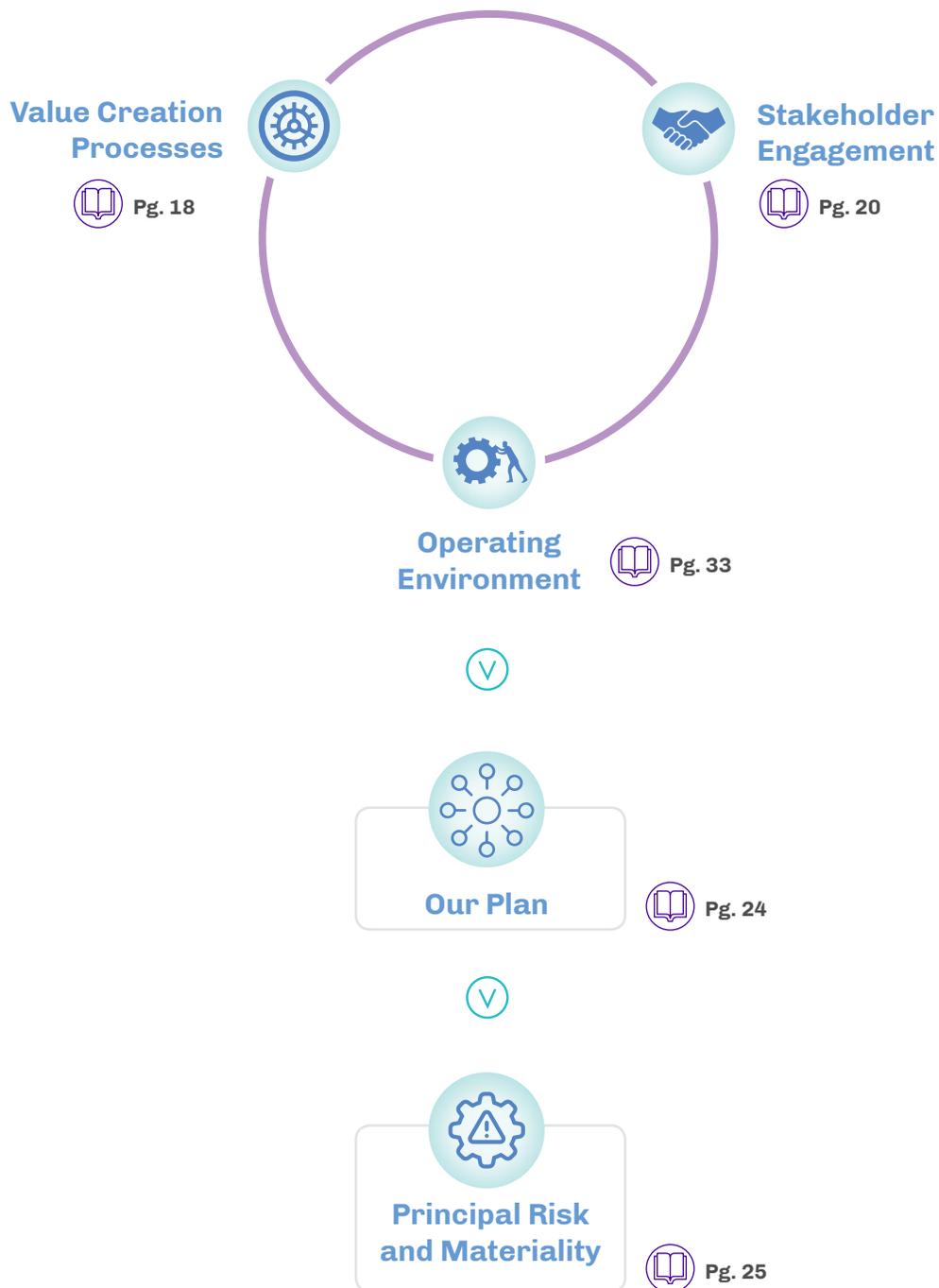
Grandeur is a defining characteristic of the Hotel. Our 501 rooms are cocoons of inimitable luxury, while our many specialty restaurants and inspired event spaces boast of many an intricate, opulent detail.

The One Spot Grass Yellow is characterised by its grand and uneven black wing outline. An endangered species, it is mainly confined to wet evergreen forests in Sri Lanka, at elevations of up to 3500 feet.





A Planned Journey



Our Business Model





MANUFACTURED CAPITAL

Net Book Value of PPE : Rs. 32,879 Mn



INTELLECTUAL CAPITAL

Brand, Tacit knowledge, Processes



NATURAL CAPITAL

Water: 359,671 M3
Energy: 19,924,286 KWH



Rooms



Restaurants



Banquets



Guest Services



Managing Talent

Recruit, Develop & Inspire

Great Place to Work

Reward & Recognition
Consumption



Procurement

Responsible sourcing

Availability of Goods & Services

Quality Focus



Financial Management

Managing Capital

Business Analytics

Reporting



Risk Management



Talent Management



GUESTS

Indulgent experiences

TripAdvisor Ratings:
Continue to be highest
ranked 5-star city hotel

COMMUNITY

**Responsible Tourism & Strategic
Philanthropy**

Promoting destination
Strategic, Philanthropy

ENVIRONMENT

**Responsible consumption and
management of impacts**

Waste generated: 1,532,432 KG
Carbon footprint: 16,156 MT

Stakeholder Engagement

Stakeholder engagement processes in the hospitality industry are amongst the most advanced, changing in real time according to their experiences. It is also complex as other stakeholder roles frequently merge with that of guests, enhancing engagement and heightening concerns. Consequently, stakeholder engagement underpins all we do as we carefully balance conflicting concerns to create sustainable growth and value for key stakeholder groups.



Guests
<p>Guest experiences drive our ratings and reviews, supporting brand building and revenue growth</p>
<p>Engagement mechanisms:</p> <p>This is a shared responsibility with all staff highly trained to support favourable guest experiences and be appropriately empowered. We also monitor ratings and reviews, customer surveys and social media platforms.</p>
<p>Concerns:</p> <ul style="list-style-type: none"> → Efficient service → Quality of products → Food safety → Infrastructure, comfort and ambience → Choices available → Overall experience
<p>How we managed concerns:</p> <ul style="list-style-type: none"> → Clear communication of operating standards and the 'Cinnamon' way. → Strict adherence to regulatory and certification requirements. → Rewarding and recognising positive employee behaviour. → Guest surveys
<p>Refer Social and Relationship Capital Report on page 38</p>

Tour Operators, Online Aggregators and Corporate Customers
<p>Tour operators, online booking sites and corporate customers drive room and F&B revenue</p>
<p>Engagement mechanisms:</p> <ul style="list-style-type: none"> → Multi layered relationship management → Visiting and entertaining → Trade Exhibitions and Fairs → Customer surveys → Quality and Performance Reviews
<p>Concerns:</p> <ul style="list-style-type: none"> → Guest experiences and ratings → Pricing → Fair dealing → Ease of transacting → Relationships → Brand image
<p>How we responded:</p> <ul style="list-style-type: none"> → Focus on quality. → Differentiating Cinnamon brand through experiences. → Monitoring guest experiences. → Monitoring demand and supply. → Certifications to address quality, social and environment concerns. → Employee training and development. → Efficient systems and processes.
<p>Refer Social and Relationship Capital Report on page 38</p>



Employees
Positive employee experiences are key to positive guest experiences which shape our brand and drive growth
<p>Engagement mechanisms</p> <ul style="list-style-type: none"> → 'Voice of Employees' and 'Great Place to Work' Surveys → An open-door policy. → Formal performance appraisals. → Regular meetings. → Communication of vision, values, policy framework, strategy, goals and performance.
<p>Concerns:</p> <ul style="list-style-type: none"> → Remuneration → Employee benefits → Conducive workplace → Health and safety → Work Life balance → Training and development → Career progression
<p>How we managed concerns:</p> <ul style="list-style-type: none"> → Benchmark remuneration and benefits to industry → Fair and transparent performance appraisal system → Strict adherence to health and safety standard
Refer Human Capital Report on page 49



Investors
Investor Relations is a structured process with sign off by the Board on written communications
<p>Engagement mechanisms:</p> <ul style="list-style-type: none"> → Quarterly financial statements → Press releases → Annual report → Annual general meeting → CSE announcements
<p>Concerns:</p> <ul style="list-style-type: none"> → Earnings and dividends → Growth prospects → Environment and social impact → Governance → Share price and liquidity
<p>How we managed concerns:</p> <ul style="list-style-type: none"> → Nurtured our culture and values through a strong governance framework. → Delivered profit growth. → Balance sheet growth. → Nurtured our capitals and brand equity.
Refer Information to Shareholders and Investors on page 169

Stakeholder Engagement



Suppliers

Our suppliers support product quality and are a vital link in our supply chain.

Engagement mechanisms:

- Relationship management
- Feedback
- Supplier assessment
- Visits

Concerns:

- Increased business
- Timely payments
- Ease of doing business
- Constructive feedback

How we managed concerns:

- Robust procurement processes
- Quality assurance processes provide timely feedback
- Timely payments

Refer Social and Relationship Capital Report on page 45



Government and Regulators

We engage with government agencies to grow the tourism industry, obtain operating licenses and for payment of taxes

Engagement mechanisms:

- Support review processes
- Timely filing of returns
- Timely payment of taxes

Concerns:

- Compliance with regulations
- Timely payments
- Supporting industry growth

How we managed concerns:

- Strict compliance with regulatory requirements
- Timely settlement of taxes
- Jointly promoted Sri Lanka as a destination



Community
Our engagements with the community are multifaceted: as an employer, partnering sustainable tourism and through strategic philanthropy
<p>Engagement mechanisms:</p> <ul style="list-style-type: none"> → Press releases → Social media
<p>Concerns:</p> <ul style="list-style-type: none"> → Employment → Livelihoods → Sponsorships
<p>How we managed concerns:</p> <ul style="list-style-type: none"> → Working with training institutions to source talent → Supporting cultural festivities in the surrounding area → Disaster relief → Working with the orphanages to support education
Refer Social and Relationship Capital Report on page 45

Our Plan/Strategy



Mission

To generate long-term, sustainable, shareholder wealth by developing the capacity to add value to land, buildings and related investments and combine them uniquely so that they complement and reinforce each other.



Values

To provide a return on investment above the risk-free investment rate to shareholders.

To provide a return on investment above the risk-free investment rate to shareholders.

To adhere to the highest levels of integrity, transparency and ethical conduct.



Strategic Drivers



	Profitability	Delighted Customers	Managing Costs and Impacts	Inspired workplace
Strategy	<ul style="list-style-type: none"> → Increase online presence → Drive occupancy → Drive footfall → F&B Customer retention → Positive guest reviews 	<ul style="list-style-type: none"> → Product offerings → Service excellence → Structured training → Customer health and safety 	<ul style="list-style-type: none"> → Automation → Centralisation of functions → Responsible consumption → Minimising carbon and water footprints 	<ul style="list-style-type: none"> → Retention → Learning and Development → Reward and Recognition
Resources Allocated	<ul style="list-style-type: none"> → Strong sales force → Investments in online presence 	<ul style="list-style-type: none"> → Operational staff → Best locations in hotel 	<ul style="list-style-type: none"> → Initiative to reduce energy 	<ul style="list-style-type: none"> → Investment in training → Staff welfare
KPIs	<ul style="list-style-type: none"> → Growth in profitability 	<ul style="list-style-type: none"> → Online rankings Rezt Guru (F&B ranking) 	<ul style="list-style-type: none"> → Profit margin → Carbon footprint → Water footprint 	<ul style="list-style-type: none"> → Retention rate → Employee productivity
Opportunities & Challenges	<ul style="list-style-type: none"> → Strong growth in global tourism → Forecast growth in Sri Lankan tourist arrivals in 2018 → Moderation in arrivals in 2017/18 → Intense competition 	<ul style="list-style-type: none"> → No. 1 hospitality brand in Sri Lanka → Locations → Choice → Competition → Disposable income 	<ul style="list-style-type: none"> → Strong supply chain → Adoption of technology → Inflation → Increased competition 	<ul style="list-style-type: none"> → Brand and positioning → Increased demand for trained talent pools

Principal Risks

Risk management continues to gain significance within the AHPL Group and the Board is ultimately responsible for managing the same. Our risk management structure and processes are graphically depicted alongside. Here we present our most significant risks along with how we manage them to ensure that we achieve our strategic goals.



A Planned Journey

▶ - Unchanged ▲ - Increased

Risk	Current Assessment and Trend	Risk Control Measures
<p>Business Risk</p> <p>Room inventory in the Country and the City are both increasing exponentially which is positive for the development of the destination in the long term but exerts pressure on margins and other operational factors in the short term.</p>	<p>Impact: Moderate</p> <p>Likelihood of occurrence: High</p> <p>Velocity: High</p> <p>Trend: ▲</p>	<ul style="list-style-type: none"> → Preventive measures implemented encompass refurbishments, enhancing service standards and guest value propositions in our hotels. → Detective measures include gathering business intelligence on market developments. → Control measures implemented include monitoring of guest reviews and rankings, redoubling marketing efforts including social media strategies and internal reviews of pricing strategies.
<p>Brand and Reputation Risk</p> <p>Our brand and reputation have been nurtured through decades of commitment to high standards in hospitality and ensuring that nurture our brand and reputation is key to sustained growth and profitability.</p>	<p>Impact: Moderate</p> <p>Likelihood of occurrence: High</p> <p>Velocity: Low</p> <p>Trend: ▶</p>	<ul style="list-style-type: none"> → Preventive actions include strict adherence to regulatory requirements, standards required for certification and internal operating procedures and implementing brand initiatives. → Detective measures include monitoring social media, guest surveys and rankings and other stakeholder engagement processes. → Control measures are handled in an appropriate manner by the Public Relations Department.

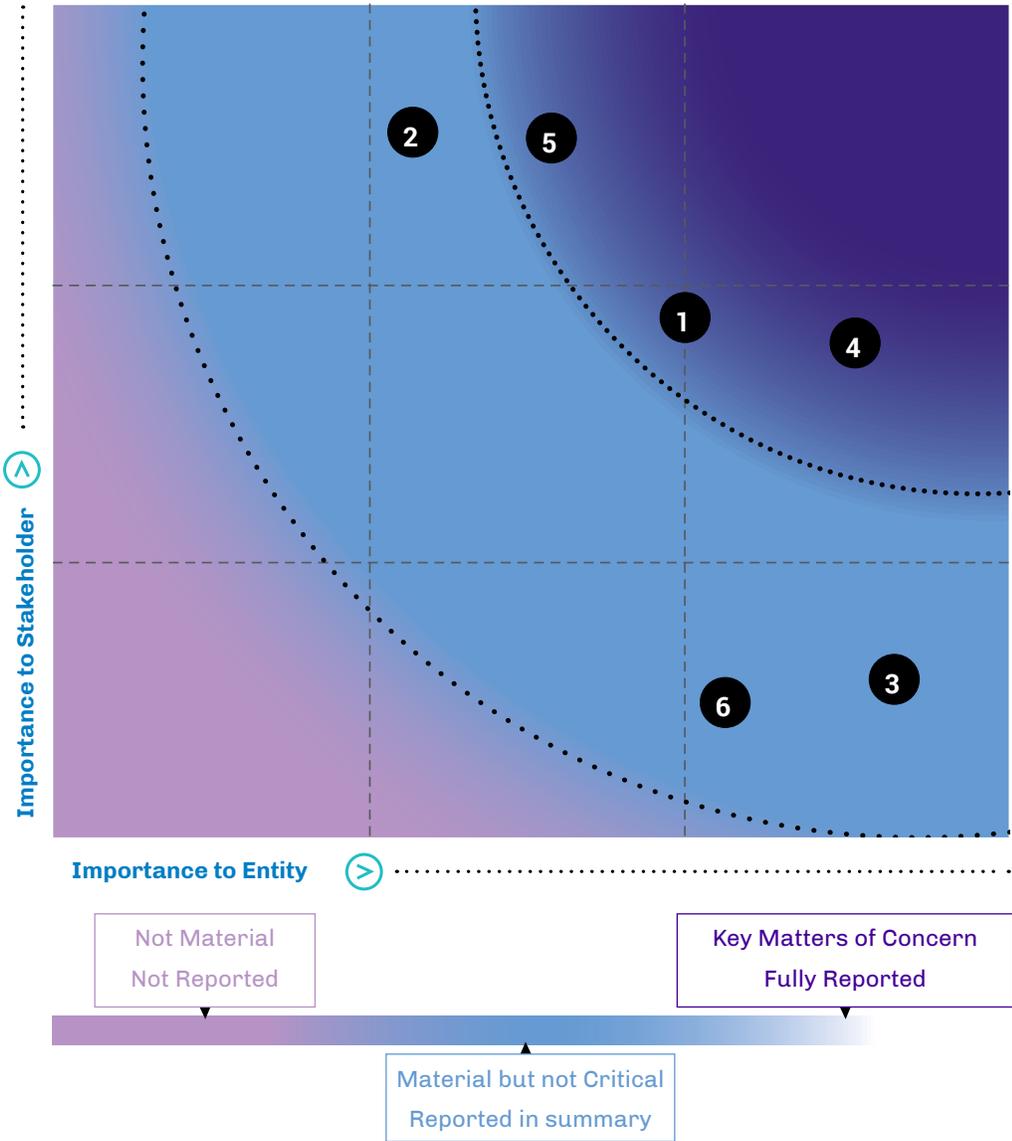
Principal Risks

Risk	Current Assessment and Trend	Risk Control Measures
<p>People Risk</p> <p>Talent pools in the hospitality industry are insufficient to meet the local demand as new players enter the market which is exacerbated by the global demand for Sri Lankan talent pools with experience gained at our hotels enhancing external value of employees.</p>	<p>Impact: Moderate</p> <p>Likelihood of occurrence: Very Low</p> <p>Velocity: Low</p> <p>Trend: ➤</p>	<ul style="list-style-type: none"> ➔ Preventive measures taken include staff welfare, building loyalty and review of reward and recognition initiatives. ➔ Detective measures include conducting Great Place To Work surveys and monitoring trends. ➔ Corrective measures taken include expanding sources of talent including registration with overseas recruiting agencies.
<p>Food Safety</p> <p>This has a direct and immediate impact on the health and safety of guests impacting their experiences and our reputation. Additionally, F&B accounted for 44% of revenue in the reporting year making it a key area of focus for the Group and impacting a greater proportion of guests.</p>	<p>Impact: Moderate</p> <p>Likelihood of occurrence: Low</p> <p>Velocity: High</p> <p>Trend: ➤</p>	<ul style="list-style-type: none"> ➔ Preventive measures taken include ISO 22000 food safety management certification in place supported by associate training on basic food hygiene and systematic waste disposal methods in place. ➔ Detective measures include regular audits and third party microbiological testing, regular medical checks for food handlers, cleaning, regular sanitization and pest control schedules. ➔ Corrective measures taken will typically include public relations handling by duty managers and offer of commensurate compensation.
<p>Customer Privacy and Data Protection</p> <p>Safeguarding customer privacy of customer data collected to facilitate smooth operations and in line with regulatory requirement is a key concern.</p>	<p>Impact: Moderate</p> <p>Likelihood of occurrence: Low</p> <p>Velocity: High</p> <p>Trend: ➤</p>	<ul style="list-style-type: none"> ➔ Preventive measures have been implemented through compliance with the John Keells Group IT policy which set out the expected behaviours of employees in handling data and IT systems, back up servers, updating of firewalls, service contracts, storage in alternate locations. ➔ Detective measures include monitoring of potential threats through regular internal audits and implementation of cybersecurity framework. ➔ Corrective measures include review of reports, investigation of unusual activity and initiating appropriate action, disaster recovery plans.
<p>Financial Risks</p> <p>Our performance is impacted by volatility in price of commodities, inflation, exchange rates, taxation and interest rates.</p>	<p>Impact: Moderate</p> <p>Likelihood of occurrence: High</p> <p>Velocity: High</p> <p>Trend: ➤</p>	<ul style="list-style-type: none"> ➔ Preventive measures taken to minimise impacts of fiscal risk include low gearing and a positive hedge in exchange rate. ➔ Detective measures include monitoring of potential threats through credible published sources. ➔ Corrective measures include decreasing energy consumption, cost management and review of pricing strategies.

Risk	Current Assessment and Trend	Risk Control Measures
<p>Customer Health and Safety</p> <p>Health and safety of our guests within our premises is a key priority as incidents in this regard can negatively impact the guest's experience, our reputation and brand.</p>	<p>Impact: Moderate</p> <p>Likelihood of occurrence: Low</p> <p>Velocity: High</p> <p>Trend: </p>	<ul style="list-style-type: none"> → Preventive measures implemented include OHSAS 18001 certification, signage, adequate lighting, railings, lifeguard etc. → Detective measures include monitoring of potential threats through regular internal audits and monitoring of incidents. → Corrective measures include the investigation and reviewing of processes, training, insurance.
<p>Supply Chain</p> <p>Inability of our suppliers to deliver our requirements in terms of quality and price can lead to negative impacts on service quality and margin pressure.</p>	<p>Impact: Moderate</p> <p>Likelihood of occurrence: Low</p> <p>Velocity: High</p> <p>Trend: </p>	<ul style="list-style-type: none"> → Preventive measures implemented include continuously review supplier standards, signage, maintenance of agreements, supplier forums and continuous monitoring and engagement of suppliers. → Detective measures include supplier audit through checklist and regular third party assessment of Top 20 suppliers. → Corrective measures include robust supplier engagement, capacity building on food safety and insurance.
<p>Equipment/Machinery Breakdowns</p> <p>Breakdown in equipment and machinery can disrupt our services negatively impacting operations and guest experiences.</p>	<p>Impact: Moderate</p> <p>Likelihood of occurrence: Low</p> <p>Velocity: High</p> <p>Trend: </p>	<ul style="list-style-type: none"> → Preventive maintenance is carried out on a regular basis according to a predetermined schedule. → Detective measures include regular inspections and monthly maintenance. → Corrective maintenance is done on a needs basis upon identification of issues from detective measures or breakdown incidents.

Determining Materiality

We map our universe of potential material issues with taking into account our strategic priorities, our principal risks, our stakeholder concerns and a realistic assessment of our operating environment. These issues are then prioritised considering their significance to the stakeholder and the Company as depicted below to determine how they will be measured, monitored and reported.



Very Important to Both AHP and Stakeholders	
1. Customer Health and Safety	4. Employment
2. Customer Privacy and Data Security	5. Occupational Health and Safety
3. Environment Compliance	6. Procurement Practices

Important to AHP and/or Stakeholder	
7. Energy	13. Freedom of Collective Bargaining
8. Water	14. Diversity and Equal Opportunity
9. Emissions	15. Non discrimination, Child Labour and Forced Labour
10. Effluents and Waste	16. Public Policy
11. Training and Development	17. Local Communities
12. Labour/ Management relations	

Material topic	Corresponding GRI topic	Why it is material to us	Page reference for further information
1. Customer Health and Safety	GRI 416: Customer health and safety	The Groups reputation and operational existence is at high risk with the inability to offer a safe environment for house in-house and dining customers.	38-39
2. Customer Privacy & Data Security	-	High risk of customer privacy and data security been manipulated due to evolving connectivity and mobile penetration.	40
3. Compliance	GRI 307: Environmental compliance GRI 419: Socioeconomic compliance	Non-compliance to regulations could impact the Group's financial performance, reputation and social license to operate.	67
4. Employment	GRI 401: Employment GRI 404: Training and education	As a service organisation, the experience of our customers depends largely on the quality of our human capital.	50
5. Occupational Health & Safety	GRI 305:	Providing our employees a safe and healthy working environment is of high importance to the existence and reputation of the Group.	55

Determining Materiality

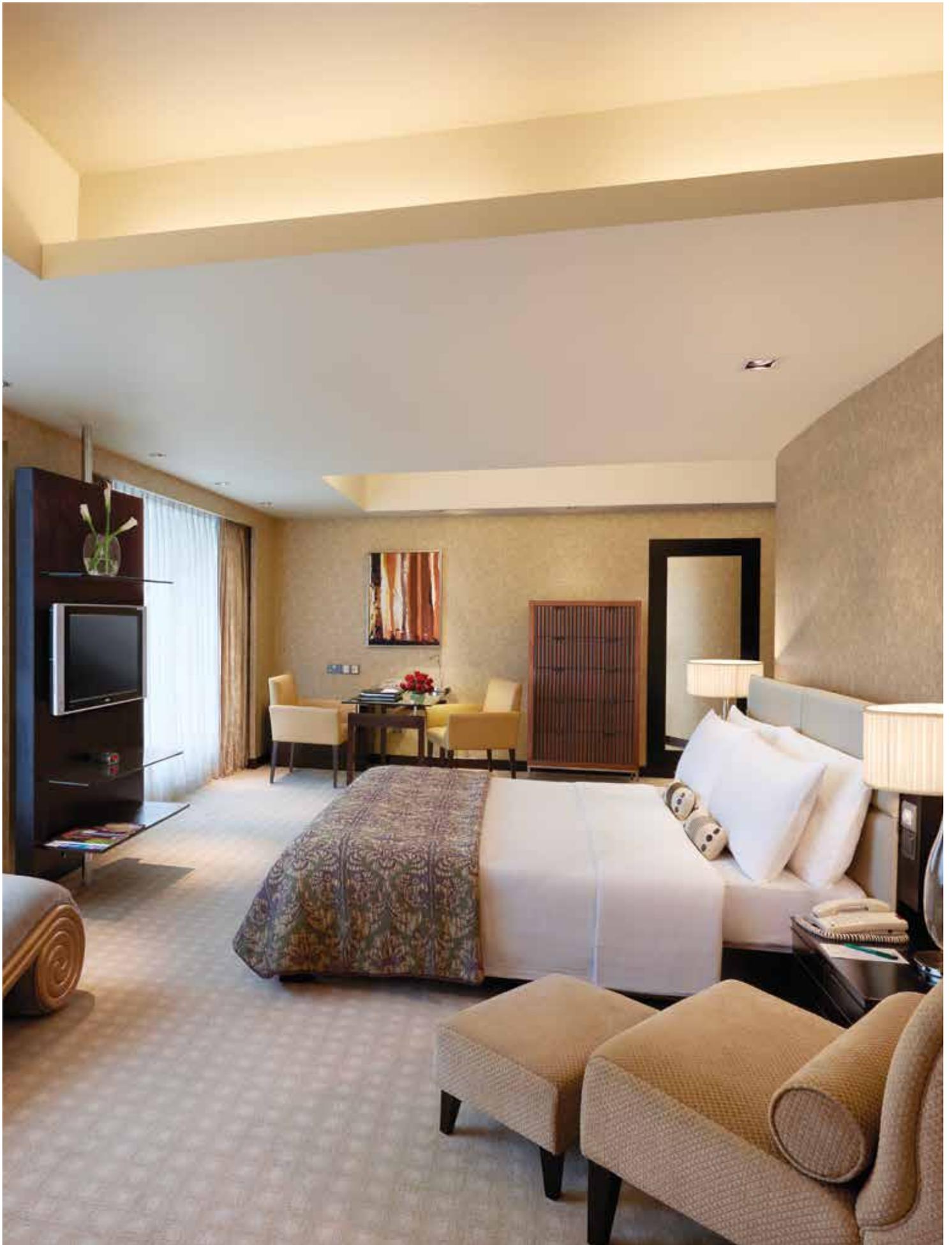
Material topic	Corresponding GRI topic	Why it is material to us	Page reference for further information
6. Procurement Practices	GRI 204: Procurement practices	An interrupted supply chain is critical for ensuring continuity of operations and the procurement of good quality raw materials	45
7. Environmental Compliance	GRI 302: Energy GRI 306: Effluents and waste GRI 303: Water	As a responsible corporate citizen, we strive to minimise the environmental footprint of our operations	67
8. Climate change	GRI 305: Emissions	Erratic weather conditions and rising temperatures affected tourist arrivals into the country.	70
9. Economic environment		Macro-economic fundamentals such as interest rates, inflation and exchange rates have a direct impact on affordability	33-34
10. Contribution to the community	GRI 201: Economic performance GRI 413: Local communities	Nurturing mutually beneficial and meaningful relationships with our communities is important in preserving our social license to operate	45 - 48

Rare delights

Guests at any of our 14 speciality restaurants can expect to have their taste buds soar on experiencing our unique brand of gastronomy that is nothing short of “rare”.

The Sri Lankan Birdwing is the national butterfly that is also the largest in the island. A rarity commonly observed in the island's wet zone, it is a forest lover and often visits home gardens where its host plant “Aristolochia” grows.





Operating Environment

Asian Hotels and Properties PLC revenue is derived from foreign clientele and local clientele as a corporate city hotel with event venues and popular restaurants. Accordingly, local and global socio-economic trends, domestic government policies and exchange rate movements impacts the performance of the Group and labour markets play a key role in determining the availability of talent and consumer purchasing power.

Sri Lankan Economy

Sri Lanka's GDP moderated to 3.1% (2016: 4.4%) in 2017 impacted by adverse weather conditions continuing from 2015. The Agriculture subsector accounting for 16.4% of real GDP contracted by 0.8% compared to previous year, while a growth in contribution in the service sub-sector and Industry sub-sector by 3.2% and 3.9% respectively was reported. Growth in services activities, which accounted for 56.8% of real GDP was driven by the development in financial service activities, wholesale and retail trade, and other personal service activities.

	2013	2014	2015	2016	2017
Economic Growth	9.1%	3.4%	4.8%	4.5%	3.1%

Even with a decline in GDP the unemployment rate decreased to 4.2% during 2017 compared to 4.5% in 2016 reflecting increasing demand for talent pools. Inflation increased impacted by food supply disruptions stemming from the prolonged drought and alternate floods. Revisions to Value Added Tax (VAT) and Nation Building Tax (NBT), and higher commodity prices in the global market also contributed to high levels of inflation of 7.7% compared to 4.2% in 2016.

Global Economy

According to the World Economic Outlook (WEO) of the IMF, world growth continued to strengthen in 2017 to 3.8%, driven by an investment recovery in advanced economies, continued strong growth in emerging Asia, an upswing in emerging Europe, and signs of recovery in several commodity exporters. Global growth is estimated to inflate to 3.9% in 2018 a positive outlook to our operations.

Global tourism industry which contributes 11.4% to Global GDP achieved a robust year of growth in 2017 with a 7% increase in international tourist arrivals compared to a 4% increase in previous years, the growth mainly attributed to the global economic recovery.



GDP

3.1% ↓

Decline in unemployment to **4.2%**

Inflation

7.7% ↑



Global Economic Growth

3.8%

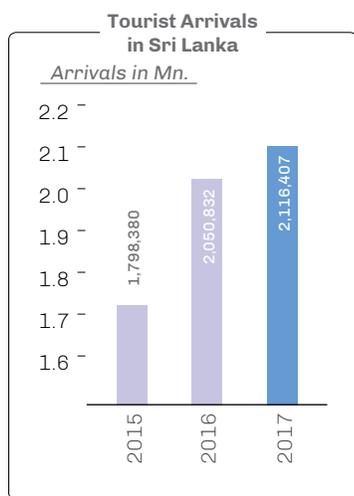
Global Tourism Industry Growth

7%

Operating Environment

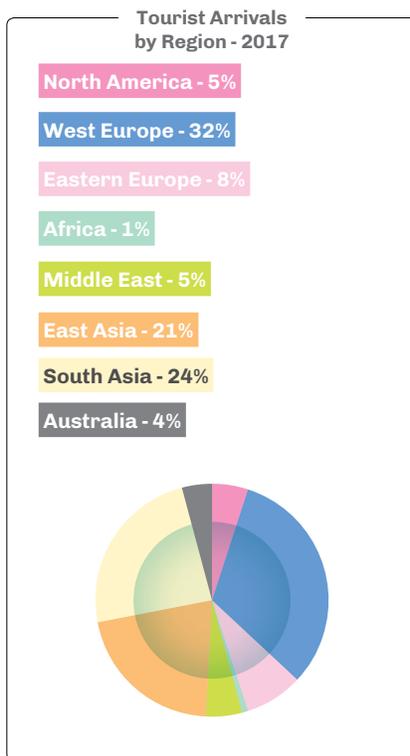
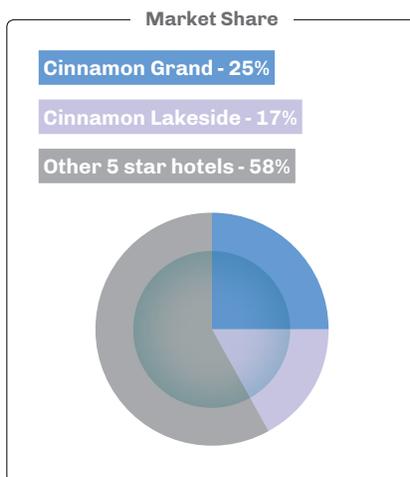
Industry Outlook

Sri Lanka Tourism Development Authority (SLTDA) reported a growth in tourist arrivals in Sri Lanka from 2.05 Mn in 2016 to 2.12 Mn in 2017. The growth of 3.2% compared to previous year of 14% is substantially low mainly due to restriction of the Bandaranaike International Airport until April 2017 due to its renovation projects, unfavourable weather conditions and the breakout of the dengue epidemic in mid 2017.



The largest contributor, the West European market grew by 6% with 680,901 tourist arrivals in 2017 and the second largest contributor, the South Asian market grew by 0.9% with 518,085 tourist arrivals. The Group continues to hold a significant market share and top rankings even with the entry of new players into the industry.

Despite the moderation in tourist arrivals, earnings from tourism grew by 11% to USD 3.92 Bn and average spending per tourist per day increased to USD 170.2 (from USD 168.2). while duration of stay widened to 10.9 days. 2018 reports indicate a rebound in growth rates with arrivals to Sri Lanka increasing 18% y-o-y by April 2018.



Growth in Tourist Arrivals

3.2%

Group Continues to Hold Majority of the Room Market Share

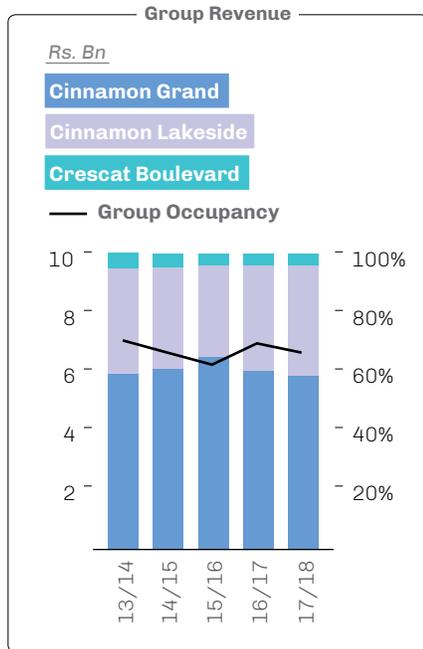
42%

Forecast Tourist arrivals for Sri Lanka 2018

2.5 Mn tourists

The Capitals Report

Our Capitals, their significance to our operations and how we nurtured them during the year are set out in this capital report.



Financial Capital

Asian Hotels and Properties PLC recorded a gross turnover of Rs. 8.6 Bn and profit after tax of Rs. 2.1 Bn for the financial year ending 31st March 2018, reflecting a challenging operating environment.

Income Statement

Group revenue contracted by 5% as a year of beset by challenges such as the closure of the airport, floods, health advisories stemming from the dengue epidemic combined with intense competition to dampen occupancy rates in both hotels. Despite both hotels retaining their rankings as the two highest ranking 5 star hotels, occupancy rates at Cinnamon Grand and Cinnamon Lakeside declined marginally by 7% and 1% respectively to 65% and 63% in the previous year. Cinnamon Grand remains the main contributor to revenue accounting for 59% while Cinnamon Lakeside accounts for 37% and Property sector accounts for 4%. Revenue composition remains stable with rooms and F&B accounting for approximately 89% of revenue. Continual upgrade of our common areas, restaurants and banquet halls supported retention of our ranking for the hotel and the restaurants to retain our loyal clientele. Our signature restaurant Tao was re-conceptualised to a unique offering of Chinese cuisine with two Chinese Chefs ensuring authenticity and excellence. Rental income and other revenue which contributed 11% to revenue also declined by 2.1%.

The Capitals Report

Financial Capital

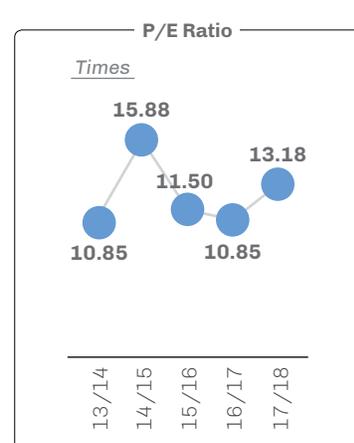
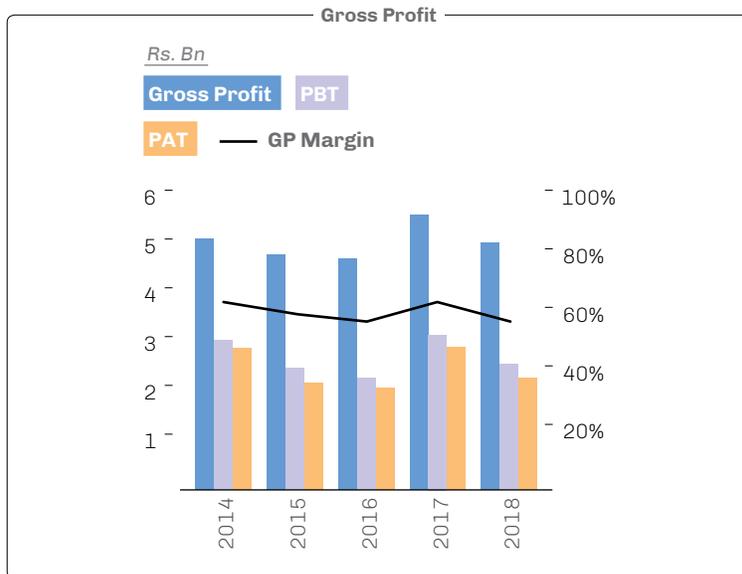
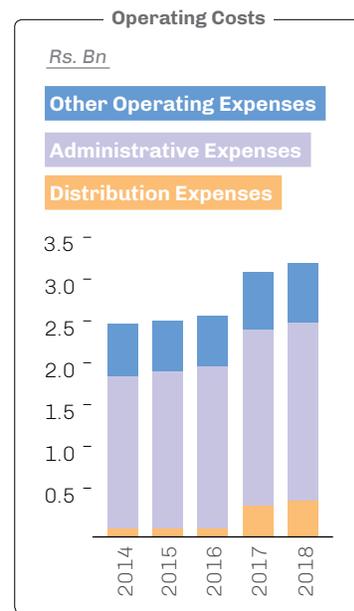
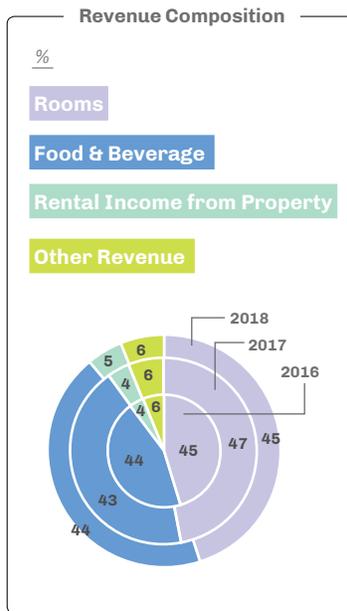
Gross profit followed suit decreased by 11% to Rs.4.8 Bn. The Groups' overall gross profit margin fluctuates within a narrow band, reflecting inflationary and competitive pressures which are handled through appropriate pricing strategies, carefully balancing occupancy and other factors.

Operating costs have also been largely curtailed reflecting year on year growth of a mere 3.3% as illustrated in the operating costs' chart, well below the inflation rate of 7.1% observed in 2017 reflecting group wide measures to do more with less as we enhanced our service standards during this period.

Net finance income declined during the year by 39% as cash balances were utilised to fund capital expenditure, repayment of debt and payment of dividends, contributing to the decline in profits.

Company PBT of Rs. 1.75 Bn includes Rs. 0.18 Bn from increase in value of investment property Crescat Boulevard accounting for 23% of PBT. The Group recorded Profit After Tax of Rs. 2.18 Bn while the Company recorded Rs.1.6 Bn accounting for 73% of Group profit. Company PAT reflects a decline of 24% during the year due to lower occupancy and marginally increasing costs due to enhanced service standards and inflation.

The Group declared dividends of Rs.3/- per share for the year under review compared to Rs.4/- in previous year. Our Dividend policy is set to provide our shareholders a maximum possible return, whilst retaining sufficient funds for future growth.



Balance Sheet

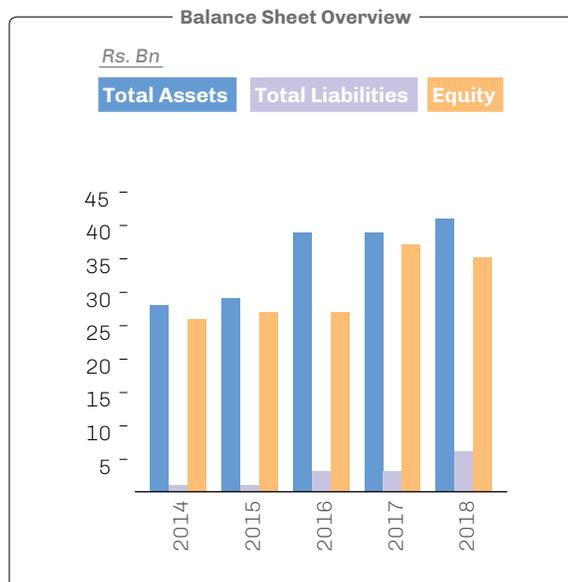
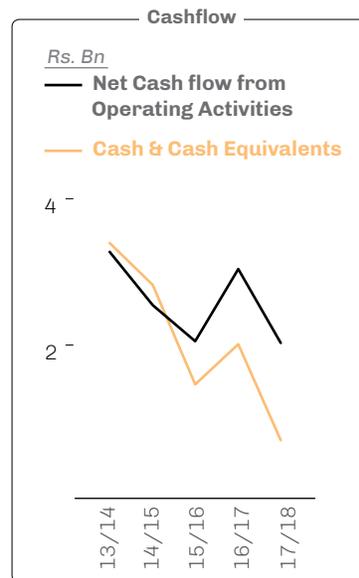
Total assets of the Group amounted to Rs.41 Bn an increase of approximately Rs.1.95 Bn from previous financial year. The increase is mainly due to capitalisation of refurbishment cost that has also reduced the short term funds and current assets. Net assets per share amounted to Rs.71.68 decreased by 4.1% compared to the previous year attributable to prudent management of liabilities as asset growth of 5%. AHP accounts for 82.9% of total assets while TAH accounts for the balance 17.1%.

Current ratio of the Group declined during the year from 1.92 to 1.27 due to a decrease of 55% in short term investments as we used our own funds for expansion and repayment of borrowings during the year.

Disappointingly, market capitalisation remains below Shareholder's Equity despite the top rankings of the hotels and restaurants and prudent financial management which clearly demonstrate intrinsic value of the share.

Cash Flow and Liquidity

Cash flows remain positive despite a decline in both cash flow generated and cash balances due to the reduced scale of operations and refurbishments of Rs. 1.2 Bn funded with our own investment.



The Capitals Report



Social and Relationship Capital

Relationships nurtured over the years underpin our success as the premier hospitality brand. Structured processes for stakeholder engagement and addressing their concerns has enabled us to forge win-win relationships supporting mutual growth.



Guests



Tour Operators



Suppliers



Communities

Guests

Our guests comprise a local and foreign clientele who experience our hospitality as in-house guests, dine-in guests and at banquets and events. They expect high standards of hospitality due to our proven track record, making delighting customers an everyday norm at the Cinnamon Grand and Cinnamon Lakeside. Detailed operating procedures and capacity building of our team contribute to deliver positive guest experiences which are monitored and measured through social media and in-house surveys to ensure that we continue to deliver high standards of hospitality.

Customer Health and Safety **GRI 103: GRI 416 - 1 & 2**

Ensuring customer health and safety underpins our operations as it is a sine qua non for positive guest experiences. From the time the guest enters our premises to his or her departure, we are conscious that the safety of our premises and the quality of the food and beverage served can impact their health and well-being. Consequently safety of our premises and food safety standards are two key areas of focus and a number of operating procedures are in place to facilitate this. Certifications obtained confirm our strict adherence to international standards as given below. There were no instances of non-compliance with regulatory requirements or voluntary codes during the year and we were pleased to receive the runner up award in the A* category affirming our high standards of food safety. Additionally, positive guest reviews provide further evidence of our commitment to uphold high standards in both these key aspects. Employee trainings carried out in this regard are given on pages 54 and 55 in Employee Engagement.



Occupancy Rates Over
60%

TripAdvisor Ratings
> 90%
Positive Reviews

Booking.com Ratings
> 8

Positive reviews on
RezT Guru
98%

Customer Health and Safety



This standard ensures that the occupational health and safety management systems eliminate or minimise risk to employees and other related parties, who may be exposed to occupational health and safety risks associated with its activities.



ISO 22000:2005 Specifies requirements for a food safety management system, where an organisation in the food chain needs to demonstrate its ability to control food safety hazards in order to ensure that food is safe at the time of human consumption.



Runners up award for grade A* for excellence in food and safety and hygiene conducted by the Colombo Municipal Council

Measures or initiatives;

- 24 hour clinic with nurse on duty for any emergencies.
- Doctor visits twice a day once during the morning and once during the evening and is 24 hrs on call.
- Registered ambulance service to respond during an emergency.
- Monthly audits are conducted on fire and emergency evacuation, swimming pool safety and food hygiene.
- We also follow Health and Safety standards established by international travel agencies. Our checklists are based on these standards.
- Fire and evacuation drills are conducted annually.
- There is a page in the room compendium on what the guest should do in the event of an emergency.
- Facilities are provided for disabled guests, such as rooms, public area toilets, ramps, hand rails etc.
- 24 hour CCTV surveillance, with a dedicated associate monitoring them at the command room.
- Each shift has a trained fireman on duty to respond for an emergency.
- Associates from selected departments are trained and certified on First aid.
- Security associates are trained by the local fire department and Sri Lanka air force to respond for a fire.
- Food sample testing, water testing (Drinking and Swimming pool) etc is carried out periodically.
- All staff are trained on fire fighting.

The Capitals Report

Social and Relationship Capital

Customer Privacy **GRI 418 - 1**

Customer privacy is a key concern and we limit our collection of personal data to what is required for our operations and collect data only with the consent of the guest. The data is used only for the operations of the Hotel and are not shared with any third party. All concerned are required to take a broad view of their privacy and confidentiality responsibilities, such as minimising invasion into private lives, and avoiding risks to health and safety, and must limit access to authorized users only, using password protection as per group policy guideline and/or with the usage appropriate technologies with a minimum of two factor authentication. Additionally, we have invested in securing servers to facilitate customer data security, and potential threats are monitored. There were no breaches of customer security reported during the year.

Engaging Events



Avurudu was celebrated at the village in the city, Nuga Gama, with Avurudu goodies and fun games and activities.



Coffee Stop re-opened with a stylish new look.

Engaging Events



Cinnamon Grand and Cinnamon Lakeside came together with Sri Lankan Airlines to reward frequent flyer FlySmiles members.



The giant bauble and mini baubles lit up the lawn of Cinnamon Grand for Christmas.



Moods of Christmas - a seasonal musical tribute by the Soul Sounds choir took place at Cinnamon Grand.



Cinnamon Grand hosted a gala night to thank their valued secretaries and business partners for the continued support and loyalty extended to the properties over the years.



The Capitals Report

Social and Relationship Capital

Engaging Events



Tao re-opened as an authentic Chinese restaurant.



The giant Christmas tree in the Courtyard lobby.



The Christmas Market organised by our talented team was a hit amongst Hotel patrons.



Engaging Events



The Jaffna Festival gave guests a true taste of all that Jaffna has to offer in cuisine, dance and crafts.

The Capitals Report

Social and Relationship Capital

Engaging Events



Cinnamon Grand celebrated their 12th birthday on 26th November 2017.



Guests enjoyed the fun and excitement at the Christmas Carnival



Ring in the New Year 2018 at Cinnamon Grand Colombo

Business Partners

Our business partners are a vital link in our supply chain, engaging potential guests and directing them to our hotel. They include tour operators, aggregators and corporate customers who facilitate bookings for guests and provide information about experiences at Cinnamon Grand. A dedicated sales team nurture these key relationships with regular interactions with Corporate Management. Our presence at trade shows and travel conferences strengthen existing relationships and enable acquisition of new relationships, enhancing our social and relationship capital. Experiential tours and visits also serve to strengthen ties with these key business partners. We receive regular feedback from our business partners who represent the voice of our guests and prompt action is taken to address their concerns.

Suppliers

GRI 102 - 9

Upholding high standards associated with the Cinnamon brand is partly dependent upon the services and products of our Suppliers. We deal with both large scale suppliers and SMEs and work with them to ensure that they meet our stringent quality and social responsibility standards. A structured procurement process ensures fair dealing while our quality assurance processes facilitate immediate feedback on any issues.

Our procurement process includes a Supplier Assessments Process where suppliers are assessed for labour practices, human rights and environmental impacts. While quality and technical requirements are assessed by our own staff, supplier assessment are carried out by a reputed third party for a variety of factors including product responsibility and qualitative factors including the possession of an environment licence. Our Top 20 suppliers are assessed annually while the other suppliers are assessed on a sample basis after the initial assessment. During the year, City sector awareness sessions were conducted for all ready to eat food suppliers by SGS Lanka with 72 hours of training in total.

Purchase from Local Suppliers

Rs. **3,525**Mn ⬆️

Community Engagement

Cinnamon Grand promotes sustainable tourism and strives to enhance awareness of the need for sustainable tourism among our guests and other stakeholders. Accordingly, our business policies and procedures support upliftment of communities and nurturing of the environment. We also get involved in disaster relief using our capabilities. Our initiatives to promote Colombo as an entertainment hub, promote sustainable tourism and strategic philanthropy are depicted below.

Local Large Scale Suppliers



Comprises multi-nationals and large local corporates

Typically supply plant and equipment, fresh and processed proteins, amenities, grocery items and services for maintenance of premises

Subject to regular supplier assessments

SME



Fresh produce

Novelties

The Capitals Report

Social and Relationship Capital

Promoting Colombo as an Entertainment Hub



Indian superstar Sonu Nigam was hosted at Cinnamon Grand during his live performance concert.



Celebrity TV personality, restaurateur and judge of 'MasterChef Australia' George Calombaris being welcomed by Cinnamon Hotels and Resorts Sector Head-City Hotels and Cinnamon Grand General Manager Rohan Karr.



Australian indigenous artist Sid Bruce Short Joe surrounded by avid artists at the Cinnamon Grand lobby.



Cinnamon Grand was a part of the Andrew Lloyd Webber and David Ian's The Really Useful Group production of Sound of Music which was staged for the first time in South Asia at the Nelum Pokuna Theatre.

Community Engagement



Cinnamon Grand hosted the surrounding three-wheel driver community for lunch at the Taprobane restaurant to show appreciation for their contribution to the betterment of the Hotel.



Don Bosco boys and staff enjoyed seasonal hospitality with Santa and Sector Head, City Sector and General Manager Rohan Karr.



The Abans staff was recognised for their services at the Hotel by providing refreshments and gifts.



60 orphaned girls from Shilpa Homes were hosted for a Christmas party at Cinnamon Grand.

Our Group takes pride in hosting various corporate events that have brought in professionals and experts in various industries and fields that contribute to the betterment of society. During the year the following events were hosted by us:

- International Air Transportation Association (IATA) Global Training Partner conference.
- Cinnamon Life, in Association with HSBC Premier, held its announcing ceremony of "The Big Cat People by Jonathan and Angela Scott".
- CIM Annual Marketing conference was held at Cinnamon Grand with over 350 marketing individuals attending.
- In celebration of World Tourism Day, the Cinnamon Future of Tourism Summit was hosted at Cinnamon Grand.

Sustainable Tourism



International Wetland Day was celebrated with a seminar featuring renowned environmental activist and Attorney at Law Jagath Gunawardena who spoke on adhoc urbanisation and related threats to the environment.

The Capitals Report

Social and Relationship Capital

Sustainable Tourism



Cinnamon Grand showed support for Earth Hour by switching off non-essential lights at the Hotel, and guests lighting candles at Nuga Gama.



World Water Day was celebrated with a seminar featuring Dr. Ananda Mallawatantri, Country Representative, IUCN Sri Lanka.



Sri Lanka Economic Summit 2017 at Cinnamon Grand.



Colombo International Tea Convention 2017 150-Year Anniversary Event.



CEO Breakfast Forum with Ron Kaufman at Cinnamon Grand.



The Cinnamon Future of Tourism Summit 2017 was attended by local and international leaders of the travel and tourism industry.



Human Capital

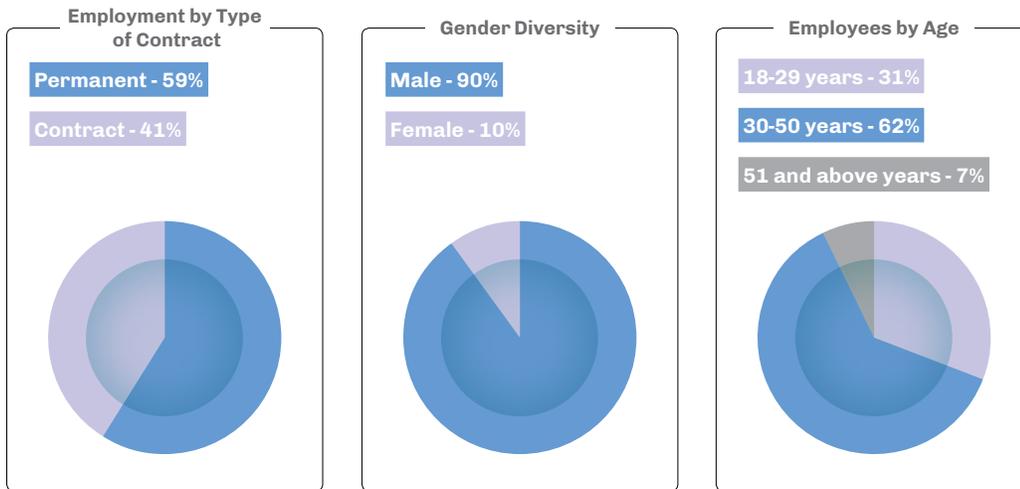
GRI 405 - 2

As a service organisation, our team is key to our success as their interactions determine our guest experiences. A comprehensive human resource management programme ensures that we create a great place to work for our team, motivating them to reach their full potential.

Our Team

GRI 102 - 8

The Cinnamon Grand Team comprises of 729 permanent employees and 498 contracted employees located in the Western Province, whose gender and age analysis are given below. Janitorial services are provided by a third party whose staff work within our premises.



A comprehensive suite of policies for Human Resources ensures adherence to relevant regulatory requirements which include the Shop and Office Employees' Act and Gratuity Act. All statutory contributions towards provident fund, trust fund and PAYE taxes are made on behalf of our staff in a timely manner with assurance provided to the Board on a quarterly basis.

As a Hotel, we operate on a shift basis to ensure that we are adequately staffed throughout 24 hours. Our staff are provided transport between 10.30 p.m and 2.30 a.m to ensure their safe arrival at residence/workplace.

The Capitals Report

Human Capital

A Conducive Workplace

GRI 406 - 1

Our HR policies ensure equal opportunities are provided for all of our current and prospective employees, regardless of their gender, age, race, religion or political belief. Policies are in place to ensure non-discrimination for any reason while on the job and accomplishment and promotions are solely based on individual performance. The nature of our industry is such that we are compelled to hire more male staff, however there is always equal opportunity for a female willing to take on the same responsibilities.

A formal process in place to report grievances to the HR department or the Ombudsman in line with the John Keells Group policy although no incidents of discrimination were reported during the year. We attribute the zero grievances to the harmonious relations with our staff who take pride in their workplace.

Basic salary and remuneration of women and men

1:1 is based on the job role **GRI 408 - 1 & GRI 409-1**

Labour turnover **21.10%** **GRI 409 - 1**

We are committed to paying our employees a fair and reasonable wage above the industry minimum.

We do not employ any person under the age of **18** years nor do we use forced labour and have stringent guidelines in place to prevent this.

Security within the premises are provided by our own employees who are trained to uphold human rights.



HR Policies

- Recruitment and selection policies
- Learning and development policies
- Policy on career management and promotions
- Rewards and recognition policy
- Leave, flexi-hours and tele-working policies
- Code of conduct
- Policy against sexual harassment
- Disciplinary procedure
- Policy on grievance handling
- Anti-fraud policy
- Policy on communications and advertising
- Ombudsperson policy

GRI 405 - 01 & GRI 410 - 01

Employee Category	Male	Female	Under 30	Between 30 - 50	Over 50
Non-Executives	700	52	279	436	37
Junior-Executives	215	31	26	186	24
Senior-Executives	162	35	26	140	31
Casuals	30	2	29	3	0

Recruitment and Retention

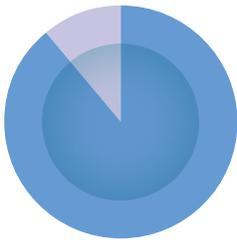
GRI 401 - 01

Our recruitment is based on a persons' professional qualification, skills, competencies, capabilities, knowledge and experience and follow structured codes of conduct for equivalent opportunity and human rights. We encourage internal promotions to provide a career path and gender equality is ranked "important" to us.

New Hires by Gender

Male - 89%

Female - 11%

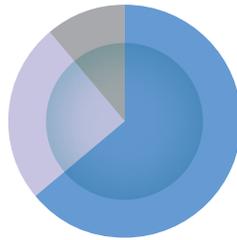


New Hires by Age

Under 30 years - 64%

30-49 years - 25%

50 and above years - 11%



We strive to retain our employees through a combination of training and development, rewards, recognition, career progression, a conducive workplace and team spirit. Annual Service Awards are held to honor and reward 158 employees who completed 5, 10, 15, 20, 25 and 30 years of service where gold sovereigns of varying weight based on their years of service are distributed at a gala event to which their families are also invited. An extensive buffet featuring culinary treats and entertainment by leading artists combine to make this a dazzling evening and a treasured memory for our employees and their families.



Mr. Mario Gibson became the first Sri Lankan Butler to receive the 7-star accolade from Magnum Butlers International Academy, Australia.



Cinnamon City Hotels won 70 medals at the Culinary Art 2017 competition organised by the Chefs' Guild of Sri Lanka.



Runners up award for Grade A* for excellence in food and safety and hygiene conducted by the Colombo Municipal Council.

The Capitals Report

Human Capital



Cinnamon Grand presented Long Service Awards to 159 associates who have been with the Hotel for 5, 10, 15, 20, 25 and 30 years at a gala ceremony in March 2018.

Cinnamon's city hotels win big with 6 Golds at inaugural THASL 'Rising Star' awards

CINNAMON'S city hotels Cinnamon Grand, Cinnamon Lakeside and Cinnamon Red won six of the coveted nine categories at the prestigious 'Rising Stars' hospitality awards presented by the Hotels Association of Sri Lanka (THASL) at the BMICH on

Amendment category), Vishwasathan Vinothprassanth (Gold - Best Bell Hop category), Shannon Fonseka (Bronze - Best Receptionist category) and Nadaraja Vimala Vithiyabar (nominee in the 'Telephone Operator' category). Cinnamon Red; John De Croos



Cinnamon Grand's award winners at the Rising Stars of Hospitality awards ceremony with Sector Head, City Sector and General Manager Rohan Karr and Heads of Departments.

Employee retention has been a key concern due to the increase in the number of city hotels and resultant high demand for experienced staff. High standards maintained by the Cinnamon Grand resulted in active headhunting of our staff. This resulted in a relatively high staff turnover during the reporting year and the previous year.

No. of resignations	2018	2017	Change %
AVP and above	-	-	0%
Managers	-	-	0%
Senior Executives	45	36	25%
Junior Executives	43	43	0%
Non-Executives	154	151	2%
Total	242	230	5%

By Gender	2018	2017	Change %
Male	32	29	10%
Female	210	201	5%
Total	242	230	5%

Remuneration, Rewards and Recognition

Remuneration policy is determined by the John Keells Holdings PLC Remuneration Committee and comprises of a fixed component and a variable component linked to performance. The variable component is determined through a structured performance management system comparing achievements against agreed targets. Senior Executives with more than 12 months of service are also given shares of the parent company, This is elaborated on in Note 26.3 to the Financial Statements.

Annual reviews of all staff are conducted for all categories of employees other than outsourced employees with an aim to review individual performance, identify training and development needs and to reward their contributions. Gender does not play any role when undertaking performance reviews within the Company. The broad assessment tool is developed for individuals to self-assess their strengths and weaknesses as well as for their manager to make assessments and to have the opportunity to discuss their future training requirements and concerns if any. Salary increments, bonuses, promotions and identifying top performers for development to higher levels of management is done through this process.

Employees' Benefits

GRI 401 - 02

Employee benefits provided in conformance to regulatory requirements include the following:

- Employer contribution to Employee Provident Fund of 12% of gross salary.
- Contribution to Employee Trust Fund of 3% of gross salary.
- Gratuity for employees with more than 5 years' service equal to two weeks pay for each year of service.
- Maternity leave of 84 working days.

Other benefits provided to employees include the following:

- Insurance policies including surgical and hospitalization cover.
- Donations on the death of immediate family members.
- No pay allowances.
- Welfare loans.
- Sharing of service charge collections equally among all employees.
- Service Awards for long standing employees.
- Dormitory facilities and duty meals.
- Birthday treat programmes and staff pastry orders.
- Sports club activities.
- Assistance on emergency situations and critical illnesses.

Accordingly, 9 employees availed themselves of maternity leave during the year and 7 returned to work after maternity leave while 2 remain on maternity leave at the close of the financial year. Return to work rates after maternity leave and retention rates were 77% and 86% respectively.

Freedom of Association and Collective Bargaining

GRI 407 - 01

The Company recognizes the employees right to gain membership of trade unions and has relations with three trade unions in place which are appropriately registered, namely the Sri Lanka Nidahas Seveka Sangamaya, Jathika Seveka Sangamaya and Inter-Company Employees' Union. Harmonious relations prevailed during the year as a result of regular dialogue and addressing of legitimate employee

The Capitals Report

Human Capital

concerns. There is no collective bargaining agreements in effect with the Unions. At the close of the year, 8% of our employees were enrolled with one of these trade unions. During the year, there were no instances of employee strikes or loss of work days due to labour unrest which is evidence of our commitment to our employees.

Employee Training and Development

GRI 407 - 02

Employee training and development is key to building our brand, positive guest reviews and meeting the criteria for key certifications required by our Tour Operators. Accordingly, we operate an active training department which supports the growth of the company and its employees through a variety of structured training programmes using both internal and external resources. Training and development requirements are initiated at the department level where individuals' aspirations are matched with the Company's vision and these requirements are amalgamated to develop a comprehensive employee training and development agenda for the year. This highly structured and disciplined approach to training supports our mutual growth and makes our employees among the most sought after in the industry.

During the year, various training and development programs were conducted both in-house, by our TAD (Train, Assess and Development) trainers and through training programs conducted externally, details of which are listed below.

Training and Development programmes conducted during the year are summarized according to type of programme.

Total Investment in Training

Rs. **7.3** Mn

Total Training and Development Hours

88,054

Average Training Hours per Employee

5.2 Hours

GRI 402 - 02

Training Programmes	Staff per Program	Hours
Cinnamon Grand induction	768	18432
Fire Awareness and Emergency Evacuation	1434	2868
Introduction to Basic Food Hygiene	335	670
F&B Basics for new recruits	196	1568
First 30 Seconds	7	14
Dengue Epidemic Awareness Session	202	404
Communication Skills - Engineering	38	38
Whiskey Training and Tasting	36	72
Service Excellence	53	106
First Aid Training	30	480
Basic Beverage Knowledge	381	762
F&B Curator Training Programme	16	112
On-the-job Training - F&B	347	57.83
On-the-job Training - Front Office	507	84.5
Housekeeping Basics	20	20
Communication Skills - Banquet Ops	7	7
Cinnamon Magic	96	1536
Chemical Awareness - Kitchen Stewarding	10	20
Effective Communication	61	122
Lavazza Barista Training	20	40
Customer Service - Security	11	11
Sales Professional - F&B	161	322
Sommelier Training	18	36
Room Upselling and Customer Service - F/O	39	78
Customer Service - Action Station Chefs	26	52
Food Allergy and Food Poisoning	55	110
Lavazza Barista Training	20	40
Proper Credit Card Acceptance	50	100

Training Programmes	Staff per Program	Hours
Room Upselling and Customer Service	15	30
Purchase Requisition and Release System Training	52	52
Advanced Excel	26	416
Mixology Training	21	210
The Hostess Training	9	18
Beyond your Limits - F/O	109	218
Life Saving Refresher	10	80
Supervisory Skills Workshop	42	336
Beyond Your Limits - HSK	44	88
WSET - Level 01	38	304
Competency Programme	50	50
Principles of Finance	29	232
Team Building - Front Office	23	46
Customer Service - Abans Security Team	55	110
Seasonal Casuals Do's and Don'ts	75	300
Bartenders Training	12	24
Jack Daniels Training	44	88
7 Star Butler Training	10	400
Preparing for the Season/ Competitors	331	662
Chinese Traveller Standards	55	110
Generating Positive TripAdvisor	40	80
Attention to detail - HSK	51	51
A Cut Above the Rest - F/O	78	156
TAD Training	17	136
Attention to Detail - HSK Practicals	47	47
Working with Purpose	81	162
English Language Classes	120	2880
Technical Training	911	50818
Off-site Training	205	1788
Total	7544	88054

Employee Health and Safety

GRI 403 - 01

Occupational employee health and safety and general health and safety are considered to be a high priority across our Company and we consistently review all practices, systems and processes to minimize health and safety threats. Our OHSAS certification requirements also make this a key imperative and we also build high levels of awareness of the importance of health and safety in to our structured training programmes. Key initiatives include the following:

- Joint worker management safety committees across our hotels
- Personal safety equipment provided to all staff in line with their roles
- Appropriate uniforms provided to most categories of staff
- A cross functional team of employees have been trained and certified as first aiders who are equipped to handle emergency situations which could impact an associate or a guest
- Fire safety drills were conducted during the year covering all departments
- Food and Safety training for associates
- New hire induction training on health and safety

No major accidents or injuries were reported during the year under review. Additionally, there is no known increase in exposure to specific diseases arising from the work carried out by our employees. **GRI 403 - 2 & 3**

Employee Engagement



Training and Development – workshop for food safety training for Associates.

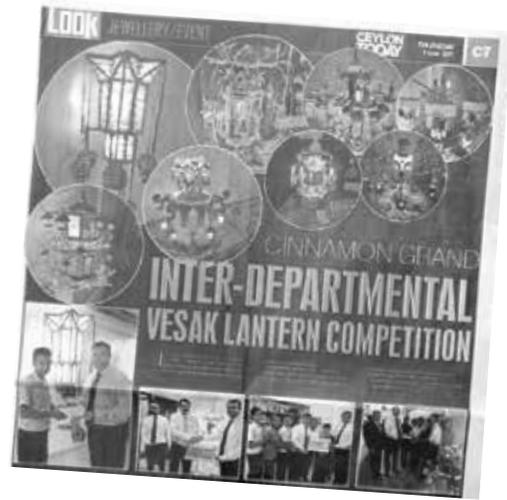
The Capitals Report

Human Capital

Employee Engagement



Associates Quarterly Meetings are held to recognise Grand Super Stars from the different departments and acknowledge their contributions. The final meeting for the year was held under a special 'Avurudu' theme.



Sector Head, City Sector and Cinnamon Grand General Manager Rohan Karr handing over the cash prize to the joint winners of Inter-Departmental Vesak Lantern Competition - Kitchen Stewarding team.



Sector Head, City Sector and Cinnamon Grand General Manager Rohan Karr handing over the cash prize to joint winners of Inter-Departmental Vesak Lantern Competition - Housekeeping team.

The Capitals Report

Human Capital

Employee Engagement



Angsana emerge champions at Grand Soccer Sevens.



Cinnamon Grand emerge victorious at JKH Inter-Company Badminton Championship 2017.



Cinnamon Grand Men's team emerge overall champions at JKH Inter-Company Swimming Championships.



Cinnamon Grand Associates in action during the Cinnamon city hotels Premier League Championship.



Cinnamon Grand F&B team wins Inter-departmental Cricket Sixes Championship Trophy



The Capitals Report



Intellectual Capital

Our intellectual capital comprises the tacit knowledge of our people, our systems and processes, the Cinnamon brand, certifications from international awarding bodies and awards and accolades that affirm our capabilities.



Tacit Knowledge of Our Team

A culture of high standards in hospitality honed over 40 years of continuously raising the bar



Systems and Processes

Sound governance structures, a comprehensive policy framework, internal controls and IT systems underpin our performance



Brand

Cinnamon is the leading hospitality brand as ranked by Brand Finance and is among the Top 25 brands in the country



Certifications, Awards and Accolades

Certifications confirm adherence to standards in various aspects of our operations while awards reflect our commitment to excellence

Tacit Knowledge of Our Team

Our team is a healthy mix of new and long standing employees creating a culture that support the sharing of ideas, mentoring and driving change. Collectively, they represent the sum of experiences gained in over 12 years of hospitality and functioning as the premier city hotel. Visiting experts and celebrity chefs enhance our appreciation of hospitality trends which are incorporated into our operating procedures, elevating our service standards to new heights, setting the bar in Sri Lankan hospitality. Our experience has been enriched by our guests and events hosted as we have stretched our capabilities to new limits to deliver customised experiences to a discerning clientele.

Systems and Processes

Our systems and processes underpin delivery of value to our stakeholders, ensuring that we balance their concerns to deliver sustained value over the long term. Robust stakeholder engagement, risk management processes and internal controls combine with sound corporate governance and investments in technology including IT supports performance management.

Brand

The Cinnamon Brand is synonymous with high standards of hospitality and is the leading hospitality brand in the country. Initiatives such as “Cinnamonisation” rolled out last year ensures consistency in service standards and add lustre to the brand. We also continuously monitor ratings and reviews from our in-house surveys and on social media to ensure that we uphold the brand promise in our guest interactions to support brand building.

Certifications

We obtain external certifications to provide assurance to our operators of our commitment to the health and safety of our guests including food safety and to social and environment sustainability.



Awards and Accolades

Our awards reflect our commitment to excellence in numerous areas and inspire our staff to stretch beyond existing boundaries to set new goals.

The Capitals Report

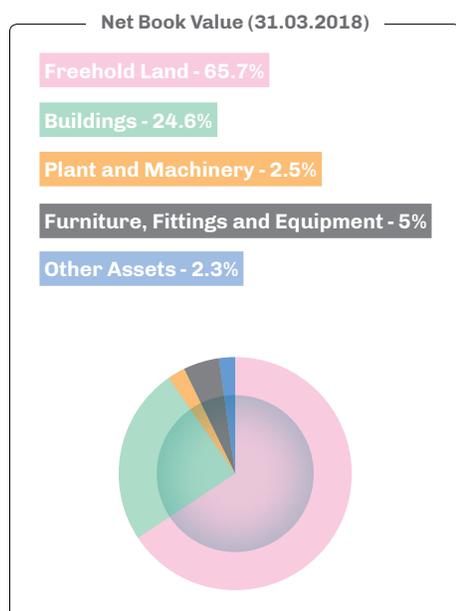


Manufactured Capital

Asian Hotels and Properties owns three landmark properties in Colombo, the Cinnamon Grand and Crescat Boulevard which are owned by the company and Cinnamon Lakeside owned by our subsidiary, Trans Asia Hotels PLC.

	Net Book Value	Net Book Value
At Cost (Rs.000)	31.03.2018	31.03.2017
Lease Land	769,048	781,452
Freehold Land	21,602,000	20,218,960
Buildings	8,098,707	7,708,769
Furniture, Fittings and Office Equipment	1,631,354	1,065,735
Total Value of Depreciable Assets	11,277,165	10,177,365
Work in Progress	23,937	112,149
Investment property	5,167,000	4,564,650

Our properties continue to appreciate in value due to their prime locations and a rigorous maintenance and upkeep programme coupled with regular refurbishments. Land and Buildings are revalued at least once in every 5 years with the last revaluation done in September 2017. The charts below depict our investments and nurturing of our manufactured capital, demonstrating our commitment to nurturing these key assets.





Cinnamon Grand

Cinnamon Grand is the largest five-star Corporate Hotel in the country with 501 rooms, 14 restaurants, 10 meeting rooms and event spaces, and multiple outdoor venues. Our rooms are tastefully decorated to relax and rejuvenate you while our executive floor offers a highly customised experience, complete with your own butler and meeting lounges. We offer our guests a range of curated experiences. Fine dining at the prestigious London Grill, an evening drink at the Cheers Pub, al fresco dining with authentic Chinese cuisine at Tao or a bustling seafood market, at The Lagoon, where the freshest catch is prepared according to your preference are just some of the experiences we have within Cinnamon Grand. We host the most prestigious events in the city, from formal corporate dinners and grand weddings to intimate private functions with unique culinary experiences.

The Capitals Report

Manufactured Capital



Cinnamon Lakeside

Cinnamon Lakeside is located adjacent the tranquil Beira lake offering guests the perfect urban getaway, with 346 rooms, 6 restaurants, and 9 meeting and event spaces. From your rooms, you can expect to see panoramic views of our gardens and pool that extend to the shores of the lake while you ponder over which restaurant to dine at or whether you ought to opt for in-room dining. Plan your formal extravaganza at Kings Court or set adrift with your guests at 8 degrees on the Lake. Wind down by the lake at 7 degrees North with your favourite cocktail in hand or dine under the stars with Asian delicacies from our signature restaurants, Royal Thai and Long Feng.

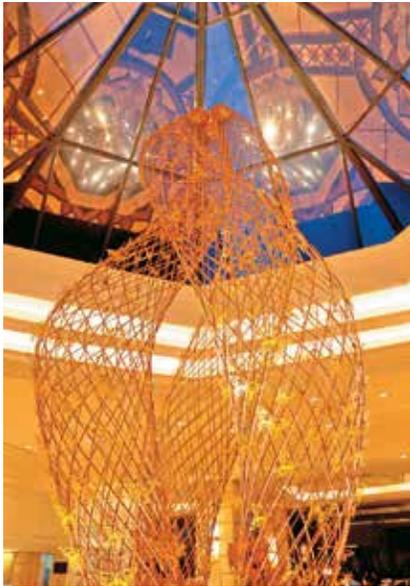
Crescat Boulevard

Located right next to the largest 5-star Hotel in the country, Crescat Boulevard is an upscale shopping mall with an eclectic variety of shopping experiences in the heart of the city. You can shop for global and local fashion brands, souvenirs or gifts ranging from designer hand-painted silk scarves, handcrafted wooden elephants or an exotic selection of luxurious Ceylon teas here. Sri Lankan spices and delicious treats are available at the supermarket while the food court offers a range of cuisines. A hive of activity for seasonal celebrations, Crescat Boulevard is Sri Lanka's premier shopping mall with ample parking and the best address in town.



Nurturing our manufactured capital

Upkeep and maintenance of these lifestyle buildings is key to our operations as they create the ambience and ensure the health and safety of our guests. We also invest in refurbishments to update interiors and enhance the comfort of our guests. Accordingly, Cinnamon Grand underwent extensive refurbishments with investments approximating to Rs. 1,192 Mn which included the following:



Lobby - Full refurbishment of the lobby area and art sculpture with over 300 intricately crafted butterflies stands majestically at the entrance to the lobby area.

Refurbishment of Restaurants



Tea Lounge



TAO Authentic Chinese



Coffee Stop

The Capitals Report

Manufactured Capital



Courtyard lobby- refurbishment of the courtyard in line with Cinnamon Grand's butterfly and nature theme was completed along with a second reception desk to better serve our clients.



New office space for our Human Resource Department and Finance Department to ensure comfortable and convenient environment to our employees.



Rooms - A new stylish and modern room layout was introduced.



Executive Lounge

The Lounge at the Executive floor was refurbished to meet our VVIP guests' needs and expectations.



A New Flower Room was introduced to meet our clients needs and to fulfill hotel decor requirements.



Natural Capital

AHP is keenly aware of the need for action to ensure that we minimise our carbon and water footprints through responsible consumption and management of our negative impacts such as emissions, effluents and waste. We go beyond the regulatory requirements as we firmly believe that it is part of our responsibility to the community that we are part of and managing impacts support our own long-term sustainability.



The Capitals Report

Natural Capital

Managing Inputs and Outputs

We manage our inputs by enhancing awareness of the environmental issues and responsible consumption. Additionally, energy and water consumption is measured and tracked on a quarterly basis against the previous quarter to determine the trend and identify the reasons for increased consumption. We also manage material usage through measurement of solid waste due to the complexity of materials used in our operations. Key initiatives are graphically depicted below.



Energy

Reduce electrical energy consumption by 2% (GJ/MT produced)



Invest in energy saving measures



Initiatives implemented during the year:

Replacing CFL bulbs to LED bulbs in Premium Wing, Basement Office, Lagoon Pond, Drive-way, Lobby



Saving per year Kwh
240,835



Water

Reduce water consumption (M3/MT produced)



Reducing water discharge and methods of re-using the water.



Initiatives

Implementing systems to collect rain water for use in cooling towers.



Savings per year 2,331 M3



Solid Waste

Reduce specific waste generated and recycle (MT/MT produced)



Increase recycling and composting



Initiatives

* Recycling of plastic bottles

* Use of recycled paper

*Recycle of newspapers and other papers

*Separating wet/dry/oily wastage Separately and recycling



95% of solid waste is recycled

Compliance

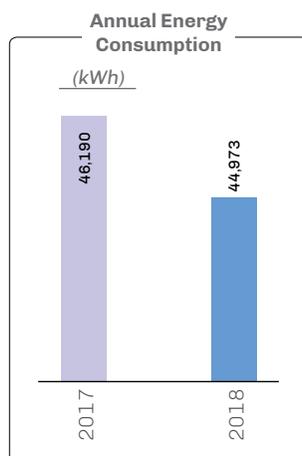
Our pledge to comply with all relevant rules and regulations for a better environment is managed by our constant environment audits and by obtaining certifications to ensure relevance of our systems and procedures. Our monthly sustainability accounting statements are reviewed by management and the Board to ensure that Company's expectations are met and matters are addressed in a timely manner. We are proud to note our certification for the 11th consecutive year by ISO 14001 – Environmental Management Standard which is an indication of our commitment to preserve our environment. Further more, all polythene items purchased for use is above the 20 microns as per Government regulations.

Our Sustainability Performance indicators are summarised:

	2017/18	2016/17	Change %
Turnover Rs. Mn	8,628	9,067	-4.8
Total energy consumption (GJ)	44,974	46,190	-2.7
Total water consumption (M3)	207,291	209,622	-1.1
Total waste generated (MT)	955,504	910,573	4.9
Carbon footprint (Kg)	10,291	10,522	-2.1

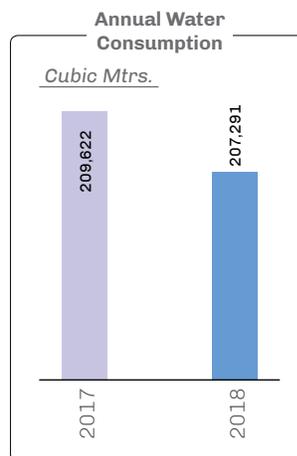
Energy

As part of our Green initiative, we are conscious of the need to reduce our energy consumption which is closely monitored. Energy costs during the year account for 28% (2016/17 - 27%) of operating cost and several initiatives have been implemented to bring in savings. Refer pictorial above on page 68 for details.



Water

Consumption of Water is relatively high in our industry and we constantly look at alternative methods to reduce utilisation. Our initiatives are extended not only to our employees but also to our clients as listed above on page 68. During the year under review our water consumption has reduced by 1.1% compared to the previous year being evidence of our continued commitment to save water.



Waste Management

85% of our waste is mainly the leftover food and particles from food preparation and 7% are disposals such as plastic, paper, glass bottles etc. Waste is accounted by each departed and reported monthly through the sustainability reports. Waste disposal is only given to companies who are compliant with CEA regulations. We also continue to seek improvement to our current processes and remain open to ideas for better management of our waste and continuous training and awareness programs are held for this purpose. During the year 955,504 kg's of waste was recycled which is estimated to be 95% of our total waste. The following initiatives were also introduced during the year;

- Landfill waste segregation based on biodegradable and non-biodegradable items.
- Suspension of use of lunch sheets in the hotel. As a result, average consumption of 450 lunch sheets a month have been saved.
- Replacing plastic cups with paper cups. Average disposal of 450 plastic cups a month saved.

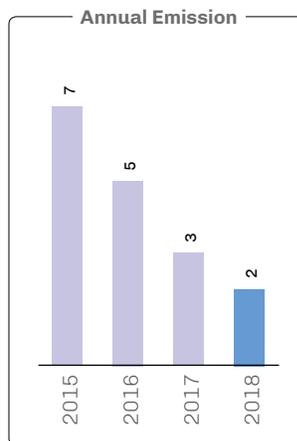
The Capitals Report

Natural Capital

WASTE MANAGEMENT	2018
RE-USED	
Wet Garbage	813,367
Waste Oil	8,290
Coconut Shells	6,950
Total	828,608
RECYCLED	
Plastic Water Bottles	13,817
All Types of Plastic Waste and Cans	4,281
Plastic Sunquick Cans	299
Plastic Sauce Cans	305
Plastic Chemical Cans	666
Plastic Yellow Oil Cans	3,200
Polythene Bags	620
Newspaper	6,810
Magazines	2,877
Waste Paper	4,663
White Bottles	26,502
Colour Bottles	13,624
Total	77,665
COMPOSING	
Landfill	44,360
E-Waste	158
CFL and Tube Bulbs	159
Total	317
RECOVERY	
Metal Tins	3,645
Gel Tins	910
Total	4,555
Grand Total	955,504

Emissions

Rapid reduction of our carbon footprint as given in the adjacent chart bears testimony to our commitment to reducing our carbon footprint. Investing in energy saving technology throughout our operations and high levels of awareness have supported this initiative enabling us to reduce our emission by 2% over the previous year.



GRI Content Index

GRI Standard	Disclosure	Page Number	Omission
GRI 101: Foundation 2016 [GRI 101 does not include any disclosures]			
General Disclosures			
GRI 102: General Disclosures 2016	102 - 1 Name of the organization.	IBC	
	102 - 2 Activities, brands, products, and services	04	
	102 - 3 Location of headquarters	IBC	
	102 - 4 Location of operations	IBC	
	102 - 5 Ownership & legal form	IBC	
	102 - 6 Markets served	04	
	102 - 7 Scale of the organisation	04	
	102 - 8 Information on employees and other workers	49	
	102 - 9 Supply chain	45	
	102 - 10 Significant changes to the organisations and its supply chain		N/A
	102 - 11 Precautionary principle or approach	25	
	102 - 12 External Initiatives	35-36	
	102 - 13 Membership of Associations	20-21	
	102 - 14 Statement from senior decision maker	10	
	102 - 15 Key impacts, risks and opportunities	25-30	
	102 - 16 Values, principles, standards and norms of behavior	24	
	102 - 18 - 39 Governance structure	78	
	102 - 40 List of Stakeholder Groups	20	
	102 - 41 Collective bargaining agreements	53	
	102 - 42 Identifying and selecting stakeholders	20	
	102 - 43 Approach to stakeholder engagement	20-21	
	102 - 44 Key topics and concerns raised	02	
	102 - 45 Entities included in the consolidated financial statements	04	
	102 - 46 Defining report content and topic boundaries	03	
	102 - 47 Lis of material topics	02	
	102 - 48 Restatements of information		N/A
	102 - 49 Changes in reporting		N/A
	102 - 50 Reporting period	03	
	102 - 51 Date of most recent report	03	
	102 - 52 Reporting cycle	03	
102 - 53 Contact point for questions regarding the report	IBC		
102 - 54 Claims of reporting in accordance with GRI Standards	03		
102 - 55 GRI Content Index	71		
102 - 56 External assurance	-		

GRI Content Index

GRI Standard	Disclosure	Page Number	Omission
Material Topics			
Economic Performance			
GRI 103: Management Approach	103 - 1 Explanation of material topics and its boundaries	35-36	
	103 - 2 The Management Approach and its components	35-36	
	103 - 2 Evaluation of the Management Approach	35-36	
GRI 201: Economic Performance 2016	201 - 1 - Direct economic value generated and distributed	35-36	
	201 - 3 Defined benefit plan obligations and other retirement plans	153	
Indirect economic impacts			
GRI 103: Management Approach	103 - 1 Explanation of material topics and its boundaries	33-34	
	103 - 2 The Management Approach and its components	33-34	
	103 - 2 Evaluation of the Management Approach	33-34	
GRI 203: Indirect economic impacts	203 - 2 Significant indirect economic impacts	33-34	
Procurement Practices			
GRI 103: Management Approach	103 - 1 Explanation of material topics and its boundaries	45	
	103 - 2 The Management Approach and its components	45	
	103 - 2 Evaluation of the Management Approach	45	
Energy			
GRI 103: Management Approach	103 - 1 Explanation of material topics and its boundaries	69	
	103 - 2 The Management Approach and its components	69	
	103 - 2 Evaluation of the Management Approach	69	
GRI 302: Energy 2016	302 - 1 Energy consumption within the organization	69	
	302 - 2 Energy consumption outside of the organisation		N/A
	302 - 3 Energy intensity		N/A
	302 - 4 Reduction of energy consumption	69	
Water			
GRI 103: Management Approach	103 - 1 Explanation of material topics and its boundaries	69	
	103 - 2 The Management Approach and its components	69	
	103 - 2 Evaluation of the Management Approach	69	
GRI 303: Water 2016	303 - 1 Water withdrawal by source	69	
Emissions			
GRI 103: Management Approach	103 - 1 Explanation of material topics and its boundaries	70	
	103 - 2 The Management Approach and its components	70	
	103 - 2 Evaluation of the Management Approach		N/A

GRI Standard	Disclosure	Page Number	Omission
GRI 305 Emissions: 2016	305 - 1 Direct greenhouse gas (GHG) emissions		N/A
	305 - 2 Energy indirect greenhouse gas (GHG) emissions (Scope 2)		N/A
	305 - 3 Other indirect (Scope 3) GHG emissions		N/A
	305 - 4 GHG emissions intensity		N/A
	305 - 5 Reduction of greenhouse gas emissions	70	
Effluents and Waste			
GRI 103: Management Approach	103 - 1 Explanation of material topics and its boundaries	69	
	103 - 2 The Management Approach and its components	69	
	103 - 2 Evaluation of the Management Approach	69	
GRI 306: Effluents and Waste	306 - 1 Water discharge by quality and destination		N/A
	306 - 2 Waste by type and disposal method	69	
Environmental Compliance			
GRI 103: Management Approach	103 - 1 Explanation of material topics and its boundaries	68	
	103 - 2 The Management Approach and its components	68	
	103 - 2 Evaluation of the Management Approach	68	
GRI 307: Environmental Compliance	307 - 1 Non-compliance with environmental laws and regulations	69	
Employment			
GRI 103: Management Approach	103 - 1 Explanation of material topics and its boundaries	50	
	103 - 2 The Management Approach and its components	50	
	103 - 2 Evaluation of the Management Approach		
GRI 401: Employment 2016	401 - 1 Employee hires and turnover	51	
	401 - 2 Employee Benefits	53 & 153	
	402 - 2 Training programs	54	
Health and Safety			
GRI 103: Management Approach	103 - 1 Explanation of material topics and its boundaries	55	
	103 - 2 The Management Approach and its components	55	
	103 - 2 Evaluation of the Management Approach	55	
GRI 403: Health and Safety 2016	403 - 2 Types of injury and rates of injury, occupational diseases, lost days and absenteeism and number of work-related fatalities	55	
Training and education			
GRI 103: Management Approach	103 - 1 Explanation of material topics and its boundaries	54	
	103 - 2 The Management Approach and its components	54	
	103 - 2 Evaluation of the Management Approach	54	
GRI 404: Training and education	404 - 1 Average hours of training per year per employee	54	
	404 - 2 Programs for upgrading skills and transition assistance programmes	54	
	404 - 3 Percentage of employees receiving regular performance and career development reviews	54	

GRI Content Index

GRI Standard	Disclosure	Page Number	Omission
GRI 405: Equal Opportunity	103 - 1 Explanation of material topics and its boundaries	50	
	405 - 1	50	
GRI 406: Equal Opportunity	103 - 1 Explanation of material topics and its boundaries	50	
	406 - 1	50	
GRI 407:	103 - 1 Explanation of material topics and its boundaries	53	
	407 - 1	53	
	407 - 2	54	
GRI 408:	103 - 1 Explanation of material topics and its boundaries	50	
	408 - 1	50	
GRI 409:	103 - 1 Explanation of material topics and its boundaries	50	
	409 - 1	50	
GRI 410:	103 - 1 Explanation of material topics and its boundaries	50	
	410 - 1	50	
Local Communities			
GRI 103: Management Approach	103 - 1 Explanation of material topics and its boundaries	-	
	103 - 2 The Management Approach and its components	-	
	103 - 2 Evaluation of the Management Approach	46-48	
GRI 413: Local communities 2016	413 - 1 Operations with local community engagement, impact assessments and development programmes	46-48	
Customer Health and Safety			
GRI 103: Management Approach	103 - 1 Explanation of material topics and its boundaries	38	
	103 - 2 The Management Approach and its components	38	
	103 - 2 Evaluation of the Management Approach	38	
GRI 416: Customer Health and Safety 2016	416 - 1 Assessment of the health and safety impacts of product and service categories	39	
	416 - 2 Incidences of non-compliance concerning the health and safety aspects of products	39	
Socioeconomic Compliance			
GRI 103: Management Approach	103 - 1 Explanation of material topics and its boundaries	38	
	103 - 2 The Management Approach and its components	38	
	103 - 2 Evaluation of the Management Approach	38	
GRI 419: Socioeconomic Compliance	419 - 1 Non-compliance with laws and regulations in the social and economic area	38	

IBC - Inner back cover

Exotic experiences

We consider every guest to be one-of-a-kind. Great pains are taken to tailor our services to suit the unique needs of each guest, whilst staying true to our tropical roots, every step of the way.

The Ceylon Tree Nymph is an exotic butterfly found in both wet and dry zones of Sri Lanka. It is distinguished by its wings' translucent, silvery white colour and its ability to fly and remain afloat in the air for extended periods of time with ease.





Corporate Governance Commentary

Introduction

Asian Hotel and Properties PLC ('the Company') has strived to maintain the highest levels of transparency when reporting on information whether financial and non-financial, a fact which has greatly facilitated the enhancement of trust placed by our stakeholders in the Company.

The Company has been structured and controlled internally through a process of continuous review in facilitating the observance of the key principles of Corporate Governance. Whilst the Company is governed by an internal governance process which ensures integrity and professionalism in all its activities and relationships emphasis is placed on the adherence and promotion of ethical values in a constant effort to set high standards of social responsibility. This philosophy has been ingrained into the Company by means of a strong set of corporate values and a formal Code of Conduct which the associates at all levels, management and the Board of Directors are required to observe in the performance of their official duties. As a member of the John Keells Group of Companies ("Group"), emphasis placed on the Group's values is exemplified through the principle that requires all nominees to the Group's recognition scheme to live by the Group values.

The Company's "Progressive" stance on corporate governance philosophy goes beyond mere conformance with regulations, towards performance enhancement, in enabling sustainable value creation. Towards this end, the Company has established an integrated governance mechanism which spans across the entire organisational structure in the form of strategic planning, resource allocation, accountability and assurance.

The Company holds itself accountable to the highest standards of Corporate Governance that enhances the public's access to information about our Company. Effective Corporate Governance in line with the highest international standards is an important part of our identity. Our system of Corporate Governance lays the basis for responsible performance-oriented management and control which is geared towards sustainable value creation. Most importantly, our efforts go hand in hand with an unwavering commitment to the accurate, clear communication of our performance and the facts of our business.

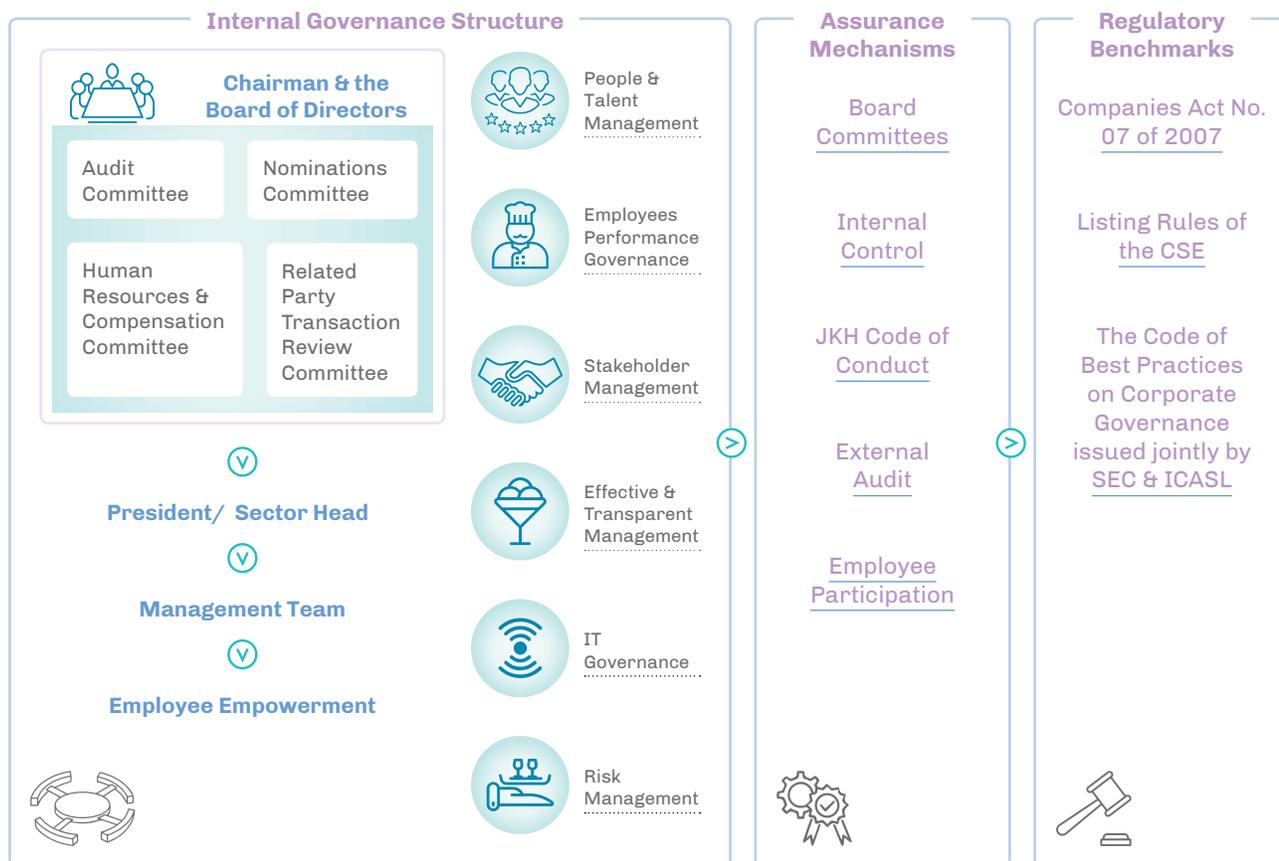
We are pleased to present this report which sets out the corporate governance philosophy that is practiced by the Company. We are in compliance with the following statutes, rules and regulations and where necessary, any deviations permitted by same, have been duly explained.

- Companies Act No. 7 of 2007
Mandatory compliance
- The Continuing Listing Rules of the Colombo Stock Exchange (CSE)
Mandatory compliance
- Code of Best Practices on Corporate Governance (2013) jointly advocated by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (ICASL)
Voluntary compliance

Code of Best Practices on Corporate Governance (2017) issued by ICASL, under review for voluntary adoption.

Corporate Governance Commentary

Corporate Governance System within a Sustainability Development Framework



The Corporate Governance framework is founded on the following principles:

- (i) Allegiance to the parent company, John Keells Holdings PLC (JKH) upholds of Group values.
- (ii) Compliance with the laws and Company Rules and Regulations applying to the territories that the Group operates in.
- (iii) Conduct of business in an ethical manner at all times, in line with acceptable business practices.
- (iv) Exercise of professionalism and integrity in all business and 'public' personal transactions.
- (v) Ensure that no person has unfettered powers of decision making.
- (vi) Opting for the early adoption of accounting standards and best practices in governance regulation when practical.
- (vii) Encourage proactive discussions with the relevant regulatory bodies to facilitate the implementation of matters of governance and other business reforms in Sri Lanka.

- (viii) Make business decisions and resource allocations, in an efficient and timely manner, within a framework that ensures transparent and ethical dealings which adhere to the laws of the country and the standards of governance that stakeholders expect from the Company.

Internal Governance Structure

This comprises of committees which formulate, execute and monitor Company related strategies, initiatives, processes and procedures which support are weaved into the fabric of these committees, enabling them to perform their roles effectively. All 4 committees are chaired by Independent Directors.

Assurance Mechanisms

This comprises of 'bodies and mechanisms' which are employed to enable regular review of progress against objectives with a view to identifying deviations, ensuring quick redress and provide assurance that actual outcomes are in line with expectations.

Regulatory Benchmarks

This comprises of regulations which govern, in the main, all our corporate activities from the Companies Act No. 07 of 2007 to Listing Rules of the CSE, Rules of the SEC and the benchmarks we have set for ourselves in working towards local and global best practices.

What follows is a more detailed account, including where relevant the applicable components of the Company's Corporate Governance System.

Internal Governance Structure

The Internal Governance Structure encompasses;

- The Board of Directors,
- Board Sub-committees, and
- Senior Management Committees

Strengthened and complemented by internal policies, processes and procedures, the key components being:

- Strategy formulation and decision making
- Human resource governance
- Integrated risk management
- IT governance and
- Stakeholder management and effective communication

The components of the internal governance structure are designed in such a way that the executive authority is well devolved and delegated through a committee structure ensuring that the Presidents, Sector Head and the Senior Management Team are accountable for the overall Company functions and sub-functions respectively. Clear definitions of the limitations on authority, responsibility and accountability are set and agreed upon in advance to achieve greater operating efficiency, expediency, healthy debate and freedom of decision making.

Role of Chairman

The Chairman presides over Board Meetings with a view to establishing constructive working relationship with all the Directors so as to ensure the participation and contribution of Executive and Non-Executive Directors with their views on matters under consideration being openly expressed and considered. The Chairman maintains contact with all Directors and has informal discussions with the Non-Executive Directors as necessary.

As Chairman, he is responsible for:

- Ensuring that the principles and processes of the Board are maintained, including the provision of accurate, timely and clear information
- Encouraging debate and constructive criticism
- Setting agendas for meetings of the Board, in conjunction with the Senior Managers and Group Company Secretary, that focus on the strategic direction and performance of our business
- Leading the Board and individual Director Performance assessments
- Speaking and acting for the Board and representing the Board to shareholders
- Presenting shareholders' views to the Board
- Facilitating the relationship between the Board and the Management

The Board is of the view that the Chairman's other commitments do not interfere with the discharge of his responsibilities to the Company. The Board is satisfied that he makes sufficient time available to serve the Company effectively.

Chairman Appraisal

The Human Resources and Compensation Committee of the ultimate parent company, John Keells Holdings PLC appraises the performance of the Chairman on an organisational and individual basis as approved by the Board.

Board of Directors

The Board of Directors is the ultimate governing body of the Company. It is responsible for the ultimate supervision of the Company. In all actions taken by the Board, the Directors owe a fiduciary duty to exercise their business judgment in what they reasonably believe to be in the best interests of the Company. In discharging that obligation, Directors may rely on the honesty and integrity of the Company's senior executives, its advisors and auditors.

In carrying out its responsibilities, the Board promotes a culture of openness, constructive dissent and productive dialogue, ensuring an environment which facilitates employee empowerment and engagement and creates value to all stakeholders.

Corporate Governance Commentary

Board Induction and Training

The Group has a formal induction process for directors designed to provide an overview of the Group's values and culture, Group governance framework, policies and processes, Code of Conduct expected by the Company, business model of the Hotel's Group, strategy and the directors' responsibilities in accordance with current legislation. The induction process includes visits to key operational locations to facilitate an appreciation of the operations of the Company. The Chairman ensures that new Directors are introduced to other Board members and key management personnel and briefed on matters taken up at prior meetings. Directors are encouraged to update their skills and knowledge on a continuous basis.

Composition of the Board and Directors' Independence As at 31st March 2018, the Board consisted of 9 Directors comprising:

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

The key changes to the Board composition during the year under review are as follows:

- Mr. A D Gunewardene, resigned from the Board with effect from 31st December 2017. Mr. Gunewardene was the Deputy Chairman of John Keells Holdings PLC.
- Mr. J R F Peiris, resigned from the Board with effect from 31st December 2017. Mr. Peiris was the Group Finance Director of John Keells Holdings PLC.

Mr. J G A Cooray and Mr. J R Gunaratne were appointed to the Board with effect from 01st January 2018.

The Board consists of nine (9) Directors comprising of four Non-Executive Non-Independent Directors (NED/NID), three Non-Executive Independent Directors (NED/ID) and two Executive Non-Independent Director (E/NID).

The independence of the Directors has been determined in accordance with the Continuing Listing Rules of the CSE and all three Independent, Non-Executive Board members have submitted signed confirmations of their independence.

The Board members have a wide range of expertise as well as significant experience in diverse fields enabling them to discharge their governance duties in an effective manner.

The current composition of the Board of Directors of the Company is illustrated as follows:

Name of Director/Capacity	Shareholding (1)	Material Business Relationship (2)	Employee of Company (3)	Family Member a Director or CEO (4)	Continuous service for nine years (5)
Non-Executive, Non-Independent Directors (NED/NID)					
Mr. S. C. Ratnayake	Yes	No	No	No	N/A
Mr. K. N. J. Balendra	No	No	No	No	N/A
Mr. J. G. A. Cooray*	Yes	No	No	No	N/A
Mr. J. R. Gunaratne*	No	No	No	No	N/A
Mr. A. D. Gunewardene**	No	No	No	No	N/A
Mr. J. R. F. Peiris**	No	No	No	No	N/A
Executive, Non-Independent Directors (ED/NID)					
Mr. R. J. Karunarahaj	Yes	No	No	No	N/A
Mr. S. Rajendra	No	No	No	No	N/A
Non-Executive, Independent Directors (NED/ID)					
Mr. C.J. L. Pinto	Yes	No	No	No	No
Mr. S.K.G. Senanayake	No	No	No	No	No
Mrs. S.A. Jayasekara	No	No	No	No	No

Definitions

1. Have shares in the Company.
2. Income/non cash benefits derived from the Company equivalent to 20 per cent of the Directors annual income.
3. Director was employed by the company two years immediately preceding appointment.
4. Close family member who is a Director or CEO.
5. Has served on the Board continuously for a period exceeding nine years.

* Appointed to the Board with effect from 01st January 2018.

** Resigned from the Board with effect from 31st December 2017.

The Board of Directors participate in defining goals, vision, strategies and business targets. All Directors are able to and willingly add value and independent opinion on the decision making process, which is of immense benefit to the effective functioning of the Board. The details of the current Board of Directors along with a brief resume of each Director is found from page 12 to 14 of the Report.

Transactions or events that have a material bearing on the Company are disclosed by way of circulars to shareholders, announcements to the CSE and media/press releases. The Board maintains an appropriate dialogue with shareholders of the Company and is ready to answer questions raised by shareholders at general meetings.

Directors will update the Board with any new information in relation to interests or relationships relevant to independence.

The Board has developed a policy that it uses to determine the independence of its Directors. This determination is carried out annually or at any other time where the circumstances of a Director change such as to warrant reconsideration.

The Board has been made aware of the other commitments held by its Directors and is satisfied that these do not conflict with their duties as Directors of the Company.

All Non-Executive Directors are required to notify the Chairman of changes in their outside Board appointments and the Chairman carries out a review of all such appointments in consultation with the other Directors where necessary to ascertain any possible conflicts of interest.

Board Responsibilities and Decision Rights

The business of the Company is conducted by its senior management, employees, managers and officers, under the direction of the Executive Directors and the oversight of the Board, to enhance the long-term value of the Company for its shareholders.

The Board aims to fulfill its responsibilities by creating value for all stakeholders that is sustainable and beneficial. Stakeholders include shareholders, employees, customers, the community and the environment. Without limiting the Board's function, its specific responsibilities include:

Corporate Governance Commentary

- Approving objectives, strategies and financial plans and monitoring the Company's performance against these plans.
- Monitoring compliance with the regulatory requirements and ensuring all Company employees act with integrity and diligence in the interests of the Company and stakeholders.
- Reviewing and approving all significant policies and procedures.
- Exercising objective judgment on all corporate matters independent from the Executive Management.
- Formulating short and long term strategies as a basis for the operational plans of the Company.
- Determining and recommending interim and final dividends for the approval of shareholders.
- Identifying the principal risks of the business and periodically reviewing the risk management systems in place.
- Preparation and presentation of financial statements, together with a statement by the Auditors pertaining to their reporting responsibilities.

Delegation of Authority

The Board has delegated some of its functions to the Audit Committee while retaining the final right to accept the recommendations made by the Committee. The Audit Committee is chaired by an Independent Director appointed by the Board.

Conflicts of Interest and Independence

Each Director holds continuous responsibility to determine whether he or she has a potential or actual conflict of interest arising from external associations, interests or personal relationships in material matters which are considered by the Board from time to time.

The independence of the Company's Non Executive Directors was reviewed on the following basis:

1. Shareholding carrying not less than 10 per cent of voting rights.
2. Director of another company*.
3. Income/non-cash benefit equivalent to 20 per cent of the Director's income.
4. Employment at JKH two years immediately preceding appointment as Director.
5. Close family member is a Director, CEO or a Key Management Personnel.
6. Has served on the Board continuously for a period exceeding nine years from the date of the first appointment.
7. Material Business Relationship or a Significant Shareholding in another company or business*.

* Other companies in which a majority of the other Directors of the listed company are employed, or are Directors or have a significant shareholding or have a material business relationship.

In order to mitigate any potential or actual conflict of interest or independence of Directors throughout the term of their membership on the Board, the Company has adopted the following processes:



Details of companies in which Board members hold Board or Board Committee membership is available with the Company for inspection by shareholders on request.

Board Meetings, Agenda and Attendance

For the financial year 2017/2018 there was a total of four (4) Board meetings. During the meetings, the Chairman of the Board appropriately allocated time for Directors to carefully review and discuss all relative information. There were also written minutes that were made available for verification and approved by the Board. All Directors have access to Keells Consultants [Private] Limited who act as Company Secretaries for advice on relevant matters. The Chairman ensured that all Board proceedings were conducted in a proper manner, approving the agenda for each meeting prepared by the Board Secretary. The typical Board agenda in 2017/2018 was:

Confirmation of Previous Minutes

- Matters arising from the previous minutes.
- Board Sub-Committee reports and other matters exclusive to the Board.
- Status updates of major projects.
- Review of performance– in summary and in detail, including high level commentary on actuals and outlook.
- Approval of quarterly and annual financial statements.
- Ratification of capital expenditure and donations.
- Ratification of the use of the Company seal and share certificates issued.
- Ratification of Circular resolutions.
- New resolutions.
- Any other business.

The Board of the Company met once every quarter and the Directors' attendance is shown in the table given below:

Attendance at Board Meetings

Name of Director	26-04-2017	24-07-2017	24-10-2017	01-02-2018	Meetings Attended
Mr. S.C. Ratnayake	✓	✓	✓	✓	4/4
Mr. K. N. J. Balendra	✓	✓	✓	✓	4/4
Mr. J. G. A. Cooray (Appointed w.e.f 01/01/2018)	N/A	N/A	N/A	✓	1/1
Mr. J. R. Gunaratne (Appointed w.e.f 01/01/2018)	N/A	N/A	N/A	✓	1/1
Mr. R.J. Karunaratna	✓	✓	✓	✓	4/4
Mr. S. Rajendra	✓	✓	✓	✓	4/4
Mr. C.J.L. Pinto	✓	-	✓	✓	3/4
Mr. S.K.G. Senanayake	✓	✓	✓	✓	4/4
Mrs. S.A. Jayasekara	✓	✓	✓	✓	4/4
Mr. A D Gunewardene (Resigned w.e.f 31/12/2017)	✓	✓	✓	N/A	3/3
Mr. J R F Peiris (Resigned w.e.f 31/12/2017)	✓	✓	✓	N/A	3/3

Financial Guidance

The Board of Directors consists of four (4) senior qualified accountants with significant experience in the corporate sector, who possess the necessary knowledge to offer the Board guidance on matters of finance. These Directors add substantial value and independent judgment on the decision making of the Board on matters concerning finance and investments.

Timely Supply of Information

The Directors were provided with necessary information in advance including important developments pertaining to the Company, by way of Board papers and proposals, for all four (4) Board meetings held during the year in order to ensure robust discussion, informed deliberation and effective decision making. Members of the senior management team made presentations to Directors on important issues relating to strategy, risk management and system procedures, where necessary. The Directors have access to;

- External and Internal Auditors
- Experts and other external professional advisory services
- Senior Managers under a structured arrangement
- Information as is necessary to carry out their duties and responsibilities effectively and efficiently
- Periodic performance reports
- Information updates from Management on topical matters, new regulations and best practices as relevant to the Company's business.
- The Company Secretary

Board Evaluation

The Board conducted its annual Board performance appraisal for the financial year 2017/18. This formalised process of individual appraisal enabled each member to self-appraise on an anonymous basis, the performance of the Board under the areas of:

- Role clarity and effective discharge of responsibilities
- People mix and structures
- Systems and procedures
- Quality of participation
- Board image

Corporate Governance Commentary

The scoring and open comments were collated by an Independent Director, and the results were analysed to give the Board an indication of its effectiveness as well as areas that required addressing and/or strengthening.

Board Secretary

Keells Consultants (Private) Limited functions as the Secretaries and Registrars of the Company and provide necessary Secretarial services and advise to the Board in relation to the Company, in addition to maintaining Board minutes and Board records.

Tenure, Retirement and Re-Election of Directors

As prescribed by the Company's Articles, one-third of the Directors of the Company except the Chairman and Managing Director retire by rotation. A Director retiring by rotation is eligible for re-election.

The tenure of office for Non-Independent Directors is limited by their prescribed Company retirement age.

Independent Directors, on the other hand, can be appointed to office for three consecutive terms of three years, which however, is subjected to the age limit set by statute at the time of re-appointment following the end of a term.

The proposal for the re-appointment of Directors is set out in the Directors Report as well as the Notice of Meeting on page 173 of this Report.

Board Sub-Committees

The Board has delegated certain functions to sub-committees, while retaining final decision making rights. Members of these sub-committees are able to focus on their designated areas of responsibility and impart knowledge and oversight in areas where they have greater expertise.

Of the four (4) committees mentioned below, excluding the Audit Committee and Nomination Committee, other two (02) Board sub-committees of the ultimate parent Company, John Keells Holding PLC (JKH), functions as the sub-committees of the Company and its subsidiary as permitted by the listing rules of the CSE.

1. Audit Committee
2. Nominations Committee
3. Human Resources and Compensation Committee
4. Related Party Transactions Review Committee

The Board sub-committees comprise predominantly of Independent Non-Executive Directors.

Audit Committee

Role of the Committee

The role of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities for the integrity of the Financial Statements of the Company, the internal control and risk management systems of the Company and its compliance with legal and regulatory requirements, the External Auditors' performance, qualifications and independence, and the adequacy and performance of the Internal Audit function, which at the parent company (JKH) level is referred to as the Group Business Process Review Division (Group BPR). This is detailed in the terms of reference of the Committee which has been approved by the Board and is reviewed annually.

The effectiveness of the Committee is evaluated annually by each member of the Committee and the results are communicated to the Board.

Composition of the Committee and Meetings

The Audit Committee comprises of three (3) Independent Non-Executive Directors. As prescribed in the Listing Rules of CSE, the Chairman of the Audit Committee is a Fellow member of the Institute of Chartered Accountants of Sri Lanka with several years of experience in financial auditing and accounting.

Four (4) meetings were held during the year under review. The Executive Directors and Senior Management of Cinnamon Grand Colombo and Crescat Property Division attend the Audit Committee meetings by invitation. Further the representatives of the Internal Auditors (Messrs. PricewaterhouseCoopers (Private) Limited), John Keells Group Business Process Review Division and the External Auditors Messrs. KPMG, Chartered Accountants also attend the Audit Committee meetings by invitation. The Audit Committee performs an important monitoring function in the overall governance of the Company. Mr. Evan Ranasinghe, Director Finance, is the Secretary of the Committee.

The Committee reviews the following:

- Review the quarterly and annual financial statements, including the quality, transparency, integrity, accuracy and compliance with accounting standards, laws and regulations
- Procedures for identifying business risks and controlling their financial impact on the Company and the operational effectiveness of the policies and procedures related to risk and control
- The appointment, remuneration, qualifications, independence and performance of the External Auditor and the integrity of the audit process as a whole

- Budgeting and forecasting systems, financial reporting systems and controls
- Procedures for ensuring compliance with relevant regulatory and legal requirements
- Arrangements for protecting intellectual property and other non-physical assets
- Overseeing the adequacy of the internal controls and allocation of responsibilities for monitoring internal financial controls
- Policies, information systems and procedures for preparation and dissemination of information to shareholders, stock exchanges and the financial community.

Attendance at Board Audit Committee Meetings

Name of Director	25-04-2017	21-07-2017	23-10-2017	30-01-2018	Meetings Attended
Mr. C.J.L. Pinto	✓	✓	✓	✓	4/4
Mr. S.K.G. Senanayake	✓	✓	✓	✓	4/4
Mrs. S.A. Jayasekara	✓	✓	✓	✓	4/4

Nominations Committee

The Nominations Committee is accountable to the Board of Directors. The Committee undertakes an annual self-review of its objectives and responsibilities. Such objectives and responsibilities are also reviewed by the Board of Director and any other person the Board considers appropriate

The Nominations Committee of the Company comprised of two Independent Directors and one Non-Independent Director, namely:

Mr. S.K.G. Senanayake - Chairman
 Mr. S.C. Ratnayake - (Non-Independent)
 Mrs. S.A. Jayasekara

Role and Purpose

The objectives of the Nominations Committee are:

- To regularly review the skills composition of the Board against the current and emerging needs of the Company
- make recommendations to the JKH (parent company) Nominations Committee regarding any changes to the status quo
- To ratify the appointments made by the JKH (parent company) Nominations Committee to the AHPL Board
- To define and establish a nomination process of non-executives directors to the Boards of its subsidiaries
- To make recommendations to the Board in respect of all new Board appointments (and re-election of those retiring in terms of the Articles) to its subsidiaries

Scope

- Regularly review the structure, size, composition and competencies, including the skills, knowledge and experience), of the Board and make recommendations to the Board with regard to any changes;
- Ensure that on appointment to the Board, directors receive a formal letter of appointment;
- Ensure that every appointee undergoes an induction to the organisation;
- Appointment of the chairperson and Executive Directors shall be the collective decision of the Board;
- Assess the skills required for the Company's subsidiary's Board, given the current and emerging needs of the business;
- Consider making any appointments or re-appointment to the Boards of the Company's subsidiary;
- Provide advice and recommendations to the Board and/or the Chairman (as the case may be) on any such appointment.

The Committee is authorised by the Board to seek appropriate professional advice from within and outside the Company as and when it considers necessary

Operating Practices

- The majority of the members of the Committee are Non-Executive Directors together with the Chairman-CEO. The Chairman of the Committee is an Independent Non-Executive Director. Any two Non-Executive Directors of whom one shall be independent, shall constitute a quorum and be competent to transact the affairs of the Committee

Corporate Governance Commentary

- The Committee may adopt such rules and regulations as it deems appropriate for the conduct of its affairs, provided that they are not inconsistent with this Charter as approved by the Board.
- Meetings shall be summoned under the name of the Chairman, or if he is incapacitated or unavailable, by any other Committee member.
- The Committee shall meet when there is a perceived need to transact business in terms of its mandate. Notwithstanding the same, the Committee should meet at least twice a year. Presence via telephone and presence facilitated by other technological means, at a Committee meeting is considered equivalent to physical presence
- The Committee shall keep minutes of its proceedings and those minutes shall be tabled at the next Board meeting.
- The Chairman of the Committee shall report to the Board, every quarter, the discussions had and decisions taken. The tabling of the minutes of the Committee Meeting, where appropriate, will be sufficient compliance with this requirement
- The Chairman of the Committee will present an annual report to the Board of Directors summarizing the Committee's activities during the year and any related results and findings
- A member of the Nominations Committee should not participate in decisions relating to his/her own appointment

Human Resources and Compensation Committee

As permitted by the Listing Rules of the CSE, the Human Resources and Compensation Committee of JKH (the parent company), functions as the Human Resources and Compensation Committee of the Company and its Subsidiary. The Human Resources and Compensation Committee of JKH comprise of three Non-Executive Independent Directors. Committee to comprise exclusively of Non-Executive Directors, a majority of whom are independent. The Chairman of the Committee is a Non-Executive Director.

Mr. D. A. Cabraal - Chairman
Mr. M. A. Omar
Dr. S. S. H. Wijayasuriya

The Chairman-CEO of JKH and Group Finance Director of JKH are present at all Committee meetings unless the Chairman-CEO or Executive Director remuneration is under discussion respectively.

The Scope of the sub committee is to:

- Review and recommend overall remuneration philosophy, strategy, policies and practice and, performance based pay plans for the Group
- Determine and agree with the Board a framework for remuneration of Chairman and Executive Directors based on performance targets, benchmark principles, performance related pay schemes, industry trends and past remuneration
- Succession planning of Key Management Personnel
- Determining compensation of Non-Executive Directors will not be under the scope of this Committee

The remuneration policy adopted by the Company as recommended by the Human Resources and Compensation Committee of JKH is formulated to attract and retain high caliber executives and motivate them to develop and implement the business strategy in order to optimise long-term shareholder value creation. The customised "pay for performance scheme" continues to apply for all Company employees based on the pillars of individual performance and organisational performance. The remuneration package for all employees at Assistant Manager level and above is based on organisational performance and individual performance. However, in respect of the Executive level and below, the employees scheme operates purely on the basis of individual performance.

Related Party Transactions Review Committee

As required by the SEC under its Code of Best Practice for Listed Companies, the Related Party Transactions Review Committee was formed at the Parent Company level with effect from the 01st April 2014. The Parent Company Level Committee acts on behalf of the Company, as permitted by the Listing Rules of the Colombo Stock Exchange, with the intention of ensuring, on behalf of the Board, that all related party transactions of JKH and its listed subsidiaries are consistent with the Code of Best Practices on Related Party Transactions issued by the SEC.

In very broad terms, the scope of this sub-committee is:

- (i) Developing, and recommending for adoption by the Board of Directors of JKH and its listed subsidiaries including the Company, a Related Party Transaction Policy which is consistent with the requirements of the SEC and is in synchronisation with the Operating Model and the delegated Decision Rights of the Group.

- (ii) Updating the Board of Directors on the related party transaction of each of the listed companies of the Group on a quarterly basis.
- (iii) Define and establish the threshold values for each of the subject listed companies in setting a benchmark for related party transactions, related party transactions which have to be pre-approved by the Board of Directors, related party transactions which require to be reviewed annually and similar issues relating to listed subsidiary companies.

This committee of JKH comprises of four Non-Executive Independent Directors and two Non-Executive Non-Independent Directors. The Chairman of the Committee is a Non- Executive Director. The Head of Group Business Process Review operates as the secretary to this committee.

Ms. M P Perera - Chairperson
 Mr. D A Cabraal
 Mr. A N Fonseka
 Mr. S C Ratnayake

Board Remuneration

Remuneration for Non-Executive, Non-Independent Directors

Compensation for Non-Executive Directors, Non-Independent Directors [NED/NIDs] is determined by reference to fees paid to other NED/NIDs of comparable companies. Director fees applicable to Non-Executive Directors nominated by JKH are paid directly to the Company and not to individuals.

Remuneration for Non-Executive, Independent Directors

Compensation for Non-Executive, Independent Directors (NED/IDs) is determined by reference to fees paid to other NED/IDs of comparable companies. NED/IDs receive a fee for devoting time and expertise for the benefit of the Company. Nevertheless, NED/IDs fees are not time bound or defined by a maximum/minimum number of hours committed to the Group per annum and hence is not subject to additional/lower fees for additional/lower time devoted. NED/IDs do not receive any performance/incentive payments.

Total aggregate of Non-Executive Director Remuneration for the year was Rs. 5.4 Mn.

Remuneration for Executive and Non-Independent Directors
 The remuneration of the Executive Directors is determined as per the remuneration principles of the Group. The Human Resources and Compensation Committee conducted a market survey of Executive Director remuneration with a view to assessing the appropriateness of compensation with market benchmarks. Having taken into account the complexities associated with the Group, it was established that the compensation is in-line with the market.

The Executive Directors, like other eligible employees, have received employee shares option based on role responsibility and actual performance. Accordingly, the number of options so awarded was recommended to the Board by Human Resources and Compensation Committee.

The Company does not have an employee share option scheme (ESOP), however eligible employees are entitled to receive employee share options (ESOP) of the parent company JKH based on actual performance.

Total aggregate Executive Director Remuneration for the year was Rs. 62.7 Mn.

Accountability and Assurance System of Internal Controls

The Board has overall responsibility for the system of internal control. A sound system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives. The Company continues to stress on the importance of strong internal control throughout the organisation. Written responsibilities, authority delegation and management controls have been adopted to create transparency for utilisation of the Company's resources and to distinguish the duties of staff and controllers in order to ensure that proper verification and monitoring processes are in place.

The Company further maintains a system of internal controls, which is designed to safeguard its assets from identified risks, while ensuring that all transactions are duly authorised, recorded and reported. Key systems and rules relating to delegation of authority are formalised and documented.

As a member of the Group, the Company is now part of a comprehensive planning and monitoring process. The Annual Plans and Budgets are developed by the Company along with a reforecast after six months. Strategic priorities and key drivers are pre-identified and tracked on a monthly basis.

Corporate Governance Commentary

During the financial year under review following tasks were performed by the Group Business Process Review Division and outsourced Internal Auditors to ensuring the existence of effective internal controls;

- Group-wide initiative to strengthen the existing Business Continuity Plans (BCP) and Disaster Recovery Plans (DRP). All Heads of Departments were encouraged to re-visit their BCPs and confirm that such plans were up-to-date and relevant to the current working environment
- New methods of data analytics were carried out using sophisticated tools where the entire data population was analysed (as opposed to analysing a sample) in identifying exceptions and irregularities
- Implemented across the Group, process improvements stemming from the findings of internal audits
- The existing SAP SOX processes were reviewed and updated to ensure compliance with Sarbanes Oxley Act of 2002 – Section 404
- Strengthened the management reporting on internal controls to facilitate better decision making.
- Carried out frequent surprise cash counts across the Group.

Risk Review

The Board is responsible for the formulation of the appropriate systems of internal controls for the Group and ensuring its effectiveness. The Board is fully conscious that any internal control system contains inherent limitations and no system of internal control could provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human errors, losses, fraud or other irregularities. The Board has therefore taken appropriate action to minimise such situations.

There is a continuous process for identifying, evaluating and managing the significant risks faced by the Company which has been in place during the financial year and up to the date of approval of the Annual Report and Accounts. The Board regularly reviews this process.

Certain aspects of its business operation may expose the Company to both internal and external risks. The Company recognises the importance of controlling these risks and minimising the possibility of any negative impact to the Company. The Company is using the Business Risk Management (BRM) process which is established by JKH to identify both financial and operational risks. It endeavours to ensure the control systems designed to safeguard the Company's assets and maintain proper accounting records that facilitate the production and availability of reliable information are in place and are functioning as planned.

Investment Appraisal Process and Investment Decisions

Over the years, the Company has refined the process of investment appraisal which ensures the involvement of the relevant persons when capital investment decisions are made. In this manner, several views, opinions and advices are obtained prior to the investment decision being made. Experience has proven that a holistic and well debated view of the commercial viability and potential of proposed projects including operational, financial, funding, risk and tax implications has most of the time culminated a good result. All investment decisions are routed through a committee structure which safeguards against one individual having unfettered decision making powers in such decisions.

Operations, Planning, Monitoring and Decision Rights

The responsibility for monitoring plans has been entrusted to the Managing Agents. The achievement of annual plans as well as ensuring compliance with Group policies and guidelines rests with the President, Sector Head /General Manager and functional department heads of the respective business units to whom appropriate decision rights have been granted in order to execute operational and financial decisions within their purview.

Monitoring of Financial and Operational Data

- Financial results and key operational performance indicators are evaluated against the Annual Plan and subsequent reforecast on a monthly basis at all levels of management.
- The Board reviews the financial results on a quarterly basis.
- The IT systems in place facilitate the online display of information relevant to the needs of hotel managers and functional heads pertinent to their areas of responsibility.

Information Technology Governance

The Company Information Technology (IT) Governance Policy has evolved in line with the Group's IT Governance Policy in the last year to deliver and embrace new technologies which have aligned with the overall business objective of the Group. This evolution occurred as the Company discerned the competitive advantage gained and the enhancement of business value which came about through the skillful alignment of IT with its business objectives and the prudent management of its IT resources. The Company has always been a step ahead in embracing emerging technologies and systems, consistently investing

in developing its IT infrastructure. Continuous focus on cutting-edge technology has ensured greater reliability of IT systems and has shortened information delivery times to both internal and external stakeholders.

The IT governance system, in particular, was closely reviewed during the year towards ensuring the following:

- Leverage IT as a strategic asset
- Ensure agility, in view of the fast changing technology
- Establish the right balance between business needs and IT enablement
- Ensure that all IT investments have a quantifiable (or visible) business return
- Ensure a strong IT governance and regulatory framework through a coherent set of policies, processes and adoption of best practices in line with world class organisations, but always keeping in mind business returns
- Ensure that e-enabled platforms are regularly reviewed for 'internal control effectiveness' through SOX methodology of process flow analysis

Human Resource Governance (Performance Management)

The Performance Management System (PMS) continued to evolve positively in catering to, and fashioning, employee empowerment in meeting current and emerging needs.

Following linkages of PMS were further strengthened:

- Learning and development
- Career development
- Succession planning
- Talent management
- Reward and recognition
- Compensation and benefits

Management Committee

The Hotel and Property divisions of the Company have two separate Management Committees consisting of Sector Head of the City Hotel, President of the Property Division and other key managers of divisions in order to discuss matters pertaining to strategy and operations.

Strategic risks and opportunities arising from changes in our business environment are regularly reviewed by the Group Management Committee (GMC) of the Hotel and Property divisions at the meetings held monthly. The

role of the GMC is to provide the necessary guidance and direction to the Company on matters that are strategic and long-term in nature or have the potential to significantly impact the division's performance and reputation and to make decisions on key business-wide policies, including operational policies, internal controls, the Human Resources Strategy and the Risk Management Policy.

Internal Auditors

Quarterly Audits are conducted by the Company's Internal Auditors, Messrs. PricewaterhouseCoopers (Private) Limited, a firm of Chartered Accountants. The role of the internal audit team is to determine whether risk management, control and governance processes are adequate and functioning. The Internal Audit function is independent of the External Auditor.

The reports arising out of such audits are, in the first instance, considered and discussed at the business/functional unit levels and after review by the respective President/CEO of the Company and the Subsidiary are forwarded to the Audit Committee on a regular basis. Further, the Audit Committee also assesses the effectiveness of the risk review process and systems of internal control on a regular basis. Follow-ups on internal audits are done on a structured basis.

Relevant risks and vulnerabilities of the Company are identified and promptly brought to the attention of the Management, facilitating corrective and preventive measures to be taken in a timely manner.

Additionally, a technically strong Management Audit function aligned with the Company's strategies adds value in a variety of ways, including:

- Providing an independent opinion on the integrity, reliability and relevance of management information
- Assessing the adequacy of controls over the protection of assets and management of liabilities
- Reviewing compliance with corporate policies and external regulations
- Reducing the risk of fraud

Going Concern and Financial Reporting

The Directors are satisfied that the Company continues to be a going concern and has sufficient resources to continue in operation for the foreseeable future. In the unlikely event that the net assets of the Company fall below a half of shareholders' funds, shareholders would be notified and an extraordinary resolution passed on the proposed way forward.

Corporate Governance Commentary

The going concern principle has been adopted in preparing the Financial Statements. All statutory and material declarations are highlighted in the Annual Report of the Board of Directors. Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards (SLAS), including all the new standards introduced during the financial year and comply with the requirements of the Companies Act No. 07 of 2007.

Information in the Financial Statements of the Annual Report are supplemented by a detailed 'Capital Report' from pages 35 to 70 which explains to shareholders the strategic, operational, investment and risk related aspects of the Company that have translated into the reported financial performance and are likely to influence future results.

The Statement of Directors' Responsibilities in relation to financial reporting is given on page 116 of the Annual Report. The Directors' interests in contracts of the Company are addressed on page 107 of the Annual Report.

The Directors have taken all reasonable steps in ensuring the accuracy and timeliness of published information and in presenting an honest and balanced assessment of results in the quarterly and annual Financial Statements. Price sensitive information has been disclosed to the Colombo Stock Exchange, shareholders and the press in a timely manner and in keeping with the regulations.

Sri Lanka Financial Reporting Standards (SLFRS)

Living by the Company's philosophy of good governance and reporting, the Financial Statements for year 2017/18 have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) which have materially converged with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Compliance with Legal Requirements

Compliance with legal requirements and Group-internal rules are significant elements of Corporate Governance for the management of Asian Hotels and Properties PLC. The Board of Directors to the best of their knowledge and belief are satisfied that the Company has not engaged in any activity which contravenes laws and regulations and all financial obligations due to the Government and to the employees have been either duly paid or adequately provided for in the Financial Statements.

Securities Trading Policy

JKH's securities trading policy prohibits all employees and agents engaged by the Company who are aware of unpublished price sensitive information from trading in

the Company's shares or the shares of other companies in which the Company presently has business interests.

External Audit

Messrs. KPMG serves as the external Auditors of the Company.

The audit fees paid by the Company and Group to Messrs. KPMG are separately classified on page 134 in the Notes to the Financial Statements of the Annual Report.

The Auditors' report on the Financial Statements of the Company for the year under review is found on pages 117 to 119 of the Annual Report.

The Company has attempted always to separate the internal Auditors from the external Auditors in order to maintain external Auditor independence.

The appointment/re-appointment of these Auditors were recommended by the Audit Committees to the Boards of Directors.

Employee Participation in Assurance

The following meetings, interviews, evaluations and surveys were conducted during the year:

- Skip level meetings
- Exit interviews
- Young forum meetings
- 360 degree evaluation
- Great place to work survey
- Voice of employee survey

Whistleblower Policy

Through a communication link named 'Chairman Direct', concerns about unethical behaviour and any violation of Group values could be reported by any employee of the Company to the Chairman of JKH. Employees reporting such incidents are guaranteed complete confidentiality and such complaints are investigated and addressed via a selected committee under the direction of the Chairman.

Ombudsperson

In order to deal with a situation in which an employee or group of employees feel that an alleged violation has not been addressed satisfactorily using the available/existing procedures and processes, an Ombudsperson has been appointed by JKH being the ultimate Parent Company to entertain such concerns.

The findings and the recommendations of the Ombudsperson arising subsequent to an independent

inquiry is confidentially communicated to the Chairman-CEO or to the Senior Independent Director upon which the involvement duty of the Ombudsperson ceases.

On matters referred to him by the Ombudsperson, the Chairman-CEO or the Senior Independent Director, as the case may be, will place before the Board:

- i. the decision and the recommendations
- ii. action taken based on the recommendations
- iii. where the Chairman-CEO or the Senior Independent Director disagrees with any or all of the findings and or the recommendations thereon, the areas of disagreement and the reasons therefore.

In situation (iii) the Board is required to consider the areas of disagreement and decide on the way forward. The Chairman-CEO or the Senior Independent Director is expected to take such steps as are necessary to ensure that the complainant is not victimised, in any manner, for having invoked this process.

These open door policies facilitate constant dialogue, communication, transparency and ultimately boost employee confidence, which would help retain existing talent whilst attracting new.

The Code of Conduct

The written Code of Conduct to which all employees at all levels and the Board of Directors are bound by, engraves the desired behaviour of JKH staff at executive level and above. This is being constantly and rigorously monitored. The objectives of the Code of Conduct were further affirmed by a strong set of corporate values which were well institutionalised at all levels within the Group and thus the Company through structured communication. The degree of employee conformance with corporate values and their degree of adherence to the JKH Code of Conduct were the key elements of reward and recognition schemes.



The Chairman of the Board affirms that there have not been any material violations of any of the provisions of the Code of Conduct. In the instances where violations did take place, or were alleged to have taken place, they were investigated and handled through the Company's established procedures.

Shareholder Relations

The Shareholders of the Company appoint directors, receive annual reports and appoint auditors on a regular basis in accordance with the Companies Act. The Company shareholders exercise their rights at the General Meetings held for shareholders as the case may be including the Annual General Meeting. Each resolution brought before the shareholders at the Annual General Meeting is voted on separately by the shareholders.

The notice of the Annual General Meeting and the relevant documents required are published and sent to the shareholders within the statutory periods. The Company circulates the agenda for the meeting and shareholders vote on each issue separately.

All shareholders are invited and encouraged to be present, actively participate and vote at the Annual General Meeting. The Annual General Meeting provides an opportunity for Shareholders to seek and obtain clarifications and information on the performance of the Company and to informally meet the Directors after the Annual General Meeting. The External Auditors and the Company's lawyers are invited too and are present at the Annual General Meeting to render any professional assistance that may be requested. Shareholders who are not in a position to attend the Annual General Meeting in person are entitled to have their voting rights exercised by a proxy of their own choice.

Corporate Governance Commentary

Roles of Stakeholders

The Company realises the importance of ensuring that all stakeholders' rights are properly observed. Pertinent procedures are carried out in line with the rules and regulations of the CSE, as well as the related laws.

Shareholders: The Company is committed to create long-term growth and returns to the shareholders and to conduct its business in a transparent manner.

Customers: The Company is committed to continuously develop better quality of goods and services for the benefit and satisfaction of its customers.

Partners: The Company treats all partners fairly in order to achieve mutual benefits.

Creditors: The Company observes all of its obligations to creditors.

Competitors: The Company abides by the framework of fair competition and will not destroy the reputation of competitors through false accusations.

Employees: The Company considers its employees, valuable assets and treats them fairly in regard to work opportunities, remuneration and quality of working environment. The Company also provides all its employees professional and career development training.

Society and Environment: The Company is committed to conduct businesses that benefits the economy, society and quality of environment. The Parent Company of Asian Hotels and Properties PLC has established the Corporate Social Responsibility (CSR) Department to promote to the Company's staff the importance of the CSR objectives to achieve balanced benefits relating to society, the environment and all stakeholders in harmony with the Company's sustainable growth objectives.

Major Transactions

The Directors ensure that any corporate transaction that would materially affect the net asset base of the Company are communicated to shareholders. There were no major transactions as defined under Section 185 of the Companies Act No. 07 of 2007 during the year under review.

Going Forward

The Board is committed to the highest standards of Corporate Governance in order that the Company shall achieve its long term sustainable growth objectives. The Board is accountable to the Company's shareholders for good governance in its management of the affairs of the Company. The Board confirms that the Company was fully compliant throughout the year ended 31st March 2018 with all the principles and provisions of the good Corporate

Governance and the Code of Business Conduct and Ethics.

The Company's approach to Corporate Governance enables it to understand the expectations of stakeholders, forecast trends in social, environmental and ethical requirements and to manage the Company's performance in an appropriate manner.

While the Board is satisfied with its level of compliance with the governance requirements, it recognises that practices and procedures can always be improved, and there is merit in continuously reviewing its own standards. The Board's programme of review will continue throughout the year ahead.

Regulatory Benchmarks

The Board of Directors has taken all reasonable steps to ensure that all Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) issued by ICASL and the requirements of the CSE and other applicable authorities.

The Company and its subsidiary are fully compliant with all the mandatory rules and regulations stipulated by the Corporate Governance Listing Rules published by the CSE and also by the Companies Act No. 07 of 2007. The Group has also given due consideration to the Best Practice on Corporate Governance Reporting guidelines (2013) jointly set out by ICASL and the SEC and has voluntarily adopted the relevant provisions as far as is practicable.

Statement of Compliance under Section 7.10 of the Rules of the Colombo Stock Exchange (CSE) on Corporate Governance (Mandatory provisions – fully complied)

Compliant  Non-Compliant 

CSE Rule No.	Subject	Compliance Requirement	Compliance Status	Applicable Section in the Annual Report
7.10 (a-c)	Compliance	→ The Company is in compliance with the Corporate Governance Rules and any deviations are explained where applicable.		Corporate Governance
7.10.1 (a-c)	Non-Executive Directors	→ Two or at least one-third of the total number of Directors should be Non-Executive Directors, whichever is higher.		Corporate Governance
7.10.2 (a)	Independent Directors	→ Two or one-third of Non-Executive Directors, whichever is higher, should be independent.		Corporate Governance
7.10.2 (b)	Independent Directors	→ Each Non-Executive Director should submit a declaration of independence/Non-Independence in the prescribed format.		Available with the Secretaries for review
7.10.3 (a)	Disclosure relating to Directors	→ The Board shall annually determine the independence or otherwise of the Non-Executive Directors. → Names of the Independent Directors should be disclosed in the Annual Report.		Corporate Governance
7.10.3 (b)	Disclosure relating to Directors	→ The basis for the Board's determination of Independent Director, if criteria specified for Independence is not met.		Corporate Governance
7.10.3 (c)	Disclosure relating to Directors	→ A brief resumé of each Director should be included in the Annual Report and should include the Directors areas of expertise.		Board of Directors (profile) section in the Annual Report
7.10.3 (d)	Disclosure relating to Directors	→ Provide a brief resumé of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the Colombo Stock Exchange.		Corporate Governance
7.10.4 (a-h)	Criteria for defining Independence	→ Requirements for meeting criteria to be Independent.		Corporate Governance
7.10.5	Human Resources and Compensation Committee	→ A listed Company shall have a Remuneration Committee. The Remuneration Committee of the listed Parent Company may function as the Remuneration Committee.		Corporate Governance
7.10.5 (a)	Composition of Human Resources and Compensation Committee	→ Shall comprise of Non-Executive Directors, a majority of whom will be Independent.		Corporate Governance
7.10.5 (b)	Functions of Human Resources and Compensation Committee	→ The Human Resources and Compensation Committee shall recommend the remuneration of the Chief Executive Officer and Executive Directors.		Corporate Governance

Corporate Governance Commentary

CSE Rule No.	Subject	Compliance Requirement	Compliance Status	Applicable Section in the Annual Report
7.10.5 (c)	Disclosure in the Annual Report relating to Human Resources and Compensation Committee	<ul style="list-style-type: none"> → Names of Directors comprising the Human Resources and Compensation Committee. → Statement of Remuneration Policy Aggregated remuneration paid to Executive and Non-Executive Directors. 		Corporate Governance and the Board of Directors Reports
7.10.6	Audit Committee	<ul style="list-style-type: none"> → The Company shall have an Audit Committee. 		Corporate Governance
7.10.6 (a)	Composition of Audit Committee	<ul style="list-style-type: none"> → Shall comprise of Non-Executive Directors a majority of whom will be Independent. → A Non-Executive Director shall be appointed as the Chairman of the Committee. → The Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings. → The Chairman of the Audit Committee or one member should be a member of a professional accounting body. 		Corporate Governance and the Board of Directors Reports
7.10.6 (b)	Audit Committee Functions	<p>Overseeing of the</p> <ul style="list-style-type: none"> → Preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS). → Compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements. → Processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards. → Assessment of the independence and performance of the external auditors. → Make recommendations to the Board pertaining to appointment, re-appointment and removal of external auditors, and approve the remuneration and terms of engagement of the external auditor. 		Corporate Governance and the Board of Directors Reports
7.10.6 (c)	Disclosure in Annual Report relating to Audit Committee	<ul style="list-style-type: none"> → Names of Directors comprising the Audit Committee. → The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination. → The Annual Report shall contain a Report of the Audit Committee setting out the manner of compliance with their functions. 		Corporate Governance and the Audit Committee Report

Statement of Compliance with the Companies Act No. 7 of 2007 (mandatory provisions - fully compliant)

Rule		Compliance Status	Reference (within the Report)
168 (1) (a)	The nature of the business together with any change thereof	Yes	Annual Report of the Board of Directors - page 104
168 (1) (b)	Signed financial statements of the Group and the Company	Yes	Statement of Directors' Responsibility - page 116
168 (1) (c)	Auditors' Report on financial statements	Yes	Independent Auditor's Report - pages 117 to 119
168 (1) (d)	Accounting policies and any changes therein	Yes	Notes to the Financial Statements - pages 126 to 167
168 (1) (e)	Particulars of the entries made in the Interests Register	Yes	Annual Report of the Board of Directors - page 107
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company	Yes	Annual Report of the Board of Directors - page 107
168 (1) (g)	Corporate donations made by the Company	Yes	Annual Report of the Board of Directors - page 110
168 (1) (h)	Information on the Directorate of the Company and its subsidiaries during and at the end of the accounting period	Yes	Annual Report of the Board of Directors - page 106
168 (1) (i)	Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered	Yes	Notes to the Financial Statements - page 134
168 (1) (j)	Auditors' relationship or any interest with the Company and its Subsidiaries	Yes	Independent Auditor's Report - pages 117 to 119
168 (1) (k)	Acknowledgement of the contents of this Report and signatures on behalf of the Board	Yes	Statement of Financial Position - page 122

Governance

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 (CA-Sri Lanka)

Compliant  Non-Compliant 

Code Ref.	Subject	Applicable Requirement Status	Compliance	Applicable Section in the Annual Report
A. Directors				
A.1 The Board				
A.1	The Board	→ Company to be headed by an effective Board to direct and control the Company		Corporate Governance
A.1.1	Frequency of Board Meetings	→ Board should meet regularly, at least once in every quarter of a financial year, in order to effectively execute board's responsibilities, while providing information to the board on a structured and regular basis.		Corporate Governance/Annual Report of the Board of Directors

Corporate Governance Commentary

Code Ref.	Subject	Applicable Requirement Status	Compliance	Applicable Section in the Annual Report
A.1.2	Responsibilities of the Board	<ul style="list-style-type: none"> → Formulation and implementation of strategy → Skill, experience, knowledge and adequacy of management and succession strategy → Integrity of information, internal controls and risk management → Compliance with laws, regulations and ethical standards → Ensuring all stakeholder interests are considered in corporate decisions; → Recognising sustainable business development in <p>Corporate Strategy, decisions and activities;</p> <ul style="list-style-type: none"> → Adoption of appropriate accounting policies and fostering compliance with financial regulations fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned 		Corporate Governance
A.1.3	Access to professional advice	<ul style="list-style-type: none"> → Procedure to obtain independent professional advice when deemed necessary. 		Corporate Governance
A.1.4	Company Secretary	<ul style="list-style-type: none"> → Ensure adherence to Board procedures and applicable rules and regulations. → Procedure for Directors to access services of Company Secretary. 		Corporate Governance
A.1.5	Independent Judgment	<ul style="list-style-type: none"> → Directors should exercise independent judgment on issues of strategy, resources, performance and standards of business judgment. 		Corporate Governance
A.1.6	Dedication of adequate time and effort by Directors	<ul style="list-style-type: none"> → Directors should devote adequate time and effort to discharge their responsibilities to the Company satisfactorily. 		Corporate Governance
A.1.7	Board and training	<ul style="list-style-type: none"> → Directors should receive appropriate induction, training, hone skills and expand knowledge to more effectively perform duties. 		Corporate Governance
A.2 Chairman and Chief Executive Officer				
A.2.1	Justification for combining the roles of the Chairman and the CEO	<ul style="list-style-type: none"> → A balance of power and authority to be maintained by separating responsibility for conducting Board business from that of executive decision making. 		Corporate Governance

Code Ref.	Subject	Applicable Requirement Status	Compliance	Applicable Section in the Annual Report
A.3 Chairman's Role				
A.3.1	Ensure good corporate governance	<p>Chairman to preserve order and facilitate effective discharge of Board functions by proper conduct of Board proceedings and meetings including ensuring:</p> <p>The effective participation of both Executive and Non Executive Directors;</p> <ul style="list-style-type: none"> → All Directors are encouraged to make an effective contribution, within their respective capabilities, for the benefit of the Company; → A balance of power between Executive and Non Executive Directors is maintained; → The views of Directors on issues under consideration are ascertained; and → The Board is in complete control of the Company's affairs and alert to its obligations to all shareholders and other stakeholders. 		Corporate Governance
A.4 Financial Acumen				
A.4.1	Possession of adequate financial acumen	Board to ensure adequacy of financial acumen and knowledge within the Board.		Corporate Governance
A.5 Board Balance				
A.5.1	Composition of Board	→ The Board should include a sufficient number of Non-Executive Independent Directors .		Corporate Governance
A.5.2	Proportion of Independent Directors	→ Two or one-third of the Non-Executive Directors should be independent.		Corporate Governance
A.5.3	Test of Independence	→ Independent Directors should be independent of management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgment.		Corporate Governance
A.5.4	Declaration of Independence	→ Non-Executive Directors should submit a signed and dated declaration of their independence/non-independence.		Corporate Governance/Annual Report of the Board of Directors
A.5.5	Annual determination of criteria of independence/ non-independence and declaration of same by Board	→ The Board should annually determine and disclose the names of Directors deemed to be Independent.		Corporate Governance
A.5.6	Appointment of an alternate Director	→ If an alternate Director is appointed by a Non-Executive Director, such alternate Director should not be an executive of the Company.	N/A	

Corporate Governance Commentary

Code Ref.	Subject	Applicable Requirement Status	Compliance	Applicable Section in the Annual Report
A.5.7	Appointment of Senior Independent Director (SID)	→ If the roles of Chairman/CEO are combined, a Non-Executive Director should be appointed as a Senior Independent Director.	N/A	
A.5.8	Availability of Senior Independent Director to other Directors	→ If warranted, the SID should be available to the other Directors for confidential discussions.	N/A	
A.5.9	Interaction between Chairman and Non-Executive, Independent Directors	→ The Chairman should meet the Non-Executive Independent Directors at least once a year without the Executive Directors being present.		Corporate Governance
A.5.10	Directors' concerns to be recorded	→ When matters are not unanimously resolved, Directors to ensure their concerns are recorded in Board minutes.		
A.6 Supply of Information				
A.6.1	Provision of adequate information to Board	→ Management to ensure the Board is provided with timely and appropriate information.		Corporate Governance
A.6.2	Adequacy of notice and formal agenda to be discussed at Board meetings	→ Board minutes, agenda and papers should be circulated at least seven days before the Board meeting.		Corporate Governance
A.7 Appointment to the Board				
A.7	Appointments to the Board	→ Formal and transparent procedure for Board appointments.		Corporate Governance
A.7.1	Nomination Committee	→ Nomination committee of the ultimate Parent Company may function as such for the Company and make recommendations to the Board on new Board appointments.		Corporate Governance
A.7.2	Annual assessment of Board composition	→ Nomination committee of Board should annually assess the composition of Board		Corporate Governance
A.7.3	Disclosure of new Board appointments	→ Profiles of new Board appointments to be communicated to Shareholders.		Corporate Governance/Notice of Meeting
A.8 Re-election				
A.8.1	Appointment of Non-Executive Directors	→ Appointment of Non-Executive Directors should be for specified terms and re-election should not be automatic.		Corporate Governance/Annual Report of the Board of Directors

Code Ref.	Subject	Applicable Requirement Status	Compliance	Applicable Section in the Annual Report
A.8.2	Shareholders' approval of appointment of all Directors	→ The appointment of all Directors should be subject to election by Shareholders at the first opportunity.		Corporate Governance/Annual Report of the Board of Directors/Notice of Meeting
A.9 Appraisal of Board Performance				
A.9.1	Annual appraisal of Board performance	→ The Board should annually appraise how effectively it has discharged its key responsibilities.		Corporate Governance
A.9.2	Self evaluation of Board and Board Committee	→ The Board should evaluate its performance and that of its committees annually.		Corporate Governance/Audit Committee Report
A.9.3	Declaration of basis of performance evaluation	→ The Board should disclose how performance evaluations have been carried out in the Annual Report.		Corporate Governance
A.10 Disclosure of Information in respect of Directors				
A.10.1	Biographical Profiles and relevant details of Directors to be disclosed	→ Annual Report should disclose the biographical details of Directors and attendance at Board/Committee meetings.		Board of Directors profiles section/ Corporate Governance/ Audit Committee Report
A.11 Appraisal of Chief Executive Officer				
A.11.1	Short, medium and long term, financial and non-financial objectives to be set	→ The Board should set out the short, medium and long-term financial and non-financial objectives at the commencement of each year.		Corporate Governance
A.11.2	Evaluation of CEO performance	→ The performance of the CEO should be evaluated by the Board at the end of the year.	N/A	Corporate Governance
B. Directors Remuneration				
B.1 Remuneration Procedure				
B.1.1	Appointment of Remuneration Committee	→ The Board of Directors should set up a Remuneration Committee to make recommendations on Director's remuneration.		Corporate Governance. As permitted Remunerations Committee of the Parent Company functions as the Remuneration Committee of the Company.
B.1.2	Composition of Remuneration Committee	→ Remuneration Committee should consist exclusively of Non-Executive Directors .		Corporate Governance

Corporate Governance Commentary

Code Ref.	Subject	Applicable Requirement Status	Compliance	Applicable Section in the Annual Report
B.1.3	Disclosure of members of Remuneration Committee	→ The Annual Report should disclose the Chairman and Directors who serve on the Remuneration Committee.		Corporate Governance
B.1.4	Remuneration of Non-Executive Directors	→ Board to determine the level of remuneration of Non-Executive Directors.		Corporate Governance
B.1.5	Access to professional advice	→ Remuneration Committee should consult the Chairman and/or CEO about its proposals relating to the remuneration of other Executive Directors and should have access to professional advice in order to determine appropriate remuneration for Executive Directors.		Corporate Governance
B.2 Level and Make up of Remuneration				
B.2.1 to B.2.4	Performance related elements in pay structure and alignment to industry practices	<ul style="list-style-type: none"> → Packages should be structured to attract, retain and motivate Executive Directors. → Packages should be comparable and relative to that of other companies as well as the relative performance of the company. → When determining annual increases remuneration committee should be sensitive to that of other Group companies. → Performance related elements of remuneration should be aligned with interests of Company. 		Corporate Governance
B.2.5	Share options	→ Executive share options should not be offered at a discount.		Corporate Governance
B.2.6 to B.2.9	Remuneration packages for Non-Executive Directors	→ Should reflect time, commitment and responsibilities of role and in line with existing market practice.		Corporate Governance
B.3 Disclosure of Remuneration				
B.3.1	Disclosure of details of remuneration	→ The Annual Report should The Annual Report should set out the names of Directors (or persons in the parent company's committee in the case of a group company) comprising the remuneration committee, contain a statement of remuneration policy and set out the aggregate remuneration paid to Executive and Non-Executive Directors.		Corporate Governance/ Financial Statements
C. Relations with Shareholders				
C.1 Constructive Use and Conduct of Annual General Meeting				
C.1.1	Proxy votes to be counted	→ The Company should count and indicate the level of proxies lodged for and against in respect of each resolution.		Corporate Governance

Code Ref.	Subject	Applicable Requirement Status	Compliance	Applicable Section in the Annual Report
C.1.2	Separate resolutions	→ Separate resolutions should be proposed for substantially separate issues.		Corporate Governance/ Notice of Meeting
C.1.3	Availability of Chairman's of Committees at AGM	→ The Chairman of Board should arrange for the Chairman of Audit, Remuneration and Nomination to be available to answer any queries at AGM.		Corporate Governance
C.1.4	Notice of AGM	→ 15 working days notice to be given to shareholders.		Notice of Meeting
C.1.5	Procedure for voting at meetings	→ Company to circulate the procedure for voting with Notice of Meeting.		Notice of Meeting
C.2 Communication with Shareholders				
C.2.1	Channel of Communication	→ Channel to reach all shareholders to disseminate timely information.		Corporate Governance
C.2.2 – C.2.7	Policy and Methodology of Communication	→ Policy and Methodology of communication with shareholders and implementation.		Corporate Governance
C.3 Major and Material Transactions				
C.3.1	Disclosure of Major Transactions	→ Disclosure for all material facts involving all material transactions including related party transactions.		Notes to the Financial Statements
D. Accountability and Audit				
D.1 Financial Reporting				
D.1.1	Presentation of Public Reports	→ Should be balanced, understandable and comply with statutory and regulatory requirements.		Corporate Governance/Risk Management/ Financial Statements
D.1.2	Directors' Report	<p>The Directors' Report should be included in the Annual Report and confirm that,</p> <p>→ The Company has not contravened laws or regulations in conducting its activities.</p> <p>→ Material interests in contracts have been declared by Directors.</p> <p>→ The Company has endeavoured to ensure equitable treatment of shareholders.</p> <p>→ That there is reasonable assurance of the effectiveness of the existing business systems following a review of the internal controls covering financial, operational and compliance.</p> <p>→ That the business is a "going concern".</p>		<p>Annual Report of the Board of Directors</p> <p>Audit Committee Report</p> <p>Annual Report of the Board of Directors</p> <p>Corporate Governance</p> <p>Audit Committee Report/Risk Management</p> <p>Annual Report of the Board of Directors</p>
D.1.3	Respective responsibilities of Directors and Auditors	→ The Annual Report should contain separate statements setting out the responsibilities of the Directors for the preparation and presentation of the Financial Statements and the reporting responsibilities of the Auditors.		Respective responsibilities of the Directors and Auditors

Corporate Governance Commentary

Code Ref.	Subject	Applicable Requirement Status	Compliance	Applicable Section in the Annual Report
D.1.4	Management Discussion and Analysis	→ Annual report to include section on Management Discussion and Analysis.		Management Discussion
D.1.5	Going Concern	→ Directors to substantiate and report that the business is a going concern or qualify accordingly.		Annual Report of the Board of Directors
D.1.6	Serious Loss of Capital	→ Directors to summon an Extraordinary General Meeting in the event that the net assets of the Company falls below 50% of the value of Shareholders Funds.	N/A	
D.1.7	Related Party Transactions	→ Disclosure of Related Party Transactions.		Notes to the Financial Statements
D.2 Internal Control				
D.2.1	Effectiveness of system of internal controls	→ Directors to annually conduct a review of the effectiveness of the system of internal controls. This responsibility may be delegated to the Audit Committee.		Audit Committee Report/Risk Management
D.2.2	Internal Audit Function	→ The internal audit function in Group companies is not outsourced to the external auditor of that company in a further attempt to ensure external auditor independence.		Corporate Governance
D.2.3- D.2.4	Continuity of Internal control	→ Maintaining a sound system of internal control.		Corporate Governance
D.3 Audit Committee				
D.3.1	Chairman and Composition of Audit Committee	→ Should comprise a minimum of two independent, Non-Executive Directors. → Audit Committee Chairman should be appointed by the Board.		Audit Committee Report
D.3.2	Duties of Audit Committee	Should include → Review of scope and results of audit and its effectiveness. → Independence and objectivity of the Auditors.		Corporate Governance
D.3.3	Terms of Reference / Charter	→ The Audit Committee should have a written Terms of Reference which define the purpose of the Committee and its duties and responsibilities.		Corporate Governance
D.3.4	Disclosure	→ The Annual Report should disclose the names of Directors serving on the Audit Committee. → The Audit Committee should determine the independence of the Auditors and disclose the basis of such determination. → The Annual Report should contain a report by the Audit Committee setting out the manner of the compliance of the Company during the period to which the report relates.		Corporate Governance/Audit Committee Report Corporate Governance Audit Committee

Code Ref.	Subject	Applicable Requirement Status	Compliance	Applicable Section in the Annual Report
D.4 Code of Business Conduct and Ethics				
D.4.1	Adoption of Code of Business Conduct and Ethics	→ The Company must adopt a Code of Business Conduct and Ethics for Directors and members of the senior management team and promptly disclose any violation of the Code.		Corporate Governance
D.4.2	Chairman's affirmation	→ The Annual Report must include an affirmation by the Chairman that he is not aware of any violation of the provision of the Code of Conduct.		Chairman's Statement/ Director's Report
D.5 Corporate Governance Disclosures				
D.5.1	Corporate Governance Report	→ The Annual Report should include a report setting out the manner and extent to which the Company has adopted the principals and provisions of the Code of Best Practice on Corporate Governance.		Corporate Governance
E. Institutional Investors				
E.1 Structured Dialogue				
E.1.1	Structured Dialogue with Shareholders	→ A regular and structured dialogue should be conducted with shareholders and the outcome of such dialogue should be communicated to the Board by the Chairman.		Corporate Governance
E.2	Evaluation of Governance Disclosure by Institutional Investors	→ Institutional investors should be encouraged to consider the relevant factors drawn to their attention with regard to Board structure and composition.		Corporate Governance
F. Other Investors				
F.1	Individual Investors	→ Individual shareholders should be encouraged to carry out adequate analysis and seek professional advice when making their investment/divestment decisions.		Corporate Governance
F.2	Shareholder Voting	→ Individual shareholders should be encouraged to participate in General Meetings of companies and exercise their voting rights.		Corporate Governance/ Form of Proxy
G. Sustainability Reporting				
G.1-G.1.7	Sustainability Reporting	Disclosure on adherence to sustainability principles		Annual Report- Management Discussion

Annual Report of the Board of Directors

The Directors have pleasure in presenting the 24th Annual Report of the Company which encapsulates the Audited Financial Statements, the Chairman's Message, the Corporate Governance Commentary, Sustainability Integration, Risk Management, Corporate Social Responsibility and all the other relevant information for the year ended 31 March 2018. The disclosures which appear on pages 104 to 110 form a part of the Annual Report of the Board of Directors as it is a requirement of the Companies Act No. 07 of 2007.

Principal Activities

The Company is engaged in the business of Hoteliering, Property Development and Management. Trans Asia Hotels PLC (the owner of Cinnamon Lakeside Hotel) is a subsidiary of the Company and its principal activity is Hoteliering. No material changes have been effected in respect of the principal activities of the Company and its subsidiary during the period under review.

Review of Business and Future Developments

The financial and operational performance, during the year ended 31st March 2018 and future business development of the Company and Group, is provided in the Chairman's Statement, the Management Discussion and Analysis sections of this Annual Report. These reports, which form an integral part of this Annual Report of the Board of Directors, together with the Audited Financial Statements, reflect the state of affairs of the Company and Group.

Financial Statements and Auditors' Report

The Financial Statements, duly signed by the Directors, is provided from pages 120 to 167 and the Auditors' Report on the Financial Statements is provided on pages 117 to 119 of this Annual Report.

Segment Reporting

A review of the financial and operational and future business development of the Group and its business units are described in the management discussion and analysis section of the Annual Report. These reports, together with the audited Financial Statements, reflect the state of affairs of the Company and the Group Segment-wise contribution to Group revenue, results, assets and liabilities are provided in Note 36 to the Financial Statements.

Revenue

Revenue generated by the Company amounted to Rs. 5,429 Mn (Rs. 5,816 Mn in 2017), whilst Group revenue amounted to Rs. 8,628 Mn (Rs. 9,067 Mn in 2017). Contribution to Group revenue, from the different business segments are provided in Note 5 to the Financial Statements.

Results and Appropriations

The Profit After Tax of the Company was Rs. 1,606 Mn (Rs. 2,132 Mn in 2017) whilst the Group profit attributable to the equity holders of the Parent Company for the year was Rs. 1,686 Mn (Rs. 2,265 Mn in 2017). A detailed description of the Group results and appropriations are given below.

	2017/18 Rs. '000	2016/17 Rs. '000
Net Profit for the year after providing for expenses including depreciation on Property, Plant and Equipment was:	2,468,602	3,086,103
From which Income Tax has been deducted of:	(282,856)	(306,987)
Leaving thereafter a Net Profit After Tax of:	2,185,746	2,779,116
The amount attributable to Minority Interest which has been deducted is:	(499,796)	(513,704)
Leaving a Profit Available to the Group of:	1,685,950	2,265,412
The Brought Forward Profit is:	7,624,292	7,139,930
Transferred to Revenue Reserve of:	10,911	10,911
Other Comprehensive Income:	(15,356)	(20,859)
Final Dividend paid:	(885,551)	(885,551)
Interim Dividend paid:	(442,775)	(885,551)
Leaving an un-appropriated balance to be Carried Forward of:	7,977,471	7,624,292

* In accordance with the LKAS 10, Events after the reporting period, the final dividend has not been recognised as a liability in the Financial Statements.

Accounting Policies

The Financial Statements, which comprise the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the Statement of Cash Flow, together with the accounting policies and notes ('The Financial Statements') have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the Companies Act No. 7 of 2007. The changes to accounting policies have been applied consistently to all financial periods presented in these Financial Statements, unless otherwise indicated. The accounting policies adopted in preparation of the Financial Statements are given from pages 127 to 167 of this Report.

Dividends

An Interim Dividend of Rs. 2/- per share for the year ended 31st March 2017, amounting to Rs. 885 Mn was paid on 31st March 2017. A Final Dividend of Rs. 2/- per share for the financial year ended 31st March 2017, was paid during the current financial year on 16th June 2017 to those shareholders in the register as of 6th June 2017, resulting in a total cash payout amounting to Rs. 885 Mn.

An Interim Dividend of Rs. 1/-per share for the year ended 31st March 2018, amounting to Rs. 443 Mn was paid on 29th March 2018.

The Board of Directors has declared a Final Dividend of Rs. 0.5/- per share for the financial year ended 31st March 2018. The Final Dividend will be paid on 14th June 2018 to those shareholders on the register as at 5th June 2018.

As required by Section 56 (2) of the Companies Act No. 7 of 2007, the Board of Directors has confirmed that the Company satisfies the Solvency Test in accordance with Section 57 of the Companies Act No. 7 of 2007 and has obtained a certificate from the Auditors, prior to declaring the above dividends.

Property, Plant and Equipment

The book value of Property, Plant and Equipment as at the balance sheet date amounted to Rs. 29,194 Mn (2017 – Rs. 26,742 Mn) and Rs. 32,879 Mn (2017 – Rs. 30,396 Mn) for the Company and Group respectively.

Capital expenditure for the Company and Group amounted to Rs. 1,329 Mn (2017 – Rs. 255 Mn) and Rs. 1,559 Mn (2017 – Rs. 355 Mn) respectively.

Total Freehold Land available - Asian Hotels and Properties PLC is Eight Acres and Five Decimal Naught Eight Perches (A8. R00. P05.08)

Total Leasehold Land available – Trans Asia Hotels PLC Five Acres Two Roods and Thirty Four Decimal Two Eight Perches (A05. R02. P34.28.)

Details of Land and Buildings with net book values including details of Property, Plant and Equipment of the Group and their movements are given in Note 14 to the Financial Statements on page 137.

Market Value of Properties

All buildings owned by the Company were last revalued as at 30th September 2017. The said Valuation was carried out by M/s P.B. Kalugalagedara and Associates, Chartered Valuation Surveyor.

All properties classified as investment property were also revalued as at 30th September 2017 in accordance with the requirements of LKAS 40. This valuation too was carried out by M/s P.B. Kalugalagedara and Associates.

Details of property valuations, including the valuation methods are provided in Note 14.3 to the Financial Statement on page 142 of this report.

Investment Properties

In accordance with SLAS 40-Investment Property (2005), the net book value of properties held to earn rental income, and properties held for capital appreciation have been classified as Investment Properties. The details of Investment Properties are explained in Note 16 to the Financial Statements on page 143.

Investment in Subsidiary

Company	No. of Shares	% Holding
Trans Asia Hotels PLC (Quoted)	86,823,028	43.41

Stated Capital

The Stated Capital of the Company as at 31st March 2018 is Rs. 3,345 Mn (2017 – Rs.3,345 Mn) comprising of 442,775,300 Ordinary Shares.

Share Information

The market value of an Ordinary Share of the Company as at 31st March 2018 was Rs. 50.20 (31st March 2017 – Rs. 55.50).

The distribution and composition of shareholders and the information relating to earnings, dividend, net assets, and market value per share is given in the Share Information and Five (5) Year Financial Review section of the Annual Report.

Annual Report of the Board of Directors

The Company has made every endeavour to ensure the equitable treatment of all shareholders and has adopted adequate measures to prevent information asymmetry.

Major Shareholders

Details of the twenty largest shareholders of the Company and the percentage shareholding held by the public are disclosed in the Share Information section of the Annual Report from page 169 to 170.

Reserves

Total reserves as at 31st March 2018 for the Company and Group amounted to Rs. 26,369 Mn (2017 - Rs. 27,816 Mn) and Rs. 28,393 Mn (2017 – Rs. 29,764 Mn), respectively.

The movements and composition of the Capital Reserves and Revenue Reserves during the year are disclosed in the Statement of Changes in Equity.

Directors

The Board of Directors of the Company as at 31st March 2018 and brief profiles of each Director are given in the Board of Directors section of the Annual Report.

The Directors of the Company who held office during the year under review are set out below.

Mr. S. C. Ratnayake - Chairman
Mr. K. N. J. Balendra - Managing Director
Mr. J. G. A. Cooray (Appointed w.e.f. 01/01/2018)
Mr. J. R. Gunaratne (Appointed w.e.f. 01/01/2018)
Mr. R. J. Karunaratne
Mr. S. Rajendra
Mr. C. J. L. Pinto
Mr. S. K. G. Senanayake
Mrs. S. A. Jayasekara
Mr. A. D. Gunewardene (Resigned w.e.f. 31/12/2017)
Mr. J. R. F Peiris (Resigned w.e.f. 31/12/2017)

Mr. J. G. A. Cooray and Mr. J. R. Gunaratne were appointed to the Board of Directors with effect from 1st January 2018.

Mr. A.D. Gunewardene and Mr. J.R.F Peiris resigned from the Board of Directors with effect from 31st December 2017.

Therefore the Board now consists of nine (9) Directors comprising of four Non-Executive Non-Independent Directors (NED/NID), three Non-Executive Independent Directors (NED/ID) and two Executive Non-Independent Director (E/NID).

In accordance with the criteria for 'Independence' specified by section 7.10.4 of the listing rules of the Colombo Stock Exchange and as identified by the Code of Best Practice, the Board affirms that the aforesaid four Non-Executive Independent Directors satisfy the criteria for independence and have satisfied the requirements under clause 7.10.2 (b)

The Directors of Trans Asia Hotels PLC [Subsidiary] who held office during the year under review are set out below:

Mr. S. C. Ratnayake - Chairman
Mr. K. N. J. Balendra
Mr. J. G. A. Cooray (Appointed w.e.f. 01/01/2018)
Mr. J. R. Gunaratne (Appointed w.e.f. 01/01/2018)
Mr. N. L. Gooneratne
Mr. C. J. L. Pinto
Mr. E. H. Wijenaikie
Mrs. J. C. Ponniah
Mr. R. J. Karunaratne
Mr. A. D. Gunewardene (Resigned w.e.f. 31/12/2017)
Mr. J. R. F Peiris (Resigned w.e.f. 31/12/2017)

Responsibility of the Board

Details of responsibilities of the Board and the manner in which those responsibilities were discharged during the year are disclosed in the Corporate Governance section of the Annual Report.

Board Committees

Board Audit Committee

The following members serve on the Board Audit Committee

Mr. C. J. L. Pinto - Chairman
Mr. S. K. G. Senanayake
Mrs. S. A. Jayasekara

The Report of the Audit Committee is given on page 114 and 115 of this Report.

Nominations Committee

The Nominations Committee of the Company was formed with effect from 01st December 2015.

The Nominations Committee comprises 2 Independent Directors and 1 Non-Independent Director as at 31st March 2018:

Mr. S. K. G. Senanayake - Chairman
Mr. S. C. Ratnayake (Non-Independent)
Mrs. S. A. Jayasekara

The Report of the Nominations Committee is given in the Corporate Governance section of the Annual Report.

Human Resources and Compensation Committee

As permitted by the listing rules of the Colombo Stock Exchange, the Human Resources and Compensation Committee of the Parent Company, John Keells Holdings PLC (JKH), functions as the Human Resources and Compensation Committee of the Company.

The following members serve on the Human Resources and Compensation Committee:

Mr. D. A. Cabraal - Chairman
Mr. M. A. Omar
Dr. S. S. H. Wijesuriya

The Report of the Human Resources and Compensation Committee and the remuneration policy is given in the Corporate Governance section of the Annual Report.

Related Party Transactions Review Committee

The Related Party Transactions Review Committee of the Parent Company John Keells Holdings PLC (JKH) functions as the Related Party Transactions Review Committee of the Company which was formed with effect from 01st April 2014.

The Related Party Transactions Review Committee comprises 4 Independent Directors and 2 Non-Independent Directors as at 31st March 2018:

Ms. M. P. Perera - Chairperson
Mr. D. A. Cabraal
Mr. A. N. Fonseka
Mr. S. C. Ratnayake

The Related Party Transactions Review Committee is given in the Corporate Governance section of the Annual Report.

Interests Register

The Company has maintained an Interests Register as contemplated by the Companies Act No. 7 of 2007. In compliance with the requirements of the Companies Act No. 7 of 2007, this Annual Report also contains particulars of entries made in the Interests Register as well as the particulars of the entries made in the Interests Register of the Subsidiary which is a Public Limited Company.

Directors' Interests in Contracts

The Directors of the Company have made general declarations as required by Section 192 (2) of the Companies Act No. 7 of 2007 and no additional interests have been disclosed by any Director.

Directors' Remuneration

Directors' remuneration is established within a framework approved by the Human Resources and Compensation Committee. The Directors are of the opinion that this framework assures fairness and appropriateness of remuneration.

Details of the remuneration and other benefits received by the Directors of the Company and the Group are set out in Note 8 of the Financial Statements.

Indemnities and Remuneration

1. The Board approved the payment to Messrs. R J Karunaratna and S Rajendra, executive directors of Asian Hotels and Properties PLC, a remuneration comprising of:
 - An increment from 1st July 2017 based on the individual performance rating obtained by the executive directors in terms of the performance management system of the John Keells Group;
 - A short term variable incentive based on individual performance, organisation performance and role responsibility based on the results of the financial year 2016/2017; and
 - Long Term variable incentive in the form of an Employee Share Options at John Keells Holdings PLC.

As recommended by the Human Resource and Compensation Committee of John Keells Holdings PLC the holding company of Asian Hotels and Properties PLC in keeping with the John Keells group remuneration policy.

2. Mr. C J L Pinto's contract as a Non- Executive Director of Asian Hotels and Properties PLC was renewed for a further period at Non-Executive Directors fees recommended by the Human Resources and Compensation Committee of John Keells Holdings PLC, its holding Company, which fees are commensurate with the market complexities of the Company.
3. Mr. J R Gunaratne and Mr. J G A Cooray were appointed as a Non-Executive Director of Asian Hotels and Properties PLC from 01st January 2018 at the standard Non-Executive Fees recommended by the Human Resources and Compensation Committee of John Keells Holdings PLC, its holding Company, which fees are commensurate with the market complexities of the Company

Annual Report of the Board of Directors

The fees payable to Non-Executive nominee Directors of John Keells Holdings PLC are paid to John Keells Holding PLC and not to individual Directors.

Particulars of Entries in the Interests Register of the Subsidiary

Trans Asia Hotels PLC.

There have been no changes to the remuneration of the Directors of Trans Asia Hotels PLC for the financial year ended 31st March 2018.

Further to the appointment of Mr. J R Gunaratne and Mr. J G A Cooray as Non-Executive Directors of Trans Asia Hotels PLC with effect from 01st January 2018.

Directors' Shareholdings

The shares held by Directors' and their spouses in the Company as at 31st March 2018 are as follows:

Director	Shareholding as at 31.03.2018	Shareholding as at 31.03.2017
Mr. S. C. Ratnayake - Chairman	20,000	20,000
Mr. K. N. J. Balendra	NIL	NIL
Mr. J. G. A. Cooray	10,600	N/A
Mr. J. R. Gunaratne	NIL	N/A
Mr. R.J. Karunarajah	200	200
Mr. S. Rajendra	NIL	NIL
Mr. A. D. Gunewardene (Resigned w.e.f. 31.12.2017)	N/A	NIL
Mr. J. R. F. Peiris (Resigned w.e.f.31.12.2017)	N/A	NIL
Mr. S.K.G. Senanayake	NIL	NIL
Mrs. S.A. Jayasekara	NIL	NIL
Mr. C.J.L. Pinto (Joint account with Mrs. M.R.C. Pinto)	7,800	7,800

Employee Share Option Plan (ESOP)

Employees of the Company receive remuneration in the form of share-based payment under the John Keells Group's Employees Share Option Scheme (ESOP), share options of the parent are granted to senior executives of the Company, whereby employees render services as consideration for equity instruments (equity-settled transactions). The cost of the employee services received in respect of the shares or share options granted is recognised in the Income Statement over the period that employees provide services, from the time when the award is granted up to the vesting date of the options. The overall cost of the award is calculated using the number of share options expected to vest and the fair value of the options at the date of grant.

The employee remuneration expense resulting from the Group's share option scheme to the employees of the Company is recognised in the Income Statement of the Company. This transaction does not result in a cash outflow to the Company

and expense recognised is met with a corresponding equity reserve increase, thus having no impact on the Statement of Financial Position (SFP). The fair value of the share options is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the share options were granted. The valuation takes into account factors such as stock price, expected time of maturity, exercise price, expected volatility of share price, expected dividend yield and risk free interest rate.

Corporate Governance

Directors' Declarations

The Directors declare that;

- The Company has complied with all applicable laws and regulations in conducting its business
- They have declared all material interests in contracts involving the Company and 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 qualification as necessary
- They have conducted a review of internal controls covering financial, operational and compliance controls and risk management and have obtained a reasonable assurances of their effectiveness and successful adherence herewith
- The Company being listed on the Colombo Stock Exchange (CSE) is compliant with the rules on Corporate Governance under the Listing Rules of the CSE with regard to the composition of the Board and its Sub-Committees

- g) The Company is in compliance with the Code of Best Practice on Corporate Governance jointly issued by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (ICASL) 2013.

A comprehensive report on Corporate Governance practices and principles with respect to the management and operations of the Company are set out from pages 77 to 103 of this Report.

Sustainability

The Company is conscious of the need to preserve the environment and its natural resources and has taken specific steps, particularly in ensuring the conservation of its natural resources and environment as well as addressing material issues highlighted by its stakeholders. Every endeavour has been made to minimise adverse effects on the environment to ensure sustainable continuity of natural resources. The Company's sustainable practices are detailed from pages 67 to 70.

Employment

The Company has an equal opportunity policy in respect of employment and these principles are enshrined in specific selection, training, development and promotion policies, ensuring that all decisions are based on merit. The Company, in line with the Group policy, practices equality of opportunity for all employees irrespective of ethnic origin, religion, political opinion, gender, marital status or physical disability.

The number of persons employed by the Company and Group as at 31st March 2018 was 1,227 and 1,972 respectively.

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

Supplier Policy

The Company, in line with the Group's policies, applies an overall policy of agreeing and clearly communicating terms of payment as part of the commercial agreements negotiated with suppliers and endeavours to pay for all items properly charged in accordance with these agreed terms. As at 31st March 2018, the trade and other payables of the Company and Group amounted to Rs. 503 Mn (2017 - Rs. 469 Mn) and Rs. 759 Mn (2017 - Rs. 731 Mn), respectively.

Environmental Protection

The Company is in compliance with the relevant environmental laws and regulations and endeavours to comply with best practices applicable in the country. A summary of selected Group activities in the above area is contained in the Management Discussion and Analysis. The Company has not engaged in any activity that is harmful to the environment.

Statutory Payments

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its Subsidiary, all contributions, levies and taxes payable on behalf of, and in respect of the employees of the Company and its Subsidiary, and all other known statutory dues that were due and payable by the Company and its Subsidiary as at the Balance Sheet date have been paid or, where relevant provided for, except as specified in Note 37 to the Financial Statements, covering Contingent Liabilities.

Enterprise Risk Management

The Board confirms that there is an ongoing process of identifying, evaluating and managing any significant risks faced by the Company, where annual risk reviews are carried out by the Enterprise Risk Management Division and the risks are further reviewed each quarter by each business unit. The headline risks are presented to the Board Audit Committee for review by the respective business units.

The details of the Risk Report and Risk Management Process are set out from pages 25 to 27 of this Report.

Internal Control

The Board, through the involvement of the Group Business Process Review (Group BPR) Division, takes steps to gain assurance on the effectiveness of control systems in place. The Audit Committee receives regular reports on the adequacy and effectiveness of internal controls in the Company. These include compliance with laws, regulations and established policies and procedures of the Company.

The Head of Group BPR Division has direct access to the Chairman of the Audit Committee. Reports of the outsourced Internal Auditors are also reviewed by the Committee on matters pertaining to the Company.

The Directors acknowledge their responsibility for the Company's systems of internal controls. The statements of Corporate Governance from pages 77 to 103 sets out in detail the Company's system of internal controls.

Annual Report of the Board of Directors

Related Party Transactions

There were no related party transactions required to be disclosed under the Listing Rules of the CSE other than as disclosed under Note 33 to the Financial Statements.

Donations

Total donations made by the Company during the year amounted to Rs. 14 Mn and donations made by the Group amounted to Rs. 16 Mn (31st March 2017 – Company Rs. 19 Mn and Group Rs. 27 Mn).

Events Subsequent to the Balance Sheet Date

Except for the matters disclosed in Note 39 to the Financial Statements on page 167 there were no material events which require adjustments or disclosure in the Financial Statements.

Going Concern

The Board of Directors, after considering the financial position, operating conditions, regulatory and other factors, and such matters required to be addressed in the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission and the Institute of Chartered Accountants of Sri Lanka 2013, has a reasonable expectation that the Company and its Subsidiary possess adequate resources to continue in operation for the foreseeable future. For this reason, the Board continues to adopt the Going Concern basis in preparing the Financial Statements.

Auditors

The retiring Auditors Messrs. KPMG, Chartered Accountants, have expressed their willingness to continue in office. The Audit Committee at a meeting held on 26th April 2018 recommended that they be re-appointed as auditors. A resolution to re-appoint the auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

The Independent Auditors' Report to the shareholders on the Financial Statements is given on pages 117 to 119.

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

Based on the declaration of Messrs. KPMG and as far as the Directors are aware, the Auditors do not have any relationship [except in so far as an Auditor] or interest in the Company or its Subsidiary.

Annual Report

The Board of Directors approved the Consolidated Financial Statements on 25th May 2018. The appropriate number of copies of this Report will be submitted to the Colombo Stock Exchange and to the Sri Lanka Accounting and Auditing Standards Monitoring Board on 28th May 2018.

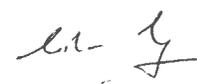
Annual General Meeting

The 24th Annual General Meeting of the Company will be held at the Auditorium of Ceylon Chamber of Commerce, at No. 50, Navam Mawatha, Colombo 2, on 21st June 2018 at 10.30 a.m. The Notice of Annual General Meeting appears on page 173 of the Annual Report.

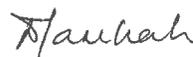
This Annual Report is signed for and on behalf of the Board of Directors by;



Director
By Order of the Board



Director



KEELLS CONSULTANTS (PRIVATE) LIMITED
Secretaries

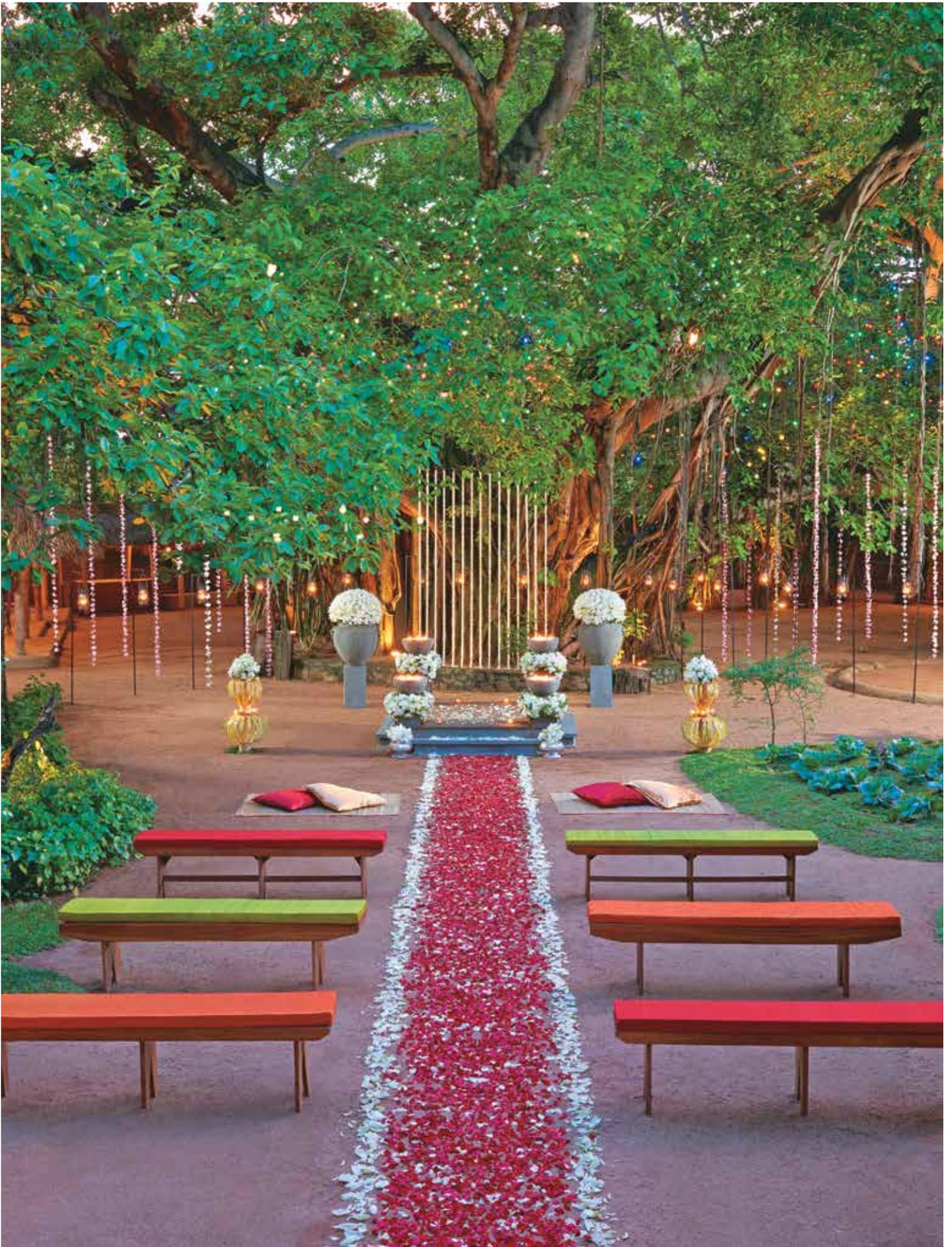
Colombo
25th May 2018

Extraordinary space

Every event we have taken under our wing, be it a fairytale wedding, dinner dance, fashion show or conference, has been executed to perfection within the extraordinary space that is Cinnamon Grand.

The Ceylon rose is extraordinary given it is an extremely rare swallowtail butterfly found only in Sri Lanka. It is confined to the rainforests of central hill country and critically endangered due to loss of habitat.





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Report of the Audit Committee

INTRODUCTION

The Board Audit Committee of Asian Hotels and Properties PLC is formally established as a Sub-Committee of the Main Board, to which it is accountable. Charter of the Committee clearly defines the terms of reference of the Audit Committee. It demonstrates that activities of the Audit Committee are in-line with the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

The effectiveness of the Committee is evaluated annually by each member of the Committee and the results are communicated to the Board.

This report focuses on the activities of the Audit Committee for the year under review. A more general description of the Committee's functions is also given under Corporate Governance Commentary on pages 84 to 87.

ROLE OF THE COMMITTEE

The role of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities for the integrity of the Financial Statements of the Company and the Group, the internal control and risk management systems of the Group and its compliance with legal and regulatory requirements, the external auditors' performance, qualifications and independence, and the adequacy and performance of the internal audit function, which at John Keells Holding PLC is termed Group Business Process Review Division (Group BPR). This is detailed in the terms of reference of the Committee which has been approved by the Board and is reviewed annually.

COMPOSITION OF THE COMMITTEE AND MEETINGS

The Audit Committee comprised of three Non-Executive Independent Directors. Mr. C.J.L. Pinto serves as the Chairman of the Audit Committee since 2011. He is a Fellow of the Institute of Chartered Accountancy of Sri Lanka and has 45 years of post-qualifying experience in the profession. He also serves as the Chairman of the Audit Committee of Trans Asia Hotels PLC. Other members of the Committee are Chartered Accountants, whilst one member of the Committee has a specialist financial background. All Non-Executive Directors satisfy the criteria for independence as specified in the Standards on Corporate Governance for listed Companies issued by the Securities and Exchange Commission of Sri Lanka. The Audit Committee reports directly to the Board. The individual and collective financial and hotel industry specific knowledge, business experience and independence of members are brought to bear on all matters, which fall within the committee's purview. The

Director Finance of the Cinnamon's city hotels sector served as the Secretary to the Audit Committee.

The President of the Property Group of John Keells Holdings, Sector Head of Cinnamon's city hotels, Sector Financial Controllers of Property and Hotels Sectors together with the Head of Group Business Process Review of John Keells Holdings PLC, attend Audit Committee meetings by invitation. Other officials are invited to attend on a need-basis. Outsourced Internal Auditors, PricewaterhouseCoopers (Pvt) Ltd., and Independent External Auditors KPMG are required to attend meetings on a regular basis.

The Audit Committee held four (4) meetings during the financial year. Information on the attendance at these meetings is given under Corporate Governance on page 85. In addition, the Chairman of the Committee met the Internal and External Auditors and in-house personnel, as necessary, to strengthen guidance and oversight related to Audit Committee matters.

The activities and views of the Committee have been communicated to the Board of Directors quarterly through verbal briefings and by tabling the minutes of the Committee's meetings.

FINANCIAL REPORTING

The Audit Committee has reviewed and discussed the Group's quarterly and annual Financial Statements prior to publication with management and the external auditors, including the extent of compliance with Sri Lanka Accounting Standards, the appropriateness of its accounting policies and material judgmental matters. The Committee has also regularly discussed the operations of the Company and its future prospects with the Management and is satisfied that all relevant matters have been taken into account in the preparation of the Financial Statements. The Committee also discussed with the External Auditors and Management the matters communicated to the Committee by the External Auditors in their reports on the audit for the year.

INTERNAL AUDIT, RISKS AND CONTROLS

PricewaterhouseCoopers (Pvt) Ltd continued to serve as the Outsourced Internal Auditors of the Company, and the audit plans and scope of work were formulated in consultation with the John Keells Group Business Process Review (Group BPR) Division and approved by the Committee.

The main focus of the Internal Audit was to provide independent assurance on the overall system of internal controls, risk management and governance; by evaluating the adequacy and effectiveness of internal controls, and compliance with laws and regulations and established

policies and procedures of the company. Reports from the Outsourced Internal Auditors on the operations of the Company were also reviewed by the Committee.

During the year, reports were received by the Committee from the Outsourced Internal Auditors, which were reviewed and discussed with Management, the Outsourced Internal Auditors and the John Keells Group BPR Division. The recommendations of the Internal Auditors are implemented as required, and are confirmed by the auditors, in subsequent follow-up audits.

The Audit Committee has also reviewed the processes for the identification, evaluation and management of all significant operational risks faced by the Company. The most significant operational risks and the remedial measures taken to mitigate them have been reviewed with the Management and the John Keells Group Sustainability and Enterprise Risk Management division.

Formal confirmations and assurances have been received from senior management on a quarterly basis regarding the efficacy and status of the internal control systems and risk management systems, and compliance with applicable laws and regulations. The Committee reviewed the whistle blowing arrangements for the Company which is in-line with the Group arrangements and had direct access to the Ombudsman for the Group.

The effectiveness and resource requirements of the Group BPR division was reviewed and discussed with management.

EXTERNAL AUDIT

The External Auditors' letter of engagement, including the scope of the audit, was reviewed and discussed by the Committee with the external auditors and Management prior to the commencement of the audit.

The External Auditors kept the Committee advised on an on-going basis regarding any unresolved matters of significance. Before the conclusion of the audit, the Committee met with the External Auditors to discuss all audit issues and agree on their treatment. This included the discussion of formal reports from the External Auditors to the Committee. The Committee also met the External Auditors, without the Management being present, prior to the finalisation of the Financial Statements.

The External Auditors' final management reports on the audit of the Company and Group Financial Statements for the year 2017/18, together with management's responses, were discussed with Management and the Auditors.

The Audit Committee is satisfied that the independence of the External Auditors have not been impaired by any event or service that given rise to a conflict of interest. Due consideration has been given to the level of audit and non-audit fees received by the External Auditors from the John Keells Group and confirmation has been received from the External Auditors of their compliance with the independence criteria given in the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka.

The performance of the External Auditors has been evaluated and discussed with the senior management of the Company, and the Committee has recommended to the Board that KPMG be re-appointed as the External Auditors of Asian Hotels and Properties PLC for the financial year ending 31st March 2019, subject to approval by the shareholders at the Annual General Meeting.

CONCLUSION

Based on the reports submitted by the External Auditors and the outsourced Internal Auditors of the Company, the assurances and certifications provided by the senior Management, and the discussions with the Management and the Auditors both at formal meetings and informally, the Committee is of the view that the control environment within the Company is satisfactory and provides reasonable assurance that the financial position of the Company is adequately monitored and its assets are safeguarded.



C.J.L. Pinto
Chairman of the Audit Committee

25th May 2018

Statement of Directors' Responsibility

The responsibility of the Directors in relation to the Financial Statements is set out in the following statement. The responsibility of the Auditors, in relation to the Financial Statements prepared in accordance with the provision of the Companies Act No. 7 of 2007, is set out in the Report of the Auditors.

The Financial Statements comprise of:

- Income Statement and Statement of Comprehensive Income of the Company and of the Group, which present a true and fair view of the profit and loss of the Company and of the Group for the respective financial year.
- A Statement of the Financial Position, which presents a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year: and

The Directors are required to confirm that the Financial Statements have been prepared:

- Using appropriate accounting policies which have been selected and applied in a consistent manner, and material departures, if any, have been disclosed and explained; and
- Presented in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) and that reasonable and prudent judgments and estimates have been made so that the form and substance of transactions are properly reflected; and
- Provide the information required by and otherwise comply with the Companies Act No. 7 of 2007 and the Listing Rules of the Colombo Stock Exchange.

The Directors are also required to ensure that the Company has adequate resources to continue in operation to justify applying the going concern basis in preparing these Financial Statements.

Furthermore, the Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose, with reasonable accuracy, the financial position of the Company and of the Group.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and of the Group and in this regard to give proper consideration to the establishment of appropriate internal control systems with a view to preventing and detecting fraud and other irregularities.

The Directors are required to prepare the Financial Statements and to provide the Auditors with every opportunity to take whatever steps and undertake whatever

inspections that may be considered being appropriate to enable them to give their audit opinion.

Further, as required by Section 56 (2) of the Companies Act No. 7 of 2007, the Board of Directors have confirmed that the Company, based on the information available, satisfies the solvency test immediately after the distribution, in accordance with Section 57 of the Companies Act No. 7 of 2007, and have obtained a certificate from the Auditors, prior to declaring a Final Dividend of Rs. 0.50/- per share for the year ended 31st March 2018, to be paid on 14th June 2018.

The Directors are of the view that they have discharged their responsibilities as set out in this Statement.

COMPLIANCE REPORT

The Directors confirm that, to the best of their knowledge, all taxes, duties and levies payable by the Company and the Group, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and the Group, and all other known statutory dues as were due and payable by the Company and the Group as at the Balance Sheet date have been paid and/or provided for, except as specified in Note 38 to the Financial Statements covering Contingent Liabilities.



By Order of the Board
Keells Consultants (Private) Limited
Secretaries

25th May 2018

Independent Auditor's Report



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
+94 - 11 244 6058
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Internet : www.kpmg.com/lk

TO THE SHAREHOLDERS OF ASIAN HOTELS AND PROPERTIES PLC REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Asian Hotels and Properties PLC ("the Company") and the consolidated financial statements of the Company and its subsidiary ("the Group"), which comprise the statement of financial position as at March 31, 2018, and income statement, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes to the financial statements set out in pages 120 to 167.

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 March 31, 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company financial statements and the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the Company financial statements and the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

01. Revaluation of the land and buildings	
Nature and area of focus	Our response
<p>Refer to note 14 in the financial statements.</p> <p>The Group has recorded a revaluation gain of LKR. 1,493 million by revaluing the land and buildings during the year. These properties, which are stated at revalued amounts, are significant to the Group in terms of their values.</p> <p>The Group has engaged a professional valuer to determine the revalued amounts of the land and buildings in accordance with recognized industry standards.</p> <p>Estimating the fair value is a complex process which involves a significant degree of judgment and estimates in respect of price per perch of the land, capitalization rates, value for a square feet, diversity of locations and nature of the land and building.</p> <p>We identified assessing the valuation of land and building owned by the Group as a key audit matter because of the complexity of the valuations and because of the significant judgment and estimation.</p>	<p>Our procedures included;</p> <ul style="list-style-type: none"> → Assessment of key assumption applied by the external valuer in deriving the fair value of properties and comparing the same with evidence of current market values. → Discussions with management and the external valuer and compare the key assumptions used against externally published market comparable or industry data where available and challenging the reasonableness of key assumptions based on our knowledge of the industry. → Assessing the objectivity and independence of the external valuer and the competence and qualification of the external valuer. → Assessing the adequacy of the fair value disclosures relating to property plant and equipment.

KPMG, a Sri Lankan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

M.R. Mihular FCA
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Karunaratne FCA
R.H. Rajan ACA

P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyrathne FCA
R.M.D.B. Rajapakse FCA

C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo FCA

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA
Ms. C.T.K.N. Perera ACA

Independent Auditors' Report (continued)



02. Valuation of investment properties	
Nature and area of focus	Our response
<p>Refer to note 16 in the financial statements.</p> <p>Management has estimated the fair value of the Group's investment properties to be LKR 5,167 million as at 31st March 2018 with a gain on fair value change for the year ended 31st March 2018 recorded in income statement of LKR 578 million. These investment properties, which are stated at fair value, are significant to the Group in terms of their values.</p> <p>Management's assessment of the fair value of investment properties is based on valuation performed by external property valuer in accordance with recognized industry standards.</p> <p>Estimating the fair value is a complex process involving a significant degree of judgment and estimates in respect of capitalization rates, fair market rents, diversity of locations and nature of the investment properties.</p> <p>We identified assessing the valuation of investment properties owned by the Group as a key audit matter because of the complexity of the valuations, the significant judgments and estimation required.</p>	<p>Our procedures included;</p> <ul style="list-style-type: none"> → Assessment of key assumption applied by the external valuer in deriving the fair value of properties and comparing the same with evidence of current market values. → Discussions with the external valuer and compare the key assumptions used against externally published market comparable or industry data available and challenging the reasonableness of key assumptions based on our knowledge of the business and industry. → Assessing the objectivity and independence of the external valuer and the competence and qualification of the external valuer. → Assessing the adequacy of the disclosures in the financial statements, including the description and appropriateness of the key assumptions in the estimate.
03. Deferred Tax Liability	
Nature and area of focus	Our response
<p>Refer to note 28 in the financial statements.</p> <p>During the year Asian Hotels and Properties PLC recorded a deferred tax liability amounting to LKR 3,230 million as at 31st March 2018, reflecting the implications of the Inland Revenue Act No 24 of 2017.</p> <p>Due to the materiality in the context of the financial statements as a whole, deferred tax liability was determined to be a key audit matter.</p>	<p>Our procedures included;</p> <ul style="list-style-type: none"> → Evaluating the computation accuracy of deferred tax though re computation while evaluating the tax implications through the New Inland Revenue Act and challenged the assumptions and judgements made by the management in applying the Inland Revenue Act. → Evaluating the adequacy of disclosures relating to deferred tax recognition in the financial statements.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

Independent Auditors' Report (Continued)



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 Company and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3272.

Chartered Accountants
Colombo, Sri Lanka

25th May 2018

Income Statement

For the year ended 31st March In Rs.'000s	Page No.	Note	GROUP		COMPANY	
			2018	2017	2018	2017
Revenue	133	5	8,628,053	9,066,959	5,429,202	5,815,918
Cost of sales			(3,730,954)	(3,560,958)	(2,390,780)	(2,287,657)
Gross profit			4,897,099	5,506,001	3,038,422	3,528,261
Dividend income	133	6	-	-	273,493	234,422
Other operating income	133	7	75,516	83,268	66,651	67,973
Distribution expenses			(414,675)	(354,612)	(138,724)	(125,518)
Administrative expenses			(2,086,121)	(2,077,585)	(1,380,861)	(1,366,960)
Other operating expenses			(697,710)	(662,750)	(416,474)	(386,275)
Results from operating activities		8	1,774,109	2,494,322	1,442,507	1,951,903
Finance cost	134	9	(26,251)	(29,197)	-	-
Finance income	135	10	143,006	221,817	129,731	196,990
Net finance income			116,755	192,620	129,731	196,990
Change in fair value of investment property	143	16	577,738	399,161	180,138	155,761
Profit before tax			2,468,602	3,086,103	1,752,376	2,304,654
Income tax expense	135	11	(282,856)	(306,987)	(145,937)	(172,834)
Profit for the year			2,185,746	2,779,116	1,606,439	2,131,820
Attributable to:						
Owners of the company			1,685,950	2,265,412	1,606,439	2,131,820
Non-controlling interest			499,796	513,704	-	-
			2,185,746	2,779,116	1,606,439	2,131,820
			Rs.	Rs.	Rs.	Rs.
Earnings per share	137	12	3.81	5.12	3.63	4.81

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 126 to 167 form an integral part of these Financial Statements.

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st March In Rs.'000s	Note	GROUP		COMPANY	
		2018	2017	2018	2017
Profit for the year		2,185,746	2,779,116	1,606,439	2,131,820
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Revaluation of land and buildings	14.1	1,492,647	9,301,192	1,492,647	9,301,192
Re-measurement gain/(loss) on defined benefit plans	29	(15,490)	(25,344)	(9,875)	(18,087)
Deferred tax effect on rate differential		(7,993)	-	-	-
Deferred tax effect on actuarial valuation		982	871	-	-
Deferred tax effect on land & building revaluation	28	(3,230,117)	-	(3,230,117)	-
Other comprehensive income for the year, net of tax		(1,759,971)	9,276,719	(1,747,345)	9,283,105
Total comprehensive income for the year, net of tax		425,775	12,055,835	(140,906)	11,414,925
Attributable to :					
Owners of the company		(66,876)	11,545,745	(140,906)	11,414,925
Non-controlling interest		492,651	510,090	-	-
		425,775	12,055,835	(140,906)	11,414,925

Figures in brackets indicate deductions

The accounting policies and notes as set out in pages 126 to 167 form an integral part of these Financial Statements.

Statement of Financial Position

As at 31st March In Rs.'000s	Page No.	Note	GROUP		COMPANY	
			2018	2017	2018	2017
ASSETS						
Non Current Assets						
Property, plant and equipment	137	14	32,879,165	30,396,325	29,193,865	26,742,342
Leasehold property	143	15	769,048	781,452	-	-
Investment property	143	16	5,167,000	4,564,650	2,621,000	2,416,250
Intangible assets	145	17	3,069	1,998	1,944	1,196
Investment in subsidiary	146	18	-	-	660,045	660,045
Non current financial assets	147	19	38,912	35,624	30,348	27,051
Other non current assets	147	20	6,624	6,643	5,000	5,297
Total non current assets			38,863,818	35,786,692	32,512,202	29,852,181
Current Assets						
Inventories	148	21	164,142	148,796	126,174	109,687
Trade and other receivables	148	22	834,276	756,932	372,800	327,842
Amounts due from related parties	155	33.2	56,135	107,749	26,165	27,211
Other current assets	148	23	172,074	171,816	122,200	102,462
Short term investments	149	24	704,155	1,583,907	704,155	1,435,726
Cash in hand and at bank			353,347	635,878	271,889	510,464
Total Current Assets			2,284,129	3,405,078	1,623,383	2,513,392
Total Assets			41,147,947	39,191,770	34,135,585	32,365,573
EQUITY & LIABILITIES						
Equity attributable to owners of the company						
Stated capital	149	25	3,345,117	3,345,117	3,345,117	3,345,117
Revenue reserves			7,977,471	7,624,292	6,413,546	6,145,308
Other components of equity	149	26	20,415,314	22,139,389	19,955,257	21,670,555
			31,737,902	33,108,798	29,713,920	31,160,980
Non-controlling interest			3,499,028	3,399,724	-	-
Total Equity			35,236,930	36,508,522	29,713,920	31,160,980
Non Current Liabilities						
Interest bearing borrowings	151	27	146,156	256,331	-	-
Deferred tax liabilities	152	28	3,614,386	346,297	3,230,117	-
Employee benefit liabilities	153	29	345,064	306,014	207,984	176,784
Total Non Current Liabilities			4,105,606	908,642	3,438,101	176,784
Current Liabilities						
Trade and other payables	154	30	759,478	731,009	502,939	469,490
Amounts due to related parties	155	33.3	82,496	93,619	57,075	65,634
Income tax liabilities	155	31	85,212	205,136	47,726	89,728
Current portion of borrowings	151	27	146,156	113,925	-	-
Other current liabilities	155	32	430,306	470,375	283,187	314,588
Bank overdrafts			301,763	160,542	92,637	88,369
Total Current Liabilities			1,805,411	1,774,606	983,564	1,027,809
Total Liabilities			5,911,017	2,683,248	4,421,665	1,204,593
Total Equity and Liabilities			41,147,947	39,191,770	34,135,585	32,365,573

I certify that the Financial Statements comply with the requirements of the Companies Act No. 7 of 2007.

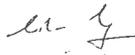


C.L.P. Gunawardane
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.



K.N.J. Balendra
Director



J.G.A. Cooray
Director

25th May, 2018

The accounting policies and notes as set out in pages 126 to 167 form an integral part of these financial statements.

Statement of Changes in Equity

GROUP	Attributable to Owners of the Company							
	Stated Capital	Revaluation Reserve	Other Capital Reserve	Retained Earnings	Total	Non controlling interest	Total Equity	
In Rs.'000s	Note							
As at 1st April 2016		3,345,117	12,753,854	70,334	7,139,930	23,309,235	3,227,406	26,536,641
Total comprehensive income								
Profit for the year		-	-	-	2,265,412	2,265,412	513,704	2,779,116
Other comprehensive income		-	9,301,192	-	(20,859)	9,280,333	(3,614)	9,276,719
Total comprehensive income		-	9,301,192	-	2,244,553	11,545,745	510,090	12,055,835
Transactions with owners of the company								
Transferred to revenue reserve (note a)		-	(10,911)	-	10,911	-	-	-
Share based payments	26.2	-	-	24,920	-	24,920	1,768	26,688
Final dividend paid- 2015/2016	13	-	-	-	(885,551)	(885,551)	-	(885,551)
Interim dividend paid-2016/2017	13	-	-	-	(885,551)	(885,551)	-	(885,551)
Subsidiary dividend to non-controlling interest -2015/2016		-	-	-	-	-	(113,180)	(113,180)
Subsidiary dividend to non-controlling interest -2016/2017		-	-	-	-	-	(226,360)	(226,360)
As at 31st March 2017		3,345,117	22,044,135	95,254	7,624,292	33,108,798	3,399,724	36,508,522
As at 1st April 2017		3,345,117	22,044,135	95,254	7,624,292	33,108,798	3,399,724	36,508,522
Total comprehensive income								
Profit for the year		-	-	-	1,685,950	1,685,950	499,796	2,185,746
Other comprehensive income		-	(1,737,470)	-	(15,356)	(1,752,826)	(7,145)	(1,759,971)
Total comprehensive income		-	(1,737,470)	-	1,670,594	(66,876)	492,651	425,775
Transactions with owners of the company								
Transferred to revenue reserve (note a)		-	(10,911)	-	10,911	-	-	-
Share based payments	26.2	-	-	24,306	-	24,306	2,783	27,089
Final dividend paid - 2016/2017	13	-	-	-	(885,551)	(885,551)	-	(885,551)
Interim dividend paid-2017/2018	13	-	-	-	(442,775)	(442,775)	-	(442,775)
Subsidiary dividend to non-controlling interest -2016/2017		-	-	-	-	-	(169,770)	(169,770)
Subsidiary dividend to non-controlling interest -2017/2018		-	-	-	-	-	(226,360)	(226,360)
As at 31st March 2018		3,345,117	20,295,754	119,560	7,977,471	31,737,902	3,499,028	35,236,930

Note (a) - According to the Sri Lanka Accounting Standard - 16 "Property, Plant and Equipment", when the revalued asset is used by an entity, the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the assets' original cost is transferred from revaluation surplus to retained earnings amounting Rs.10.91Mn. (Rs.10.91 Mn in 2017).

Figures in brackets indicate deductions

The Notes to the Financial Statements from Pages 126 to 167 form an integral part of these Financial Statements.

Statement of Changes in Equity

COMPANY		Stated	Revaluation	Other	Retained	Total
In Rs.'000s	Note	Capital	Reserve	Capital	Earnings	Equity
				Reserve		
As at 1st April 2016		3,345,117	12,278,424	67,375	5,802,677	21,493,593
Total comprehensive income						
Profit for the year		-	-	-	2,131,820	2,131,820
Other comprehensive income		-	9,301,192	-	(18,087)	9,283,105
Total comprehensive income		-	9,301,192	-	2,113,733	11,414,925
Transactions with owners of the company						
Share based payments	26.3	-	-	23,564	-	23,564
Final dividend paid- 2015/2016	13	-	-	-	(885,551)	(885,551)
Interim dividend paid-2016/2017	13	-	-	-	(885,551)	(885,551)
As at 31st March 2017		3,345,117	21,579,616	90,939	6,145,308	31,160,980
As at 1st April 2017		3,345,117	21,579,616	90,939	6,145,308	31,160,980
Total comprehensive income						
Profit for the year		-	-	-	1,606,439	1,606,439
Other comprehensive income		-	(1,737,470)	-	(9,875)	(1,747,345)
Total comprehensive income		-	(1,737,470)	-	1,596,564	(140,906)
Transactions with owners of the company						
Share based payments	26.3	-	-	22,172	-	22,172
Final dividend paid - 2016/2017	13	-	-	-	(885,551)	(885,551)
Interim dividend paid-2017/2018	13	-	-	-	(442,775)	(442,775)
As at 31st March 2018		3,345,117	19,842,146	113,111	6,413,546	29,713,920

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 126 to 167 form an integral part of these Financial Statements.

Statement of Cash Flows

For the year ended 31st March In Rs.'000s	Note	GROUP		COMPANY	
		2018	2017	2018	2017
Operating profit before working capital changes					
Profit before tax		2,468,602	3,086,103	1,752,376	2,304,654
Adjustments for:					
Finance income	10	(143,006)	(221,817)	(129,731)	(196,990)
Dividend income	6	-	-	(273,493)	(234,422)
Finance cost	9	18,010	17,741	-	-
Change in fair value of investment property	16	(577,738)	(399,161)	(180,138)	(155,761)
Depreciation of property, plant and equipment	14	548,003	531,940	353,949	325,627
(Profit) / Loss on disposal of property, plant & equipment	7	(6,587)	(431)	(2,353)	2,824
Loss on disposal of intangible assets	8	-	593	-	593
Amortisation of leasehold properties	15	12,404	12,404	-	-
Amortisation of intangible assets	17	830	1,003	438	432
Provision / (Reversal) for doubtful debts	22	2,927	241	2,996	(4,029)
Gratuity charge and related costs	29	62,696	55,906	38,985	33,730
Share based payment expenses	26	27,089	26,688	22,172	23,564
Provision made on slow moving inventory	21	254	575	-	-
Unrealised Loss on foreign exchange	9	8,241	11,456	-	-
Written off of capital work in progress		-	2,273	-	-
		2,421,725	3,125,514	1,585,201	2,100,222
Cash flows from / (used in) operating activities					
Operating profit before working capital changes		2,421,725	3,125,514	1,585,201	2,100,222
(Increase) in inventories		(15,600)	(23,805)	(16,487)	(22,859)
(Increase) / Decrease in trade and other receivables		(80,271)	25,484	(47,954)	42,991
(Increase) / Decrease in amounts due from related parties		51,614	(19,848)	1,046	611
(Increase) in other current assets		(258)	(49,795)	(19,738)	(26,514)
Increase / (Decrease) in trade and other payables		28,469	(37,811)	33,449	16,463
(Decrease) in amounts due to related parties		(11,123)	(19,170)	(8,559)	(14,885)
Increase / (Decrease) in other current liabilities		(40,069)	86,632	(31,402)	47,939
Cash generated from operations		2,354,487	3,087,201	1,495,556	2,143,968
Finance income received	10	143,006	221,817	129,731	196,990
Finance cost paid	9	(18,010)	(17,741)	-	-
Dividend received	6	-	-	273,493	234,422
Tax paid		(371,819)	(162,263)	(187,939)	(134,518)
Gratuity paid	29	(39,136)	(49,386)	(17,660)	(30,579)
Net cash flow from operating activities		2,068,528	3,079,628	1,693,181	2,410,283
Cash flows from/(used in) investing activities					
Purchase / transfers and construction of property, plant and equipment	14	(1,559,169)	(355,361)	(1,329,496)	(255,194)
Additions / transfers to investment property	16	(24,612)	(489)	(24,612)	(489)
Additions to intangible assets	17	(1,901)	(697)	(1,186)	(696)
Proceeds from sale of property, plant & equipment		27,559	17,464	19,025	1,470
Proceeds from / (Repayment of) other assets (Net)		(3,269)	(13,842)	(3,000)	(11,708)
Net cash flow used in investing activities		(1,561,392)	(352,925)	(1,339,269)	(266,617)
Cash flows from/ (used in) financing activities					
Dividend paid to equity holders of parent	13	(1,328,326)	(1,771,102)	(1,328,326)	(1,771,102)
Dividend paid to shareholders with non-controlling interest		(396,130)	(339,540)	-	-
Proceeds / (Repayments) on long term borrowings	27	(86,184)	(84,150)	-	-
Net cash flow used in financing activities		(1,810,640)	(2,194,792)	(1,328,326)	(1,771,102)
Net (Decrease) / Increase in cash and cash equivalents		(1,303,504)	531,911	(974,414)	372,564
Cash and cash equivalents at the beginning of the year		2,059,243	1,527,332	1,857,821	1,485,257
Cash and cash equivalents at the end		755,739	2,059,243	883,407	1,857,821
Analysis of cash and cash equivalents					
Favourable balances					
Cash and bank		353,347	635,878	271,889	510,464
Short term investments		704,155	1,583,907	704,155	1,435,726
Unfavourable balances					
Bank overdrafts		(301,763)	(160,542)	(92,637)	(88,369)
Total cash and cash equivalents		755,739	2,059,243	883,407	1,857,821

Figures in brackets indicate deductions

The accounting policies and notes as set out in pages 126 to 167 form an integral part of these Financial Statements.

Notes to the Financial Statements

1. REPORTING ENTITY

Asian Hotels and Properties PLC is a public limited liability Company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The registered office and principal place of business of the company is located at No.77, Galle Road, Colombo 03. The consolidated financial statements of the Company as at and for the year ended 31st March 2018 comprise the financial information of the Company and its subsidiary; Trans Asia Hotels PLC (together referred to as the 'Group' and individually as 'Group entities').

The principal activities of the Company and the Group during the year were hoteliering and property development. There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review.

The Group had 1,972 (2017 – 1,991) employees and the Company had 1,227 (2017- 1,220) employees as at the Reporting date.

2. BASIS OF PREPARATION

(a) Statement of Compliance

The Financial Statements of the Company and the Group comprise the statements of financial position, income statement, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows together with the notes to the financial statements. The consolidated Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards (LKAS/SLFRS) laid down by the Institute of Chartered Accountants of Sri Lanka and the requirements of Companies Act No. 7 of 2007.

The consolidated Financial Statements were authorized for issue by the Board of Directors on 25th May 2018.

(b) Basis of Measurement

The Financial Statements have been prepared on the historical cost basis except for followings items, which are measured on an alternative basis on each reporting date.

- Freehold Land and Buildings which are measured at cost, at the time of acquisition are subsequently recognised at revalued amounts which are the fair values at the date of revaluation less accumulated depreciation and impairment cost if any.
- Investment properties which are stated at fair values.
- Defined benefit obligations are measured at its present value, based on an actuarial valuation as explained in Note 29.

(c) Presentation and Functional Currency

The Financial Statements are presented in Sri Lankan Rupees, the Group's functional and presentation currency, which is the currency of the primary economic environment in which the Holding Company operates. Each entity in the Group uses the currency of the primary economic environment in which they operate as their functional currency. All values are rounded to the nearest Sri Lankan Rupees thousand (Rs.'000) unless otherwise indicated.

(d) Use of Estimates and Judgments.

The preparation of the Financial Statements, management has made judgments, Estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

i) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

- Consolidation: whether the Group has de facto control over an investee - Note 18

ii) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 March 2018 is included in the following notes:

- Measurement of Freehold land & buildings - Note 14
- Measurement of Investment Properties - Note 16
- Measurement of Defined Benefit Plans - key actuarial assumptions Note 29
- Impairment test: key assumptions underlying recoverable amounts – Note 22
- Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources - Note 37

(e) Measurement of Fair Values:

A number of the Group's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities. Company regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to

measure fair values, Group assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRS, including the level in the fair value hierarchy in which such valuations should be classified. Significant valuation issues are reported to the Group's Audit Committee. When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

I. Level 1

Quoted prices (unadjusted) in active markets for identical assets or liabilities.

II. Level 2

Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

III. Level 3

Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

(f) Going Concern

The Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future.

Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Group's/Company's ability to continue as a going concern. Therefore, the Financial Statements of the Group continue to be prepared on a going concern basis.

(g) Comparative Information

The presentation and classification of the Financial Statements of the previous years have been amended, where relevant for better presentation and to be comparable with those of the current year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of significant accounting policies have been disclosed along with the relevant individual notes in the subsequent pages.

Those accounting policies presented with each note, have been applied consistently by the Company and the Group.

Other significant accounting policies not covered with individual notes.

Following accounting policies, which have been applied consistently by the Company and the Group, are considered to be significant but not covered in any other sections

3.1 Basis of Consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date - i.e. when control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

(ii) Non-controlling interests

NCI are measured at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iii) Subsidiaries

Subsidiaries are those enterprises controlled by the group. The Group controls an entity when it 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 over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(iv) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Notes to the Financial Statements

(v) *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements.

3.2. Foreign Currency Transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in income statement.

3.3 Non Financial Assets Impairment

The carrying amounts of the Group/Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or Cash Generating Unit (CGU) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that

generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

For other assets, 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 amortization, if no impairment loss had been recognized.

3.4 Financial Instruments

Accounting policy

i) *Non-Derivative Financial Assets*

Initial recognition and measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company and the Group determine the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs. 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 Company and the Group commit to purchase or sell the asset. However, as at each reporting date, the Company and the Group hold on only the financial assets categorised as 'loans and receivables'.

The Company and the Group initially recognise such loans and receivables on the date that they are originated.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when the Company and the Group have a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification and the Company and the Group only hold financial assets categorised as loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate method (EIR), less impairment. 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 in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

De-recognition

A financial asset is de-recognised when:

- The rights to receive cash flows from the asset have expired
- The Company and the Group have 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 'passthrough' arrangement; and either

- (a) the Company and the Group have transferred substantially all the risks and rewards of the asset, or
- (b) the Company and the Group have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company and the Group have transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Company and the Group's continuing involvement in it. In that case, the Company and the Group also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company and the Group have retained

ii) *Non-Derivative Financial Liabilities*

Initial recognition and measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, other financial liabilities, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company and the Group determine the classification of its financial liabilities at initial recognition.

When a financial liability is recognised initially, an entity shall measure it at its fair value plus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of financial liability. The Company and the Group classify financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification and the Company and the Group only hold financial liabilities categorised as other financial liabilities.

Other liabilities

After initial recognition, other liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or canceled 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 a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments and any impairment and plus/minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount.

Notes to the Financial Statements

iii) Impairment

a) Impairment of non-derivative financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the company on terms that the Company and the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

b) Impairment losses on financial assets carried at amortised Cost

The Company and the Group consider evidence of impairment for financial assets measured at amortised cost (loans and receivables) at specific asset level. All individually significant assets are assessed for specific impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to maturity investment securities. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following SLFRS have been issued by the Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these financial statements. Those SLFRS's will have an effect on the accounting policies currently adopted by the Group and may have an impact on the future financial statements. The Group intends to adopt these standards, if applicable, when they become effective.

New or Amended Standards	Summary of the requirement	Effective Date	Possible impact on Consolidated Financial Statements
SLFRS 9 - Financial Instruments	SLFRS 9 replaces the existing guidance in LKAS 39 Financial Instruments: Classification and Measurement, impairment and hedge accounting. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39.	On or after 1 January 2018 (early adoption permitted)	<p>During 2017, the Group has performed a high-level impact assessment of SLFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group expects no significant impact on its financial position and equity.</p> <p>Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under SLFRS 9. Therefore, reclassification for these instruments is not required.</p> <p>Impairment SLFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables.</p>
SLFRS 15, Revenue from Contracts with Customers	SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes	On or after 1 January 2018 (early adoption permitted)	<p>SLFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under SLFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Group plans to adopt the new standard on the required effective date.</p> <p>(a) Sale of goods Under SLFRS 15, revenue will be recognised upon satisfaction of performance obligation. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.</p>

Notes to the Financial Statements

New or Amended Standards	Summary of the requirement	Effective Date	Possible impact on Consolidated Financial Statements
<p>SLFRS 15, Revenue from Contracts with Customers Contd.</p>			<p>(b) Rendering of services</p> <p>Currently, the Group recognises service revenue by reference to the stage of completion. Under SLFRS 15, the Group shall determine at contract inception whether it satisfies the performance obligation over time or at a point in time. For each performance obligation satisfied overtime, the Group shall recognise the revenue over time by measuring the progress towards complete satisfaction of that performance obligation.</p>
<p>SLFRS 16 - Leases</p>	<p>SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under LKAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for the users of financial statements to assess the effect that leases have on the financial position.</p>	<p>On or after 1 January 2019 (early adoption permitted)</p>	<p>The Company is assessing the potential impact on its Financial Statements resulting from the application of SLFRS 16.</p>

5. REVENUE

Accounting policy

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group, and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and value added taxes, after eliminating sales within the Group. The following specific criteria are used for recognition of revenue:

(i) Income from Hotel/Restaurants

Revenue is recognised on the rooms occupied on daily basis and food and beverages and hotel related sales are accounted for at the time of sale.

(ii) Rental Income

Rental income is recognised on an accrual basis.

For the year ended 31st March Rs.'000	GROUP		COMPANY	
	2018	2017	2018	2017
REVENUE				
Rooms	3,907,475	4,233,386	2,370,490	2,677,204
Food & beverage	3,767,493	3,859,709	2,441,896	2,519,075
Rental income from investment property	411,168	411,203	349,837	349,872
Other revenue	541,917	562,661	266,979	269,767
Net revenue	8,628,053	9,066,959	5,429,202	5,815,918

6. DIVIDEND INCOME

For the year ended 31st March Rs.'000	GROUP		COMPANY	
	2018	2017	2018	2017
Dividend from subsidiary (Trans Asia Hotels PLC)	-	-	273,493	234,422
	-	-	273,493	234,422

7. OTHER OPERATING INCOME

Accounting policy

Other income is recognised on an accrual basis. Net gains and losses of a revenue nature arising from the disposal of property, plant and equipment and other non current assets, are accounted for in the income statement, after deducting the proceeds from disposal, the carrying amount of such assets and the related selling expenses. Gains and losses arising from activities incidental to the main revenue generating activities and those arising from a group of similar transactions, which are not material are aggregated, reported and presented on a net basis.

For the year ended 31st March Rs.'000	GROUP		COMPANY	
	2018	2017	2018	2017
Exchange gain	7,823	13,617	5,053	4,001
Profit/ (Loss) on disposal of property, plant & equipment	6,587	431	2,353	(2,824)
Car park income	20,636	21,894	20,636	21,894
Promotional income	22,115	24,488	22,115	24,488
Taxi line commission	8,323	10,426	8,323	10,426
Sundry income	10,032	12,412	8,171	9,988
	75,516	83,268	66,651	67,973

Notes to the Financial Statements

8. PROFIT FROM OPERATIONS

Accounting policy

Expenditure recognition

Expenses are recognised in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the income statement.

For the purpose of presentation of the income statement, the "function of expenses" method has been adopted, on the basis that it presents fairly the elements of the Company's and Group's performance.

Profit Before Tax is stated after charging all expenses including the following:

For the year ended 31st March Rs.'000	Note	GROUP		COMPANY	
		2018	2017	2018	2017
Remuneration to Executive Directors		62,790	63,482	62,790	57,182
Remuneration to Non-Executive Directors		11,700	11,700	5,400	5,400
Remuneration to Auditors					
Audit		1,841	1,650	1,100	1,000
Audit related service - fee		285	425	152	156
Defined benefit plan cost	29	62,657	54,457	38,840	32,535
Defined contribution plan cost - EPF and ETF		169,495	140,718	113,208	97,725
Staff expenses		1,634,745	1,425,279	1,057,065	905,568
Depreciation of property, plant and equipment	14	548,003	531,940	353,949	325,627
Amortisation of lease hold property	15	12,404	12,404	-	-
Donations		16,127	27,060	14,399	18,795
Amortisation of intangible assets	17	830	1,003	438	432
Loss on disposal of intangible assets	17	-	593	-	593
Provision for impairment losses on trade and other receivables	22	2,927	241	2,996	(4,029)

9. FINANCE COST

Accounting policy

Finance costs comprise interest expense on borrowings, overdraft and exchange loss on borrowings. Interest expenses are recognised using the effective interest method.

Borrowing cost

Borrowing costs are recognized as an expense in the period in which they are incurred, except to the extent the borrowing costs that are directly attributable to the acquisition or construction of an asset that takes a substantial period of time to get ready for its intended use, and are capitalized as part of that asset.

For the year ended 31st March Rs.'000	GROUP		COMPANY	
	2018	2017	2018	2017
Interest expense on long term borrowings	17,274	17,635	-	-
Exchange loss on long term borrowings	8,241	11,456	-	-
Interest expense on bank overdraft	736	106	-	-
	26,251	29,197	-	-

10. FINANCE INCOME

Accounting policy

Finance income

Finance income comprises interest income derived on funds invested as Fixed Deposits, interest on loans given to employees and Savings. Interest income is recorded as it accrues using the effective interest rate (EIR).

For the year ended 31st March Rs.'000	GROUP		COMPANY	
	2018	2017	2018	2017
Interest income on loans to employees	6,146	3,920	4,943	3,020
Income from short term investments	136,860	217,897	124,788	193,970
	143,006	221,817	129,731	196,990

11. INCOME TAX EXPENSE

Accounting policy

Income tax expenses comprise of current and deferred tax. It is recognised in profit or loss except items recognised directly in equity or in Other Comprehensive Income.

Current Tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax assets and liabilities are offset only if certain criterias are met.

The subsidiary company is liable for taxation at a rate of 12% in terms of Section 46(1) of the Inland Revenue Act No.10 of 2006 and amendments thereto, on its profits derived from "promotion of tourism". In accordance with BOI agreement dated 11th March 1994. The profits and income of the company were exempt from taxation until 2014 and at the expiry of said period the following options were available for the Company.

- (a) Income tax payable for the year of assessment shall be computed at 2% of the turnover of the Company or
- (b) To adapt the provisions of the Inland Revenue Laws for the time being imposed

The Board of the Company resolved to compute the income tax payable at 2% of the turnover of the company with effective from 01st April 2014. The Group is liable for Income Tax on any other income at 28%.

For the year ended 31st March Rs.'000	GROUP		COMPANY	
	2018	2017	2018	2017
Current income tax				
Current income tax charge (Note 11.1)	221,507	278,494	145,937	172,834
Provision for deferred tax (Note 11.2)	30,961	2,446	-	-
10% Withholding tax on inter company dividends	30,388	26,047	-	-
	282,856	306,987	145,937	172,834

Notes to the Financial Statements

11.1 Reconciliation between Income Tax Expense and the Product of Accounting Profit

For the year ended 31st March Rs.'000	2018	2017
COMPANY		
Taxable revenue	5,618,527	5,876,924
Income tax charged at		
Standard rate of 28%	36,148	55,296
Concessionary rate of 2%	109,789	117,538
Current income tax charge	145,937	172,834
SUBSIDIARY		
Profit before tax	989,719	1,015,871
Exempt profits	(2,161)	(1,379)
Accounting profit chargeable to income taxes	987,558	1,014,492
Income tax on accounting profit at applicable rates	129,017	134,860
Tax effect on disallowable expenses	2,996	3,484
Tax effect on aggregate allowable expenses	-	(30,113)
Tax effect on investment property revaluation of land	(55,692)	-
Tax effect on rate differentials	60,544	-
Over provision of deferred tax	(30,339)	-
Under provision on income tax previous year	5	-
Tax effect on adjustment to opening deferred tax liability	-	(125)
Total income tax expenses	106,530	108,106
Income tax charged at		
Standard rate of 28%	18,393	21,377
Concessionary rate of 12%	57,172	84,283
Under/(over) provision on income tax for previous years	5	-
Current income tax charge	75,570	105,660
GROUP		
Company	145,937	172,834
Subsidiary	75,570	105,660
Group current income tax charge	221,507	278,494

11.2 Provision for Deferred Tax

For the year ended 31st March Rs.'000	GROUP		COMPANY	
	2018	2017	2018	2017
Deferred tax arising from				
Accelerated depreciation for tax purposes	32,060	3,721	-	-
Employment benefits	(1,099)	(1,275)	-	-
Total deferred tax charge	30,961	2,446	-	-

Deferred tax liability has been computed taking into consideration the tax rate of 14% applicable for the tourism industry as per the new Inland Revenue Act No.24 of 2017

12. EARNINGS PER SHARE

Accounting policy

Basic EPS is calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. The Basic Earnings per Share is based on the profit attributable to Asian Hotels & Properties PLC.

For the year ended 31st March Rs.'000	GROUP		COMPANY	
	2018	2017	2018	2017
Net profit for the year	1,685,950	2,265,412	1,606,439	2,131,820
Number of ordinary shares	442,775	442,775	442,775	442,775
Basic earnings per share (Rs.)	3.81	5.12	3.63	4.81

13. DIVIDEND PER SHARE

For the year ended 31st March Rs.'000	GROUP		COMPANY	
	2018	2017	2018	2017
Final dividend paid - 2015/2016	-	885,551	-	885,551
Interim dividend paid-2016/2017	-	885,551	-	885,551
Final dividend paid - 2016/2017	885,551	-	885,551	-
Interim dividend paid-2017/2018	442,775	-	442,775	-
Total Dividends	1,328,326	1,771,102	1,328,326	1,771,102
Dividend per share (Rs.)	3.00	4.00	3.00	4.00

14. PROPERTY, PLANT AND EQUIPMENT

Accounting policy

Basis of recognition

Property, plant and equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the company and the cost of the asset can be reliably measured.

Basis of measurement

All items of property, plant and equipment are initially recorded at cost. Where items of property, plant and equipment are subsequently revalued, the entire class of such assets is revalued at fair value. The Group applies cost model to property, plant and equipment except for land and buildings and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses. The carrying values of property plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The Group applies the re-valuation model to land and buildings. The Group has adopted a policy of revaluing assets at least once in every five years.

When an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

Notes to the Financial Statements

When an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

The revaluation surplus included in equity in respect of an item of property, plant and equipment may be transferred directly to retained earnings when the asset is de-recognised.

De-recognition

An item of property, plant and equipment is de-recognised upon replacement, disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset is included in the income statement in the year the asset is de-recognised.

Depreciation

Depreciation is calculated by using a straight-line method on the cost or valuation of all property, plant and equipment, other than freehold land, in order to write off such amounts over the estimated useful economic life of such assets. The estimated useful life of assets is as follows:

Assets	Years
Buildings	75
Plant and Machinery	10-20
Motor Vehicles	4-10
Floating Restaurant	18
Furniture, Furnishings Equipment	5-15
Computers	5
Base Stock/Circulating Assets	3-10
Outdoor Carpark Development	10

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each financial year end.

Buildings of the subsidiary are depreciated using straight Line method in order to depreciate over the balance lease period of 62 years.

Depreciation of an assets ceases at the earlier of the date that the asset is classified as held for sale and the date that asset is de-recognised.

Capital work-in-progress

Capital work-in-progress is stated at cost. These are expenses of a capital nature directly incurred on property plant and equipment, awaiting capitalization.

As at 31st March Rs. '000	Freehold Land	Buildings	Outdoor Car park Development	Plant & Machinery	Base Stock & Circulating Assets	Furniture, Fittings & Equipments	Motor Vehicles	Capital Work In Progress	Total 2018	Total 2017
14.1 Group										
Cost or Valuation										
At the beginning of the year	20,218,960	7,903,534	11,783	1,478,865	1,587,531	2,136,701	82,132	112,149	33,531,655	24,167,407
Additions	-	45,849	-	80,278	167,524	146,639	6,150	1,112,729	1,559,169	355,361
Disposals	-	-	-	(31,230)	(120,792)	(52,283)	(89)	-	(204,394)	(119,654)
Revaluations gain	1,383,040	109,607	-	-	-	-	-	-	1,492,647	9,301,192
Depreciation adjustment on revaluation	-	(52,024)	-	-	-	-	-	-	(52,024)	(170,377)
Write-off WIP assets	-	-	-	-	-	-	-	-	-	(2,273)
Transfers from work in progress	-	399,381	-	7,789	204,622	589,149	-	(1,200,941)	-	-
At the end of the year	21,602,000	8,406,347	11,783	1,535,702	1,838,885	2,820,206	88,193	23,937	36,327,053	33,531,656
Accumulated Depreciation										
At the beginning of the year	-	194,765	7,855	696,433	1,125,288	1,070,966	40,023	-	3,135,330	2,876,389
Change for the year	-	164,899	1,178	63,243	158,067	154,946	5,670	-	548,003	531,940
Disposals	-	-	-	(31,156)	(115,116)	(37,060)	(89)	-	(183,421)	(102,621)
Depreciation adjustment on revaluation	-	(52,024)	-	-	-	-	-	-	(52,024)	(170,377)
At the end of the year	-	307,640	9,033	728,520	1,168,239	1,188,852	45,604	-	3,447,888	3,135,331
Carrying value										
As at 31st March 2018	21,602,000	8,098,707	2,750	807,182	670,646	1,631,354	42,589	23,937	32,879,165	-
As at 31st March 2017	20,218,960	7,708,769	3,928	782,432	462,243	1,065,735	42,109	112,149	-	30,396,325

Note - 14.1. a

Freehold Land and Buildings of the Group were valued by M/s. P.B. Kalugalagedara & Associates, an independent Chartered Valuer as at 30th September 2017, and the book values were written up to correspond with the valuation.

Subsidiary (Trans Asia Hotels PLC) has not taken these revalued amounts to the financial statements as there were no significant value change when compared to the carrying value of the buildings with revalued amounts as at 30th September 2017.

Had the revalued Buildings of the Group been included at cost, the carrying value of the said asset would amount to Rs.5,204 Mn. (Rs.4,923 Mn in 2017) Had the revalued Land of Group been included at cost, the carrying value of the said asset would amount to Rs.470 Mn. (Rs. 470 Mn in 2017) (Details of the fair value hierarchy is given in note 14.3)

Notes to the Financial Statements

Note-14.1. b

Details of Groups' Land and Building stated at valuation are indicated below

	Property	Land /Building Extent	Location
Free hold Land and Building			
Company	Land 1	A08 - R0- P5.08	No 77, Galle Road, Colombo 03
	Building- Stage(1)	348,818 Sq Ft	No 77, Galle Road, Colombo 03
	Building- Stage (11) & (111)	299,975 Sq Ft	No 77, Galle Road, Colombo 03
	Life style Building	49,280 Sq.Ft	No 77, Galle Road, Colombo 03
	New Associate Life Style Building	36,859 Sq. Ft	No 77, Galle Road, Colombo 03
Investment Properties			
Company	Building	145,196 Sq Ft	No 89, Galle Road, Colombo 03
Subsidiary	Building	55,548 Sq Ft	No. 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 02.
	Land	A01 - R02- P30.0	No. 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 02.
Lease hold Properties			
Subsidiary	Building	316,067 Sq Ft	No. 115, Sir Chittampalam A. Gardiner Mawatha, Colombo 02.
	Land	A05 - R02- P34.28	No. 115, Sir Chittampalam A. Gardiner Mawatha, Colombo 02.

Note-14.1. c The Vessel of floating restaurant of the Subsidiary has been classified under Motor Vehicles.

Note-14.1.d The cost of the fully depreciated assets in the Group which are still in use of the Company amounting Rs. 1,318 Mn. (Rs. 984 Mn in 2017).

Note-14.1.e There are no assets pledged that required to disclose in the Group.

14.2 Company

As at 31 st March Rs. '000	Freehold Land	Buildings	Outdoor Car park Development	Plant & Machinery	Base Stock & Circulating Assets	Furniture, Fittings & Equipments	Motor Vehicles	Capital Work In Progress	Total 2018	Total 2017
Cost or Valuation										
At the beginning of the year	20,218,960	4,936,200	11,783	935,536	746,492	1,327,588	14,888	103,459	28,294,906	18,971,005
Additions	-	30,709	-	8,212	103,792	91,843	6,150	1,088,790	1,329,496	256,194
Disposals	-	-	-	(4,992)	(100,331)	(50,954)	-	-	(156,277)	(62,108)
Revaluations gain	1,383,040	109,607	-	-	-	-	-	-	1,492,647	9,301,192
Depreciation adjustment on revaluation	-	(52,024)	-	-	-	-	-	-	(52,024)	(170,377)
Transfers from work in progress	-	399,381	-	-	204,622	588,246	-	(1,192,249)	-	-
At the end of the year	21,602,000	5,423,873	11,783	938,756	954,575	1,956,723	21,038	-	30,908,748	28,294,906
Accumulated Depreciation										
At the beginning of the year	-	-	7,855	416,221	469,416	644,370	14,702	-	1,552,564	1,455,127
Charge for the year	-	106,790	1,178	38,544	102,402	104,682	353	-	353,949	325,627
Disposals	-	-	-	(4,984)	(98,803)	(35,819)	-	-	(139,606)	(57,813)
Depreciation adjustment on revaluation	-	(52,024)	-	-	-	-	-	-	(52,024)	(170,377)
At the end of the year	-	54,766	9,033	449,781	473,015	713,233	15,055	-	1,714,883	1,552,564
Carrying Value										
As at 31st March 2018	21,602,000	5,369,107	2,750	488,975	481,560	1,243,490	5,983	-	29,193,865	-
As at 31st March 2017	20,218,960	4,936,200	3,928	519,315	277,076	683,218	186	103,459	-	26,742,342

Note-14.2.a Freehold Land and Buildings of Asian Hotels and Properties PLC were valued by M/s. P.B. Kalugalagedara & Associates, an independent Chartered Valuer as at 30th September 2017, and the book values were written up to correspond with the valuation. Valuation Method used is summation method based on depreciated current cost approach.

Note-14.2.b Had the revalued Buildings of the company been included at cost, the carrying value of the said asset would amount to Rs.3,574 Mn. (Rs.3,250 Mn in 2017) Had the revalued Land been included at cost, the carrying value of the said asset would amount to Rs.470 Mn. (Rs.470 Mn in 2017).

Note-14.2.c The cost of the fully depreciated assets which are still in use of the Company amounting Rs. 543 Mn. (Rs. 551 Mn in 2017).

Note-14.2.d There are no assets pledged that required to disclose in the Company.

Notes to the Financial Statements

14.3 Details of Group's land, building and other properties stated at valuation are indicated below;

	Method of valuation	Effective date of valuation	Property valuer
Buildings on leasehold land of Trans Asia Hotels PLC.	Summation method based on depreciated current cost approach	30-Sep-17	P B Kalugalagedara, Chartered Valuation Surveyor
Land and building of Asian Hotels and Properties PLC.	Summation method based on depreciated current cost approach	30-Sep-17	P B Kalugalagedara, Chartered Valuation Surveyor

(i) Fair Value Hierarchy

The fair value of property was determined by external independent property values having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

The fair value measurement for all of properties has been categorised as level 03 fair value based on the input to the valuation technique used.

(ii) Valuation Technique and Significant Unobservable Inputs

The following table shows the valuation technique used in measuring the fair value of property, as well as the significant unobservable inputs used.

Valuation Technique	Significant Unobservable Inputs	Interrelationship between Key Unobservable Inputs and Fair Value Measurements
Summation method based on depreciated current cost approach;	Estimated price per square feet of buildings	Positive correlated sensitivity
	Estimated price per perch of land	Positive correlated sensitivity
	Capitalisation rate	Negative correlated sensitivity

15. LEASEHOLD PROPERTY

Accounting policy

Prepaid lease rentals paid to acquire land use rights are amortised over the lease term in accordance with the pattern of benefits provided. Leasehold property comprising of land use rights and stated at valuation, are amortised on a straight line basis over the remaining lease term. The impairment loss if any is recognised in the Statement of Profit or Loss.

As at 31st March Rs. '000	Group	
	2018	2017
At the beginning of the year	781,452	793,856
Amortisation for the year	(12,404)	(12,404)
At the end of the year	769,048	781,452

Leasehold property is the land which the Hotel (Trans Asia Hotels PLC) is located. The leasehold land is on a 99 years long term lease agreement entered with the Urban Development Authority, Sri Lanka, which commenced from 7th August 1981 and is being amortised on a straight line basis over a period of 94 years which commenced from 1st April 1986.

15.1 Details of Leasehold Property

Property Rs. '000	Land extent (in acres)	Lease period	Group	
			2018	2017
Trans Asia Hotels PLC, Colombo	A07 - R01 - P24.28	99 years from 07-08-1981	769,048	781,452
			769,048	781,452

16. INVESTMENT PROPERTY

Accounting policy

Basis of recognition and measurement

Investment property is property 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 initially measured at cost and subsequently at fair value with any change therein recognised in profit and loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self - constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Any gains or losses on retirement or disposal are recognised in profit or loss in the year of retirement or disposal. Transfers are made to and from investment property only when there is a change in use in accordance with the criteria listed in Sri Lanka Accounting Standard 40 "Investment Property" (LKAS 40).

As at 31st March Rs.'000	GROUP		COMPANY	
	2018	2017	2018	2017
At the beginning of the year	4,564,650	4,165,000	2,416,250	2,260,000
Additions	24,612	489	24,612	489
Change in fair value during the year	577,738	399,161	180,138	155,761
At the end of the year	5,167,000	4,564,650	2,621,000	2,416,250

Notes to the Financial Statements

16.1 Valuation details of Investment Property

Investment properties of the Group were valued by a qualified professional valuer as at 30th September 2017. Details of which are as follows;

In order to adopt the Fair Value model on Investment Property, as per Sri Lanka Accounting Standard 40 "Investment Property" the Land and Building classified as Investment Property of Asian Hotels and Properties PLC which includes Crescat Boulevard was valued by Mr. P.B. Kalugalagedera, a Chartered Valuation Surveyor using Investment/Income method of valuation on 30th September 2017.

The Commercial Centre of Trans Asia Hotels PLC was valued by Mr. P.B. Kalugalagedera, a Chartered Valuation Surveyor using the average value of investment method and direct capital comparison method on 30th September 2017.

Changes in the values are recognised as gains in profit or loss. All gains are unrealised. Further there is no significant value change as at 31st March 2018 as per Valuer's statement.

Rental Income earned from Investment Property by the Company and Group amounted to Rs. 350 Mn (2017 Rs. 350 Mn) and Rs. 411 Mn (2017 Rs. 411 Mn) respectively. Direct Operating Expenses incurred by the Company and Group amounted to Rs. 100 Mn (2017 Rs. 106 Mn) and Rs. 108 Mn (2017 Rs. 115 Mn) respectively.

The method used by the valuer are as follows;

Property	Method of Valuation
Asian Hotels and Properties PLC. Crescat Boulevard, Colombo 3	Investment/Income method approach
Trans Asia Hotels PLC. Commercial Centre, Colombo 2	Average value of investment method and direct capital comparison method

(i) Fair Value Hierarchy

The fair value of property was determined by external independent property valuer having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The fair value measurement for all of properties has been categorised as level 03 fair value based on the input to the valuation technique used.

(ii) Valuation Technique and Significant Unobservable Inputs

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used:

Valuation Technique	Significant Unobservable Inputs	Interrelationship between Key Unobservable Inputs and Fair Value Measurements
Investment/Income method	Capitalisation rate	Negatively correlated sensitivity
Discounted cash flows method	Estimated price per square feet	Positively correlated sensitivity
	Estimated price per perch	Positively correlated sensitivity

17. INTANGIBLE ASSETS

Accounting policy

Basis of Recognition

An intangible asset is an identifiable non monetary asset without physical substance held for use in the production or supply of goods or other services, rental to others or for administrative purposes. An intangible asset is initially recognised at cost, if it is probable that future economic benefit will flow to the enterprise, and the cost of the asset can be measured reliably. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

(i) Computer software

All computer software costs incurred, licensed for use by the Group, which are not integrally related to associated hardware, which can be clearly identified, reliably measured and it's probable that they will lead to future economic benefits, are included in the Statement of Financial Position under the category intangible assets and carried at cost less accumulated amortisation and any accumulated impairment losses.

(ii) Amortisation

Intangible assets with finite lives are amortised over the estimated useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Intangible assets are amortised on a straight line basis in the Income Statement from the date on which the asset was available for use, over the best estimate of its useful life. The estimated useful life of software is 5 years. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Amortisation shall cease at the earlier of the date that the asset is classified as held for sale or the date that asset is de-recognised.

(iii) De-recognition

An intangible asset is de-recognised on disposal or when no future economic benefits are expected from its use and subsequent disposal.

	GROUP		COMPANY	
	2018	2017	2018	2017
As at 31st March Rs.'000				
Computer Software				
Cost				
At the beginning of the year	32,180	32,887	6,717	7,425
Additions	1,901	697	1,186	696
Disposals	-	(1,404)	-	(1,404)
At the end of the year	34,081	32,180	7,903	6,717
Accumulated Amortisation				
At the beginning of the year	30,182	29,990	5,521	5,900
Amortisation	830	1,003	438	432
Disposals	-	(811)	-	(811)
At the end of the year	31,012	30,182	5,959	5,521
Carrying value				
As at 31 March	3,069	1,998	1,944	1,196

Notes to the Financial Statements

18. INVESTMENTS IN SUBSIDIARIES

As at 31st March Rs. '000	COMPANY	
	2018	2017
Carrying value		
Investments in subsidiaries	660,045	660,045
	660,045	660,045

2018	Number of shares	Effective holding %	Cost of Investment	Market Value
Trans Asia Hotels PLC at Cost (Quoted)	86,823,028	43.41%	660,045	8,248,188

2017	Number of shares	Effective holding %	Cost of Investment	Market Value
Trans Asia Hotels PLC at Cost (Quoted)	86,823,028	43.41%	660,045	6,520,409

Power and exposure, or rights, to variable returns

Asian Hotels & Properties PLC (AHP) consider Trans Asia Hotels PLC (TAH) as a subsidiary since the AHP has power and exposure, right to variable return and ability to use its powers over TAH, based on the factors mention below even through it has only 43.41% ownership.

- It is AHP that strategizes the marketing, positioning and sales of TAH, thereby, affecting the operating return, in addition to the Dividend. This duly approved Operating Model established for AHP and TAH is driven by AHP as the lead.
- AHP is exposed to variable returns from its involvement with TAH as a result of its performance. In addition AHP has quantitative, and qualitative, returns that are not available to other interest holders, due to its ability to use TAH's assets in combination with its own to achieve economies of scale, cost savings and other synergies in their mutual interest.
- In addition to having the lead of the Operating Model, AHP also has the right to nominate directors to the TAH board. JKH had now assigned the power to AHP in order to nominate Directors to TAH.

NCI in subsidiary

The following table summarizes the information relating to the Group's subsidiary that has NCI.

As at 31st March Rs. '000	2018	2017
NCI percentage	56.59%	56.59%
Non current assets	3,967,899	3,731,862
Current assets	376,782	509,446
Non current liabilities	(377,741)	(414,158)
Current liabilities	(467,912)	(427,426)
Net assets	3,499,027	3,399,724
Carrying amount of NCI	3,499,028	3,399,724
Revenue	1,810,230	1,839,764
Profit	499,796	513,704
Other comprehensive income	(7,145)	(3,614)
Total comprehensive income allocated to NCI	492,651	510,090
Cash flows from operating activities	384,214	524,971
Cash flows from investing activities	(125,545)	(47,636)
Cash flows from financing activities	(444,902)	(387,160)
Net increase in cash and cash equivalents	(186,233)	90,175

19. NON CURRENT FINANCIAL ASSETS

19.1 Loans to Executives

Rs. '000	GROUP		COMPANY	
	2018	2017	2018	2017
At the beginning of the year	42,766	28,924	32,347	20,639
Loans granted / (transfers)	18,510	23,994	15,510	21,860
Recoveries	(15,353)	(10,152)	(12,791)	(10,152)
At the end of the year	45,923	42,766	35,066	32,347
Receivable within one year	7,011	7,142	4,718	5,296
Receivable between one to five years	38,912	35,624	30,348	27,051
	45,923	42,766	35,066	32,347

20. OTHER NON CURRENT ASSETS

As at 31st March Rs. '000	GROUP		COMPANY	
	2018	2017	2018	2017
Prepaid cost of staff motor vehicle loan at the end of the year	6,624	6,643	5,000	5,297

Notes to the Financial Statements

21. INVENTORIES

Accounting policy

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price less estimated costs of completion and the estimated costs necessary to make the sale.

As at 31st March Rs. '000	GROUP		COMPANY	
	2018	2017	2018	2017
Food & Beverage	127,750	115,253	96,695	84,070
General	8,144	6,434	5,359	3,336
Diesel/ Furnace/ Gas stock	17,318	16,229	11,402	10,277
Engineering stock	20,594	20,290	12,718	12,004
Provision for slow moving inventory	(9,664)	(9,410)	-	-
Amount at the end of the year	164,142	148,796	126,174	109,687

22. TRADE AND OTHER RECEIVABLES

As at 31st March Rs. '000	Group		Company	
	2018	2017	2018	2017
Trade receivables	761,538	660,922	334,767	261,373
Other receivables	85,664	106,009	47,439	72,879
Less: Impairment	(12,926)	(9,999)	(9,406)	(6,410)
	834,276	756,932	372,800	327,842
Impairment				
At the beginning of the year	9,999	22,343	6,410	10,439
Provision/(Reversal) for the year	2,927	241	2,996	(4,029)
Written off during the year	-	(12,585)	-	-
At the end of the year	12,926	9,999	9,406	6,410

23. OTHER CURRENT ASSETS

As at 31st March Rs. '000	Group		Company	
	2018	2017	2018	2017
Prepayments and non cash receivables	65,503	73,051	37,914	43,022
WHT recoverable	13,595	18,500	12,209	16,486
ESC recoverable	37,878	49,497	20,263	31,590
Advance to creditors	55,098	30,768	51,814	11,364
	172,074	171,816	122,200	102,462

24. SHORT TERM INVESTMENTS

As at 31st March Rs.'000	Group		Company	
	2018	2017	2018	2017
Fixed deposits	704,155	1,583,907	704,155	1,435,726
	704,155	1,583,907	704,155	1,435,726

25. STATED CAPITAL

As at 31st March Rs.'000	Group				Company			
	2018		2017		2018		2017	
	Number of shares	Value of shares Rs.						
	442,775	3,345,117	442,775	3,345,117	442,775	3,345,117	442,775	3,345,117

26. OTHER COMPONENTS OF EQUITY

As at 31st March Rs.'000	Note	GROUP		COMPANY	
		2018	2017	2018	2017
Revaluation reserve	26.1	20,295,754	22,044,135	19,842,146	21,579,616
Share based payments	26.2	119,560	95,254	113,111	90,939
		20,415,314	22,139,389	19,955,257	21,670,555

26.1 Revaluation Reserve

As at 31st March Rs.'000	GROUP		COMPANY	
	2018	2017	2018	2017
At the beginning of the year	22,044,135	12,753,854	21,579,616	12,278,424
Revaluation gain on freehold land & buildings	1,492,647	9,301,192	1,492,647	9,301,192
Transferred to revenue reserve	(10,911)	(10,911)	-	-
Deferred tax on land & building	(3,230,117)	-	(3,230,117)	-
At the end of the year	20,295,754	22,044,135	19,842,146	21,579,616

26.2 Share Based Payment Plans - Group

Accounting policy

In accounting for employee remuneration in the form of shares, SLFRS 2 – Share based payments, is effective for the Company's parents entity John Keells Holdings PLC, from the financial year beginning 2013/14.

Employees of the company receive remuneration in the form of share based payment transactions, whereby employees render services as consideration for equity instruments of the Parent entity John Keells Holdings PLC (equity settled transactions). The cost of the employee services received in respect of the shares or share options granted is recognised in the income statements over the period that employees provide services, from the time when the award is granted up to the vesting date of the options. The overall cost of the award is calculated using the number of share options expected to vest and the fair value of the options at the date of grant.

Notes to the Financial Statements

The employee remuneration expense resulting from the John Keells Holdings PLC's share option scheme to the employees of Asian Hotels and Properties PLC is recognised in the income statement of the company. This transaction does not result in a cash outflow to the company and expense recognised is met with a corresponding equity reserve increase, thus having no impact on the Statement of Financial Position (SOFP). The fair value of the options granted is determined by the John Keells Holdings PLC using an option model and the relevant details are communicated by the John Keells Holdings PLC to all applicable subsidiary companies.

Employee Share Option Scheme

Under the John Keells Group's Employees Share Option scheme (ESOP), share options of the parent are granted to senior executives of the Company with more than 12 months of service. The exercise price of the share options is equal to the 30 day volume weighted average market price of the underlying shares on the date of grant. The share options vest over a period of four years and is dependent on a performance criteria and a service criteria. The performance criteria being a minimum performance achievement of "Met Expectations" and service criteria being that the employee has to be in employment at the time the share options vest. The fair value of the share options is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the share options were granted.

The contractual term for each option granted is five years. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options.

The expense recognised for employee services received during the year is shown in the following table:

Rs.'000	2018	2017
At the beginning of the year	100,878	74,190
Expense arising from equity-settled share-based payment transactions	27,089	26,688
Total expense arising from share-based payment transactions	27,089	26,688
At the end of the year with non- controlling interest	127,967	100,878
Non- controlling interest at the end of the year	(8,407)	(5,624)
At the end of the year	119,560	95,254

Movements in the year

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in share options during the year:

	2018		2017	
	No.	WAEP	No.	WAEP
Outstanding as at 1st April	2,274,471	168.60	1,667,804	198.67
Granted during the year	677,619	173.25	565,248	142.83
Lapses/Forfeited during the year	(18,379)	155.19	(278,882)	165.60
Adjusted - sub division during the year	-	-	231,517	169.70
Adjusted - warrants during the year	-	-	10,036	190.96
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Transfers	-	-	78,748	160.57
Outstanding as at 31st March	2,933,711	169.63	2,274,471	158.60
Exercisable as at 31st March	1,472,528	176.82	884,590	176.56

Fair value of the share option and assumptions

The fair value of the share options is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the share options were granted.

The valuation takes into account factors such as stock price, expected time to maturity, exercise price, expected, volatility of share price, expected dividend yield and risk free interest rate.

26.3 Share Based Payment Plans - Company

The expense recognised for employee services received during the year is shown in the following table:

Rs.'000	2018	2017
At the beginning of the year	90,939	67,375
Expense arising from equity-settled share-based payment transactions	22,172	23,564
Total expense arising from share-based payment transactions	22,172	23,564
At the end of the year	113,111	90,939

Movements in the year

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in share options during the year:

As at 31st March	2018		2017	
	No.	WAEP	No.	WAEP
Outstanding as at 1st April	2,042,548	168.60	1,517,862	198.67
Granted during the year	557,176	173.25	462,247	142.83
Lapses/Forfeited during the year	-	-	(235,671)	172.16
Adjusted - sub division during the year	-	-	210,106	175.09
Adjusted - warrants during the year	-	-	9,256	190.96
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Transfers	-	-	78,748	160.57
Outstanding as at 31st March	2,599,724	169.63	2,042,548	168.60
Exercisable as at 31st March	1,338,465	176.82	820,226	181.15

27. INTEREST BEARING BORROWINGS

Accounting policy

Borrowings are initially recognised at fair value less any directly attributable transaction costs. Subsequently, they are stated at amortised cost, any difference between the proceeds (net of transaction cost) and the repayable amount (including interest) is recognised in Profit or Loss over the period of the loan using effective interest method.

Rs.'000	Group	
	2018	2017
At the beginning of the year	370,256	442,950
Loans obtained	-	-
Repayments	(86,184)	(84,150)
Exchange difference	8,240	11,456
At the end of the year	292,312	370,256
Repayable within one year	146,156	113,925
Repayable after one year	146,156	256,331
	292,312	370,256

Notes to the Financial Statements

Security and repayment terms

Lending institution	Nature of facility	Interest rate	Repayment terms	Security	2018		2017	
					Face value	carrying value	Face value	carrying value
Hatton National Bank PLC	Term Loan (USD)	2.87% fixed for first year and pricing to be reviewed annually Current Rate 5.8% (LIBOR+3.72%)	Capital repayment in 16 equal quarterly installments of USD 187,500 after initial grace period of one year. Interest to be serviced monthly and in the grace period as well	None	292,312	292,312	370,256	370,256

28. DEFERRED TAXATION

Accounting policy

Deferred taxation is provided using the Statement of Financial Position liability method providing for temporary difference between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted by the reporting date. Deferred tax assets including those related to tax effects of income tax losses and credits available to be carried forward, are recognised only to the extent that it is probable that future taxable profit will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that is no longer probable that the related tax benefit will be realised.

As at 31st March Rs.'000	GROUP		COMPANY	
	2018	2017	2018	2017
At the beginning of the year	346,297	344,722	-	-
Recognised in income statement	30,961	2,446	-	-
Recognised in other comprehensive income	3,237,128	(871)	3,230,117	-
At the end of the year	3,614,386	346,297	3,230,117	-

The closing deferred tax liability arrives as follows;

As at 31st March Rs.'000	GROUP		COMPANY	
	2018	2017	2018	2017
Revaluation of land	2,958,480	-	2,958,480	-
Revaluation of buildings	327,591	47,960	271,637	-
Accelerated depreciation for tax purposes	347,506	313,844	-	-
Employee benefit liability	(19,191)	(15,507)	-	-
	3,614,386	346,297	3,230,117	-

As per the newly enacted Inland Revenue Act No 24 of 2007, business income includes gains from realization of land owned by the company. Accordingly, the gains from the realization of land shall be the amount by which the sum of the consideration received for the land which exceeds the acquiring cost of the asset or liability at the time of realization. The Company has recognized a revaluation reserve on freehold land (capital assets of the Company) amounting to Rs. 21,132 Mn as at 31st March 2018 which is the amount by which the sum of the carrying value of the freehold land exceeds the acquiring and improvement cost of the land based on the revaluation carried out and accounted for as at the balance sheet date. Hence, the Company has recognized a deferred tax liability of Rs. 2,958 Mn pertaining to revaluation reserve of freehold lands which is computed at the corporate tax rate of 14%. Revaluation gain on building also was considered in computing deferred tax after considering the amendments in the newly enacted Inland Revenue Act.

29. EMPLOYEE BENEFIT LIABILITIES

Accounting policy

(i) Defined Contribution Plans

Employees' Provident Fund and Employees' Trust Fund (EPF & ETF) are recognised as incurred. Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with respective statutes and regulations.

The Company and the Group contribute 3% of gross emoluments of employees to the Employees' Trust Fund. Company contributes 15% and subsidiary contributes 12% of gross emoluments of employees to Employees' Provident Fund.

(ii) Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The Company and the Group are liable to pay retirement benefits under the Payment of Gratuity Act, No. 12 of 1983.

The liability recognised in the statement of financial position is the present value of the defined benefit obligation as at 31st March 2018.

The defined benefit obligation is calculated by a qualified actuary as at 31st March 2018 using the Projected Unit Credit (PUC) method as recommended by LKAS 19 - 'Employee Benefits'. Such actuarial valuations will be carried out every year.

The liability is not externally funded. All Actuarial gains or losses are recognised immediately in the other comprehensive income. Under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of five-years of continued service.

As at 31st March Rs.'000	GROUP		COMPANY	
	2018	2017	2018	2017
At the beginning of the year	306,014	274,150	176,784	155,546
Current service cost	30,577	25,670	20,329	16,203
Interest cost on benefit obligation	32,080	28,787	18,511	16,332
Payments	(39,136)	(49,386)	(17,660)	(30,579)
Loss arising from changes in assumptions	15,490	25,344	9,875	18,087
Transfers	39	1,449	145	1,195
At the end of the year	345,064	306,014	207,984	176,784

The employee benefit liability of the Company and Group is based on the actuarial valuations carried out as at 31st March 2018 by Mr. P. Gunasekera, AIAA, Messrs. Smiles Global (Pvt) Ltd and Mr. M. Poopalanathan, AIA, Messrs. Actuarial & Management Consultant (Pvt) Ltd; Firms of professional actuaries respectively.

Notes to the Financial Statements

The principal assumptions used in determining the cost of employee benefits were:

As at 31st March Rs.'000	GROUP		COMPANY	
	2018	2017	2018	2017
Discount rate	10.00%	10.50%	10.00%	10.50%
Future salary increases	10.00%	10.00%	10.00%	10.00%

29.1 Sensitivity of assumptions used

If one percentage point change in the assumed discount rate would have the following effects:

	Discount rate		Salary increment	
	2018		2018	
	Group	Company	Group	Company
Increase by one percentage point	(11,571)	(6,045)	13,164	6,840
Decrease by one percentage point	12,681	6,581	(12,409)	(6,486)

29.2 Maturity analysis of the payments

The following payments are expected on employee benefit liabilities in future years

As at 31 March Rs.'000	2018		2017	
	Group	Company	Group	Company
Within the next 12 months	71,009	45,951	73,820	49,719
Between 1 - 2 years	46,304	12,854	82,385	49,370
Between 2 - 5 years	138,516	104,326	70,202	38,085
Between 5 - 10 years	80,358	44,853	59,799	28,420
Beyond 10 years	8,877	-	19,808	11,190
Total	345,064	207,984	306,014	176,784

30. TRADE AND OTHER PAYABLES

Accounting policy

Trade payables are the aggregate amount of obligations to pay for goods or services, that have been acquired in the ordinary course of business. Trade payable are classified as current liabilities if payment is due within one year and initially recognised at Fair Value and subsequently measured at amortised cost using the effective interest method.

As at 31st March Rs.'000	GROUP		COMPANY	
	2018	2017	2018	2017
Trade payables	236,666	200,146	176,036	143,976
Retention on construction	31,614	22,408	31,614	22,408
Accrued expenses	153,714	142,132	37,618	40,407
Other creditors	337,484	366,323	257,671	262,699
	759,478	731,009	502,939	469,490

31. INCOME TAX LIABILITIES

As at 31st March Rs.'000	GROUP		COMPANY	
	2018	2017	2018	2017
At the beginning of the year	205,136	62,859	89,728	51,406
Charge for the year	221,507	278,494	145,937	172,834
Payments and set-offs against refunds and credits	(341,431)	(136,217)	(187,939)	(134,512)
At the end of the year	85,212	205,136	47,726	89,728

32. OTHER CURRENT LIABILITIES

As at 31st March Rs.'000	GROUP		COMPANY	
	2018	2017	2018	2017
Banquet advances	204,269	189,217	129,627	111,797
Other advances	93,589	93,592	87,449	87,018
Other tax payables	132,448	187,566	66,111	115,773
	430,306	470,375	283,187	314,588

33. RELATED PARTY DISCLOSURES

Group carried out transactions in the ordinary course of its business on an arm's length basis with parties who are defined as related parties as per LKAS 24 "Related Party Disclosure".

33.1 Parent and the ultimate controlling entity

The Company's ultimate parent undertaking and controlling party is John Keells Holdings PLC. (JKH PLC)

The amounts receivable from or payable to related parties as at 31st March 2018, are presented below,

As at 31st March Rs.'000	GROUP		COMPANY	
	2018	2017	2018	2017

33.2 Amounts due from related parties

Parent-John Keells Holdings PLC	4,935	4,910	1,019	460
Subsidiary-Trans Asia Hotels PLC	-	-	4,553	8,324
Companies under common control of JKH PLC	51,200	102,839	20,593	18,427
	56,135	107,749	26,165	27,211

33.3 Amounts due to related parties

Parent-John Keells Holdings PLC	11,154	5,858	8,079	3,585
Subsidiary-Trans Asia Hotels PLC	-	-	510	229
Companies under common control of JKH PLC	71,342	87,761	48,486	61,820
	82,496	93,619	57,075	65,634

Notes to the Financial Statements

33.4 Transactions with Related Parties

The Group and Company carried out transactions with the following related entities.

As at 31st March Rs. '000	GROUP		COMPANY	
	2018	2017	2018	2017
(a) Transactions with Parent Company				
The company's parent is John Keells Holdings PLC				
Rendering / (Receiving) of services	(69,763)	(48,778)	(44,615)	(29,032)
Rent Received / (Paid)	28,298	27,953	-	-
(b) Transactions with Subsidiary Company				
(Receiving) / Rendering of services	-	-	2,885	6,616
(c) Transaction with companies Under common control of JKH PLC				
Rendering / (Receiving) of services	(384,533)	(394,354)	(327,283)	(363,366)
Rent received / (paid)	89,982	88,511	46,311	45,538
Sales / (Purchases) of goods	(56,800)	(50,309)	(41,998)	(28,368)

33.5 Transactions with Key Management Personnel

According to Sri Lanka Accounting Standard (LKAS) 24 - Related Party Disclosure, "Key Management Personnel" (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Directors (including Executive and Non-Executive) have been classified as KMP of the Company.

As the John Keells Holdings PLC is the Parent of the Company and the Board of Directors of the Parent Company has the authority and responsibility of planning, directing and controlling the activities of the Company, the Directors of the parent Company have been identified as Key Management Personnel of the Company.

As at 31st March Rs. '000	GROUP		COMPANY	
	2018	2017	2018	2017
(i) Compensation of Key Management Personnel				
Short-term employee benefits	74,490	75,182	68,190	62,582
Contributions to the provident fund	3,297	3,053	3,297	3,053
Share base payment	18,290	16,276	18,290	16,276

In addition to their salaries the Company provides non-cash benefits to the Key Management Personnel and contributes to a post-employment defined benefit plan on their behalf. Directors' emoluments are disclosed in Note 8 to the Financial Statements.

Notes to the Financial Statements

34.2 Financial Assets and Liabilities by Categories - Company

Financial assets and liabilities in the tables below are split into categories in accordance with LKAS 39.

As at 31st March	2018	2017	2018	2017	2018	2017	Financial assets by categories				Financial liabilities by categories	
							Loans and receivables	Financial assets at fair value through profit or loss	Available for-sale financial assets	Held-to-maturity investments	Total	Financial liabilities measured at amortised cost
Rs. '000	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Financial instruments in non-current assets												
Other non-current financial assets	19.1	30,348	27,051	-	-	-	-	-	-	30,348	27,051	-
Financial instruments in current assets												
Trade and other receivables / Payable	22-30	334,767	261,373	-	-	-	-	-	-	334,767	261,373	176,036
Amounts due from / due to related parties	33.2-33.3	26,165	27,211	-	-	-	-	-	-	26,165	27,211	57,075
Short term investments	24	704,155	1,435,726	-	-	-	-	-	-	704,155	1,435,726	-
Cash in hand and at bank		271,889	510,464	-	-	-	-	-	-	271,889	510,464	-
Bank overdrafts		-	-	-	-	-	-	-	-	-	-	92,637
Total		1,367,324	2,261,825	-	-	-	-	-	-	1,367,324	2,261,825	325,748
												297,979

The management assessed that the fair value of cash at bank, short term deposits, trade receivables, other payables, bank overdrafts and other current financial liabilities approximate their carrying amounts largely due to the short term maturities of these instruments. Accordingly the fair value hierarchy does not apply.

35. FINANCIAL RISK MANAGEMENT

Objectives and Policies

Financial instruments held by the Group, principally comprise of cash at bank, short-term deposits, other non current assets, amounts due from/due to related parties, trade receivables, trade payables, bank overdrafts, borrowings and other current financial liabilities. 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 company's central treasury department (Group Treasury) which comes under the purview of the Group Executive Committee (GEC) of the parent company.

Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The parent company provides guidelines for overall risk management, as well, covering specific areas such as credit risk, investment of excess liquidity, 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, settlement, accounting and related controlling. The guidelines upon which the Group's risk management processes are based are designed to identify and analyse these risks throughout the Group, to set appropriate risk limits and controls and to monitor the risks by means of reliable and up-to-date administrative and information systems. The guidelines and systems are regularly reviewed and adjusted to changes in markets and products. The Group manages and monitors these risks primarily through its operating and financing activities.

The Audit Committee of John Keells Holdings PLC, the parent Company, oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

35.1 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 trade receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

The Group trades only with recognised, credit worthy third parties. It is the Group's policy that all clients who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, such as cash and cash equivalents, trade receivables, related party receivables and investments in fixed deposits, the Group's exposure to credit risk arises from default of the counterparty. The Group manages its operations to avoid any excessive concentration of counterparty risk and the Group takes all reasonable steps to ensure the counterparties fulfill their obligations.

Notes to the Financial Statements

35.1.1 Risk exposure

Credit risk is the risk of financial loss to the Group, if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and placements in deposits with banking institutions.

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts (without consideration of collateral, if available). Following table shows the maximum risk positions.

As at 31st March	2018						
	Other non current financial assets	Cash in hand and at bank	Trade receivables	Short term Investments	Amounts due from related parties	Total	% of allocation
Rs. '000							
Risk exposure Group							
Deposits with bank	-	-	-	704,155	-	704,155	37%
Loans to executives	38,912	-	-	-	-	38,912	2%
Trade receivables	-	-	761,538	-	-	761,538	40%
Amounts due from related parties	-	-	-	-	56,135	56,135	3%
Cash in hand and at bank	-	353,347	-	-	-	353,347	18%
Total credit risk exposure	38,912	353,347	761,538	704,155	56,135	1,914,087	100%
Risk exposure Company							
Deposits with bank	-	-	-	704,155	-	704,155	51%
Loans to executives	30,348	-	-	-	-	30,348	2%
Trade receivables	-	-	334,767	-	-	334,767	24%
Amounts due from related parties	-	-	-	-	26,165	26,165	2%
Cash in hand and at bank	-	271,889	-	-	-	271,889	20%
Total credit risk exposure	30,348	271,889	334,767	704,155	26,165	1,367,324	100%

35.1.2 Deposits with bank

Deposits with bank mainly consist of Fixed Deposits.

As at 31 March 2018, Fixed Deposits of the Group and the Company were rated "A" or better.

As at 31st March	Group				Company			
	2018		2017		2018		2017	
Fitch ratings	In	Rating %	In	Rating %	In	Rating %	In	Rating %
	Rs. '000s	of total	Rs. '000s	of total	Rs. '000s	of total	Rs. '000s	of total
AA	-	0%	148,181	9%	-	0%	-	0%
AA-	224,065	32%	759,090	48%	224,065	32%	759,090	53%
A	480,090	68%	676,636	43%	480,090	68%	676,636	47%
Total	704,155	100%	1,583,907	100%	704,155	100%	1,435,726	100%

* Rating agencies

2017						
Other non current financial assets	Cash in hand and at bank	Trade receivables	Short term Investments	Amounts due from related parties	Total	% of allocation
-	-	-	1,583,907	-	1,583,907	52%
35,624	-	-	-	-	35,624	1%
-	-	660,922	-	-	660,922	22%
-	-	-	-	107,749	107,749	4%
-	635,878	-	-	-	635,878	21%
35,624	635,878	660,922	1,583,907	107,749	3,024,080	100%
-	-	-	1,435,726	-	1,435,726	63%
27,051	-	-	-	-	27,051	1%
-	-	261,373	-	-	261,373	12%
-	-	-	-	27,211	27,211	1%
-	510,464	-	-	-	510,464	23%
27,051	510,464	261,373	1,435,726	27,211	2,261,825	100%

Notes to the Financial Statements

35.1.3 Loans to executives

Loans to executive portfolio is largely made up of vehicle loans which are given to staff at assistant manager level and above. The respective business units have obtained the necessary Power of Attorney as collateral for the loans granted.

35.1.4 Trade and other receivables

As at 31st March Rs. '000	Group		Company	
	2018	2017	2018	2017
Neither past due nor impaired	135,198	130,018	64,853	79,179
Past due but not impaired				
0-30 days	348,024	397,661	161,804	143,567
31-60 days	182,985	175,404	109,317	84,123
61-90 days	52,627	29,965	43,049	10,377
91-120 days	71,371	8,382	5,533	6,683
121-180 days	56,258	7,155	-	-
> 181 days	739	18,346	(2,350)	10,323
Gross carrying value	847,202	766,931	382,206	334,252
Less: impairment provision				
Individually assessed impairment provision	(12,926)	(9,999)	(9,406)	(6,410)
Total	834,276	756,932	372,800	327,842

The Group has obtained customer deposit from major customers by reviewing their past performance and credit worthiness. The requirement for an impairment is analysed at each reporting date on an individual basis for major customers.

35.1.5 Amounts due from related parties

The Group's and Company's amounts due from related party mainly consists from Parent, Subsidiary and other related entities.

35.1.6 Credit risk relating to cash and cash equivalents

In order to mitigate settlement and operational risks related to cash and cash equivalents, the Company uses several banks with acceptable rating for its deposits.

35.2 Liquidity Risk

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

This excludes the potential impact of extreme circumstances that cannot reasonably be predicted such as natural disasters.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of multiple sources of funding including bank loans, overdrafts and over a broad spread of maturities.

35.2.1 Net debt/(cash)

As at 31st March Rs. '000	Group		Company	
	2018	2017	2018	2017
Short term investments	704,155	1,583,907	704,155	1,435,726
Cash in hand and at bank	353,347	635,878	271,889	510,464
Total liquid assets	1,057,502	2,219,785	976,044	1,946,190
Non current portion of borrowings	146,156	256,331	-	-
Current portion of borrowings	146,156	113,925	-	-
Bank overdrafts	301,763	160,542	92,637	88,369
Total liabilities	594,075	530,798	92,637	88,369
Net debt/(cash)	(463,427)	(1,688,987)	(883,407)	(1,857,821)

35.2.2 Liquidity risk management

The Group's approach to managing liquidity is to 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 its reputation.

Group maintains a portion of its assets in highly liquid form in order to meet its contractual obligations during the normal course of its operations.

Group monitors the level of expected cash flows on trade and other receivables together with expected cash outflow on trade and other payables and it expected a significant portion of trade receivables as at the reporting date would mature within a shorter period of time, given the historical trends, which enable to meet its contractual obligations.

Maturity analysis

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2018 based on contractual undiscounted payments.

Group	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total
Rs. '000							
Interest bearing borrowings	146,156	116,925	29,231	-	-	-	292,312
Trade and other payables	759,478	-	-	-	-	-	759,478
Amounts due to related parties	82,496	-	-	-	-	-	82,496
Bank overdrafts	301,763	-	-	-	-	-	301,763
	1,289,893	116,925	29,231	-	-	-	1,436,049

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2017 based on contractual undiscounted payments.

Group	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total
Rs. '000							
Interest bearing borrowings	113,925	113,925	142,406	-	-	-	370,256
Trade and other payables	731,009	-	-	-	-	-	731,009
Amounts due to related parties	93,619	-	-	-	-	-	93,619
Bank overdrafts	160,542	-	-	-	-	-	160,542
	1,099,095	113,925	142,406	-	-	-	1,355,426

Notes to the Financial Statements

Maturity analysis

The table below summarises the maturity profile of the Company financial liabilities at 31 March 2018 based on contractual undiscounted payments.

Company	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total
Rs. '000							
Trade and other payables	502,939	-	-	-	-	-	502,939
Amounts due to related parties	57,075	-	-	-	-	-	57,075
Bank overdrafts	92,637	-	-	-	-	-	92,637
	652,651	-	-	-	-	-	652,651

The table below summarises the maturity profile of the Company financial liabilities at 31 March 2017 based on contractual undiscounted payments.

Company	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total
Rs. '000							
Trade and other payables	469,490	-	-	-	-	-	469,490
Amounts due to related parties	65,634	-	-	-	-	-	65,634
Bank overdrafts	88,369	-	-	-	-	-	88,369
	623,493	-	-	-	-	-	623,493

35.3 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices

Market prices comprise four types of risk:

- Interest rate risk
- Currency risk
- Commodity price risk
- Equity price risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

35.3.1 Currency risk

Foreign currency risk that the fair value or future cash flows of a financial instrument will fluctuate, due to changes in foreign exchange rates.

Company as at the reporting date, do not hold significant "Financial Instruments" denominated in currencies other than its functional / reporting currency, hence do not get significantly exposed to currency risk from transaction of such balances in to the functional/reporting currency, which is Sri Lankan Rupees.

Trans Asia Hotels PLC (Subsidiary) obtained the bank loan in US Dollar terms are matched with US Dollar receipts from customers. The annual repayment of the US dollar loan for the following financial year is USD 562,500. The annual average US Dollar receipts of the Subsidiary is USD 1,825,992 approximately.

However, Company engages in transactions associated with foreign currencies in its ordinary course of operations, hence exposed to Currency risk'

Across the industry, the hotel rates targeting the foreign tourists are quoted in US Dollar terms, However a fluctuation in the exchange rate will not have a significant impact since majority of the quotes are converted to local currency at the point of invoicing. The company monitors fluctuations in foreign exchange rates and takes precautionary measures to revise its exchange rates on a regular basis. In an attempt to mitigate the exposure to currency risk arising from its transactions.

35.3.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group is exposed to interest rate risk for USD loan obtained from Hatton National Bank by Trans Asia Hotels PLC. However, management monitors the sensitivities on regular basis and ensure risks are managed on a timely manner.

35.4 Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong financial position and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure, and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares, have a rights issue or buy back of shares.

As at 31st March Rs. '000	Group		Company	
	2018	2017	2018	2017
Total liabilities	5,911,017	2,683,248	4,421,665	1,204,593
Less: cash and fixed deposits	1,057,502	2,219,785	976,044	1,946,190
Adjusted net debt	4,853,515	463,463	3,445,621	(741,597)
Total equity	35,236,930	36,508,522	29,713,920	31,160,980
Adjusted net debt to adjusted equity ratio	13.77%	1.27%	11.60%	-2.38%

Notes to the Financial Statements

36. OPERATING SEGMENT INFORMATION

Accounting policy

A segment is a distinguishable component of the Company that is engaged either in providing products or services which are subject to risks and rewards that are different from those of other segments.

The Group has the following two strategic divisions, which are its reportable segments.

The following summary describes the operations of each reportable segment.

Reportable Segments	Operations					
Hotel	Provide hoteliering services to local and foreign tours					
Property	Property Development and rent out premises					
Revenue	Hotels		Property		Group Total	
For the year ended 31st March Rs. '000	2018	2017	2018	2017	2018	2017
External revenue	8,278,216	8,717,087	349,837	349,872	8,628,053	9,066,959
Inter segment revenue	(61,331)	(61,331)	61,331	61,331	-	-
Total segment revenue	8,216,885	8,655,756	411,168	411,203	8,628,053	9,066,959
Segment operating profits before						
finance expenses	1,905,134	2,698,235	285,474	252,326	2,190,608	2,950,561
Inter company dividends	(273,493)	(234,422)	-	-	(273,493)	(234,422)
Finance expenses	(26,251)	(29,197)	-	-	(26,251)	(29,197)
Change in fair value of						
investment properties						
Company	-	-	180,138	155,761	180,138	155,761
Commercial centre of subsidiary	-	-	397,600	243,400	397,600	243,400
Profit before taxation	1,605,390	2,434,616	863,212	651,487	2,468,602	3,086,103
Income tax expense	(236,427)	(266,445)	(16,041)	(14,495)	(252,468)	(280,940)
Eliminations	(30,388)	(26,047)	-	-	(30,388)	(26,047)
Profit after taxation	1,338,575	2,142,124	847,171	636,992	2,185,746	2,779,116
Minority interest	(244,452)	(346,299)	(255,344)	(167,405)	(499,796)	(513,704)
Net profit for the year	1,094,123	1,795,825	591,827	469,587	1,685,950	2,265,412
Assets						
Segment assets	32,268,536	32,390,203	9,544,519	7,469,938	41,813,055	39,860,141
Elimination	-	-	-	-	(665,108)	(668,369)
Total assets	32,268,536	32,390,203	9,544,519	7,469,938	41,147,947	39,191,772
Liabilities						
Segment liabilities	5,734,415	2,496,553	181,665	195,021	5,916,080	2,691,574
Elimination	-	-	-	-	(5,063)	(8,324)
Total liabilities	5,734,415	2,496,553	181,665	195,021	5,911,017	2,683,250

37. CONTINGENT LIABILITIES

Accounting policy

All contingent liabilities are disclosed as a note to the financial statements unless the outflow of resources is remote. A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of:

- i) The amount that would be recognised in accordance with the general guidance for provisions above (LKAS 37) or
- ii) The amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition (LKAS 18)*

The Department of Inland Revenue has issued income tax assessments for Trans Asia Hotels PLC (Subsidiary) for the years 2012/13, 2013/14 and 2014/15. The Company has lodged valid appeals against the assessments raised and is contesting these under the appellate procedure. Having discussed with independent legal and tax experts and based on the information available, the contingent liability as at 31 March 2018 is estimated at Rs. 40.6 Mn and penalties on it.

The management is confident that the ultimate resolution of the above contingencies are unlikely to have a material adverse effect on the financial position of the Group.

38. CAPITAL COMMITMENTS

The Company had capital Expenditure contracted for Rs.165.8 Mn as at 31st March 2018, which were not provided for in the consolidated financial statements.

39. EVENTS SUBSEQUENT TO THE REPORTING DATE AND OTHER MATTERS

Accounting policy

All material events after the reporting date have been considered and appropriate adjustments or disclosures have been made in the respective Notes to the Financial Statements.

Other than the contingent liabilities and commitments referred to in Note 37 & 38 to the Financial Statements, there have been no events subsequent to the reporting date which would have any material effect on the Company and the Group.

The Board of Directors of the Company has declared a Final Dividend of Rs. 0.50/- per share for the financial year ended 31st March 2018.

As required by Section 56 (2) of the Companies Act No. 7 of 2007, the Board of Directors have confirmed that the Company satisfies the Solvency test in accordance with Section 57 of the Companies Act No. 7 of 2007, and have obtained a certificate from Auditors, prior to declaring a Final Dividend.

In accordance with Sri Lanka Accounting Standard (LKAS) 10, Events after the reporting period, the proposed final dividend has not been recognised as a liability in the Financial Statements as at 31st March 2018.

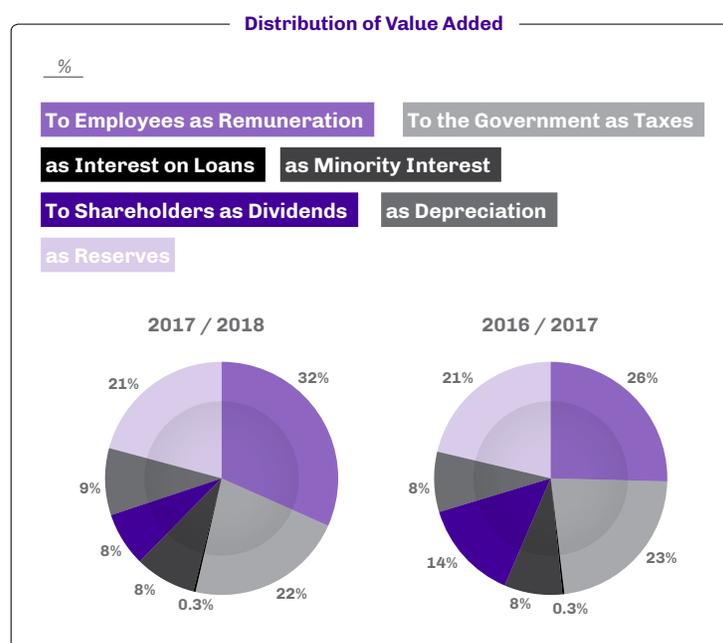
40. DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Please refer to the page 116 for the Statement of Directors Responsibility for Financial Reporting.

Consolidated Value Added Statement

In Rs. '000s	2018	2017
Revenue	8,628,053	9,066,959
Adjustment for Change in Fair Value of Investment Property	577,738	399,161
Adjustment for Finance Income	143,006	221,817
Adjustment for other Income	75,516	83,268
	9,424,313	9,771,205
Less : Cost of Materials & Services		
Purchased from external sources	3,524,760	3,394,003
Value Added	5,899,553	6,377,202

In Rs. '000s	2018	%	2017	%
Distributed as follows:				
To Employees as Remuneration	1,866,897	31.6%	1,620,454	25.4%
To the Government as Taxes	1,295,423	22.0%	1,447,807	22.7%
To the Providers of Capital				
as Interest on Loans	18,010	0.3%	17,741	0.3%
as Minority Interest	499,796	8.5%	513,704	8.1%
To Shareholders as Dividends	442,775	7.5%	885,551	13.9%
Retained within the business				
as Depreciation	548,833	9.3%	532,943	8.4%
as Reserves	1,227,819	20.8%	1,359,002	21.3%
	5,899,553	100	6,377,202	100



Information to Shareholders and Investors

STOCK EXCHANGE LISTING

The Issued Ordinary Shares of Asian Hotels and Properties PLC are listed with the Colombo Stock Exchange of Sri Lanka. The Audited Financial Statements of the Company and the Consolidated Financial Statements for the year ended 31st March 2018 have been submitted to the Colombo Stock Exchange.

DISTRIBUTION OF SHAREHOLDINGS

From	To	31.03.2018			31.03.2017		
		Number of Share Holders	Total Share Holdings	Percentage of Share Holdings	Number of Share Holders	Total Share Holdings	Percentage of Share Holdings
1	- 1,000	2,146	550,223	0.1	2,189	572,247	0.1
1,001	- 10,000	685	2,326,429	0.5	717	2,464,617	0.6
10,001	- 100,000	160	4,451,327	1.0	170	4,729,137	1.1
100,001	- 1,000,000	23	5,499,338	1.2	25	5,977,725	1.4
1,000,001	and above	12	429,947,983	97.0	12	429,031,574	96.8
		3,026	442,775,300	100.0	3,113	442,775,300	100.0

ANALYSIS OF SHAREHOLDERS

Categories of Shareholders

	31.03.2018		31.03.2017	
	Holdings Number	%	Holdings Number	%
Individual	13,767,417	3.11	14,247,856	3.22
Institutions	429,007,883	96.89	428,527,444	96.78
	442,775,300	100.00	442,775,300	100.00
Resident	435,024,599	98.25	434,868,644	98.28
Non Resident	7,750,701	1.75	7,606,656	1.72
	442,775,300	100.00	442,475,300	100.00
Public	94,912,508	21.44	94,923,108	21.44
Non Public*	347,862,792	78.56	347,852,192	78.56
	442,775,300	100.00	442,775,300	100.00

*Includes shareholdings of Parent Company, Directors & Spouses.

Information to Shareholders and Investors

For the Year Ended 31st March		2018	2017
Market Value			
Highest Market Price per share	Rs.	63.00	63.00
Lowest Market Price per share	Rs.	54.00	46.50
Last Traded Market Price per share as at	Rs.	50.20	55.50
Dividend Payments			
Interim Dividend per Share	Rs.	1.00	2.00
Final Dividend per Share	Rs.	2.00	2.00

TOP TWENTY SHAREHOLDERS

Name	As at 31.03.2018		As at 31.03.2017	
	Share Holdings	Share Holdings Percentage	Share Holdings	Share Holdings Percentage
John Keells Holdings PLC	347,824,192	78.56	347,824,192	78.56
Employees Provident Fund	45,249,798	10.22	45,249,798	10.22
Bank of Ceylon A/C Ceybank Unit Trust	10,190,555	2.30	9,917,073	2.24
Sri Lanka Insurance Corporation Ltd-Life Fund	10,055,900	2.27	10,055,900	2.27
Dr. S. Yaddehige	3,415,200	0.77	3,415,200	0.77
RBC Investor Services Bank-Alquity Sicav-Alquity Asia Fund	2,674,891	0.60	1,722,774	0.39
Bank of Ceylon-No. 2 A/C	2,583,400	0.58	2,583,400	0.58
Bank of Ceylon-No. 1 Account	2,367,741	0.53	2,367,741	0.53
Mr. M.J. Fernando	2,018,000	0.46	2,018,000	0.46
National Savings Bank	1,366,132	0.31	1,366,132	0.31
Bank of Ceylon A/C Ceybank Century Growth Fund	1,187,469	0.27	1,184,969	0.27
HSBC International Nominees Limited-MSNY-Bay Pond Partners L.P.	1,014,705	0.23	1,326,395	0.30
Employee Trust Fund Board	767,478	0.17	767,478	0.17
Mr. M. Mannawarajan	650,016	0.15	650,016	0.15
Richard Pieris & Co Ltd - Account No. 01	639,400	0.14	639,400	0.14
HSBC International Nominees Limited-MSNY-Bay Pond Investors (Bermuda) L.P.	323,062	0.07	649,688	0.15
Citizens Development Business Finance PLC	281,341	0.06	102,645	0.02
Merrill J Fernando & Sons (Pvt) Limited	220,000	0.05	220,000	0.05
Hatton National Bank PLC A/C No.05 (Trading Portfolio)	207,476	0.05	207,476	0.05
Dr. (Mrs.) V. Bandaranayake	200,051	0.05	200,051	0.05
	433,236,807	97.85	432,468,328	97.67

5 Year Financial Review of the Group

	2017/18 Rs '000	2016/17 Rs '000	2015/16 Rs '000	2014/15 Rs '000	2013/14 Rs '000
Revenue	8,628,053	9,066,959	8,066,693	8,080,152	8,256,149
Profit After Taxation	2,185,746	2,779,116	2,022,671	2,087,457	2,818,511
Share Capital & Reserves					
Stated Capital	3,345,117	3,345,117	3,345,117	3,345,117	3,345,117
Other Components of Equity	20,415,314	22,139,389	12,824,188	12,808,756	11,110,871
Revenue reserves	7,977,471	7,624,292	7,139,930	7,883,065	7,880,071
Shareholders' Funds	31,737,902	33,108,798	23,309,235	24,036,938	22,336,059
Minority Interest	3,499,028	3,399,724	3,227,406	3,388,477	3,451,487
	35,236,930	36,508,522	26,536,641	27,425,415	25,787,546
Assets & (Liabilities)					
Current Assets	2,284,129	3,405,078	2,822,210	3,932,511	4,358,004
Current Liabilities	(1,805,411)	(1,774,606)	(1,587,998)	(1,387,524)	(1,273,455)
Net Current Assets	478,718	1,630,472	1,234,212	2,544,987	3,084,549
Non Current Assets	38,863,818	35,786,692	26,281,198	25,463,360	23,261,641
Non Current Liabilities	(4,105,606)	(908,642)	(978,769)	(582,932)	(558,645)
	35,236,930	36,508,522	26,536,641	27,425,415	25,787,545

	2018	2017	2016	2015	2014
Ratio Analysis					
Earnings per Share (Rs)*	3.81	5.12	4.16	3.97	5.42
Net Assets per Share (Rs)	71.68	74.78	52.64	54.29	50.45
Current Ratio (Times)	1.27	1.92	1.78	2.83	3.42
After Tax Return on Net Assets	5.31%	6.84%	7.90%	7.31%	10.74%
Dividend Per Share*	3.00	4.00	5.50	4.00	4.00
P/E Ratio	13.18	10.85	11.50	15.88	10.85
Dividend Payout Ratio	0.79	0.78	1.32	1.01	0.74

* The increased number of ordinary shares of 442,775,300 has been considered for the previous year's comparative figures.

5 Year Financial Summary Property Division

	2017/18 Rs '000	2016/17 Rs '000	2015/16 Rs '000	2014/15 Rs '000	2013/14 Rs '000
Revenue	349,837	349,872	331,033	355,527	419,119
Cost of Sales	99,958	114,056	98,141	191,677	234,571
Gross Profit	249,879	235,816	232,891	163,851	184,548
Administration & Other Overheads	99,644	110,682	111,002	104,700	117,701
Finance and Other Income	81,621	74,771	62,122	81,510	106,759
Change in Fair Value of Investment Property	180,138	155,761	98,565	8,142	268,564
Net Profit Before Tax	411,994	355,666	282,576	148,803	442,170

5 Year Financial Summary

Cinnamon Grand Hotel

	2017/18	2016/17	2015/16	2014/15	2013/14
	Rs '000				
Revenue					
Rooms	2,370,490	2,677,204	2,610,729	2,495,720	2,589,915
Food	2,081,894	2,161,764	2,030,676	1,884,175	1,779,373
Beverage	360,002	357,311	348,910	316,647	298,787
Food & Beverage Others	20,157	21,084	17,573	17,386	16,467
Telephone	1,107	2,023	2,736	3,401	4,827
Rental Income	25,073	22,532	20,400	18,360	16,668
Other Operating Income	220,642	224,127	220,947	202,862	191,530
Total Revenue	5,079,365	5,466,046	5,251,972	4,938,552	4,897,567
Expenses					
Room	483,530	458,653	430,593	380,079	343,617
Food Cost	803,421	820,476	797,165	748,639	696,668
Beverage Cost	121,068	130,376	125,311	104,407	90,929
Food & Beverage Other	799,777	696,180	651,684	600,315	548,926
Telephone	4,876	4,855	5,874	5,548	5,289
Other	182,654	184,091	182,427	171,191	167,622
Total Expenses	2,395,327	2,294,632	2,193,054	2,010,179	1,853,051
Gross Operating Income	2,684,039	3,171,414	3,058,918	2,928,373	3,044,516
Expenses					
Administration & General	447,787	415,982	357,623	323,849	262,603
Advertising & Sales Promotion	130,026	116,048	124,584	103,407	111,808
Heat, Light & Power	301,367	263,709	318,894	359,804	376,177
Repair & Maintenance	186,049	170,916	178,994	156,589	173,579
Total Deductions	1,065,229	966,655	980,095	943,650	924,167
Gross Operating Profit	1,618,810	2,204,759	2,078,823	1,984,723	2,120,349
Interest Income	100,099	174,425	134,912	135,294	188,746
Dividend Income	273,493	234,422	156,281	273,493	273,493
Sundry Income	14,662	15,765	23,988	18,765	16,538
	2,007,063	2,629,371	2,394,004	2,412,276	2,599,126
Insurance	9,641	11,262	12,595	11,778	13,436
Interest Expenses	-	-	-	-	3,249
Rates	16,784	12,939	11,658	11,658	11,796
Management/ Marketing Fee	288,384	333,126	317,699	300,752	304,917
Depreciation	351,873	323,058	304,629	276,989	259,662
	666,682	680,386	646,581	601,176	593,060
Net Profit Before Tax	1,340,380	1,948,985	1,747,423	1,811,099	2,006,066

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Twenty Fourth Annual General Meeting of Asian Hotels and Properties PLC will be held at the Auditorium of the Ceylon Chamber of Commerce, No. 50, Nawam Mawatha, Colombo 2, on 21st June 2018 at 10.30 a.m.

The business to be brought before the meeting will be:

1. To read the notice convening the meeting.
2. To receive and consider the Annual Report and Audited Financial Statements of the Company for the year ended 31st March 2018 together with the Report of the Auditors thereon.
3. To re-elect as Director Mr. C J L Pinto who retires in terms of Article 84 of the Articles of Association of the Company. A brief profile of Mr. C J L Pinto is contained in Page 14 of the Annual Report.
4. To re-elect as Director Mr. K N J Balendra who retires in terms of Article 84 of the Articles of Association of the Company. A brief profile of Mr. K N J Balendra is contained in Page 12 of the Annual Report.
5. To re-elect as Director Mr. J G A Cooray who retires in terms of Article 91 of the Articles of Association of the Company. A brief profile of Mr. J G A Cooray is contained in Page 12 of the Annual Report.
6. To re-elect as Director Mr. J R Gunaratne who retires in terms of Article 91 of the Articles of Association of the Company. A brief profile of Mr. J R Gunaratne is contained in Page 13 of the Annual Report.
7. To re-appoint Auditors, Messrs. KPMG, Chartered Accountants, and to authorise the Directors to determine their remuneration.
8. To consider any other business of which due notice has been given in terms of the relevant laws and regulations.

BY ORDER OF THE BOARD
ASIAN HOTELS AND PROPERTIES PLC



Keells Consultants (Private) Limited
Secretaries

Colombo,
28th May 2018

Notes:

- (i) A member unable to attend is entitled to appoint a proxy to attend and vote in his / her place.
- (ii) A proxy need not be a member of the Company.
- (iii) A member wishing to vote by proxy at the meeting may use the Proxy Form enclosed.
- (iv) In order to be valid, the completed Proxy Form must be lodged at the registered office of the Company not later than 48 hours before the meeting.
- (v) If a poll is demanded, a vote can be taken on a show of hand or by poll. Each share is entitled to one vote. Votes can be cast in person, by proxy or corporate representatives. In the event an individual member and his/her proxy holder are both present at the meeting, only the member's vote is counted. If proxy holder's appointer has indicated the manner of voting, only the appointer's indication of the manner of vote will be used.

Form of Proxy

I/We
of

being a member/members of Asian Hotels and Properties PLC hereby appoint

..... of
..... or failing him/her

- Mr. S C Ratnayake failing whom
- Mr. J G A Cooray failing whom
- Mr. J R Gunaratne failing whom
- Mr. K N J Balendra failing whom
- Mr. R J Karunarahah failing whom
- Mr. S Rajendra failing whom
- Mr. C J L Pinto failing whom
- Mr. S K G Senanayake failing whom
- Mrs. S A Jayasekera

as my/our proxy to represent me/us and vote on my/our behalf at the 24th Annual General Meeting of the Company, to be held on the 21st day of June 2018 at 10.30 a.m . and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

I/We, the undersigned, hereby direct my/our proxy to vote for me/us and on my/our behalf on the specified resolution as indicated by the letter "x" in the appropriate cage:

	FOR	AGAINST
1. To re-elect as Director Mr. C J L Pinto who retires in terms of Article 84 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect as Director Mr. K N J Balendra who retires in terms of Article 84 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect as Director Mr. J G A Cooray who retires in terms of Article 91 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect as Director Mr. J R Gunaratne who retires in terms of Article 91 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-appoint Auditors, Messrs. KPMG, Chartered Accountants, and to Authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day of Two Thousand and Eighteen.

.....
Signature of Shareholder

Notes:

INSTRUCTIONS AS TO COMPLETION OF THE PROXY FORM ARE NOTED ON THE REVERSE.

INSTRUCTIONS AS TO COMPLETION

1. Please perfect the Form of Proxy by filling in legibly your full name and address, signing in the space provided and filling in the date of signature.
2. The completed Form of Proxy should be deposited at the Registered Office of the Company at No. 77, Galle Road, Colombo 03, not later than 48 hours before the time appointed for the holding of the Meeting.
3. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
4. If the appointer is a Company or Corporation, the Form of Proxy should be executed under its Common Seal or by a duly authorised officer of the Company or Corporation in accordance with its Articles of Association or Constitution.
5. If this Form of Proxy is returned without any indication of how the person appointed as Proxy shall vote, then the Proxy shall exercise his/her discretion as to how he/she votes or, whether or not he/she abstains from voting.

Please fill in the following details:

Name :

Address :

.....

Jointly with :

Share Folio No. :

Corporate Information

NAME OF COMPANY

Asian Hotels and Properties PLC

LEGAL FORM

A Public Limited Liability Company incorporated in Sri Lanka in 1993 and registered with the Board of Investment of Sri Lanka under Section 17 of the Board of Investment Law No. 4 of 1978

The Company was re-registered as per the New Companies Act No. 7 of 2007 on 15th June 2007

STOCK EXCHANGE LISTING

The issued Ordinary shares of the Company are listed on the Main Board of the Colombo Stock Exchange of Sri Lanka

COMPANY REGISTRATION NO.

PQ 2

BOARD OF DIRECTORS

Mr. Susantha Chaminda Ratnayake - Chairman
Mr. Krishan Niraj Jayasekara Balendra
Mr. Rohan Jebashantham Karunarajah
Mr. Suresh Rajendra
Mr. Sanjiva Kanishka Gamini Senanayake
Ms. Shirani Anoja Jayasekara
Mr. Cholmondeley John Lloyd Pinto
Mr. Jitendra Romesh Gunaratne (Appointment w.e.f. 01.01.2018)
Mr. Joseph Gihan Adisha Cooray (Appointment w.e.f. 01.01.2018)

COMPANY SECRETARIES

Keells Consultants (Private) Limited
117, Sir Chittampalam A. Gardiner Mawatha, Colombo 2.

REGISTERED OFFICE

No.77, Galle Road, Colombo 03
Tel: +94 11 2497205 Fax: +94 11 5547555
E-mail: grand@cinnamonhotels.com

AUDITORS

KPMG
Chartered Accountants
32A, Sir Mohamed Macan Marker Mawatha
Colombo 03.

BANKERS

Deutsche Bank AG - Colombo
Seylan Bank Ltd - Millennium Branch, Colombo
Hongkong & Shanghai Banking Corp. Ltd. - Colombo
Nations Trust Bank PLC - Union Place, Colombo
DFCC Vardhana Bank Ltd. - W.A.D. Ramanayake Mw, Colombo.
CITI Bank N.A - Colombo
Bank of Ceylon - Colombo
Commercial Bank of Ceylon PLC - Colombo
Hatton National Bank - City Office, Colombo

Concept & Designed by



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